

Second Quarter 2020 Investor Update

August 3, 2020

Disclosures

Forward-Looking Statements

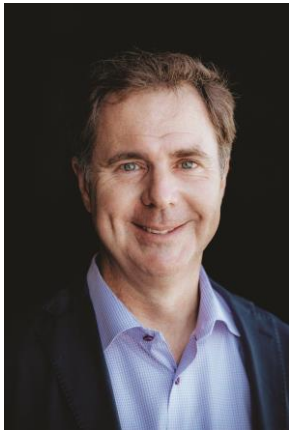
This presentation contains certain forward-looking statements within the meaning of federal securities laws with respect to Virgin Galactic Holdings, Inc. (the "Company"), including statements regarding the Company's spaceflight systems, markets and expected performance. These forward-looking statements generally are identified by words such as "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," and similar expressions. Forward-looking statements are predictions, projections and other statements about future events that are based on current expectations and assumptions and, as a result, are subject to risks and uncertainties. Many factors could cause actual future events to differ materially from the forward-looking statements in this presentation, including but not limited to the factors, risks and uncertainties regarding the Company's business described in the documents filed by the Company from time to time with the Securities and Exchange Commission (the "SEC"). These filings identify and address other important risks and uncertainties that could cause the Company's actual events and results to differ materially from those contained in the forward-looking statements. Forward-looking statements speak only as of the date they are made. Readers are cautioned not to put undue reliance on forward-looking statements, and, except as required by law, the Company assumes no obligation and does not intend to update or revise these forward-looking statements, whether as a result of new information, future events, or otherwise.

Use of Non-GAAP Financial Measures (Unaudited)

This presentation references certain non-GAAP financial measures, including adjusted EBITDA, non-GAAP selling, general, and administrative expense and non-GAAP research and development expense. The Company defines adjusted EBITDA as earnings before interest expense, taxes, depreciation and amortization, stock-based compensation, and certain other items the Company believes are not indicative of its core operating performance. It defines non-GAAP selling, general, and administrative expenses as selling, general, and administrative expenses other than stock-based compensation and non-capitalized transaction costs, and non-GAAP research and development expenses as research and development expenses other than stock-based compensation. None of these non-GAAP financial measures is a substitute for or superior to measures of financial performance prepared in accordance with generally accepted accounting principles in the United States (GAAP) and should not be considered as an alternative to any other performance measures derived in accordance with GAAP.

The Company believes that presenting these non-GAAP financial measures provides useful supplemental information to investors about the Company in understanding and evaluating its operating results, enhancing the overall understanding of its past performance and future prospects, and allowing for greater transparency with respect to key financial metrics used by its management in financial and operational-decision making. However, there are a number of limitations related to the use of non-GAAP measures and their nearest GAAP equivalents. For example, other companies may calculate non-GAAP measures differently, or may use other measures to calculate their financial performance, and therefore any non-GAAP measures the Company uses may not be directly comparable to similarly titled measures of other companies.

Introducing Michael Colglazier



- Michael Colglazier appointed CEO of Virgin Galactic effective July 20, 2020
  - ✓ Visionary commercial leader
  - ✓ Most recently President and Managing Director, Disney Parks International
  - ✓ Track record of delivering world-class experiences
  - ✓ Over three decades of developing and growing consumer-oriented businesses

- George Whitesides transitioned to new role of Chief Space Officer
  - ✓ Focused on developing future business opportunities including point-to-point high speed travel and orbital space travel



Recent Milestones

Spaceflight Operations

Flight Test Program



Successful test flights from Spaceport America

FAA Approval Process

Progressed towards flying paying customers under existing Launch License

Future Astronaut Pool



Strong growth in One Small Step program; stability in existing customer community

Spaceship Cabin Reveal



Held world's first virtual reveal of spaceship cabin design

Advanced Development Initiatives

Orbital Human Spaceflight



Signed Space Act with NASA for private orbital spaceflight; demonstrated demand from existing customers

High Speed Point-to-Point Travel



Unveiled initial design concept of high speed vehicle

Spaceport America Test Flights and Operational Readiness

- Completed eight flights in the second quarter:
  - ✓ Six flights from Spaceport America for VMS Eve
  - ✓ Two VSS Unity flights for glide flight testing
- Conducted several tests of ground infrastructure to support spaceflights:
  - ✓ Full scale exercise involving the loading of VSS Unity with rocket motor
  - ✓ Filling the vehicle tanks with propellant and pressurant





