REFINITIV

# DELTA REPORT

## 10-Q

CXAPP INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

| TOTAL DELTAS | 1372 |
| --- | --- |
| CHANGES | 135 |
| DELETIONS | 654 |
| ADDITIONS | 583 |

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# FORM 10-Q

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

**For the quarter ended September 30, 2023 March 31, 2024**

☐ **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: 001-39642**

## CXApp Inc.

(Exact name of Registrant as Specified in Its Charter)

| **Delaware** | **85-2104918** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**Four Palo Alto Square, Suite 200**
**3000 El Camino Real**
**Palo Alto, CA 94306**
(Address of principal executive offices, zip code)

**(650) 575-4456 785-7171**
(Registrant's telephone number)

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

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| Class A common stock, $0.0001 par value per share | CXAI | The Nasdaq Stock Market LLC |
| Warrants to purchase common stock | CXAIW | The Nasdaq Stock Market LLC |

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 12 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 definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
| | | Emerging growth company | ☒ |

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

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

As of November 14, 2023 May 29, 2024, there were 15,254,389 shares of Class A common stock, $0.0001 par value, issued and outstanding.

CXAPP INC.

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**PART I. FINANCIAL INFORMATION**

**Item 1: Interim Financial Statements**

**CXAPP INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(in thousands, except share and per share data)**

| | Successor | Predecessor |
|---|---|---|
| | September 30, 2023 | December 31, 2022 |
| | (unaudited) | |
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 7,179 | $ 6,308 |
| Accounts receivable | 839 | 1,338 |
| Notes and other receivables | 230 | 273 |
| Prepaid expenses and other current assets | 1,016 | 650 |
| Total current assets | 9,264 | 8,569 |
| Property and equipment, net | 126 | 202 |
| Intangible assets, net | 19,359 | 19,289 |
| Operating lease right-of-use asset, net | 574 | 681 |
| Software development costs, net | - | 487 |
| Goodwill | 44,200 | - |
| Other assets | 77 | 52 |
| **Total Assets** | $ 73,600 | $ 29,280 |
| **Liabilities and Stockholders' Equity** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 983 | $ 1,054 |
| Accrued liabilities | 2,668 | 1,736 |
| Deferred revenue | 1,973 | 2,162 |
| Acquisition liability | - | 197 |
| Warrant liability | 2,103 | - |
| Operating lease obligation, current | 321 | 266 |
| Total current liabilities | 8,048 | 5,415 |
| Operating lease obligation, noncurrent | 273 | 444 |
| Other liabilities | - | 30 |
| Deferred tax liability | 1,397 | - |
| **Total Liabilities** | 9,718 | 5,889 |
| **Commitments and Contingencies** | | |
| **Stockholders' Equity** | | |
| Class A Common Stock, $0.0001 par value; 200,000,000 shares authorized, 15,254,389 shares issued and outstanding as of September 30, 2023 | 2 | - |
| Class C Common Stock, $0.0001 par value; 10,000,000 shares authorized, no shares issued or outstanding as of September 30, 2023 | - | - |
| Additional paid-in capital | 83,162 | - |
| Accumulated deficit | (19,274) | - |
| Accumulated other comprehensive income (loss) | (8) | 1,155 |
| Net parent investment | - | 22,236 |
| **Total Stockholders' Equity** | 63,882 | 23,391 |
| **Total Liabilities and Stockholders' Equity** | $ 73,600 | $ 29,280 |

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

**CXAPP INC. AND SUBSIDIARIES**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**

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

| | Successor | | Predecessor | | |
|---|---|---|---|---|---|
| | Three Months Ended September 30, 2023 | Period from March 15, 2023 to September 30, 2023 | Period from January 1, 2023 to March 14, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2022 |
| **Revenues** | $ 1,770 | $ 4,027 | $ 1,620 | $ 1,742 | $ 6,473 |
| **Cost of Revenues** | 358 | 925 | 483 | 499 | 1,628 |
| **Gross Profit** | 1,412 | 3,102 | 1,137 | 1,243 | 4,845 |
| **Operating Expenses** | | | | | |
| Research and development | 1,568 | 3,447 | 1,455 | 2,508 | 6,929 |
| Sales and marketing | 1,068 | 2,419 | 964 | 1,146 | 3,872 |
| General and administrative | 2,278 | 3,931 | 2,293 | 6,134 | 7,503 |
| Acquisition related costs | 30 | 194 | - | - | 16 |
| Amortization of intangible assets | 697 | 1,510 | 806 | 971 | 2,919 |
| Impairment of Goodwill | - | - | - | - | 5,540 |
| **Total Operating Expenses** | 5,641 | 11,501 | 5,518 | 10,759 | 26,779 |
| **Loss from Operations** | (4,229) | (8,399) | (4,381) | (9,516) | (21,934) |
| **Other Income (Expense)** | | | | | |
| Interest income (expense), net | 57 | 61 | 1 | (6) | 3 |
| Change in fair value of derivative liability | 5,220 | (5,134) | - | - | - |
| Other expense, net | (24) | (17) | - | (1,407) | (1,641) |
| **Total Other Income (Expense)** | 5,253 | (5,090) | 1 | (1,413) | (1,638) |
| **Net Income (Loss), before tax** | 1,024 | (13,489) | (4,380) | (10,929) | (23,572) |
| Income tax benefit/(provision) | 417 | 2,958 | - | - | (62) |
| **Net Income (Loss)** | $ 1,441 | $ (10,531) | $ (4,380) | $ (10,929) | $ (23,634) |
| Unrealized foreign exchange gain/(loss) from cumulative translation adjustments | 31 | (8) | (28) | 1,110 | 1,315 |
| **Comprehensive Income (Loss)** | $ 1,472 | $ (10,539) | $ (4,408) | $ (9,819) | $ (22,319) |
| Basic and diluted weighted average shares outstanding, Class A common stock | 10,818 | 9,675 | | | |
| **Basic and diluted net income (loss) per share, Class A common stock** | $ 0.13 | $ (1.09) | | | |

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

**CXAPP INC. AND SUBSIDIARIES**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**(in thousands, except share data)**

**Predecessor**

| | Net parent investment | Accumulated other comprehensive income (loss) | Total Stockholders' Equity |
|---|---|---|---|
| **Balance at January 1, 2022** | $ 20,155 | $ 56 | $ 20,211 |
| Net loss | (1,671) | - | (1,671) |
| Stock-based compensation allocated from parent | 647 | - | 647 |
| Parent's common shares issued for CXApp earnout | 3,697 | - | 3,697 |
| Taxes paid related to net share settlement of restricted stock units | (104) | - | (104) |
| Net investments from parent | 6,444 | - | 6,444 |
| Cumulative translation adjustment | - | (189) | (189) |
| **Balance at March 31, 2022** | $ 29,168 | $ (133) | $ 29,035 |
| Net loss | (11,034) | - | (11,034) |
| Stock-based compensation allocated from parent | 355 | - | 355 |
| Net investments from parent | 4,057 | - | 4,057 |
| Cumulative translation adjustment | - | 394 | 394 |
| **Balance at June 30, 2022** | $ 22,546 | $ 261 | $ 22,807 |
| Net loss | (10,929) | - | (10,929) |
| Stock-based compensation allocated from parent | 323 | - | 323 |
| Net investments from parent | 8,466 | - | 8,466 |
| Cumulative translation adjustment | - | 1,110 | 1,110 |
| **Balance at September 30, 2022** | $ 20,406 | $ 1,371 | $ 21,777 |
| | | | |
| **Balance at January 1, 2023** | $ 22,236 | $ 1,155 | $ 23,391 |
| Net loss | (4,380) | - | (4,380) |
| Stock-based compensation allocated from parent | 158 | - | 158 |
| Net investments from parent | 8,680 | - | 8,680 |
| Cumulative translation adjustment | - | (28) | (28) |
| **Balance at March 14, 2023** | $ 26,694 | $ 1,127 | $ 27,821 |

**Successor**

| | Class A Common Stock | | Class C Common Stock | | Additional paid-in capital | Accumulated Deficit | Accumulated other comprehensive income (loss) | Total Stockholders' Equity (Deficit) |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | |
| **Balance at March 15, 2023** | 7,034,999 | $ 1 | - | $ - | $ 1,607 | $ (8,743) | $ - | $ (7,135) |
| Shares issued in connection with Business Combination | 1,547,700 | - | 5,487,300 | 1 | 69,927 | - | - | 69,928 |
| Net income | - | - | - | - | - | 2,758 | - | 2,758 |
| Stock-based compensation | - | - | - | - | 2 | - | - | 2 |
| **Balance at March 31, 2023** | 8,582,699 | $ 1 | 5,487,300 | $ 1 | $ 71,536 | $ (5,985) | $ - | $ 65,553 |
| Net loss | - | - | - | - | - | (14,730) | - | (14,730) |
| Stock-based compensation | - | - | - | - | 96 | - | - | 96 |
| Cumulative translation adjustment | - | - | - | - | - | - | (39) | (39) |
| **Balance at June 30, 2023** | 8,582,699 | $ 1 | 5,487,300 | $ 1 | $ 71,632 | $ (20,715) | $ (39) | $ 50,880 |
| Net income | - | - | - | - | - | 1,441 | - | 1,441 |
| Stock-based compensation | - | - | - | - | 653 | - | - | 653 |
| Warrant exchange to Class A common stock | 600,000 | - | - | - | 4,914 | - | - | 4,914 |
| Warrant exercise – cash and cashless | 484,608 | - | - | - | 5,768 | - | - | 5,768 |
| Mandatory conversion from Class C common stock to Class A common stock | 5,487,300 | 1 | (5,487,300) | (1) | - | - | - | - |
| Common stock issuance | 99,782 | - | - | - | 195 | - | - | 195 |
| Cumulative translation adjustment | - | - | - | - | - | - | 31 | 31 |
| **Balance at September 30, 2023** | 15,254,389 | $ 2 | - | $ - | $ 83,162 | $ (19,274) | $ (8) | $ 63,882 |

