

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 January 31, 2026

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

[Table of Contents](#)

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 March 5, 2026, the Issuer's Common Stock, \$0.01 par value, shares outstanding were 64,074,946.

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**BUTLER NATIONAL CORPORATION AND SUBSIDIARIES**

**INDEX**

**PART I. FINANCIAL INFORMATION**

	<b><u>PAGE NO.</u></b>
<b>Item 1</b> <a href="#">Financial Statements (Unaudited)</a>	
<a href="#">Condensed Consolidated Balance Sheets – January 31, 2026 (unaudited) and April 30, 2025</a>	<a href="#">4</a>
<a href="#">Condensed Consolidated Statements of Operations - Three Months Ended January 31, 2026 and 2025</a>	<a href="#">6</a>
<a href="#">Condensed Consolidated Statements of Operations - Nine Months Ended January 31, 2026 and 2025</a>	<a href="#">7</a>
<a href="#">Condensed Consolidated Statements of Stockholders' Equity - Nine Months Ended January 31, 2026 and 2025</a>	<a href="#">8</a>
<a href="#">Condensed Consolidated Statements of Cash Flows - Nine Months Ended January 31, 2026 and 2025</a>	<a href="#">10</a>
<a href="#">Notes to Condensed Consolidated Financial Statements</a>	<a href="#">12</a>
<b>Item 2</b> <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">23</a>
<b>Item 3</b> <a href="#">Quantitative and Qualitative Disclosures about Market Risk</a>	<a href="#">36</a>
<b>Item 4</b> <a href="#">Controls and Procedures</a>	<a href="#">36</a>
<b><u>PART II. OTHER INFORMATION</u></b>	
<b>Item 1</b> <a href="#">Legal Proceedings</a>	<a href="#">37</a>
<b>Item 1A</b> <a href="#">Risk Factors</a>	<a href="#">37</a>
<b>Item 2</b> <a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	<a href="#">37</a>
<b>Item 3</b> <a href="#">Defaults Upon Senior Securities</a>	<a href="#">38</a>
<b>Item 4</b> <a href="#">Mine Safety Disclosures</a>	<a href="#">38</a>
<b>Item 5</b> <a href="#">Other Information</a>	<a href="#">38</a>
<b>Item 6</b> <a href="#">Exhibits</a>	<a href="#">39</a>
<a href="#">Signatures</a>	<a href="#">40</a>

**PART I. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**BUTLER NATIONAL CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**As of January 31, 2026 and April 30, 2025**

**(in thousands except per share data)**

	<u>January 31, 2026</u>	<u>April 30, 2025</u>
	(unaudited)	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 36,492	\$ 25,226
Accounts receivable, net	12,168	5,867
Inventory, net	12,102	10,924
Contract asset	2,232	2,993
Prepaid expenses and other current assets	3,366	1,771
Income tax receivable	-	531
Total current assets	<u>66,360</u>	<u>47,312</u>
LEASE RIGHT-TO-USE ASSET, net	3,218	3,367
PROPERTY, PLANT AND EQUIPMENT, net	58,386	60,256
SUPPLEMENTAL TYPE CERTIFICATES (net of accumulated amortization of \$13,085 at January 31, 2026 and \$12,145 at April 30, 2025)	9,918	9,237
<b>OTHER ASSETS:</b>		
Other assets (net of accumulated amortization of \$12,920 at January 31, 2026 and \$12,461 at April 30, 2025)	1,026	1,050
Deferred tax asset, net	2,076	2,076
Total other assets	<u>3,102</u>	<u>3,126</u>
Total assets	<u>\$ 140,984</u>	<u>\$ 123,298</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 17,937	\$ 8,623
Current maturities of long-term debt	5,245	5,287
Current maturities of lease liability	129	121
Contract liability	5,989	5,530
Gaming facility mandated payment	1,798	1,688
Compensation and compensated absences	1,614	2,663
Income taxes payable	1,922	-
Other current liabilities	572	502
Total current liabilities	<u>35,206</u>	<u>24,414</u>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt, net of current maturities	25,576	29,870
Lease liability, net of current maturities	3,858	3,900
Total long-term liabilities	<u>29,434</u>	<u>33,770</u>
Total liabilities	<u>64,640</u>	<u>58,184</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
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	-	-

[Table of Contents](#)

Common stock, par value \$.01: Authorized 100,000,000 shares, issued 79,996,814 shares, and outstanding 64,074,946 shares at January 31, 2026 and issued 79,772,345 shares, and outstanding 67,180,527 shares at April 30, 2025	800	798
Capital contributed in excess of par	14,569	14,247
Treasury stock at cost, 15,921,868 shares at January 31, 2026 and 12,591,818 shares at April 30, 2025	(14,930)	(9,458)
Retained earnings	75,905	59,527
Total stockholders' equity	<u>76,344</u>	<u>65,114</u>
Total liabilities and stockholders' equity	<u>\$ 140,984</u>	<u>\$ 123,298</u>

See accompanying notes to condensed consolidated financial statements (unaudited)

**BUTLER NATIONAL CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED JANUARY 31, 2026 AND 2025**  
**(in thousands, except per share data)**  
**(unaudited)**

	THREE MONTHS ENDED	
	January 31,	
	2026	2025
<b>REVENUE:</b>		
Professional Services	\$ 9,859	\$ 9,813
Aerospace Products	17,054	11,361
Total revenues	26,913	21,174
<b>COSTS AND EXPENSES:</b>		
Cost of Professional Services	3,869	4,033
Cost of Aerospace Products	8,562	8,316
Marketing and advertising	863	885
General, administrative and other	4,381	3,914
Total costs and expenses	17,675	17,148
<b>OPERATING INCOME</b>	<b>9,238</b>	<b>4,026</b>
<b>OTHER INCOME (EXPENSE):</b>		
Interest expense	(478)	(557)
Gain on sale of product line	-	1,040
Interest income	228	125
Total other income	(250)	608
<b>INCOME BEFORE INCOME TAXES</b>	<b>8,988</b>	<b>4,634</b>
<b>PROVISION FOR INCOME TAXES:</b>		
Provision for income taxes	2,289	1,256
<b>NET INCOME</b>	<b>\$ 6,699</b>	<b>\$ 3,378</b>
<b>BASIC EARNINGS PER COMMON SHARE</b>	<b>\$ 0.10</b>	<b>\$ 0.05</b>
<b>WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION</b>	<b>64,231,747</b>	<b>66,960,627</b>
<b>DILUTED EARNINGS PER COMMON SHARE</b>	<b>\$ 0.10</b>	<b>\$ 0.05</b>
<b>WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION</b>	<b>64,231,747</b>	<b>66,960,627</b>