Second Spaceport America Glide Flight June 25, 2020

- Flown at higher speed than first glide flight
  - ✓ Enabled certain vehicle systems to operate close to the environment seen during phases of rocket boost on spaceflight
- Achieved glide speed of 0.85 Mach after being released from mothership VMS Eve at an altitude of 51,000 feet
- Completed multiple test-points before touching back down for runway landing
- Allowed team to continue to evaluate systems and vehicle performance in advance of future rocket-powered space flights
- Data verified against similar maneuvers performed in the previous glide flight to enhance aerodynamic modelling
- Conducted under a set of stringent operational protocols to ensure safety against COVID-19
- Watch video of glide flight here





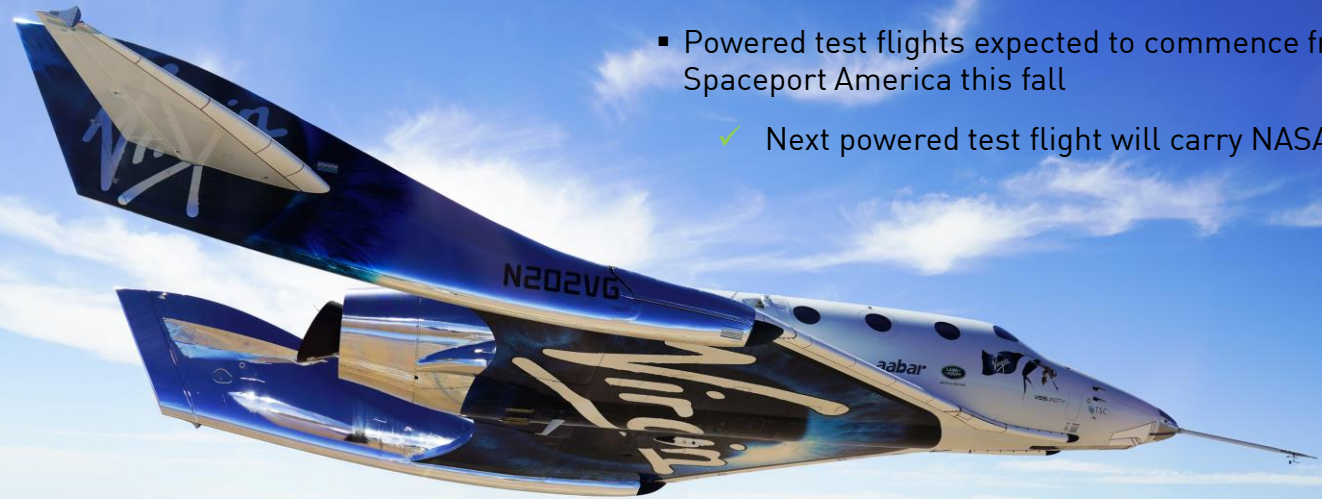
Update on FAA Approval Process

- FAA previously issued Launch License to allow Virgin Galactic to conduct spaceflight missions
- The path to flying paying customers is through a Verification and Validation program that contains 29 elements
  - ✓ Cleared three new elements during Q2, related to cabin humidity, vehicle landing gear and environmental control systems
  - ✓ Have now cleared 27 of 29 elements
- FAA accepted Virgin Galactic's Safety Management System
  - ✓ SMS is a formal, systemic approach to managing safety risk



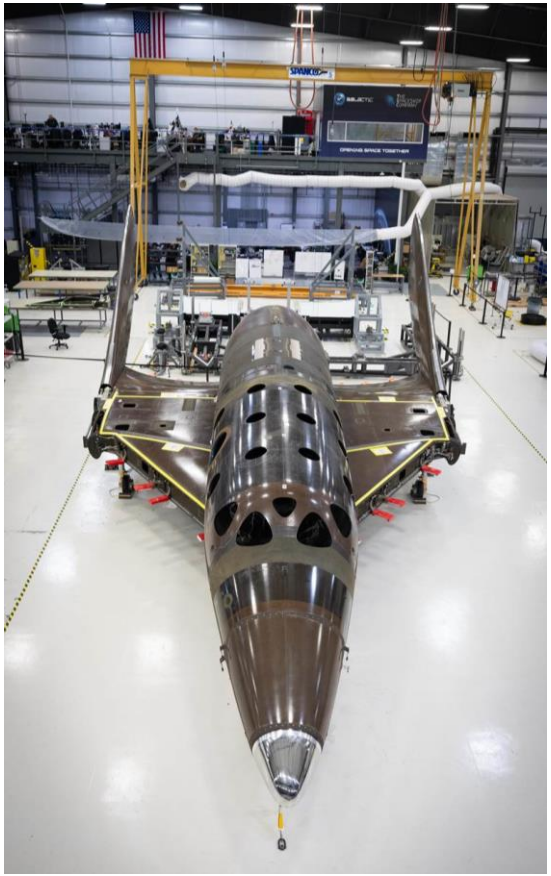
Flight Program Update

- Completed data review from second glide flight
- Final installation of customer cabin and vehicle inspections currently underway
- Powered test flights expected to commence from Spaceport America this fall
  - ✓ Next powered test flight will carry NASA payloads