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

**CXAPP INC. AND SUBSIDIARIES**
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

| | Successor | Predecessor |
|---|---|---|

| | Period from March 15, 2023 to September 30, 2023 | Period from January 1, 2023 to March 14, 2023 | Nine Months ended September 30, 2022 |
|---|---|---|---|
| **Operating activities** | | | |
| Net loss | $ (10,531) | $ (4,380) | $ (23,634) |
| Adjustments to reconcile net loss to net cash used in operating activities | | | |
| Depreciation and amortization | 52 | 228 | 484 |
| Amortization of intangible assets | 1,510 | 806 | 2,919 |
| Amortization of right of use asset | 200 | 40 | 206 |
| Deferred income taxes | (2,957) | - | - |
| Provision for bad debt expense | (11) | - | 5 |
| Stock-based compensation expense | 857 | 158 | 1,325 |
| Gain on change in fair value of earnout payable | - | - | (2,827) |
| (Gain) loss on foreign currency transactions | 20 | (32) | 1,546 |
| Change in fair value of derivative liability | 5,134 | - | - |
| Impairment of goodwill | - | - | 5,540 |
| Other | - | - | (391) |
| Change in operating assets and liabilities: | | | |
| Accounts receivable and other receivables | 1,400 | (857) | 280 |
| Prepaid expenses and other current assets | 339 | (20) | (1,155) |
| Other assets | (37) | - | 13 |
| Accounts payable | 494 | (796) | 131 |
| Accrued liabilities | (4,666) | (787) | 1,301 |
| Income tax liabilities | - | - | (517) |
| Operating lease liabilities | (202) | (38) | (197) |
| Deferred revenue | (539) | 534 | (510) |
| Net cash used in operating activities | (8,937) | (5,144) | (15,481) |
| **Investing activities** | | | |
| Purchases of property and equipment | (47) | (9) | (72) |
| Investment in capitalized software | - | (45) | (287) |
| Cash acquired in connection with Business Combination | 10,003 | - | - |
| Net cash provided by (used in) investing activities | 9,956 | (54) | (359) |
| **Financing activities** | | | |
| Net equity investment from parent | - | 9,089 | 18,967 |
| Taxes paid related to stock-based compensation | - | - | (104) |
| Repayment of CXApp acquisition liability | - | (197) | (1,957) |
| Warrant exercise - net | 5,002 | | |
| Repayment of related party promissory note | (328) | - | - |
| Net cash provided by financing activities | 4,674 | 8,892 | 16,906 |
| Effect of exchange rate changes on cash and cash equivalents | (17) | 1 | (75) |
| Net increase in cash and cash equivalents | 5,676 | 3,695 | 991 |
| Cash and cash equivalents, beginning of period | 1,503 | 6,308 | 5,028 |
| Cash and cash equivalents, end of period | $ 7,179 | $ 10,003 | $ 6,019 |
| **Supplemental disclosures of cash flow information** | | | |
| Cash paid for taxes | $ 1 | $ - | $ 100 |
| Cash paid for interest | $ 12 | $ - | $ 1 |
| **Supplemental schedule of noncash investing and financing activities** | | | |
| Right of use asset obtained in exchange for lease liability | $ 230 | $ - | $ 284 |
| Parent's common shares issued for CXApp earnout | $ - | $ - | $ 3,697 |
| Noncash investment from parent | $ - | $ 409 | $ - |
| Class A Common Stock and Class C Common Stock issued in connection with Business Combination | $ 69,928 | $ - | $ - |
| Financing of Director and Officer Insurance (see Note 9) | $ 671 | $ - | $ - |
| Warrant exercise - cashless | $ 549 | $ - | $ - |
| Warrant exchange to Class A common stock | $ 4,914 | $ - | $ - |

| | Successor | |
|---|---|---|
| | March 31, 2024 | December 31, 2023 |
| | (unaudited) | |
| **Assets** | | |

| | | | | |
|---|---|---|---|---|
| **Current Assets** | | | | |
| Cash and cash equivalents | $ | 5,603 | $ | 6,275 |
| Accounts receivable, net of allowance for credit losses of $2 as of March 31, 2024 and December 31, 2023 | | 1,370 | | 1,956 |
| Unbilled and other receivables | | 156 | | 211 |
| Prepaid expenses and other current assets | | 676 | | 587 |
| Total current assets | | 7,805 | | 9,029 |
| | | | | |
| Property and equipment, net | | 110 | | 115 |
| Intangible assets, net | | 17,453 | | 18,136 |
| Operating lease right-of-use asset, net | | 374 | | 486 |
| Goodwill | | 8,737 | | 8,737 |
| Other assets | | 78 | | 78 |
| | | | | |
| **Total Assets** | $ | 34,557 | $ | 36,581 |
| | | | | |
| **Liabilities and Stockholders' Equity** | | | | |
| | | | | |
| **Current Liabilities** | | | | |
| Accounts payable | $ | 1,019 | $ | 975 |
| Accrued liabilities | | 1,675 | | 1,452 |
| Deferred revenue | | 3,632 | | 2,878 |
| Warrant liability | | 3,155 | | 1,683 |
| Operating lease obligation, current | | 231 | | 275 |
| Note payable | | 3,373 | | 3,053 |
| Total current liabilities | | 13,085 | | 10,316 |
| | | | | |
| Operating lease obligation, noncurrent | | 160 | | 230 |
| Deferred tax liability | | 429 | | 637 |
| Other noncurrent liabilities | | 2 | | - |
| | | | | |
| **Total Liabilities** | $ | 13,676 | $ | 11,183 |
| | | | | |
| **Commitments and Contingencies** | | | | |
| | | | | |
| **Stockholders' Equity** | | | | |
| Class A Common Stock, $0.0001 par value; 200,000,000 shares authorized; 15,254,389 shares issued and outstanding as of March 31, 2024 and December 31, 2023 | | 2 | | 2 |
| Additional paid-in capital | | 83,881 | | 83,282 |
| Accumulated deficit | | (62,971 ) | | (57,801 ) |
| Accumulated other comprehensive loss | | (31 ) | | (85 ) |
| **Total Stockholders' Equity** | $ | 20,881 | $ | 25,398 |
| | | | | |
| **Total Liabilities and Stockholders' Equity** | $ | 34,557 | $ | 36,581 |

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

**CXAPP INC. AND SUBSIDIARIES**
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except share and per share data)

| | | | | | | |
|---|---|---|---|---|---|---|
| | **Successor** (unaudited) | | | | **Predecessor** | |
| | **Three Months ended March 31, 2024** | | **Period from March 15, 2023 to March 31, 2023** | | **Period from January 1, 2023 to March 14, 2023** | |
| **Revenues** | $ | 1,818 | $ | 342 | $ | 1,620 |
| | | | | | | |
| **Cost of Revenues** | | 327 | | 87 | | 483 |
| | | | | | | |
| **Gross Profit** | | 1,491 | | 255 | | 1,137 |
| | | | | | | |
| **Operating Expenses** | | | | | | |
| Research and development | | 1,599 | | 211 | | 1,455 |
| Sales and marketing | | 1,114 | | 174 | | 964 |

| | | | |
|---|---|---|---|
| General and administrative | 1,682 | 241 | 2,293 |
| Amortization of intangible assets | 683 | 116 | 806 |
| **Total Operating Expenses** | 5,078 | 742 | 5,518 |
| **Loss from Operations** | (3,587) | (487) | (4,381) |
| **Other Income (Expense)** | | | |
| Interest income (expense), net | (262) | (1) | 1 |
| Change in fair value of derivative liability | (1,472) | 1,686 | - |
| Other income (expense), net | (56) | - | - |
| **Total Other Income (Expense)** | (1,790) | 1,685 | 1 |
| **Net Income (Loss), before tax** | (5,377) | 1,198 | (4,380) |
| Income tax benefit | 207 | 1,560 | - |
| **Net Income (Loss)** | $ (5,170) | $ 2,758 | $ (4,380) |
| Unrealized foreign exchange gain/(loss) from cumulative translation adjustments | 54 | - | (28) |
| **Comprehensive Income (Loss)** | $ (5,116) | $ 2,758 | $ (4,408) |
| Basic and diluted weighted average shares outstanding, Class A common stock | 15,254,389 | 8,582,699 | |
| **Basic and diluted net income (loss) per share, Class A common stock** | $ (0.34) | $ 0.20 | |
| Basic and diluted weighted average shares outstanding, Class C common stock | - | 5,487,300 | |
| **Basic and diluted net income per share, Class C common stock** | $ - | $ 0.20 | |

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

**CXAPP INC. AND SUBSIDIARIES**

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except share data)

Predecessor

| | **Net parent investment** | **Accumulated other comprehensive income (loss)** | **Total Shareholders' Equity** |
|---|---|---|---|
| **Balance at January 1, 2023** | $ 22,236 | $ 1,155 | $ 23,391 |
| Net loss | (4,380) | - | (4,380) |
| Stock-based compensation allocated from parent | 158 | - | 158 |
| Net investment from parent | 8,680 | - | 8,680 |
| Cumulative translation adjustment | - | (28) | (28) |
| **Balance at March 14, 2023** | $ 26,694 | $ 1,127 | $ 27,821 |

**Successor**

(unaudited)

| | **Class A Common Stock** | | **Class C Common Stock** | | **Additional Paid-in** | Accumulated | **Accumulated Other Comprehensive Income** | **Total Stockholders' Equity** |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Capital | Deficit | (Loss) | (Deficit) |
| **Balance at March 15, 2023** | 7,034,999 | $ 1 | - | $ - | $ 1,607 | $ (8,563) | $ - | $ (6,955) |
| Shares issued in connection with Business Combination | 1,547,700 | - | 5,487,300 | 1 | 69,927 | - | - | 69,928 |
| Net income | - | - | - | - | - | 2,758 | - | 2,758 |
| Stock-based compensation | - | - | - | - | 2 | - | - | 2 |
| **Balance at March 31, 2023** | 8,582,699 | $ 1 | 5,487,300 | $ 1 | $ 71,536 | $ (5,805) | $ - | $ 65,733 |
| **Balance at December 31, 2023** | **15,254,389** | **$ 2** | - | $ - | **$ 83,282** | **$ (57,801)** | **$ (85)** | **$ 25,398** |
| Net loss | - | - | - | - | - | (5,170) | - | (5,170) |
| Stock-based compensation | - | - | - | - | 599 | - | - | 599 |
| Cumulative translation adjustment | - | - | - | - | - | - | 54 | 54 |
| **Balance at March 31, 2024** | **15,254,389** | **$ 2** | - | $ - | **$ 83,881** | **$ (62,971)** | **$ (31)** | **$ 20,881** |

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

**CXAPP INC. AND SUBSIDIARIES**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

| | **Successor** | **Predecessor** |
|---|---|---|
| | (unaudited) | |

| | Three Months Ended March 31, 2024 | Period from March 15, 2023 to March 31, 2023 | Period from January 1, 2023 to March 14, 2023 |
|---|---|---|---|
| **Operating activities** | | | |
| Net income (loss) | $ (5,170) | $ 2,758 | $ (4,380) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities | | | |
| Depreciation and amortization | 22 | 4 | 228 |
| Amortization of intangible assets | 683 | 116 | 806 |
| Amortization of right of use asset | 104 | 8 | 40 |
| Amortization of debt discount and deferred financing cost | 221 | - | - |
| Accrued interest expense on promissory note | 99 | - | - |
| Deferred income taxes | (207) | (1,560) | - |
| Stock-based compensation expense | 599 | 2 | 158 |
| (Gain) loss on foreign currency transactions | 54 | 3 | (32) |
| Change in fair value of derivative liability | 1,472 | (1,686) | - |
| Change in operating assets and liabilities: | | | |
| Accounts receivable and other receivables | 644 | (335) | (857) |
| Prepaid expenses and other current assets | (89) | (100) | (20) |
| Other assets | - | (37) | - |
| Accounts payable | 46 | 135 | (796) |
| Accrued liabilities | 227 | (3,888) | (787) |
| Operating lease liabilities | (112) | (7) | (38) |
| Deferred revenue | 757 | 156 | 534 |
| Net cash used in operating activities | (650) | (4,431) | (5,144) |
| **Investing activities** | | | |
| Purchases of property and equipment | (18) | (23) | (9) |
| Investment in capitalized software | - | - | (45) |
| Cash acquired in connection with Business Combination | - | 10,003 | - |
| Net cash provided by (used in) investing activities | (18) | 9,980 | (54) |
| **Financing activities** | | | |
| Net equity investment from parent | - | - | 9,089 |
| Repayment of CXApp acquisition liability | - | - | (197) |
| Repayment of related party promissory note | - | (328) | - |
| Net cash provided by (used in) financing activities | - | (328) | 8,892 |
| Effect of exchange rate changes on cash and cash equivalents | (4) | - | 1 |
| Net increase (decrease) in cash and cash equivalents | (672) | 5,221 | 3,695 |
| Cash and cash equivalents, beginning of period | 6,275 | 1,503 | 6,308 |
| Cash and cash equivalents, end of period | $ 5,603 | $ 6,724 | $ 10,003 |
| **Supplemental disclosures of cash flow information** | | | |
| Cash paid for taxes | $ - | $ - | $ - |
| Cash paid for interest | $ - | $ - | $ - |
| **Supplemental schedule of noncash investing and financing activities** | | | |
| Noncash investment from parent | $ - | $ - | $ 409 |
| Class A Common Stock and Class C Common Stock issued in connection with Business Combination | $ - | $ 69,928 | $ - |
| Financing of Director and Officer Insurance | $ 226 | $ 537 | $ - |

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

**CXAPP INC. AND SUBSIDIARIES**
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – Organization, Nature of Business and Basis of Presentation**

CXApp Inc. and its subsidiaries ("CXApp" or the "Company") is in the business of delivering intelligent enterprise workplace experiences. The CXApp SaaS platform is anchored on the intersection of customer experience (CX) and artificial intelligence (AI) providing digital transformation for the physical workplace for enhanced experiences across people, places and things.