See accompanying notes to condensed consolidated financial statements (unaudited)

**BUTLER NATIONAL CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE NINE MONTHS ENDED JANUARY 31, 2026 AND 2025**  
**(in thousands, except per share data)**  
**(unaudited)**

	NINE MONTHS ENDED	
	January 31,	
	2026	2025
<b>REVENUE:</b>		
Professional Services	\$ 27,882	\$ 28,700
Aerospace Products	42,407	33,663
Total revenue	70,289	62,363
<b>COSTS AND EXPENSES:</b>		
Cost of Professional Services	11,644	11,834
Cost of Aerospace Products	22,626	23,315
Marketing and advertising	2,680	2,751
General, administrative and other	12,357	12,047
Total costs and expenses	49,307	49,947
<b>OPERATING INCOME</b>	<b>20,982</b>	<b>12,416</b>
<b>OTHER INCOME (EXPENSE):</b>		
Interest expense	(1,502)	(1,660)
Gain on sale of product line	-	1,040
Gain on sale of airplanes	403	248
Gain on sale of building	1,477	261
Interest income	735	331
Total other income (expense)	1,113	220
<b>INCOME BEFORE INCOME TAXES</b>	<b>22,094</b>	<b>12,636</b>
<b>PROVISION FOR INCOME TAXES</b>		
Provision for income taxes	5,716	3,416
<b>NET INCOME</b>	<b>\$ 16,378</b>	<b>\$ 9,220</b>
<b>BASIC EARNINGS PER COMMON SHARE</b>	<b>\$ 0.25</b>	<b>\$ 0.14</b>
<b>WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION</b>	<b>65,253,135</b>	<b>67,861,002</b>
<b>DILUTED EARNINGS PER COMMON SHARE</b>	<b>\$ 0.25</b>	<b>\$ 0.14</b>
<b>WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION</b>	<b>65,253,135</b>	<b>67,861,002</b>

See accompanying notes to condensed consolidated financial statements (unaudited)

**BUTLER NATIONAL CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**FOR THE NINE MONTHS ENDED JANUARY 31, 2026 AND 2025**  
**(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
Stock repurchase	-	-	\$ -	71,404	(133)	\$ -	\$ (133)
Deferred compensation, restricted stock	86,704	-	\$ 69	-	-	\$ -	\$ 69
Net Income	-	-	-	-	-	3,378	3,378
Balance, January 31, 2025	79,732,915	\$ 796	\$ 14,072	12,130,519	\$ (8,693)	\$ 56,196	\$ 62,371

[Table of Contents](#)

	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
Stock repurchase	-	-	-	222,168	(665)	-	(665)
Stock awarded to directors	18,112	-	50	-	-	-	50
Deferred compensation, restricted stock	-	-	47	-	-	-	47
Net Income	-	-	-	-	-	6,699	6,699
Balance, January 31, 2026	79,996,814	\$ 800	\$ 14,569	15,921,868	\$ (14,930)	\$ 75,905	\$ 76,344

See accompanying notes to condensed consolidated financial statements (unaudited)

**BUTLER NATIONAL CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED JANUARY 31, 2026 AND 2025**  
**(in thousands)**  
**(unaudited)**

	NINE MONTHS ENDED	
	January 31,	
	2026	2025
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 16,378	\$ 9,220
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,082	5,020
Stock awarded to directors	164	-
Gain on sale of product line	-	(1,040)
Gain on sale of airplanes	(403)	(248)
Gain on sale of building	(1,477)	(261)
Supplemental Type Certificates WIP Adjustment	195	-
Deferred compensation, restricted stock	160	206
Changes in operating assets and liabilities:		
Accounts receivable	(5,101)	(510)
Inventory	(1,178)	(846)
Contract assets	761	666
Prepaid expenses and other assets	(1,595)	(243)
Accounts payable	9,314	8,577
Contract liability	459	2,671
Lease liability	169	163
Accrued liabilities	(1,049)	(550)
Gaming facility mandated payment	110	(488)
Income tax payable	2,453	(3,106)
Other liabilities	70	348
Net cash provided by operating activities	<u>24,512</u>	<u>19,579</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(4,745)	(6,141)
Proceeds from sale of product line	-	1,500
Proceeds from sale of airplanes	403	294
Proceeds from sale of building	1,168	1,037
Net cash used in investing activities	<u>(3,174)</u>	<u>(3,310)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowing of long-term debt	-	2,016
Repayments of long-term debt	(4,397)	(3,673)
Repayments on right-to-use lease liability	(203)	(201)
Repurchase of common stock	(5,472)	(1,496)
Net cash used in financing activities	<u>(10,072)</u>	<u>(3,354)</u>

NET INCREASE (DECREASE) IN CASH	11,266	12,915
CASH AND CASH EQUIVALENTS, beginning of period	25,226	17,792
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 36,492</u>	<u>\$ 30,707</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 1,502</u>	<u>\$ 1,674</u>
Income taxes paid	<u>\$ 3,285</u>	<u>\$ 6,522</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 nine months ended January 31, 2026 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 January 31, 2026 and April 30, 2025, we had \$3,788 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 \$15.2 million and \$6.7 million as of January 31, 2026 and April 30, 2025, respectively. Revenue from Gaming Management and other Corporate/Professional Services is recognized as the service is rendered. Food, beverage and other revenue is recorded when the service is received and paid.