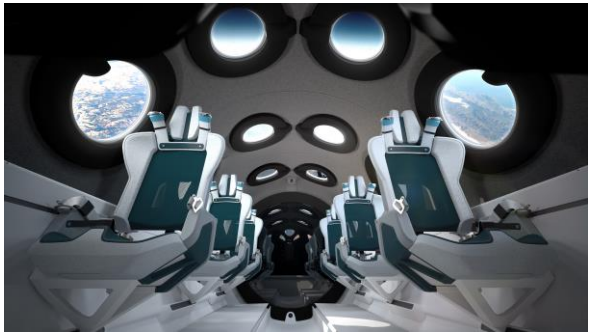
Update on Build Program

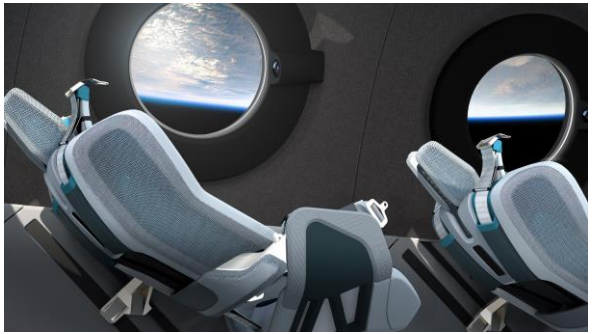
- Continued to make progress on key fabrication metrics and preparing second vehicle for integrated vehicle systems testing
- Expect to rollout completed second spaceship and commence ground testing this year
- Achieved over 75% completion of parts fabrication for third vehicle
  - ✓ Expect to complete assembly in 2021
- Implemented additional manufacturing processes and facility safety protocols due to COVID-19
  - ✓ Experienced ongoing impacts to shop floor and engineering work processes



SpaceShipTwo Cabin Reveal

- On July 28, 2020, unveiled SS2 cabin interior via virtual event streamed live on YouTube
- Launched immersive experience of spaceflight and cabin interior using Augmented Reality mobile app
- Life-changing and profound view from space
  - ✓ 12 windows around cabin provide a 360-degree awe-inspiring view
- Signature Virgin touches throughout transform customer experience, including automated mood lighting that harmonizes with each phase of flight
- 16 cabin cameras, plus cockpit and externally mounted cameras, generate high definition output for social media and edited personal movie
- Individually sized, reclining seats for G-force management and float zone volume
  - ✓ Personal seat back screens connect astronauts to live flight data
- Large mirror in spaceship cabin to reflect the real-time astronaut experience





Spaceport America Milestones

- Continued to make meaningful progress in build-out of Spaceport America
- Completed construction of third floor customer area – the future home of astronaut training, flight preparation activities and the Customer Spaceship Training Cabin and Astronaut Lounge
  - ✓ Received Certificate of Occupancy for the area





Customer Demand

- The "One Small Step" offering supports the direct sales process by creating a pool of qualified prospects
  - ✓ "One Small Step" pool reached over 700 as of July 30, 2020
  - ✓ This community now substantially exceeds number of Future Astronauts
  - ✓ More "One Small Step" candidates than total number of people who have been to space
- Approximately 600 Future Astronauts as of July 30, 2020, representing a total of ~$80M in deposits
  - ✓ Minimal refund requests from existing Future Astronauts
  - ✓ Demonstrates strength and ongoing support of customer base



Total Addressable Market

~2M HIGH NET WORTH INDIVIDUALS[1]



One Small Step

QUALIFIED PROSPECTS

700+ candidates



One Giant Leap

FUTURE ASTRONAUTS

~600 customers, ~$80M deposits

(1) More than $10m net worth in 2019

Future Growth Areas



Note: Images of the high speed travel vehicle are computer renderings

Orbital Spaceflight Initiative Update

- Continues relationship with NASA from Space Act Agreement for private orbital spaceflight to the International Space Station
- Private orbital spaceflight largely driven by demand from existing customers
  - ✓ Entered into deposit agreements for orbital spaceflights with 12 customers
  - ✓ Expect pricing to be competitive with other offerings in the market
- Builds on Virgin Galactic's commercial expertise, industry knowledge and spaceflight training experience
- Virgin Galactic to contribute end-to-end program management, integrated astronaut training packages for private passengers and development of new private orbital astronaut readiness program
- Virgin Galactic is well positioned for this market through its commercial and spaceflight expertise, space training capabilities and passionate existing customer base