The CXApp SaaS platform offers a suite of leading-edge technology workplace experience solutions including an enterprise employee application, indoor mapping, on-device positioning, augmented reality technologies, generative AI applications and an AI-based analytics platform, targeting the emerging hybrid workplace market. CXApp creates a connected workplace by reducing app overload, data fragmentation, and complex workflows and streamlines all capabilities through The Workplace SuperApp. All features, services and integrations are housed in one easy-to-access platform allowing businesses to deliver a more holistic employee experience in a hybrid workplace.
The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"), for interim financial information and the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, CXApp does not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of CXApp, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Interim results for the periods presented are not necessarily indicative of the results for the full year ending December 31, 2023 or any other period. These interim unaudited condensed consolidated financial statement should be read in conjunction with KINS Technology Group Inc.'s ("KINS") audited consolidated financial statements and notes for the years ended December 31, 2022 and 2021 included in the annual report on Form 10-K/A for the years ended December 31, 2022, filed with the SEC on April 19, 2023, and the annual report of Legacy CXApp (as

defined below) for the year ended December 31, 2022 and 2021 included as an exhibit to Form 8-K filed with the SEC on March 20, 2023. Inter-company balances and transactions have been eliminated.

On September 25, 2022, an Agreement and Plan of Merger (the "Merger Agreement"), was entered into by and among Inpixon, KINS, CXApp, and KINS Merger Sub Inc., a Delaware corporation and a wholly-owned subsidiary of KINS ("Merger Sub"), pursuant to which KINS acquired Inpixon's enterprise apps business (including its workplace experience technologies, indoor mapping, events platform, augmented reality and related business solutions) ("Legacy CXApp") in exchange for the issuance of shares of KINS capital stock (the "Business Combination"). As a result of the Business Combination, KINS changed their name to CXApp Inc. ("CXApp"). The shares are now trading on the Nasdaq using the ticker CXAI. The transaction closed on March 14, 2023. See Note 3 for more details.

Unless the context otherwise requires, "we," "us," "our," "CXApp" and the "Company" refer to CXApp Inc., a Delaware corporation, and its consolidated subsidiaries following the Business Combination (as defined below). Unless the context otherwise requires, references to "KINS" refer to KINS Technology Group Inc., a Delaware corporation ("KINS"), prior to the Business Combination. All references herein to the "Board" refer to the board of directors of the Company. "Legacy CXApp" refers to CXApp Holding Corp., a Delaware corporation and a wholly owned subsidiary of the Company, which the Company acquired through the Business Combination. Prior to the Separation (as defined below), Legacy CXApp was a wholly owned subsidiary of Inpixon, a Nevada corporation ("Inpixon").

The Business Combination was accounted for using the acquisition method (as a forward merger), with goodwill and other identifiable intangible assets recorded in accordance with GAAP, as applicable. Under this method of accounting, the "Enterprise Apps Business" (formerly known as CXApp) is treated as the "acquired" company for financial reporting purposes. KINS (now known as CXApp Inc.) has been determined to be the accounting acquirer because KINS maintains control of the Board of Directors and management of the combined company.
The unaudited condensed consolidated financial statements of Successor and Predecessor are not comparable due to a new basis of accounting that was created from the business combination that occurred on the Closing Date (see Note 3). Therefore, the reporting period has been separated by a black line in the condensed consolidated financial statements with the Predecessor representing the pre-Closing Date period (January 1, 2023 through March 14, 2023) and the Successor representing the post-Closing Date period (March 15, 2023 through September 30, 2023). The Company noted that the "Predecessor" includes financial information related to the Enterprise Apps Business (as defined in Note 3), while the "Successor" includes financial information related to the newly formed company after the business combination.

**CXAPP INC. AND SUBSIDIARIES**
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 – Summary of Significant Accounting Policies**

***Liquidity***

As of September 30, 2023 March 31, 2024 (Successor), the Company had a working capital deficiency of approximately $1,216 5,280 thousand and cash and cash equivalents of approximately $7,179 5,603 thousand. For the three months ended September 30, 2023 March 31, 2024 (Successor), and for the period from March 15, 2023 to September 30, 2023 (Successor) the Company generated incurred net income loss of approximately $1,441 5,170 thousand and incurred $10,531 thousand of net loss, respectively. For the period from March 15, 2023 to September 30, 2023 (Successor) the Company used approximately $8,937 650 thousand of cash for operating activities, of which $4,666 thousand was from a reduction in accrued liabilities, primarily paying merger related transaction liabilities. activities.

The Company cannot assure that it will ever earn revenues sufficient to support their operations, or that it will ever achieve profitable operations. The Company's recurring losses and utilization of cash in its operations are indicators of substantial doubt that the entity can continue as a going concern however, with the Company's current liquidity position the Company has taken the following steps to reduce operating expenses resulting achieve efficient operations:

- In January 2024, the Company streamlined its operations to conserve cash resources by laying off approximately 20% of the global employee headcount;
- In February 2024, Google agreed to add the CXAI application platform to the Google Marketplace and signed a go-to-market partnership agreement. Google Cloud's sales and marketing teams will work with CXAI on targeting key clients and providing them the best workplace platform experience. With this, the Management believes that this partnership would help boost the Company's product capability revenue; and
- In March 2024, the Company successfully negotiated for a 50% reduction in D&O insurance premium.

On May 22, 2024, the Company entered into an equity line financing agreement for up to $10,000 thousand, with an initial draw of $2,500 thousand in a more efficient cost structure. the second quarter of 2024. The Company intends also managed to finance its future working capital requirements and capital expenditures from cash generated from operating activities and may consider raising funds from equity financings. raise $3,000 thousand, in December 2023, under a promissory note payable by December 2024. The Management believes that these actions when implemented will result to operational efficiencies, cost savings to funding have the company, and access to funds when and if needed. While the Company believes in the viability of its strategy to generate revenues and in its ability to raise additional funds, there can be no assurances to that effect mitigate any going concern indicators for the twelve months a period of at least one year from the issuance of date these condensed consolidated financial statements. statements are issued.
The ability of the Company to continue as a going concern is dependent upon the Company's ability to further implement its business plan. The accompanying unaudited condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of the uncertainties described above.

***Basis of Presentation***
The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and the requirements of the Securities and Exchange Commission (the "SEC") for interim reporting. Accordingly, since they are interim statements, they do not include all of the information and disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2024 are not necessarily indicative of the results that may be expected for other quarters or the year ending December 31, 2024. The condensed consolidated balance sheet as of December 31, 2023 has been derived from the audited financial statements as of that date. For more complete financial information, these condensed consolidated financial statements and the notes thereto should be read in conjunction with the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on May 23, 2024.
***Principles of Consolidation***
The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances have been eliminated in consolidation.
***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during each of the reporting periods. Actual results could differ from those estimates. The Company's significant estimates consist of:

- the valuation of stock-based compensation;
-
- the valuation of warrant liabilities;
-
- the allowance for credit losses;

- 
- the valuation allowance for deferred tax assets; and
- 
- impairment of long-lived assets and goodwill.

**CXAPP INC. AND SUBSIDIARIES**
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash, checking accounts, money market accounts, temporary investments and certificates of deposit with maturities of three months or less when purchased. As of September 30, 2023 March 31, 2024 (Successor), the Company had cash equivalents of approximately $6,362 $4,916 thousand of certificates of deposit held by a number of banks limited to $250 thousand per bank with a duration of 90 days or less. As of December 31, 2022 (Predecessor) December 31, 2023 (Successor), the Company had no $5,584 cash equivalents.

***Accounts Receivable, net and Allowance for Credit Losses***

Accounts receivables are stated at the amount the Company expects to collect. The Company recognizes an allowance for credit losses to ensure accounts receivables are not overstated due to uncollectability. Allowance for credit losses are maintained for various customers based on a variety of factors, including the length of time the receivables are past due, significant one-time events and historical experience. An additional reserve for individual accounts is recorded when the Company becomes aware of a customer's inability to meet its financial obligation, such as in the case of bankruptcy filings, or deterioration in such customer's operating results or financial position. If circumstances related to a customer change, estimates of the recoverability of receivables would be further adjusted. The Company's allowance for credit losses is not significant approximately $2 thousand as of September 30, 2023 March 31, 2024 (Successor) and December 31, 2022 (Predecessor) December 31, 2023 (Successor).

***Property and Equipment, net***

Property and equipment are recorded at cost, less accumulated depreciation and amortization. The Company depreciates its property and equipment for financial reporting purposes using the straight-line method over the estimated useful lives of the assets, which range from 5 to 10 years. Leasehold improvements are amortized over the lesser of the useful life of the asset or the initial lease term. Expenditures for maintenance and repairs, which do not extend the economic useful life of the related assets, are charged to operations as incurred, and expenditures, which extend the economic life, are capitalized. When assets are retired, or otherwise disposed of, the costs and related accumulated depreciation or amortization are removed from the accounts and any gain or loss on disposal is recognized.

***Intangible Assets, net***

Intangible assets primarily consist of developed technology, customer lists/relationships, non-compete agreements, intellectual property agreements, export licenses and trade names/trademarks. They are amortized ratably over a range of 5 to 10 years, which approximates customer attrition rate and technology obsolescence. The Company assesses the carrying value of its intangible assets for impairment annually, or more frequently if an event or other circumstances indicates that the Company may not be able to recover the carrying amount of the assets. Based on its assessments, the Company did not incur any impairment charges for the for the three months ended September 30, 2023 March 31, 2024 (Successor), for the period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor), and for the period from January 1, 2023 to March 14, 2023 (Predecessor), for the three months ended September 30, 2022 (Predecessor), and for the nine months ended September 30, 2022 (Predecessor).

***Goodwill***

The Company tests goodwill for potential impairment at least annually, or more frequently if an event or other circumstance indicates that the Company may not be able to recover the carrying amount of the net assets of the reporting unit. The Company has determined that the reporting unit is the entire company, due to the integration of all of the Company's activities. In evaluating goodwill for impairment, the Company may assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. If the Company bypasses the qualitative assessment, or if the Company concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the Company performs a quantitative impairment test by comparing the fair value of a reporting unit with its carrying amount.

**CXAPP INC. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The Company calculates the estimated fair value of a reporting unit using a weighting of the income and market approaches. For the income approach, the Company uses internally developed discounted cash flow models that include the following assumptions, among others: projections of revenues, expenses, and related cash flows based on assumed long-term growth rates and demand trends; expected future investments to grow new units; and estimated discount rates. For the market approach, the Company uses internal analyses based primarily on market comparables. comparables, including public company method, guideline transaction method, and market price method. The Company bases these assumptions on its historical data and experience, third party appraisals, industry projections, micro and macro general economic condition projections, and its expectations. Based on its assessments, the Company did not incur any impairment charges for the three months ended September 30, 2023 March 31, 2024 (Successor), for the period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor), and for the period from January 1, 2023 to March 14, 2023 (Predecessor), and for the three months ended September 30, 2022 (Predecessor). The Company incurred an impairment charge of approximately $5,540 thousand for the nine months ended September 30, 2022 (Predecessor).