## 5. Disaggregation of Revenue

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

	Three Months Ended January 31, 2026			Three Months Ended January 31, 2025		
	Professional Services	Aerospace Products	Total	Professional Services	Aerospace Products	Total
<b>Geographical Markets</b>						
North America	\$ 9,859	\$ 12,994	\$ 22,853	\$ 9,813	\$ 4,049	\$ 13,862
Europe	-	3,267	3,267	-	6,687	6,687
Asia	-	790	790	-	593	593
Australia and Other	-	3	3	-	32	32
	<u>\$ 9,859</u>	<u>\$ 17,054</u>	<u>\$ 26,913</u>	<u>\$ 9,813</u>	<u>\$ 11,361</u>	<u>\$ 21,174</u>
<b>Major Product Lines</b>						
Casino Gaming Revenue	\$ 6,485	\$ -	\$ 6,485	\$ 6,845	\$ -	\$ 6,845
Sports Wagering Revenue	2,218	-	2,218	1,838	-	1,838
Casino Non-Gaming Revenue	1,156	-	1,156	1,130	-	1,130
Aircraft Modification	-	11,144	11,144	-	8,061	8,061
Aircraft Avionics	-	1,271	1,271	-	915	915
Special Mission Electronics	-	4,639	4,639	-	2,385	2,385
	<u>\$ 9,859</u>	<u>\$ 17,054</u>	<u>\$ 26,913</u>	<u>\$ 9,813</u>	<u>\$ 11,361</u>	<u>\$ 21,174</u>
<b>Contract Types / Revenue Recognition Timing</b>						
Percentage of completion contracts	\$ -	\$ 10,020	\$ 10,020	\$ -	\$ 7,419	\$ 7,419
Goods or services transferred at a point of sale	9,859	7,034	16,893	9,813	3,942	13,755
	<u>\$ 9,859</u>	<u>\$ 17,054</u>	<u>\$ 26,913</u>	<u>\$ 9,813</u>	<u>\$ 11,361</u>	<u>\$ 21,174</u>

	Nine Months Ended January 31, 2026			Nine Months Ended January 31, 2025		
	Professional Services	Aerospace Products	Total	Professional Services	Aerospace Products	Total
<b>Geographical Markets</b>						
North America	\$ 27,882	\$ 33,261	\$ 61,143	\$ 28,700	\$ 18,475	\$ 47,175
Europe	-	5,507	5,507	-	13,330	13,330
Asia	-	3,516	3,516	-	1,521	1,521
Australia and Other	-	123	123	-	337	337
	<u>\$ 27,882</u>	<u>\$ 42,407</u>	<u>\$ 70,289</u>	<u>\$ 28,700</u>	<u>\$ 33,663</u>	<u>\$ 62,363</u>
<b>Major Product Lines</b>						
Casino Gaming Revenue	\$ 19,801	\$ -	\$ 19,801	\$ 20,943	\$ -	\$ 20,943
Sports Wagering Revenue	5,063	-	5,063	4,281	-	4,281
Casino Non-Gaming Revenue	3,018	-	3,018	3,476	-	3,476
Aircraft Modification	-	25,200	25,200	-	22,337	22,337
Aircraft Avionics	-	3,560	3,560	-	2,200	2,200
Special Mission Electronics	-	13,647	13,647	-	9,126	9,126
	<u>\$ 27,882</u>	<u>\$ 42,407</u>	<u>\$ 70,289</u>	<u>\$ 28,700</u>	<u>\$ 33,663</u>	<u>\$ 62,363</u>
<b>Contract Types / Revenue Recognition Timing</b>						
Percentage of completion contracts	\$ -	\$ 21,892	\$ 21,892	\$ -	\$ 20,038	\$ 20,038
Goods or services transferred at a point of sale	27,882	20,515	48,397	28,700	13,625	42,325
	<u>\$ 27,882</u>	<u>\$ 42,407</u>	<u>\$ 70,289</u>	<u>\$ 28,700</u>	<u>\$ 33,663</u>	<u>\$ 62,363</u>

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

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

	January 31, 2026	April 30, 2025
Accounts Receivable, net	\$ 12,168	\$ 5,867
Contract Asset	2,232	2,993
Contract Liability	5,989	5,530

Accounts receivable, net consist of \$12,168 and \$5,867 from customers as of January 31, 2026 and April 30, 2025, respectively. At January 31, 2026 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 \$2,232 and \$2,993 as of January 31, 2026 and April 30, 2025, respectively. Contract assets decreased \$761 during the nine months ended January 31, 2026, primarily due to the recognition of revenue related to the satisfaction or partial satisfaction of performance obligations during the nine months ended January 31, 2026. There were no significant impairment losses related to our contract assets during the nine months ended January 31, 2026. We expect to bill our customers for the majority of the January 31, 2026 contract assets during fiscal year 2026.

Contract liabilities increased \$459 during the nine months ended January 31, 2026, primarily due to the revenue recognized on these performance obligations being less than the payments received.

## 7. Inventory

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

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

Inventory is comprised of the following, net of the estimate for obsolete inventory of \$533 at January 31, 2026 and \$558 at April 30, 2025.

	January 31, 2026	April 30, 2025
Parts and raw material	\$ 6,689	\$ 6,238
Work in process	5,334	4,610
Finished goods	79	76
Total Inventory, net of allowance	<u>\$ 12,102</u>	<u>\$ 10,924</u>

## 8. Property, Plant and Equipment

Property, plant and equipment is comprised of the following:

	January 31, 2026	April 30, 2025
Land	\$ 3,447	\$ 3,447
Building and improvements	48,734	49,753
Aircraft	6,847	8,122
Machinery and equipment	7,313	6,356
Office furniture and fixtures	17,008	15,599
Leasehold improvements	4,032	4,032
	<u>87,381</u>	<u>87,309</u>
Accumulated depreciation	(28,995)	(27,053)
Total property, plant and equipment	<u>\$ 58,386</u>	<u>\$ 60,256</u>

Property and Related Depreciation: Machinery and equipment are recorded at cost and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis. Depreciation expense was \$3,623 for the nine months ended January 31, 2026 and \$3,473 for the nine months ended January 31, 2025. Depreciation expense is included in cost of sales and general and administrative costs. During the nine months ended January 31, 2026, 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 January 31, 2026.

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

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

9. Use of Estimates:

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

10. Research and Development:

We invested in research and development activities. The amount invested in the nine months ended January 31, 2026 and 2025 was \$1,040 and \$1,585, respectively.