Completed High Speed Vehicle Mission Concept Review

- On August 3, 2020, unveiled initial design concept for high speed vehicle effort
- Successfully completed Mission Concept Review, attended by NASA representatives
  - ✓ Confirmed company's design concept meets high level of requirements and objectives of the mission, and allows progress to the next phase of design
- Basic parameters of the initial high speed aircraft design include:
  - ✓ Targeted Mach 3 certified delta wing aircraft
  - ✓ Capacity for 9 to 19 people at an altitude above 60,000 feet
- Executed non-binding Memorandum of Understanding with Rolls Royce to facilitate further collaboration on the development of sustainable, cutting-edge propulsion systems for this type of aircraft
- FAA's Center for Emerging Concepts and Innovation reviewed project direction
  - ✓ Authorized FAA resources to work with Virgin Galactic to begin outline of certification framework during the pre-project guidance phase
- Previously entered into Space Act Agreement with NASA to facilitate the development of sustainable high speed technologies over the coming years





Virgin Galactic's High Speed Technology Roadmap

- High speed technology could bring a paradigm shift to human air travel
- Experienced resources dedicated to conceptual development
- Leverages recently signed Space Act Agreement with NASA



Near-Term (Underway)

- Concept and design development
- FAA familiarization
- Establish program partners
- Market assessment and business plan development

Medium-Term

- Detailed design
- Commence first article manufacture
- Flight testing
- Signing up launch customers

Long-Term

- FAA certification
- Vehicle production
- Entry into service

Note: Images of the high speed travel vehicle are computer renderings

Virgin Galactic's Advantages in High Speed Technology Development



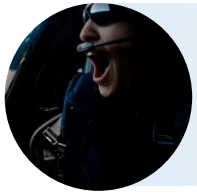
First Mover Advantage

Only company in the world to have flown a non-pilot crew member in a winged vehicle at Mach 3+

In-House Engineering and Manufacturing

Vertically integrated with 10+ years of development and design experience



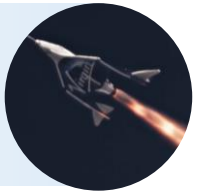


Customer-Centric Design

Virgin brand has been at the forefront of redefining in-flight customer experience

Extensive Access to Data

Unique collection of data through sub-orbital test program



Complementary Capabilities

Capabilities of Boeing, NASA and Rolls Royce complement Virgin Galactic strengths



Financials

Second Quarter 2020 Financials

Second Quarter
Ended June 30, 2020

- Strong cash position, with cash and cash equivalents of $360 million as of June 30, 2020
- Net loss of $63 million, compared to $60 million net loss in Q1 2020
- GAAP SG&A expenses of $26 million, compared to $27 million in Q1 2020. Non-GAAP SG&A expenses [1] of $23 million, compared to $23 million in Q1 2020
- GAAP R&D expenses of $37 million, compared to $34 million in Q1 2020. Non-GAAP R&D expenses [2] of $35 million, compared to $33 million in Q1 2020
- Adjusted EBITDA[3] totaled $(54) million, compared to $(53) million in Q1 2020
- Cash paid for capital expenditures totaled $6 million, compared to $4 million in Q1 2020

(1) Non-GAAP SG&A expenses have been adjusted to exclude stock-based compensation. Refer to appendix of presentation for reconciliation to GAAP SG&A.
(2) Non-GAAP R&D expenses have been adjusted to exclude stock-based compensation. Refer to appendix of presentation for reconciliation to GAAP R&D.
(3) Virgin Galactic uses adjusted EBITDA as a key measure of its performance. Adjusted EBITDA excludes stock-based compensation. Refer to appendix of presentation for reconciliation to GAAP Net Loss.

Income Statement

Amounts in thousands ($)
Unaudited

	Three Months Ended			Six Months Ended	
	June 30, 2020	March 31, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenue	-	$ 238	$ 638	$ 238	$ 2,420
Cost of revenue	-	173	278	173	1,284
Gross profit	-	65	360	65	1,136
Selling, general, and administrative expenses	26,047	26,755	14,610	52,802	26,905
Research and development expenses	37,150	34,282	30,167	71,432	61,591
Operating loss	(63,197)	(60,972)	(44,417)	(124,169)	(87,360)
Interest income	506	1,177	397	1,683	750
Interest expense	(8)	(9)	(1)	(17)	(2)
Other income (expense)	221	(172)	14	49	37
Loss before income taxes	(62,478)	(59,976)	(44,007)	(122,454)	(86,575)
Income tax (benefit)	40	(46)	61	(6)	86
Net loss	(62,518)	(59,930)	(44,068)	(122,448)	(86,661)