**CXAPP INC. AND SUBSIDIARIES**
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

***Leases and Right-of-Use Assets and Liabilities***

The Company determines if an arrangement is a lease at its inception. Operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company generally uses their incremental borrowing rate based on the information available at the lease commencement date in determining the present value of future payments, because the implicit rate of the lease is generally not known. Right-of-use assets related to the Company's operating lease liabilities are measured at lease inception based on the initial measurement of the lease liability, plus any prepaid lease payments and less any lease incentives. The Company's lease terms that are used in determining their operating lease liabilities at lease inception may include options to extend or terminate the leases when it is reasonably certain that the Company will exercise such options. The Company amortizes their right-of-use assets as operating lease expense generally on a straight-line basis over the lease term and classify both the lease amortization and imputed interest as operating expenses. The Company does not recognize lease assets and lease liabilities for any lease with an original lease term of less than one year.

***Income Taxes***

The Company accounts for income taxes using the asset and liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rate is recognized in income or expense in the period that the change is effective. Income tax benefits are recognized when it is probable that the deduction will be sustained. A valuation allowance is established when it is more likely than not that all or a portion of a deferred tax asset will either expire before the Company is able to realize the benefit, or that future deductibility is uncertain.

***Comprehensive Income (Loss) and Foreign Currency Translation***

The Company reports comprehensive income (loss) and its components in its unaudited condensed consolidated financial statements. Comprehensive loss consists of net loss and foreign currency translation adjustments, affecting stockholders' equity that, under GAAP, are excluded from net loss.

Assets and liabilities related to the Company's foreign operations are calculated using the Philippine Peso and Canadian Dollar, and are translated at end-of-period exchange rates, while the related revenues and expenses are translated at average exchange rates prevailing during the period. Gains or losses resulting from transactions denominated in foreign currencies are included in general and administrative expenses in the unaudited condensed consolidated statements of operations. The Company engages in foreign currency denominated transactions with customers that operate in functional currencies other than the U.S. dollar. Aggregate foreign currency net transaction losses gain were not material approximately $54 thousand, $0 thousand, and loss of $28 thousand for the three months ended September 30, 2023 March 31, 2024 (Successor), for the period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor), and for the period from January 1, 2023 to March 14, 2023 (Predecessor), for .

***Debt Issuance Costs***

The costs related to the three months ended September 30, 2022 (Predecessor), issuance of debt are capitalized and for amortized to interest expense over the nine months ended September 30, 2022 (Predecessor). life of the related debt using the effective interest method. The amendments to FASB ASC 835-30 require that debt issuance costs be presented in the Condensed Consolidated Balance Sheets as a direct deduction from the carrying amount of long-term debt, consistent with debt discounts or premiums.



***Revenue Recognition***

The Company recognizes revenue, in accordance with ASC 606, when control is transferred of the promised products or services to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services. The Company derives revenue from its software as a service for cloud based cloud-based software, as well as design, implementation and other professional services for work performed in conjunction with its cloud based cloud-based software. The Company enters into contracts with its customers whereby it grants a non-exclusive cloud-based license for the use of its proprietary software and for professional services. The contracts may also provide for on-going services for a specified price, which may include maintenance services, designated support, and enhancements, upgrades and improvements to the software, depending on the contract. Licenses for cloud software provide the customer with a right to use the software as it exists when made available to the customer. All software provides customers with the same functionality and differs mainly in the duration over which the customer benefits from the software.

The Company recognizes revenue in accordance with ASC 606 – Revenue from Contracts with Customers. The standard's core principle is that an entity will recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The new standard is a principles-based standard intended to better match the accounting for the transaction with the economics of the transaction. This requires entities to use more judgment and make more estimates than under previous revenue standards.

The standard introduces a five-step model for revenue recognition that replaces the four criteria for revenue recognition under previous GAAP. The five steps are shown below:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to performance obligations; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation

*License Subscription Revenue Recognition (Software As A Service)*

With respect to sales of the Company's license agreements, customers generally pay fixed annual fees in advance in exchange for the Company's software service provided via electronic means, which are generally recognized ratably over the license term. Some agreements allow the customer to terminate their subscription contracts before the end of the applicable term, and in such cases the customer is generally entitled to a refund pro-rata but only for the elapsed time remaining at the point of termination, which would approximate the deferred revenue at such time. The Company's performance obligation is satisfied over time as the electronic services are provided continuously throughout the service period. The Company recognizes revenue evenly over the service period using a time-based measure because the Company is providing continuous access to its service. The Company's customers generally pay within 30 to 60 days from the receipt of a customer approved invoice.

The timing of the Company's revenue recognition related to the licensing revenue stream is dependent on whether the software licensing agreement entered into represents a service. Software that relies on an entity's IP and is delivered only through a hosting arrangement, where the customer cannot take possession of the software, is a service. Customers may purchase perpetual licenses or subscribe to licenses, which provide customers with the same functionality and differ mainly in the duration over which the customer benefits from the software.



Renewals or extensions of licenses are evaluated as distinct licenses and revenue attributed to the distinct service is not recognized until until: (1) the entity provides the distinct license (or makes the license available) to the customer and (2) the customer is able to use and benefit from the distinct license. Renewal contracts are not combined with original contracts, and, as a result, the renewal right is evaluated in the same manner as all other additional rights granted after the initial contract. The revenue is not recognized until the customer can begin to use and benefit from the license, which is typically at the beginning of the license renewal period. The Company recognizes revenue resulting from renewal of licensed software over time.

*Professional Services Revenue Recognition*

The Company's Company provides integration and software customization professional services include milestone, fixed fee and time and materials contracts. to its customers.

Professional services under milestone contracts are accounted for using the percentage of completion method. As soon as the outcome of a contract can be estimated reliably, contract revenue is recognized in the statement of operations in proportion to the stage of completion of the contract. Contract costs are expensed as incurred. Contract costs include all amounts that relate directly to the specific contract, are attributable to contract activity, and are specifically chargeable to the customer under the terms of the contract.



Professional services are also contracted on the fixed fee and in some cases on a time and materials basis. Fixed fees are paid monthly, in phases, or upon acceptance of deliverables. The Company's time and materials contracts are paid weekly or monthly based on hours worked. Revenue on time and material contracts is recognized based on a fixed hourly rate as direct labor hours are expended. Materials, or other specified direct costs, are reimbursed as actual costs and may include markup. The Company has elected the practical expedient to recognize revenue for the right to invoice because the Company's right to consideration corresponds directly with the value to the customer of the performance completed to date. For fixed fee contracts provided by in house personnel, the

Company recognizes revenue evenly over the service period using a time-based measure because the Company is providing continuous service. Because the Company's contracts have an expected duration of one year or less, the Company has elected the practical expedient in ASC 606-10-50-14(a) to not disclose information about its remaining performance obligations. Anticipated losses are recognized as soon as they become known. For the three months ended September 30, 2023 March 31, 2024 (Successor), for the period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor), and for the period from January 1, 2023 to March 14, 2023 (Predecessor), three months ended September 30, 2022 (Predecessor), and nine months ended September 30, 2022 (Predecessor), the Company did not incur any such losses. These amounts are based on known and estimated factors.

*Contract Balances*

The timing of the Company's revenue recognition may differ from the timing of invoicing to and payment by its customers. The Company records an unbilled receivable when revenue is recognized prior to invoicing and the Company has an unconditional right to payment. Alternatively, when invoicing a customer precedes the Company providing of the related services, the Company records deferred revenue until the performance obligations are satisfied. The Company had deferred revenue of approximately $1,973 3,632 thousand and $2,162 2,878 thousand as of September 30, 2023 March 31, 2024 (Successor) and December 31, 2022 (Predecessor) December 31, 2023 (Successor), respectively, related to customer invoices rendered in advance for software licenses and professional services provided by the Company's technical staff. The Company expects to satisfy its remaining performance obligations for the deferred revenue associated with professional services, and recognize the deferred revenue related to licenses generally over the remaining contract term which is generally twelve months following the commencement of the license. The Company recognized revenue in the reporting period of $893 1,030 thousand, $865 170 thousand, and $2,747 865 thousand, that was included in the contract liability balance at the beginning of the period, for the three months ended March 31, 2024 (Successor), for the period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor), and for the period from January 1, 2023 to March 14, 2023 (Predecessor), and for the nine months ended September 30, 2022 (Predecessor), respectively.

*Costs to Obtain a Contract*

The Company recognizes eligible sales commissions as an asset within prepaid expenses and other current assets as the commissions are an incremental cost of obtaining a contract with the customer and the Company expects to recover these costs. The capitalized costs are amortized over the expected contract term.

**CXAPP INC. AND SUBSIDIARIES**
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*Cost to Fulfill a Contract*

The Company incurs costs to fulfill their obligations under a contract once it has obtained the contract. These costs are generally not significant and are recorded to expense as incurred.

*Multiple Performance Obligations*

The Company enters into contracts with customers for its technology that include multiple performance obligations. Each distinct performance obligation was determined by whether the customer could benefit from the good or service on its own or together with readily available resources. The Company allocates revenue to each performance obligation based on its relative standalone selling price. The Company's process for determining standalone selling price considers multiple factors including the Company's internal pricing model and market trends that may vary depending upon the facts and circumstances related to each performance obligation.

**CXAPP INC. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*Sales and Use Taxes*

The Company presents transactional taxes such as sales and use tax collected from customers and remitted to government authorities on a net basis.

*Shipping and Handling Costs*

Shipping and handling costs are expensed as incurred as part of cost of revenues. These costs were deemed to be de minimis during each of the reporting periods.

***Research and Development***

Research and development ("R&D") costs are expensed when incurred. R&D expenses consist primarily of personnel and related headcount costs, costs of professional services associated with the ongoing development of the Company's technology, and allocated overhead.

***Business Combinations***

The Company accounts for business combinations under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805 "Business Combinations" using the acquisition method of accounting, and accordingly, the assets and liabilities of the acquired business are recorded at their fair values at the date of acquisition. The excess of the purchase price over the estimated fair value is recorded as goodwill. All acquisition costs are expensed as incurred. Upon acquisition, the accounts and results of operations are included as of and subsequent to the acquisition date.

***Segments***

The Company and its Chief Executive Officer ("CEO"), acting as the Chief Operating Decision Maker ("CODM") determines its reporting units in accordance with FASB ASC 280, "Segment Reporting" ("ASC 280"). The Company evaluates a reporting unit by first identifying its operating segments under ASC 280. The Company then evaluates each operating segment to determine if it includes one or more components that constitute a business. If there are components within an operating segment that meet the definition of a business, the Company evaluates those components to determine if they must be aggregated into one or more reporting units. If applicable, when determining if it is appropriate to aggregate different operating segments, the Company determines if the segments are economically similar and, if so, the operating segments are aggregated. The Company has one operating segment and reporting unit. The Company is organized and operated as one business. Management reviews its business as a single operating segment, using financial and other information rendered meaningful only by the fact that such information is presented and reviewed in the aggregate.

**CXAPP INC. AND SUBSIDIARIES**
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

***Stock-Based Compensation***

The Company measures the cost of employee and nonemployee non-employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. The Company has issued stock-based compensation awards in the form of options and restricted stock units. Fair value for options and restricted stock units are valued using the closing price of the Company's common stock on the date of grant. The grant date fair value is recognized over the requisite service period during which an employee and nonemployee non-employee is required to provide service in exchange for the award.