11. Debt:

At January 31, 2026, 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 January 31, 2026 is \$2.0 million. There were no advances or payments made on the line of credit during the nine months ended January 31, 2026. 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 January 31, 2026, the loan balance of \$1.7 million is secured by a single aircraft with a net book value of \$2.1 million.

The first note with Academy Bank, N.A. for \$2.4 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. This note matures in October 2026. The second 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 4.75% payable over seven years, and a balloon payment of \$20.6 million in December 2027. 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 January 31, 2026, there is a note payable with Bank of America, N.A. with a balance of \$507. 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 \$587. This note matures in March 2029.

At January 31, 2026, there is a note payable with Patriots Bank with an interest rate of 4.35% totaling \$197. This loan is secured by aircraft security agreements with a book value of \$225. This note matures in March 2029.

At January 31, 2026, there is a note payable with an interest rate of 8.13% totaling \$15 secured by equipment with a net book value of \$12. This note matures in April 2027.

The Company is compliant with the covenants and obligations of each of our notes as of January 31, 2026, and March 12, 2026.

12. Other Assets:

The other asset account includes assets of \$5.5 million related to the Kansas Expanded Lottery Act Management Contract privilege fee, \$8.3 million of gaming equipment we were required to pay for ownership by the State of Kansas Lottery and miscellaneous other assets of \$128. 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.

In December 2025, the Company granted four board members a total of 18,182 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 \$2.76 for a total of \$50. The compensation related to this grant was expensed in the quarter ended January 31, 2026.

During the nine months ended January 31, 2026, 5,780 shares were forfeited. During the nine months ended January 31, 2025, no shares were forfeited. For the nine months ended January 31, 2026 the Company expensed \$160, and for the nine months ended January 31, 2025 the Company expensed \$206.

	Number of Shares	Weighted Average Grant Date Fair Value
Total shares issued	8,550,603	\$ 0.49
Forfeited, in prior periods	(2,500,000)	\$ 0.40
Forfeited, during the year ended April 30, 2025	-	\$ -
Forfeited, during the nine months ended January 31, 2026	(5,780)	\$ 1.73
Total	6,044,823	\$ 0.52
Vested shares	5,912,541	\$ 0.50
Non-vested shares	132,282	\$ 1.60

#### 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 January 31, 2026.

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 30, 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
Quarter ended January 31, 2026 (a)	222,168	\$ 2.92	222,168	\$ 3,181
Total	15,316,088	\$ 0.93	15,316,088	

(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.

	January 31, 2026
Lease right-to-use assets	\$ 3,829
Less accumulated depreciation	611
Total	<u>\$ 3,218</u>

Future minimum lease payments for assets under finance leases at January 31, 2026 are as follows:

2026	\$ 277
2027	281
2028	286
2029	193
2030	127
Thereafter	12,484
Total minimum lease payments	<u>13,648</u>
Less amount representing interest	9,661
Present value of net minimum lease payments	3,987
Less current maturities of lease liability	129
Lease liability, net of current maturities	<u>\$ 3,858</u>

Finance lease costs at January 31, 2026 and January 31, 2025 are as follows:

	January 31, 2026	January 31, 2025
Finance lease cost:		
Amortization of right-of-use assets	\$ 149	\$ 148
Interest on lease liabilities	169	163
Total finance lease cost	<u>\$ 318</u>	<u>\$ 311</u>
	January 31, 2026	January 31, 2025
Weighted average remaining lease term - Financing leases (in years)	38	38
Weighted average discount rate - Financing leases	5.9%	5.9%

16. Sale of Product Line:

On January 30, 2025, the Company completed the sale of its “Jet Autopilot Product Line” for \$1.5 million cash. We included the operating results associated with this business in our aerospace products segment. The Company continued to perform and transfer services through April 2025.

	January 31, 2025
Inventory, net	\$ 460
Machinery and equipment	1,322
Accumulated depreciation	(1,322)
Total property, plant and equipment	-
Other assets	1,417
Accumulated amortization	(1,417)
Other assets, net of accumulated amortization	-
	<u>\$ 460</u>

17. 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. Butler Avionics is recognized for its troubleshooting and also supports Avcon with the integration and installation of electronics systems to support aircraft missionization.

**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 January 31, 2026	Gaming	Aircraft Modification	Aircraft Avionics	Special Mission Electronics	Other	Total
Revenues from customers	\$ 9,859	\$ 11,144	\$ 1,271	\$ 4,639	\$ -	\$ 26,913
Interest expense	378	92	-	8	-	478
Depreciation and amortization	752	881	13	27	14	1,687
Operating income (loss)	2,626	3,883	519	2,315	(105)	9,238

Three Months Ended January 31, 2025	Special					Total
	Gaming	Aircraft Modification	Aircraft Avionics	Mission Electronics	Other	
Revenues from customers	\$ 9,813	\$ 8,061	\$ 915	\$ 2,385	\$ -	\$ 21,174
Interest expense	451	88	-	12	6	557
Depreciation and amortization	808	855	7	34	62	1,766
Operating income (loss)	3,234	773	223	883	(1,087)	4,026

Nine Months Ended January 31, 2026	Special					Total
	Gaming	Aircraft Modification	Aircraft Avionics	Mission Electronics	Other	
Revenues from customers	\$ 27,882	\$ 25,200	\$ 3,560	\$ 13,647	\$ -	\$ 70,289
Interest expense	1,188	287	-	27	-	1,502
Depreciation and amortization	2,275	2,649	27	84	47	5,082
Operating income (loss)	6,084	6,300	1,674	6,937	(13)	20,982

Nine Months Ended January 31, 2025	Special					Total
	Gaming	Aircraft Modification	Aircraft Avionics	Mission Electronics	Other	
Revenues from customers	\$ 28,700	\$ 22,337	\$ 2,200	\$ 9,126	\$ -	\$ 62,363
Interest expense	1,400	213	-	40	7	1,660
Depreciation and amortization	2,408	2,388	20	102	102	5,020
Operating income (loss)	9,084	2,519	233	4,170	(3,590)	12,416

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

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

	January 31, 2026		January 31, 2025	
	Number of Customers	% of Consolidated Revenue	Number of Customers	% of Consolidated Revenue
Aerospace Products	1	18.0%	1	14.5%
Professional Services	-	-	-	-

In the nine months ended January 31, 2026 the Company derived 37.5% of total revenue from five Aerospace customers. The top customer provided 18.0% of total revenue while the next top four customers ranged from 2.0% to 11.6%. At January 31, 2026, we had one customer that accounted for 22.2% of our accounts receivable.