Cash Flow Statement

Amounts in thousands ($)
Unaudited

	Three Months Ended			Six Months Ended	
	June 30, 2020	March 31, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Cash flows from operating activities					
Net loss	$ (62,518)	$ (59,930)	$ (44,068)	$ (122,448)	$ (86,661)
Stock-based compensation	5,525	4,425	-	9,950	-
Depreciation and amortization	2,615	2,105	1,596	4,720	3,206
Other operating activities, net	66	1	(129)	67	(246)
Change in assets and liabilities					
Inventories	192	(1,980)	(4,193)	(1,788)	(4,228)
Other current and non-current assets	1,119	2,142	2,499	3,261	1,664
Accounts payable and accrued expenses	2,064	(2,978)	(2,670)	(914)	(2,801)
Customer deposits	(1,530)	(98)	964	(1,628)	194
Other current and non-current liabilities	892	-	-	892	-
Net cash used in operating activities	(51,575)	(56,313)	(46,001)	(107,888)	(88,872)
Cash flows from investing activity					
Capital expenditures	(6,103)	(4,036)	(5,232)	(10,139)	(8,300)
Cash used in investing activity	(6,103)	(4,036)	(5,232)	(10,139)	(8,300)
Cash flows from financing activities					
Payments of finance lease obligations	(26)	(23)	(24)	(49)	(47)
Net transfer from Parent Company	-	-	53,730	-	101,175
Transaction costs	(770)	(697)	-	(1,467)	-
Net cash (used in) provided by financing activities	(796)	(720)	53,706	(1,516)	101,128
Net (decrease) increase in cash and cash equivalents	(58,474)	(61,069)	2,473	(119,543)	3,956
Cash, cash equivalents and restricted cash at beginning of period	431,652	492,721	82,851	492,721	81,368
Cash, cash equivalents and restricted cash at end of period	$ 373,178	$ 431,652	$ 85,324	$ 373,178	$ 85,324
Cash and cash equivalents	$ 359,912	$ 419,374	$ 76,897	$ 359,912	$ 76,897
Restricted cash	13,266	12,278	8,427	13,266	8,247
Cash, cash equivalents and restricted cash	$ 373,178	$ 431,652	$ 85,324	$ 373,178	$ 85,324

Looking Ahead





Appendix

Reconciliation to Non-GAAP Measures

Amounts in thousands ($)
Unaudited

	Three Months Ended			Six Months Ended	
	June 30, 2020	March 31, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Net Loss	$ (62,518)	$ (59,930)	$ (44,068)	$ (122,448)	$ (86,661)
Income tax (benefit) expense	40	(46)	61	(6)	86
Interest expense	8	9	1	17	2
Depreciation & amortization	2,615	2,105	1,596	4,720	3,206
EBITDA	$ (59,855)	$ (57,862)	$ (42,410)	$ (117,717)	$ (83,367)
Non-capitalized transaction costs*	-	697	-	697	-
Stock-based compensation	5,525	4,425	-	9,950	-
Adjusted EBITDA	$ (54,330)	$ (52,740)	$ (42,410)	$ (107,070)	$ (83,367)

* Non-capitalized transaction costs include non-recurring expenses related to preparation and filing of an S-1 registration statement in the first quarter.

Reconciliation to Non-GAAP Measures

Amounts in thousands ($)
Unaudited

	Three Months Ended			Six Months Ended	
	June 30, 2020	March 31, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Selling, general, and administrative expenses	$ 26,047	$ 26,755	$ 14,610	$ 52,802	$ 26,905
Stock-based compensation	3,546	2,871	-	6,417	-
Non-capitalized transaction costs*	-	697	-	697	-
Non-GAAP selling, general, administration expenses	$ 22,501	$ 23,187	$ 14,610	$ 45,688	$ 26,905

* Non-capitalized transaction costs include non-recurring expenses related to preparation and filing of an S-1 registration statement in the first quarter.

Reconciliation to Non-GAAP Measures

Amounts in thousands ($)
Unaudited

	Three Months Ended			Six Months Ended	
	June 30, 2020	March 31, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Research and development expenses	$ 37,150	$ 34,282	$ 30,167	$ 71,432	$ 61,591
Stock-based compensation	1,979	1,554	-	3,533	-
Non-GAAP research and development expenses	$ 35,171	$ 32,728	$ 30,167	$ 67,899	$ 61,591