The grant date fair value of options is estimated using the Black-Scholes option pricing model based on the average of the high and low stock prices at the grant date for awards under the CXApp Inc. 2023 Equity Incentive Plan (the "Incentive Plan"). The risk-free interest rate assumptions were based upon the observed interest rates appropriate for the expected term of the equity instruments. The expected dividend yield is assumed to be zero as the Company has not paid any dividends since its inception and does not anticipate paying dividends in the foreseeable future. The Company uses the simplified method to estimate the expected term.

The Company estimates forfeitures at the time of grant and revises these estimates in subsequent periods if actual forfeitures differ from those estimates.

**CXAPP INC. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

***Derivative Warrant Liabilities***

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance in FASB ASC 480, "Distinguishing Liabilities from Equity" ("ASC 480") and ASC 815, "Derivatives and Hedging" ("ASC 815"). The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company's own common stock, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding. The Company currently has two sets of warrants outstanding, known as the Private Placement Warrants and the Public Warrants, which are both classified as a liability.

For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance or modification. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded at their initial fair value on the date of issuance as a warrant liability, and adjusted to the then fair value in each balance sheet date thereafter. Changes in the estimated fair value of the warrants are recognized as a non-cash gain or loss on the condensed consolidated statements of operations and amounted to approximately a loss of $5,220 1,472 thousand, of a gain of $1,686 thousand, and $0 for the three months ended September 30, 2023 March 31, 2024 (Successor) and $5,134 thousand of a loss for the , period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor). , and period from January 1, 2023 to March 14, 2023 (Predecessor), respectively.
The Company utilized the Public Warrant quoted market price as the fair value of the Warrants as of each relevant date.

***Earnings Per Share***

The Company computes basic and diluted earnings per share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share are similarly calculated with the inclusion of dilutive common stock equivalents. For the three months ended September 30, 2023 March 31, 2024 (Successor) and for the period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor) basic and dilutive net income (loss) per common share were the same since the inclusion of common shares issuable pursuant to the exercise of options, warrants, and vesting of restricted units in the calculation of diluted net loss income (loss) per common shares would have been anti-dilutive. For the period from March 15, 2023 to March 31, 2023 (Successor), the common shares issuable were excluded from the calculation because (i) the warrants were below their exercise price and (ii) the stock options were not vested.

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The following table summarizes the number of common shares and common share equivalents excluded from the calculation of diluted net income loss per common share for the three months ended September 30, 2023 March 31, 2024 (Successor) and net loss income for the period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor).

| | Successor | |
|---|---|---|
| **(in thousands)** | **Three Months Ended September 30, 2023** | **Period from March 15, 2023 to September 30, 2023** |
| Stock options | 985 | 985 |
| Restricted stock units | 821 | 821 |
| Warrants | 21,032 | 21,032 |
| Total | 22,838 | 22,838 |

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| **(in thousands)** | **Three Months Ended March 31, 2024** | **Period from March 15, 2023 to March 31, 2023** |
|---|---|---|
| Stock options | 1,689,900 | 1,377,000 |
| Restricted stock units | 533,165 | - |
| Warrants | 21,032,000 | 24,080,000 |
| Total | 23,255,065 | 25,457,000 |

***Fair Value Measurements***

FASB ASC 820, "Fair Value Measurements" ("ASC 820"), provides guidance on the development and disclosure of fair value measurements. The Company follows this authoritative guidance for fair value measurements, which defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles in the United States, and expands disclosures about fair value measurements. The guidance requires fair value measurements be classified and disclosed in one of the following three categories:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.
- 
- Level 2: Observable prices that are based on inputs not quoted on active markets but corroborated by market data.
- 
- Level 3: Unobservable inputs which are supported by little or no market activity and values determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

Fair value measurements discussed herein are based upon certain market assumptions and pertinent information available to management. The fair value of the warrants has been measured based on the listed market price of such warrants, a Level 1 measurement. For the three month months ended September 30, 2023 (Successor) March 31, 2024 and period ended March 31, 2023, the Company recognized, in the consolidated statements of operations and comprehensive income, an unrealized loss of $1,472 thousand, an unrealized gain in the Statements of Operations and Comprehensive Income of $5,220 1,686 thousand, which is presented as change in fair value of derivative liability. and $0 for the three months ended March 31, 2024 (Successor), period from March 15, 2023 to March 31, 2023 (Successor), and period from January 1, 2023 to March 14, 2023 (Predecessor), respectively. See Note 10. 11.

The Company accounts for its public and private warrants as a derivative liability initially measured at its Its fair values and remeasured in the condensed consolidated statements of operations at the end of each reporting period. When the warrants are exercised, the corresponding derivative liability is de-recognized at the underlying fair value of the Class A common stock that is issued to the warrant holder less any cash paid in accordance with the warrant agreement. Upon either cash or cashless exercise, the de-recognized derivative liability results in an increase in additional paid in capital equal to the difference between the fair value of the underlying Class A common stock and its par value. A cashless exercise results in the warrant holder surrendering Class A common stock equal to the stated warrant exercise price based on the contractual terms in the warrant agreement that governs the cashless conversion.



The following table shows the changes in fair value of the liabilities during the three months ended September 30, 2023: liabilities:

| | | |
|---|---|---|
| Balance at March 15, 2023 | $ | 2,649 |
| Change in FV of derivative instruments | | (1,686) |
| Balance at March 31, 2023 | | 963 |
| Change in FV of derivative instruments | | 12,040 |
| Balance at June 30, 2023 | $ | 13,003 |
| Change in FV of derivative instruments | | (5,220) |
| Warrants exchanged for Class A common stock (see *Note 10 - Warrants*) | | (4,914) |
| Warrants exercised for Class A common stock (see *Note 10 - Warrants*) | | (766) |
| Balance at September 30, 2023 | $ | 2,103 |

| | | |
|---|---|---|
| Warrant liability – January 1, 2024 | $ | 1,683 |
| Change in FV of derivative instruments | | 1,472 |
| Warrant liability – March 31, 2024 | $ | 3,155 |

| | | |
|---|---|---|
| Warrant liability – March 15, 2023 | $ | 2,649 |
| Change in FV of derivative instruments | | (1,686) |
| **Warrant liability – March 31, 2023** | **$** | **963** |

***Fair Value of Financial Instruments***

Financial instruments consist of cash and cash equivalents, accounts receivable, notes unbilled and other receivables and accounts payable. The Company determines the estimated fair value of such financial instruments presented in these financial statements using available market information and appropriate methodologies.



***Carrying Value, Recoverability and Impairment of Long-Lived Assets***

The Company follows FASB ASC 360 "Property, Plant, and Equipment" ("ASC 360") for its long-lived assets. Pursuant to ASC 360-10-35-17, an impairment loss shall be recognized only if the carrying amount of a long-lived asset (asset group) is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset (asset group) is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset (asset group). That assessment shall be based on the carrying amount of the asset (asset group) at the date it is tested for recoverability. An impairment loss shall be measured as the amount by which the carrying amount of a long-lived asset (asset group) exceeds its fair value. Pursuant to ASC 360-10-35-20 if an impairment loss is recognized, the adjusted carrying amount of a long-lived asset shall be its new cost basis. For a depreciable long-lived asset, the new cost basis shall be depreciated (amortized) over the remaining useful life of that asset. Restoration of a previously recognized impairment loss is prohibited.

Pursuant to ASC 360-10-35-21, the Company's long-lived asset (asset group) is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company considers the following to be some examples of such events or changes in circumstances that may trigger an impairment review: (a) significant decrease in the market price of a long-lived asset (asset group); (b) a significant adverse change in the extent or manner in which a long-lived asset (asset group) is being used or in its physical condition; (c) a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset (asset group), including an adverse action or assessment by a regulator; (d) an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (asset group); (e) a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset (asset group); and (f) a current expectation that, more likely than not, a long-lived asset (asset group) will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The Company tests its long-lived assets for potential impairment indicators at least annually and more frequently upon the occurrence of such events.

Based on its assessments, the Company recorded no impairment charges on long-lived assets for the three months ended September 30, 2023 March 31, 2024 (Successor), for the period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor), and for the period from January 1, 2023 to March 14, 2023 (Predecessor), for the three months ended September 30, 2022 (Predecessor), and for the nine months ended September 30, 2022 (Predecessor).



***Recently Issued Accounting Standards Not Yet Adopted***

In July 2023, the FASB issued ASU 2023-03, "Presentation of Financial Statements (Topic 205), Income Statement - Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation - Stock Compensation (Topic 718)", which updates codification on how an entity would apply the scope guidance in paragraph 718-10-15-3 to determine whether profits interest and similar awards should be accounted for in accordance with Topic 718, Compensation—Stock Compensation. The effective date of this update is for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The Company is currently evaluating the impact of the adoption of this ASU will have on the Company's consolidated financial position and results of operations.

In October 2023, the FASB issued ASU 2023-06 “Disclosure Improvements”, which amends the codification in response to the SEC’s Disclosure Update and Simplification Initiative. The effective date of this update is for fiscal years beginning after June 30, 2027, including interim periods within those fiscal years. The Company is currently assessing potential impacts impact of ASU 2023-03 and ASU 2023-06 and does not expect the adoption of this guidance will have a material impact on its condensed consolidated financial statements and disclosures.

In the fourth quarter of 2023, the FASB issued three ASU’s: No. 2023-07 “Segment Reporting (Topic 280)”, No. 2023-08 “Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60), and No. 2023-09 “Income Taxes (Topic 740)”. The Management sees the Company as one single unit, instead of as segments, leading to a more in-depth consideration should FASB ASU No. 2023-07 be considered. FASB ASU No. 2023-07 is effective after fiscal year ended December 15, 2023. The effects of ASU 2023-08 and ASU 2023-09 are both being considered and assessed for their potential effects, but the Company does not expect any material impact on the financial statements and disclosures. Both FASB ASU 2023-08 and 2023-09 are effective after fiscal year ended December 15, 2024.

In March 2024, the FASB issued ASU 2024-01, “Compensation—Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards,” which clarifies how an entity determines whether a profits interest or similar award is within the scope of Topic 718, or is not a share-based payment arrangement and therefore within the scope of other guidance. ASU 2024-01 adds an example with multiple fact patterns and illustrates how an entity evaluates common terms and characteristics of profits interests and similar awards to reach a conclusion about whether an award meets the conditions in Topic 718. It also amends certain language in the “Scope” and “Scope Exceptions” sections of Topic 718 to improve its clarity and operability without changing the guidance. ASU 2024-01 is effective for the Company for fiscal years beginning after December 15, 2024, and interim periods within those fiscal years. Entities may apply the guidance either retrospectively to all periods presented in the financial statements or prospectively to profits interest and similar awards granted or modified on or after the date of adoption. We are currently evaluating the impact of this standard on our consolidated financial statements.

In March 2024, the FASB issued ASU 2024-02 “Codification Improvements—Amendments to Remove References to the Concept Statements,” which amends the Codification to remove references to various FASB Concepts Statements and impacts a variety of Topics in the Codification. The amendments apply to all reporting entities within the scope of the affected accounting guidance, but in most instances the references removed are extraneous and are not required to understand or apply the guidance. Generally, the amendments in ASU 2024-02 are not intended to result in significant accounting changes for most entities. ASU 2024-02 is effective for the Company for fiscal years beginning after December 15, 2024, and interim periods within those fiscal years. Entities may apply the guidance either retrospectively to the beginning of the earliest comparative period presented or prospectively to all new or modified transactions recognized on or after the date of adoption. We are currently evaluating the impact of this standard on our consolidated financial statements.