18. Subsequent Events:

The Company evaluated its January 31, 2026 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.

*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 nine months ended January 31, 2026 revenue increased 13% to \$70.3 million compared to \$62.4 million in the nine months ended January 31, 2025. In the nine months ended January 31, 2026 the Aerospace Products revenue was \$42.4 million compared to \$33.7 million in the nine months ended January 31, 2025, an increase of 26%. In the nine months ended January 31, 2026 the Professional Services revenue was \$27.9 million compared to \$28.7 million in the nine months ended January 31, 2025, a decrease of 3%.

In the nine months ended January 31, 2026 net income increased to \$16.4 million compared to a net income of \$9.2 million in the nine months ended January 31, 2025, an increase of 78%. In the nine months ended January 31, 2026, operating income increased to \$21.0 million from an operating income of \$12.4 million in the nine months ended January 31, 2025, an increase of 69%.

## RESULTS OF OPERATIONS

### NINE MONTHS ENDED JANUARY 31, 2026 COMPARED TO THE NINE MONTHS ENDED JANUARY 31, 2025

(dollars in thousands)	Nine Months Ended January 31, 2026		Nine Months Ended January 31, 2025		Percent Change 2025-2026
		Percent of Total Revenue		Percent of Total Revenue	
Revenue:					
Professional Services	\$ 27,882	40%	\$ 28,700	46%	(3%)
Aerospace Products	42,407	60%	33,663	54%	26%
Total revenue	70,289	100%	62,363	100%	13%
Costs and expenses:					
Cost of Professional Services	11,644	17%	11,834	19%	(2%)
Cost of Aerospace Products	22,626	32%	23,315	37%	(3%)
Marketing and advertising	2,680	4%	2,751	4%	(3%)
General, administrative and other	12,357	18%	12,047	19%	3%
Total costs and expenses	49,307	70%	49,947	80%	(1%)
Operating income	\$ 20,982	30%	\$ 12,416	20%	69%

### Revenue:

**Revenue** increased 13% to \$70.3 million in the nine months ended January 31, 2026, compared to \$62.4 million in the nine months ended January 31, 2025. See “Operations by Segment” below for a discussion of the primary reasons for the increase in revenue.

- Aerospace Products derives its revenue by designing, engineering, manufacturing, installing, servicing and repairing products for aircraft and military vehicles. Aerospace Products revenue increased by 26% to \$42.4 million for the nine months ended January 31, 2026 compared to \$33.7 million for the nine months ended January 31, 2025. The increase in revenue is largely due to an increase in Special Mission Electronics revenue of \$4.5 million, an increase in Aircraft Modifications revenue of \$2.9 million and additional aircraft avionics revenue of \$1.4 million.

- Professional Services derives its revenue from professional management services in the gaming industry through Butler National Service Corporation (“BNSC”) and BHCMC, LLC (“BHCMC”). Revenue from Professional Services decreased 3% to \$27.9 million for the nine months ended January 31, 2026 compared to \$28.7 million for the nine months ended January 31, 2025. Sports wagering through the DraftKings sports wagering platform brought in \$5.1 million for the nine months ended January 31, 2026 compared to \$4.3 million in the nine months ended January 31, 2025. Traditional casino gaming revenue decreased \$1.1 million in the nine months ended January 31, 2026 to \$19.8 million compared to \$20.9 million for the nine months ended January 31, 2025. Effective December 15, 2024, the revenue share for traditional casino gaming 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.

### **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 1% to \$49.3 million in the nine months ended January 31, 2026 compared to \$49.9 million in the nine months ended January 31, 2025. Costs and expenses were 70% of total revenue in the nine months ended January 31, 2026, as compared to 80% of total revenue in the nine months ended January 31, 2025. This represents an operating margin of 29.9% in the nine months ended January 31, 2026, compared to 19.9% in the nine months ended January 31, 2025 (operating income as a percentage of revenue), an increase of 10 percentage points.

**Cost of Professional Services** decreased 2% in the nine months ended January 31, 2026 at \$11.6 million compared to \$11.8 million in the nine months ended January 31, 2025. Costs were 17% of total revenue in the nine months ended January 31, 2026, as compared to 19% of total revenue in the nine months ended January 31, 2025.

**Cost of Aerospace Products** decreased 3% in the nine months ended January 31, 2026 to \$22.6 million compared to \$23.3 million for the nine months ended January 31, 2025. Costs were 32% of total revenue in the nine months ended January 31, 2026, as compared to 37% of total revenue in the nine months ended January 31, 2025. The improved operating margins were driven by sales of previously FAA STC-approved modifications, increased sales of kits compared to prior period and increased efficiencies of our 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 continues to exceed 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 have also purchased machining equipment to expand our internal parts fabrication productivity, including a new 5-axis machine expected to arrive prior to April 30, 2026.

**Marketing and advertising expenses** decreased in the nine months ended January 31, 2026 to \$2.7 million compared to \$2.8 million in the nine months ended January 31, 2025. Expenses were 4% of total revenue in the nine months ended January 31, 2026, as compared to 4% of total revenue in the nine months ended January 31, 2025. 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 nine months ended January 31, 2026, compared to 19% in the nine months ended January 31, 2025. These expenses increased 3% to \$12.4 million in the nine months ended January 31, 2026, from \$12.0 million in the nine months ended January 31, 2025. The increase is primarily attributable to higher insurance and overhead labor for the nine months ended January 31, 2026 compared to the nine months ended January 31, 2025.