**NOTE 3 – Business Combination**

On March 14, 2023, the Company completed the Agreement and Plan of Merger (the “Merger Agreement”), by and among KINS, Inpixon, CXApp, and KINS Merger Sub Inc., a Delaware corporation and a wholly-owned subsidiary of KINS (“Merger Sub”), pursuant to which KINS combined with Legacy CXApp, Inpixon’s enterprise apps business (including its workplace experience technologies, indoor mapping, events platform, augmented reality and related business solutions) (the “Enterprise Apps Business”). In exchange for the aggregate purchase price of approximately $69,928 thousand, the Company acquired all of the related assets and liabilities of Legacy CXApp. The consideration transferred in connection with the Business Combination consisted of 1,547,700 shares of the Company’s Class A Common Stock and 5,487,300 shares of the Company’s Class C Common Stock valued at a price of $9.94 per share. The preliminary estimated goodwill of approximately $44,200 thousand arising from the Business Combination consists of an acquired workforce, as well as synergies expected from combined operations of KINS and the CXApp.

The Company has authorized Class A and Class C common stock. Class A common stock and New CXApp Class C common stock are identical in all respects, except that New CXApp Class C common stock is not listed and will automatically convert into New CXApp Class A common stock on the earlier to occur of (i) the 180th 180th day following the closing of the Merger which has expired and (ii) the day that the last reported sale price of New CXApp Class A common stock equals or exceeds $12.00 per share for any 20 trading days within any 30-trading day period following the closing of the Merger.

The Business Combination is being accounted for as a business combination in accordance with ASC 805. The Company has determined preliminary fair values of the assets acquired and liabilities assumed in the Business Combination. These values are subject to change as we perform additional reviews of our assumptions utilized.

The Company has made a provisional allocation of allocated the purchase price of the Business Combination to the assets acquired and the liabilities assumed as of the closing date. The following table summarizes the preliminary purchase price allocations relating to the Business Combination (in thousands):

| Description | Fair Value | Weighted Average Useful Life (in years) | Fair Value | Weighted Average Useful Life (in years) |
|---|---|---|---|---|
| **Purchase Price** | $ 69,928 | | $ 69,928 | |
| **Assets acquired:** | | | | |
| **Cash and cash equivalents** | $ 10,003 | | $ 10,003 | |
| **Accounts receivable** | 2,226 | | 2,226 | |
| **Notes and other receivables** | 209 | | 209 | |
| **Prepaid assets and other current assets** | 588 | | 408 | |
| **Operating lease right of use asset** | 557 | 3 years | 557 | 3 years |
| **Property and equipment, net** | 133 | 3 years | 133 | 3 years |
| **Other assets** | 42 | | 42 | |
| **Developed technology** | 9,268 | 10 years | 8,697 | 10 years |
| **Patents** | 2,703 | 10 years | 2,703 | 10 years |
| **Customer relationships** | 5,604 | 5 years | 5,604 | 5 years |
| **Tradenames and trademarks** | 3,294 | 7 years | 3,294 | 7 years |
| **Total assets acquired** | $ 34,627 | | $ 33,876 | |
| **Liabilities assumed:** | | | | |
| **Accounts payable** | $ 461 | | $ 443 | |

| | | |
|---|---|---|
| **Accrued liabilities** | 972 | 969 |
| **Deferred revenues** | 2,534 | 2,534 |
| **Operating lease obligation, current** | 194 | 194 |
| **Operating lease obligation, noncurrent** | 384 | 384 |
| **Deferred tax liability** | 4,354 | 4,217 |
| **Total liabilities assumed** | 8,899 | 8,741 |
| **Goodwill** | $ 44,200 | $ 44,793 |



The value of the intangible assets were calculated by a third party valuation firm based on projections and financial data provided by management of the Company. Goodwill represents the excess fair value after allocation to the intangible assets. The calculated goodwill is not deductible for tax purposes.

Total acquisition-related costs for the Business Combination were approximately $3,194 $3,543 thousand. Of the total acquisition-related costs, approximately $3,000 thousand were incurred by KINS prior to the close of the Business Combination. These costs are included in the opening retained earnings of the Company on March 15, 2023. The remaining $194543 thousand of acquisition-related costs were recorded as expense in the successor period and are included in acquisition related costs on the statements of operations for the three months year ended September 30, 2023 (Successor) and the period from March 15, 2023 to September 30, 2023 (Successor) December 31, 2023.

Measurement Period

The preliminary purchase price allocations for the acquisitions described above are based on initial estimates and provisional amounts. In accordance with ASC 805-10-25-13, if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, acquirer shall adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. The Company continues continued to refine its inputs and estimates inherent in (i) the valuation of intangible assets, (ii) deferred income taxes, (iii) realization of tangible assets and (iv) the accuracy and completeness of liabilities. liabilities through March 14, 2024, when the purchase price allocation was finalized. For the three months period ended September 30, 2023 March 14, 2024 (Successor), there was no measurement period adjustment.

CXApp Proforma Financial Information

The following unaudited proforma financial information presents the condensed consolidated results of operations of the Company for the nine-month three-month period ended September 30, 2023, the nine months ended September 30, 2022, and the three months ended September 30, 2022 March 31, 2023, as if the acquisition had occurred as of the beginning of the first period presented (January 1, 2022) 2023) instead of on March 14, 2023. The proforma information does not necessarily reflect the results of operations that would have occurred had the entities been a single company during those periods.

The proforma financial information for the Company including the predecessor information of KINS, and the acquired CXApp is as follows (in thousands):

| | For the Nine Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2022 | For the Three Months Ended September 30, 2022 | For the Three Months Ended March 31, 2023 |
|---|---|---|---|---|
| **Revenues** | $ 5,647 | $ 6,473 | $ 1,742 | $ 1,962 |
| **Net loss** | $ (19,197) | $ (4,822) | $ (10,057) | |
| **Net income (loss)** | | | | (6,365) |



**NOTE 4 –Disaggregation of Revenue**

The Company recognizes revenue when control is transferred of the promised products or services to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services. The Company derives revenue from software as a service, design and implementation services for its enterprise apps solutions systems, and professional services for work performed in conjunction with its systems.

Revenues consisted of the following (in thousands):

| | | | | |
|---|---|---|---|---|
| | **Successor** | **Predecessor** | **Successor** | **Predecessor** |

| | Three Months Ended September 30, 2023 | Period from March 15, 2023 to September 30, 2023 | Period from January 1, 2023 to March 14, 2023 | Three months ended September 30, 2022 | Nine Months Ended September 30, 2022 | Three Months Ended March 31, 2024 | Period from March 15, 2023 to March 31, 2023 | Period from January 1, 2023 to March 14, 2023 |
|---|---|---|---|---|---|---|---|---|
| **Subscription revenue** | | | | | | | | |
| **Software** | $ 1,411 | $ 3,164 | $ 1,204 | $ 1,371 | $ 3,992 | $ 1,588 | $ 240 | $ 1,204 |
| **Total subscription revenue** | $ 1,411 | $ 3,164 | $ 1,204 | $ 1,371 | $ 3,992 | $ 1,588 | $ 240 | $ 1,204 |
| | | | | | | | | |
| **Non-subscription revenue** | | | | | | | | |
| **Professional services** | $ 359 | $ 863 | $ 416 | $ 371 | $ 2,481 | $ 230 | $ 102 | $ 416 |
| **Total non-subscription revenue** | $ 359 | $ 863 | $ 416 | $ 371 | $ 2,481 | 230 | $ 102 | $ 416 |
| | | | | | | | | |
| **Total Revenue** | $ 1,770 | $ 4,027 | $ 1,620 | $ 1,742 | $ 6,473 | $ 1,818 | $ 342 | $ 1,620 |

| | Successor | | Predecessor | | | Successor | | Predecessor |
|---|---|---|---|---|---|---|---|---|
| | Three Months Ended September 30, 2023 | Period from March 15, 2023 to September 30, 2023 | Period from January 1, 2023 to March 14, 2023 | Three months ended September 30, 2022 | Nine Months Ended September 30, 2022 | Three Months ended March 31. 2024 | Period from March 15, 2023 to March 31, 2023 | Period from January 1, 2023 to March 14, 2023 |
| **Revenue recognized over time(1)(2)** | $ 1,770 | $ 4,027 | $ 1,620 | $ 1,742 | $ 6,473 | $ 1,818 | $ 342 | $ 1,620 |
| **Total** | $ 1,770 | $ 4,027 | $ 1,620 | $ 1,742 | $ 6,473 | $ 1,818 | $ 342 | $ 1,620 |

(1) Professional services are also contracted on the fixed fee and time and materials basis. Fixed fees are paid monthly, in phases, or upon acceptance of deliverables. The Company has generally elected the practical expedient to recognize revenue for the right to invoice because the Company's right to consideration corresponds directly with the value to the customer of the performance completed to date.

(2) Software As A Service Subscription Revenue's performance obligation is satisfied evenly over the service period using a time-based measure because the Company is providing continuous access to its service and service is recognized over time.



**NOTE 5 – Property and Equipment, net**

Property and equipment consisted of the following (in thousands):

| | Successor | Predecessor | | |
|---|---|---|---|---|
| | September 30, 2023 | December 31, 2022 | March 31, 2024 | December 31, 2023 |
| **Computer and office equipment** | $ 159 | $ 992 | $ 187 | $ 179 |
| **Furniture and fixtures** | 11 | 185 | 12 | 12 |
| **Leasehold improvements** | 5 | 28 | 6 | 6 |
| **Software** | 1 | 8 | 1 | 1 |
| **Total** | 176 | 1,213 | 206 | 198 |
| **Less: accumulated depreciation and amortization** | (50) | (1,011) | (96) | (83) |
| **Total Property and Equipment, Net** | $ 126 | $ 202 | $ 110 | $ 115 |

Depreciation and amortization expense were approximately $24 22 thousand, $52 thousand, $19 thousand, $24 4 thousand, and $90 19 thousand, for the three months ended September 30, 2023 March 31, 2024 (Successor), for the period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor), and for the period from January 1, 2023 to March 14, 2023 (Predecessor), for the three months ended September 30, 2022 (Predecessor), and for the nine months ended September 30, 2022 (Predecessor), respectively.

**NOTE 6 – Software Development Costs, net**

Capitalized software development costs consisted of the following (in thousands):

| | Successor | Predecessor |
|---|---|---|
| | September 30, 2023 | December 31, 2022 |
| Capitalized software development costs | $ - | $ 2,680 |
| Accumulated amortization | - | (2,193) |
| **Software development costs, net** | - | 487 |

Amortization expense for capitalized software development costs was approximately $209 thousand $150 thousand, and $394 thousand for the period from January 1, 2023 to March 14, 2023 (Predecessor), for the three months ended September 30, 2022 (Predecessor), and for the nine months ended September 30, 2022 (Predecessor), respectively. . There was no amortization expense for capitalized software development costs for the three months ended September 30, 2023 March 31, 2024 (Successor) and for the period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor).

**NOTE 7 – Goodwill and Intangible Assets**

The Company reviews goodwill and intangible assets for impairment on a reporting unit basis on December 31 of each year and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. The Company noted that the carrying amount of Goodwill as of September 30, 2023 March 31, 2024 (Successor) was $44,200 8,737 thousand, which was entirely due to the business combination noted in Note 3.

Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill or amortizable intangible assets may not be recoverable include a decline in industry and market considerations, technological advancements, and the Company's financial performance.

We completed our annual goodwill impairment evaluation as of December 31, 2023. As a result, the Company incurred an impairment loss of $36,056 thousand.

The Company noted that there were no qualitative or quantitative indicators of impairment present at the reporting date as of September 30, 2023 March 31, 2024 (Successor).

As of September 30, 2022 (Predecessor), the Company's goodwill balance and other assets with indefinite lives were evaluated for potential goodwill impairment as certain indications on a qualitative and a quantitative basis were identified that an impairment exists as of the reporting date primarily from a sustained decrease in the Parent's stock price. During the three months ended September 30, 2022 (Predecessor) and for the nine months ended September 30, 2022 (Predecessor), the Company recognized approximately $0 and $5,540 thousand of goodwill impairment, respectively.



Goodwill consisted of the following (in thousands):

| **Acquisition** | **Amount** |
|---|---|
| Balance as of March 15, 2023 | $ - |
| Acquisition of Legacy CXApp | 44,122 |
| Measurement Period Adjustments | 78 |
| **Balance as of September 30, 2023** | **$ 44,200** |

Intangible assets consisted of the following (in thousands):

| | September 30, 2023 (Successor) | | | | December 31, 2022 (Predecessor) | | | March 31, 2024 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Weighted Average Remaining Useful Life (Years) | Gross Amount | Accumulated Amortization | Net Carrying Amount | Gross Amount | Accumulated Amortization | Net Carrying Amount | Weighted Average Remaining Useful Life (Years) | Gross Amount | Accumulated Amortization | N Car Am |
| Trade Name/Trademarks | 6.4 | $ 3,294 | $ (255) | $ 3,039 | $ 2,183 | $ (725) | $ 1,458 | 5.9 | $ 3,294 | $ (490) | $ |
| Customer Relationships | 4.4 | 5,604 | (607) | 4,997 | 6,401 | (1,765) | 4,636 | 3.9 | 5,604 | (1,168) | |
| Developed Technology | 9.4 | 9,268 | (502) | 8,766 | 15,179 | (3,398) | 11,781 | 8.9 | 8,697 | (906) | |
| Non-compete Agreements | - | - | - | - | 3,150 | (1,736) | 1,414 | | | | |
| Patents and Intellectual Property | 9.4 | 2,703 | (146) | 2,557 | - | - | - | 8.9 | 2,703 | (281) | |
| Totals | | $ 20,869 | $ (1,510) | $ 19,359 | $ 26,913 | $ (7,624) | $ 19,289 | | $ 20,298 | $ (2,845) | $ 1 |



Future amortization expense on intangible assets as of September 30, 2023 March 2024 is anticipated to be as follows (in thousands):

| **For the Years Ending December 31,** | **Amount** |
|---|---|
| 2023 (remainder of year) | $ 697 |

| | | |
|---|---|---|
| 2024 | | 2,788 |
| 2025 | | 2,788 |
| 2026 | | 2,788 |
| 2027 | | 2,788 |
| 2028 and thereafter | | 7,510 |
| Total | $ | 19,359 |

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| **For the Years Ending December 31,** | | **Amount** |
|---|---|---|
| 2024 (remainder of year) | $ | 2,048 |
| 2025 | | 2,731 |
| 2026 | | 2,731 |
| 2027 | | 2,731 |
| 2028 | | 1,844 |
| 2029 and thereafter | | 5,368 |
| **Total** | **$** | **17,453** |

**NOTE 8 – Deferred Revenue**

Deferred revenue consisted of the following (in thousands):

| | Successor | | | License Agreements | Professional Service Agreements | Total |
|---|---|---|---|---|---|---|
| | License Agreements | Professional Service Agreements | Total | | | |
| Deferred Revenue - March 15, 2023 | $ 2,148 | $ 386 | $ 2,534 | | | |
| Deferred Revenue – January 1, 2024 | | | | $ 2,404 | $ 474 | $ 2,878 |
| Revenue recognized | (3,164) | (863) | (4,027) | (1,588) | (230) | (1,818) |
| Revenue deferred | 2,568 | 898 | 3,466 | 2,406 | 166 | 2,572 |
| Deferred Revenue - September 30, 2023 | $ 1,552 | $ 421 | $ 1,973 | | | |
| Deferred Revenue – March 31, 2024 | | | | $ 3,222 | $ 410 | $ 3,632 |

| | Predecessor | | | License Agreements | Professional Service Agreements | Total |
|---|---|---|---|---|---|---|
| | License Agreements | Professional Service Agreements | Total | | | |
| Deferred Revenue - January 1, 2022 | $ 2,524 | $ 622 | $ 3,146 | | | |
| Deferred Revenue – March 15, 2023 | | | | $ 2,148 | $ 386 | $ 2,534 |
| Revenue recognized | (2,328) | (419) | (2,747) | (4,560) | (1,186) | (5,746) |
| Revenue deferred | 2,177 | - | 2,177 | 4,816 | 1,274 | 6,090 |
| Deferred Revenue - September 30, 2022 | $ 2,373 | $ 203 | $ 2,576 | | | |
| Deferred Revenue – December 31, 2023 | | | | $ 2,404 | $ 474 | $ 2,878 |

Deferred revenues were approximately $3,632 thousand and $2,878 thousand at March 31, 2024 (Successor) and December 31, 2023 (Successor), respectively.

The fair value of the deferred revenue approximates the services to be rendered.

**NOTE 9 – Accrued Liabilities**

Accrued liabilities consisted of the following (in thousands):

| | Successor | Predecessor | March 31, 2024 | December 31, 2023 |
|---|---|---|---|---|
| | September 30, 2023 | December 31, 2022 | | |

| | | | | |
|---|---|---|---|---|
| **Insurance premiums and accrued interest** | **$ 180** | **$ -** | | |
| **Income tax payables** | **64** | **-** | | |
| **Accrued services** | **40** | **-** | | |
| **Accrued compensation and benefits** | **449** | **586** | **$ 251** | **$ 387** |
| **Accrued bonus and commissions** | **318** | **422** | **279** | **108** |
| **Accrued rent** | **-** | **559** | | |
| **Income tax payables** | | | **78** | **74** |
| **Accrued insurance premium and interest** | | | **225** | **-** |
| **Accrued transaction costs** | **765** | **-** | **13** | **13** |
| **Accrued sales and other indirect taxes payable** | | | **8** | **12** |
| **Accrued other** | **845** | **83** | **821** | **858** |
| **Accrued sales and other indirect taxes payable** | **7** | **86** | | |
| | **$ 2,668** | **$ 1,736** | **$ 1,675** | **$ 1,452** |



*Financed Director & Officers Insurance*

The Company entered into a Directors & Officers ("D&O") insurance agreement with Oakwood D&O Insurance, effective on March 14, 2023 March 14, 2024. The agreement states that the Company will pay a total of $671 $310 thousand in premiums at an annual percentage rate of 8% 9.5%. The first of nine ten monthly separate installment payments began begin on April 14, 2023. The Company paid a down payment on the policy of $85 thousand. As of September 30, 2023 March 31, 2024 (Successor) the Company has paid $492 thousand in premiums and currently owes $179 226 thousand on the D&O insurance policy.

**NOTE 10 – Promissory Note**

Note payable consisted of the following (in thousands):

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Principal amount | $ 3,885 | $ 3,885 |
| Less: Unamortized original issue discount | 616 | 834 |
| Unamortized debt issuance cost | 11 | 14 |
| | 3,258 | 3,037 |
| Add: Accrued interest payable | 115 | 16 |
| | $ 3,373 | $ 3,053 |

On December 15, 2023, we entered into a note purchase agreement with Streeterville Capital, LLC (the "Lender"), pursuant to which we agreed to issue and sell to the Lender an unsecured promissory note (the "Note") in an aggregate initial principal amount of $3,885 thousand, which is payable on or before the date that is 12 months from the issuance date. The initial principal amount includes an original issue discount of $870 thousand and $15 thousand that we agreed to pay to the Lender to cover the Lender's legal fees, accounting costs, due diligence, monitoring and other transaction costs. The net proceeds of the Note is $3,000 thousand.

Interest on the Note accrues at a rate of 10% per annum and is payable on the maturity date.

A monitoring fee of 10% of the outstanding balance will be charged starting six (6) months from the issuance of the Note to cover Lender's accounting, legal and other costs incurred in monitoring. The foregoing fee shall automatically be added to the outstanding balance on the applicable date without any further action by either party.

The Lender shall have the right to redeem up to an aggregate of 1/6th of the initial principal balance of the Note plus any interest accrued thereunder each month by providing written notice delivered to us; provided, however, that if the Lender does not exercise any monthly redemption amount in its corresponding month then such monthly redemption amount shall be available for the Lender to redeem in any further month in addition to such future month's monthly redemption amount.

Upon receipt of any monthly redemption notice, we shall pay the applicable monthly redemption amount in cash to the Lender within five (5) business days of the Company's receipt of such monthly redemption notice.

The Note includes customary event of default provisions, subject to certain cure periods, and provides for a default interest rate of 22%. Upon the occurrence of an event of default, interest would accrue on the outstanding balance beginning on the date the applicable event of default occurred at an interest rate equal to the lesser of twenty-two percent (22%) or the maximum rate permitted under applicable law.

As of May 15, 2024, there is an aggregate outstanding principal and interest balance of approximately $4,050 thousand underlying the December 2023 Note.

Interest expense recognized on the condensed consolidated statement of operations and comprehensive loss were approximately $320 thousand, $0 thousand and $53 thousand for the three months ended March 31, 2024 (Successor), for the period from March 15, 2023 to March 31, 2023 (Successor) and for the period from March 15, 2023 to December 31, 2023 (Successor), respectively.



**NOTE 10 11 – Warrants**

***Public Warrants***

As of September 30, 2023 March 31, 2024 (Successor) there were 10,752 10,751,862 thousand Public Warrants outstanding. Each whole warrant entitles the holder thereof to purchase one share of the Company's Class A common stock at a price of $11.50per share, subject to adjustments described in the Company's registration statement on Form S-1 (Registration No. 333-249177) filed in connection with its initial public offering.

The Public Warrants is exercisable and will expire on March 15, 2028 or earlier upon redemption or liquidation. Public Warrants may only be exercised for a whole number of shares. No fractional warrants will be issued upon separation of the Units units and only whole warrants will trade. The Public Warrants will become exercisable on the later of (a) April 13, 2023 which is 30 days after the completion of a Business Combination and (b) 12 months from the closing of the Initial Public Offering. The Public Warrants will expire on March 15, 2028 or earlier upon redemption or liquidation.

The Company will not be obligated to deliver any shares of Class A common stock pursuant to the exercise of a warrant and will have no obligation to settle such warrant exercise unless a registration statement under the Securities Act covering the issuance of the shares of Class A common stock underlying the warrants is then effective and a prospectus relating thereto is current, subject to the Company satisfying its obligations with respect to registration. No warrant will be exercisable, and the Company will not be obligated to issue shares of Class A common stock upon exercise of a warrant unless Class A common stock issuable upon such warrant exercise has been registered, qualified or deemed to be exempt under the securities laws of the state of residence of the registered holder of the warrants.

On July 13, 2023, warrant holders exercised 435,000 public warrants at an exercise price of $11.50, for a total of $5,002 thousand of cash proceeds to the Company.
On July 14, 2023, the Company entered into a Warrant Exchange Agreement (the "Agreement") with an unaffiliated third party investor (the "Warrant Holder") with respect to warrants to purchase an aggregate of 2,000 thousand shares of its common stock, par value $0.0001 per share (the "Common Stock") initially issued by the Company in its initial public offering on December 15, 2020 (the "Public Warrants"). Pursuant to the Agreement, the Company issued an aggregate of 600 thousand shares of Common Stock to the Warrant Holder in exchange for the surrender and cancellation of the Public Warrants held by such holder. This resulted to an additional paid in capital of $4,914 thousand in a non-cash transaction and resulted in a $3.9 3,900 million thousand loss on the warrant conversion, which is included in change in fair value of derivative liability in the statement of operations.