**Other income (expense)** was \$1.1 million in the nine months ended January 31, 2026 compared to \$220 thousand in the nine months ended January 31, 2025. Interest expense was \$1.5 million in the nine months ended January 31, 2026, compared with interest expense of \$1.7 million in the nine months ended January 31, 2025. The decrease in interest expense is due to the paydown of long-term debt. Interest income was \$735 thousand in the nine months ended January 31, 2026 compared to \$331 thousand in the nine months ended January 31, 2025. Gain on sale of assets was \$1.9 million in the nine months ended January 31, 2026, compared to a \$1.5 million gain on sale of assets in the nine months ended January 31, 2025. The gain on sale of assets for the nine months ended January 31, 2026 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 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 nine months ended January 31, 2026 and January 31, 2025:

(dollars in thousands)	Nine Months Ended January 31, 2026		Nine Months Ended January 31, 2025		Percent Change 2025-2026
		Percent of Total Revenue		Percent of Total Revenue	
<b>Professional Services</b>					
Revenue - Boot Hill Casino	\$ 27,882	100%	\$ 28,700	100%	(3%)
Cost of Professional Services	11,644	42%	11,834	41%	(2%)
Expenses	10,154	36%	9,890	35%	3%
Total costs and expenses	21,798	78%	21,724	76%	0%
Professional Services operating income	\$ 6,084	22%	\$ 6,976	24%	(13%)

(dollars in thousands)	Nine Months Ended January 31, 2026		Nine Months Ended January 31, 2025		Percent Change 2025-2026
		Percent of Total Revenue		Percent of Total Revenue	
<b>Aerospace Products</b>					
Revenue	\$ 42,407	100%	\$ 33,663	100%	26%
Cost of Aerospace Products	22,626	53%	23,315	69%	(3%)
Expenses	4,883	12%	4,908	15%	(1%)
Total costs and expenses	27,509	65%	28,223	84%	(3%)
Aerospace Products operating income	\$ 14,898	35%	\$ 5,440	16%	174%

**Professional Services**

- Revenue from Professional Services decreased 3% for the nine months ended January 31, 2026 to \$27.9 million compared to \$28.7 million for the nine months ended January 31, 2025. Sports wagering through the DraftKings sports wagering platform generated \$5.1 million of revenue for the nine months ended January 31, 2026 compared to \$4.3 million in the nine months ended January 31, 2025. Furthermore, traditional casino gaming revenue decreased \$1.1 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, general economic uncertainty 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 \$3.0 million for the nine months ended January 31, 2026, compared to \$3.5 million for the nine months ended January 31, 2025, 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 \$0.2 million to \$11.6 million in the nine months ended January 31, 2026 compared to \$11.8 million compared to the nine months ended January 31, 2025. Costs were 42% of segment total revenue in the nine months ended January 31, 2026, as compared to 41% of segment total revenue in the nine months ended January 31, 2025.
- Expenses increased 3% in the nine months ended January 31, 2026 to \$10.2 million compared to \$9.9 million in the nine months ended January 31, 2025. Expenses were 36% of segment total revenue in the nine months ended January 31, 2026, as compared to 35% of segment total revenue for the nine months ended January 31, 2025.

## **Aerospace Products**

- Revenue increased 26% to \$42.4 million in the nine months ended January 31, 2026, compared to \$33.7 million in the nine months ended January 31, 2025. The increase in revenue is largely due to a \$4.5 million increase in Special Missions Electronics revenue, a \$2.9 million increase in Aircraft Modifications revenue and a \$1.4 million increase in aircraft avionics revenue. 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. While a new control housing design for the minigun control is in process, Special Mission Electronics shipped a number of the legacy minigun control units that were manufactured in late fiscal year 2025. In Aircraft Modifications, we have recognized benefits from selling previously approved modifications, in the form of repeat installations, as well as the sale of kits for installation by our customers. We are currently executing three large aircraft modifications, which we believe will serve as a foundation for similar modification and integration work on other aircraft platforms supporting special mission applications. While staffing constraints could impact certain areas of our operations, we are actively recruiting and training personnel to support program execution and to improve production efficiency, with the objective of reducing backlog over time. Our backlog as of January 31, 2026, totaled \$37.0 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 nine months ended January 31, 2026, the Aircraft Modifications business entered into three contracts for large aircraft. The timing of these contract awards highlights the potential variability in reported backlog from quarter to quarter. 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 3% in the nine months ended January 31, 2026 to \$22.6 million compared to \$23.3 million for the nine months ended January 31, 2025. Costs were 53% of segment total revenue in the nine months ended January 31, 2026, as compared to 69% of segment total revenue in the nine months ended January 31, 2025, reflecting increased efficiencies of our engineering and fabrication labor leading to improved operating profit margins. Both Special Mission Electronics and Aircraft Modifications gained further efficiencies by strategically planning sub-component fabrication and decreasing outsourcing. With respect to Avionics, the divestment of the autopilot product line has reduced the costs. It is noteworthy that on June 16, 2025, a third-party's airplane crashed into the Company's New Century, Kansas hangar facility resulting in some, but not a material, temporary loss in use of hangar operations for Aircraft Modifications. The hangar has now been fully repaired and restored.
- Expenses decreased less than 1% in the nine months ended January 31, 2026 to \$4.9 million compared to \$4.9 million for the nine months ended January 31, 2025. Expenses were 12% of segment total revenue in the nine months ended January 31, 2026, as compared to 15% of segment total revenue in the nine months ended January 31, 2025.

**THREE MONTHS ENDED JANUARY 31, 2026 COMPARED TO THE THREE MONTHS ENDED JANUARY 31, 2025**

(dollars in thousands)	Three Months Ended January 31, 2026		Three Months Ended January 31, 2025		Percent Change 2025-2026
		Percent of Total Revenue		Percent of Total Revenue	
<b>Revenue:</b>					
Professional Services	\$ 9,859	37%	\$ 9,813	46%	0%
Aerospace Products	17,054	63%	11,361	54%	50%
Total revenue	26,913	100%	21,174	100%	27%
<b>Costs and expenses:</b>					
Cost of Professional Services	3,869	14%	4,033	19%	(4%)
Cost of Aerospace Products	8,562	32%	8,316	39%	3%
Marketing and advertising	863	3%	885	7%	(2%)
General, administrative and other	4,381	16%	3,914	18%	12%
Total costs and expenses	17,675	66%	17,148	81%	3%
Operating income	\$ 9,238	34%	\$ 4,026	19%	129%

**Revenue**

**Revenue** increased 27% to \$26.9 million in the three months ended January 31, 2026, compared to \$21.2 million in the three months ended January 31, 2025. 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 remained flat at \$9.8 million for the three months ended January 31, 2026 and January 31, 2025. Sports wagering through the DraftKings sports wagering platform brought in \$2.2 million for the three months ended January 31, 2026 compared to \$1.8 million in the three months ended January 31, 2025. Traditional casino gaming revenue decreased \$0.4 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 50% to \$17.1 million for the three months ended January 31, 2026 compared to \$11.4 million for the three months ended January 31, 2025. The increase in revenue was primarily attributable to a \$3.1 million increase in Aircraft Modification revenue and a \$2.3 million increase in Special Mission Electronics revenue. The timing of contract awards and program execution also contributed to the increase compared to the same quarter in the prior year. The Aerospace Products segment continues to execute modification programs and fabricate control systems at elevated activity levels.

**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 increased 3% to \$17.7 million in the three months ended January 31, 2026 compared to \$17.1 million in the three months ended January 31, 2025. Costs and expenses were 66% of total revenue in the three months ended January 31, 2026, as compared to 81% of total revenue in the three months ended January 31, 2025. This represents an operating margin of 34.3% in the three months ended January 31, 2026, compared to 19.0% in the three months ended January 31, 2025 (operating income as a percentage of revenue), an increase of 15.3 percentage points.

**Cost of Professional Services** decreased 4% in the three months ended January 31, 2026 to \$3.9 million compared to \$4.0 in the three months ended January 31, 2025. Costs were 14% of total revenue in the three months ended January 31, 2026, as compared to 19% of total revenue in the three months ended January 31, 2025.

**Cost of Aerospace Products** increased 3% in the three months ended January 31, 2026 at \$8.6 million compared to \$8.3 million for the three months ended January 31, 2025. Costs were 32% of total revenue in the three months ended January 31, 2026, as compared to 39% of total revenue in the three months ended January 31, 2025, reflecting increased efficiencies of our engineering and fabrication leading to improved operating profit margins. The Aircraft Modification division has also invested in engineering and production to modify a new platform for Special Mission Electronics. With the new work and schedules, additional resources have been enabled to support the efforts.

While we continue to focus on controlling 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 2% in the three months ended January 31, 2026, to \$863 thousand compared to \$885 thousand in the three months ended January 31, 2025. Expenses were 3% of total revenue in the three months ended January 31, 2026, as compared to 7% of total revenue in the three months ended January 31, 2025. 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 16% in the three months ended January 31, 2026, compared to 18% in the three months ended January 31, 2025. These expenses increased 12% to \$4.4 million in the three months ended January 31, 2026, from \$3.9 million in the three months ended January 31, 2025.

**Other income (expense)** was \$250 thousand expense in the three months ended January 31, 2026 compared to \$608 thousand income in the three months ended January 31, 2025. Interest expense was \$478 thousand in the three months ended January 31, 2026, compared with interest expense of (\$557 thousand in the three months ended January 31, 2025). The decrease in interest expense is due to the paydown of long-term debt. Interest income was \$228 thousand in the three months ended January 31, 2026 compared to \$125 thousand in the three months ended January 31, 2025. Gain on sale of assets was \$1.0 million in the three months ended January 31, 2025 related to the sale of a product line.

### **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 January 31, 2026 and January 31, 2025:

(dollars in thousands)	Three Months Ended January 31, 2026		Three Months Ended January 31, 2025		Percent Change 2025-2026
		Percent of Total Revenue		Percent of Total Revenue	
<b>Professional Services</b>					
Revenue - Boot Hill Casino	\$ 9,859	100%	\$ 9,813	100%	0%
Cost of Professional Services	3,869	39%	4,032	41%	(4%)
Expenses	3,364	34%	3,313	34%	2%
Total costs and expenses	7,233	73%	7,345	75%	(2%)
Professional Services operating income	\$ 2,626	27%	\$ 2,468	25%	6%

(dollars in thousands)	Three Months Ended January 31, 2026		Three Months Ended January 31, 2025		Percent Change 2025-2026
		Percent of Total Revenue		Percent of Total Revenue	
<b>Aerospace Products</b>					
Revenue	\$ 17,054	100%	\$ 11,361	100%	50%
Cost of Aerospace Products	8,562	50%	8,316	73%	3%
Expenses	1,880	11%	1,487	13%	26%
Total costs and expenses	10,442	61%	9,803	86%	7%
Aerospace Products operating income	\$ 6,612	39%	\$ 1,558	14%	324%

### Professional Services

- Revenue from Professional Services remained flat for the three months ended January 31, 2026 at \$9.9 million compared to \$9.8 million for the three months ended January 31, 2025. Sports wagering through the DraftKings sports wagering platform generated \$2.2 million of revenue for the three months ended January 31, 2026 compared to \$1.8 million in the three months ended January 31, 2025. Furthermore, traditional casino gaming revenue decreased \$0.4 million due to a decrease in patron visits. We believe the decline of traditional casino gaming revenue was due primarily to economic factors impacting the region surrounding our casino in western 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, general economic uncertainty 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 remained flat at \$1.2 million for the three months ended January 31, 2026, compared to \$1.1 million for the three months ended January 31, 2025.
- Costs of Professional Services decreased 4% to \$3.9 million in the three months ended January 31, 2026 compared to \$4.0 million in the three months ended January 31, 2025. Costs were 39% of segment total revenue in the three months ended January 31, 2026, as compared to 41% of segment total revenue in the three months ended January 31, 2025.

- Expenses increased 2% in the three months ended January 31, 2026 to \$3.4 million compared to \$3.3 million in the three months ended January 31, 2025, primarily due to higher allocation of corporate overhead costs. Expenses were 34% of segment total revenue in the three months ended January 31, 2026, as compared to 34% of segment total revenue in the three months ended January 31, 2025.

## **Aerospace Products**

- Revenue increased 50% to \$17.1 million in the three months ended January 31, 2026, compared to \$11.4 million in the three months ended January 31, 2025. The increase in revenue is primarily due to a \$3.1 million increase in Aircraft Modification revenue and a \$2.3 million increase in Special Missions Electronics revenue. 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. While a new control housing design for the minigun control is in process, Special Mission Electronics shipped a number of the legacy minigun control units that were manufactured in late fiscal year 2025. We are focused on identifying, acquiring, and as applicable, training the staffing to efficiently decrease backlog and more effectively perform operations. During the nine months ended January 31, 2026, the Aircraft Modifications business entered into three contracts for modifications to large airplanes, with one contract being entered into during the three months ended January 31, 2026. The move into larger airplanes opens new market opportunities for Avcon which we believe will serve as a foundation for similar modification and integration work on other aircraft platforms supporting special mission applications. We continue to look at process opportunities to enhance all of our fabrication and production processes, particularly with our current growth. For Aircraft Modifications, timing in percentage of completion has had an influence 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 increased 3% in the three months ended January 31, 2026 to \$8.6 million compared to \$8.3 million for the three months ended January 31, 2025. Costs were 50% of segment total revenue in the three months ended January 31, 2026, as compared to 73% of segment total revenue in the three months ended January 31, 2025, reflecting sales of previously FAA-approved modifications, both from an installation perspective as well as a kit sale perspective and increased efficiencies of our 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 increased 26% in the three months ended January 31, 2026 to \$1.9 million compared to \$1.5 million for the three months ended January 31, 2025. Expenses were 11% of segment total revenue in the three months ended January 31, 2026, as compared to 13% of segment total revenue in the three months ended January 31, 2025. The increase is primarily due to higher overhead labor in fiscal 2026.

## **Employees**

Other than persons employed by our gaming subsidiaries, there were 156 full time and 8 part time employees on January 31, 2026, compared to 145 full time and 3 part time employees on January 31, 2025. Our staffing at Boot Hill Casino & Resort on January 31, 2026 was 180 full time and 41 part time employees compared to 198 full time and 39 part time employees on January 31, 2025. 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 nine months ended January 31, 2026 our cash position increased by \$11.3 million. Net income was \$16.4 million for the nine months ended January 31, 2026. Cash flow provided by operating activities was \$24.5 million for the nine months ended January 31, 2026. Non-cash activities consisting of depreciation and amortization provided \$5.1 million, deferred compensation added \$0.1 million, supplemental type certificates WIP adjustment added \$0.2 million, stock awarded to directors added \$0.2 million, and gain on sale of assets used \$1.9 million. Contract assets increased our cash position by \$0.8 million and contract liability increased our cash position by \$0.5 million. Gaming facility mandated payments increased our cash position by \$110 thousand. Inventories decreased our cash position by \$1.2 million and accounts receivable decreased our cash position by \$5.1 million. Prepaid expenses and other assets decreased our cash by \$1.6 million. Accounts payable increased our cash position by \$9.3 million and lease liabilities increased our cash position by \$0.2 million. Accrued liabilities decreased our cash position by \$1.0 million and other current liabilities decreased our cash by \$70 thousand. Income tax payable increased our cash position by \$2.5 million.

### **Investing Activities**

Cash used in investing activities was \$3.2 million for the nine months ended January 31, 2026. We invested \$1.6 million towards STCs, \$1.4 million on buildings and improvements, and \$1.5 million on machinery and equipment. For the nine months ended January 31, 2026, 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 January 31, 2026. 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 \$10.1 million for the nine months ended January 31, 2026. We made repayments of \$4.4 million on our long-term debt and we made repayments on lease right-to-use liabilities of \$203 thousand. We purchased Company stock of \$5.4 million. The stock acquired was placed in treasury.

### **Capital Expenditures**

The Company anticipates remaining capital expenditures in fiscal 2026 to be approximately \$2.7 million, consisting of \$0.8 million on STC's, \$1.0 million on equipment, and \$0.9 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 January 31, 2026, 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 January 31, 2026.

## **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 nine months ended January 31, 2026.

### 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 January 31, 2026. 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 January 31, 2026.

## **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 January 31, 2026 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 January 31, 2026, there are no significant known legal proceedings pending against us. We consider all such unknown proceedings, if any, to be ordinary litigation incident to the character of the business. We believe that the resolution of any claims will not, individually or in the aggregate, have a material adverse effect on the financial position, results of operations, or liquidity of the Company.

### **Item 1A. RISK FACTORS.**

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

### **Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

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

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
November 1, 2025 - November 30, 2025	-	\$ -	-	\$ 3,846,173
December 1, 2025 - December 31, 2025	5,255	\$ 2.66	5,255	\$ 3,832,039
January 1, 2026 - January 31, 2026	216,913	\$ 2.98	216,913	\$ 3,181,001
Total	<u>222,168</u>		<u>222,168</u>	

(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 January 31, 2026, none of our directors or officers (as defined in Rule 16a-1 under the Exchange Act) adopted, modified or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement” (as those terms are defined in Item 408 of Regulation S-K).

**Item 6.**

**EXHIBITS.**

- 3.1 [Articles of Incorporation, as amended and restated are incorporated by reference to Exhibit A of our Form DEF 14A filed on December 26, 2001.](#)
- 3.2 [Bylaws, as amended, are incorporated by reference to Exhibit 3.1 of our Form 8-K filed on August 20, 2024.](#)
- 31.1 [Certificate of Chief Executive Officer pursuant to Exchange Act Rule 13a-14\(a\).](#)
- 31.2 [Certificate of Chief Financial Officer pursuant to Exchange Act Rule 13a-14\(a\).](#)
- 32.1 [Certifications of Chief Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certifications of Chief Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
  
- 101 The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended January 31, 2026, formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) Condensed Consolidated Balance Sheets as of January 31, 2026 and April 30, 2025, (ii) Condensed Consolidated Statements of Operations for the three and nine months ended January 31, 2026 and 2025, (iii) Condensed Consolidated Statements of Stockholders' Equity for the nine months ended January 31, 2026 and 2025, (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended January 31, 2026 and 2025 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 January 31, 2026, 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)

March 12, 2026  
Date

/s/ Christopher J. Reedy  
Christopher J. Reedy  
(President, Chief Executive Officer and Secretary)

March 12, 2026  
Date

/s/ Adam B. Sefchick  
Adam B. Sefchick  
(Vice President and Chief Financial Officer)