For the quarter three months ended September 30, 2023, about 613 thousand public warrants to purchase Class A common stock were exercised on a cashless basis for approximately 50 thousand shares of common stock and are no longer outstanding.

On July 13, 2023, warrant holders exercised 435 thousand public warrants at an exercise price of $11.50, for a total of $5,002 thousand of cash proceeds to the Company.

***Private Warrants***

As of September 30, 2023 March 31, 2024 (Successor) and December 31, 2023 (Successor), there were 10,280 thousand and 10,280 thousand Private Placement Warrants outstanding. The Private Placement Warrants are identical to the Public Warrants, except that the Private Placement Warrants and the shares of Class A common stock issuable upon the exercise of the Private Placement Warrants will not be transferable, assignable or salable until 30 days after the completion of a Business Combination, April 14, 2023, subject to certain limited exceptions. Additionally, the Private Placement Warrants will be exercisable on a cashless basis and be non-redeemable, except as described above, so long as they are held by the initial purchasers or their permitted transferees. If the Private Placement Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.



Public and private warrant exercise activity and underlying Common Stock issued or surrendered for the three months ended September 30, 2023, is:

| | Public Warrants | Private Warrants | Total |
|---|---|---|---|
| June 30, 2023 | 13,800,000 | 10,280,000 | 24,080,000 |
| Warrants exchanged | (2,000,000) | - | (2,000,000) |
| Warrants exercised – cash | (435,000) | - | (435,000) |
| Warrants exercised – cashless | (613,138) | - | (613,138) |
| September 30, 2023 | 10,751,862 | 10,280,000 | 21,031,862 |

**NOTE 11 12 – Stock Option Plan and Stock-Based Compensation**

To calculate the stock-based compensation resulting from the issuance of options, the Company uses the Black-Scholes option pricing model, which is affected by the Company's fair value of its stock price as well as assumptions regarding a number of subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors.

***2023 Equity Incentive Plan***

At the special meeting held on March 10, 2023, the KINS stockholders considered and approved, among other things, the Incentive Plan. The Incentive Plan was previously approved, subject to stockholder approval, by KINS' board of directors. The Incentive Plan became effective immediately upon the closing of the Business Combination. Pursuant to the terms of the Incentive Plan, there are 2,110,500 shares of CXApp Class A Common Stock available for issuance under the Incentive Plan, which is equal to 15% of the aggregate number of shares of CXApp common stock issued and outstanding immediately after the closing of the Business Combination (giving effect to the redemptions).

***Employee Stock Options***

During the period from March 15, 2023 to September 30, 2023 (Successor) On February 6, 2024, a total of 1,377 705,000 thousand stock options for the to purchase of the Company's common stock were granted to employees and directors consultants of the Company. These options vest over a 2 4-year period, with 50% vested at the end of year one and 50% vested at the end of year two. period. The options have a life of 5 to 10 years and an exercise price of $1.53 $1.20 per option. The stock options were valued using the Black-Scholes option valuation model and the weighted average fair value of the awards granted during the period was determined to be $0.63 $0.74 per option on the grant date. The fair value of the common stock as of the grant date utilized in the Black-Scholes option valuation model was $1.53 1.21 per share.

See below for a summary of the stock options granted under the Incentive Plan:

| | Number of Options | Weighted-average exercise price | Weighted average remaining contractual term (years) | Weighted-Average Fair Value at Grant Date |
|---|---|---|---|---|
| Options outstanding at March 15, 2023 | - | $ - | - | $ - |
| Granted | 1,377,172 | 1.53 | | |
| Forfeited | (392,272) | 1.53 | | |
| Options outstanding at September 30, 2023 | 984,900 | $ 1.53 | 5.21 | $ 0.61 |
| Options exercisable at September 30, 2023 | - | $ - | - | |

**CXAPP INC. AND SUBSIDIARIES**
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| | Number of Options | Weighted-average exercise price | Weighted average remaining contractual term (years) | Weighted-Average Fair Value at Grant Date |
|---|---|---|---|---|
| Options outstanding at January 1, 2024 | 984,900 | $ 1.53 | 9.00 | $ 0.90 |
| Granted | 705,000 | 1.20 | 9.86 | 0.74 |
| Forfeited | - | - | | |

| | | | |
|---|---|---|---|
| Options outstanding at March 31, 2024 | 1,689,900 | | |
| Options exercisable at March 31, 2024 | 492,450 | $ | 1.53 |

The Company incurred Non-cash stock-based compensation expenses associated with options of approximately $56 thousand, $113 thousand, $158 thousand, $323 thousand, and $1,325 thousand for related to stock option were recorded in the three months ended September 30, 2023 (Successor), for the period from March 15, 2023 to September 30, 2023 (Successor), for the period from January 1, 2023 to March 14, 2023 (Predecessor), for the three months ended September 30, 2022 (Predecessor), and for the nine months ended September 30, 2022 (Predecessor), respectively, which is included in general and administrative expenses of the condensed consolidated statement of operations. financial statements as summarized below:

| | Successor | | Predecessor |
|---|---|---|---|
| | Three Months ended March 31, 2024 | Period from March 15, 2023 to March 31, 2023 | Period from January 1, 2023 to March 14, 2023 |
| Research and development | $ 3 | $ - | $ - |
| Sales and marketing | 32 | - | - |
| General and administrative | 185 | 2 | 158 |
| **Total non-cash stock compensation** | **$ 220** | **$ 2** | **$ 158** |

As of September 30, 2023 March 31, 2024 (Successor), the remaining unrecognized stock compensation expense totaled approximately $356 500 thousand. This amount will be recognized as expense over the weighted average remaining term of 1.49 3.78 years.

**CXAPP INC. AND SUBSIDIARIES**
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The fair value of each employee option grant is estimated on the date of the grant using the Black-Scholes option-pricing model. Key weighted-average assumptions used to apply this pricing model during for the three months ended March 31, 2024 (Successor) and the period from March 15, 2023 to September 30, 2023 December 31, 2023 (Successor) were as follows:

| | |
|---|---|
| Risk-free interest rate | 3.62% 3.67% - – 3.67%4.03% |
| Expected life of option grants | 5 5.75 - – 7 6.25 years |
| Expected volatility of underlying stock | 37.35%61.65% |
| Dividends assumption | $- |

***Restricted Stock Units***

During the period from March 15, 2023 to September 30, 2023 (Successor), On January 2024, a total of 821 47,000 thousand restricted stock units of the Company's common stock were granted to employees and nonemployees of the Company under the Incentive Plan at various dates.

The fair value of the common stock as of the various grant dates was determined to be $6.13 $1.25 to $11.80 $1.38 per restricted stock unit, for a weighted average fair value of $8.07 1.29 per restricted stock unit. There was no other activity related to restricted stock units during the period from March 15, 2023 to September 30, 2023 (Successor).
Restricted stock unit compensation expense was $597 thousand for the three months ended September 30, 2023 (Successor) and $638 thousand March 31, 2024.
Non-cash stock-based compensation expenses related to restricted stock units for the three months ended March 31, 2024 were recorded in the financial statements as summarized below:

| | Three Months ended March 31, 2024 |
|---|---|
| Research and development | $ 98 |
| Sales and marketing | 51 |
| General and administrative | 232 |
| **Total non-cash stock compensation** | **$ 381** |

There were no non-cash stock-based compensation expenses related restricted stock units for the period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor), which is included in general and administrative expenses of the condensed consolidated statement of operations. period from January 1, 2023 to March 14, 2023 (Predecessor).

As of September 30, 2023 March 31, 2024 (Successor), the Company has approximately $3,669 1,454 thousand of unrecognized restricted stock unit compensation to be expensed over a weighted average period of 1.67 1.76 years.

**CXAPP INC. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 12 13 – Income Taxes**

The Company recorded an income tax benefit of approximately $417 thousand, $2,958 207 thousand and $0 1,560 thousand for the three months ended September 30, 2023 March 31, 2024 (Successor), and for the period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor) and for the three months ended September 30, 2022 (Predecessor), respectively. The Company recorded an income tax benefit of approximately $62 thousand for the nine months ended September 30, 2022 (Predecessor). The Company did not incur income tax expense for the period from January 1, 2023 to March 14, 2023 (Predecessor).

The effective tax rate for three months ended September 30, 2023 March 31, 2024 (Successor) and for the period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor) was 41% 3.85% and (22.74) (164.0)%, respectively. The income tax benefit for the period from March 15, 2023 to September 30, 2023 (Successor) is a result of the release of valuation allowance attributable to acquired intangible assets from the Business Combination. The effective tax rate differs from the U.S. Federal statutory rate primarily due to reversal of recording a valuation allowance on against deferred tax assets in the foreign jurisdictions and disallowance the significant permanent differences including impairment of losses relating to goodwill and change in fair value of derivative warrant liabilities. The Company acquired approximately $4,354 thousand of deferred tax liability associated with the Business Combination. As a result the Company released its valuation allowance as deferred tax assets become realizable.

**NOTE 13 14 – Credit Risk and Concentrations**

Financial instruments that subject the Company to credit risk consist principally of trade accounts receivable and cash and cash equivalents. The Company performs certain credit evaluation procedures and does not require collateral for financial instruments subject to credit risk. The Company believes that credit risk is limited because the Company routinely assesses the financial strength of its customers and, based upon factors surrounding the credit risk of its customers, establishes an allowance for credit losses and, consequently, believes that its accounts receivable credit risk exposure beyond such allowances is limited.

The Company maintains cash deposits with financial institutions, which, from time to time, may exceed federally insured limits. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Company's financial condition, results of operations, and cash flows. Cash is also maintained at foreign financial institutions for its Canadian and Philippines subsidiaries and its majority-owned India subsidiary. Cash in foreign financial institutions as of September 30, 2023 March 31, 2024 (Successor) was $206 $326 thousand. Cash in foreign financial institutions as of December 31, 2022 (Predecessor) December 31, 2023 (Successor) was not significant. $300 thousand. The Company has not experienced any losses and believes it is not exposed to any significant credit risk from cash.

**CXAPP INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**cash for the three months ended March 31, 2024 (Successor), for the period from March 15, 2023 to March 31, 2023 (Successor), and for the period from January 1, 2023 to March 14, 2023 (Predecessor). However, any loss incurred or lack of access to such funds could have a significant impact on the Company's financial condition, results of operations, and cash flows.

**NOTE 14 15 – Foreign Operations**

The Company's operations are located primarily in the United States, Canada, and the Philippines. Revenues by geographic area are attributed by country of domicile of the Company's subsidiaries. The financial data by geographic area are as follows (in thousands):

| | United States | Canada | India | Philippines | Eliminations | Total | United States | Canada | Philippines | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **For the Three Months Ended September 30, 2023 (Successor):** | | | | | | | | | | | |
| Revenues by geographic area | $ 1,504 | $ 266 | $ - | $ 228 | $ (228) | $ 1,770 | | | | | |
| Operating income (loss) by geographic area | $ (3,470) | $ (769) | $ - | $ 10 | $ - | $ (4,229) | | | | | |
| Net income (loss) by geographic area | $ 2,224 | $ (795) | $ - | $ 12 | $ - | $ 1,441 | | | | | |
| **For the Period from March 15, 2023 to September 30, 2023 (Successor):** | | | | | | | | | | | |
| **For the Three Months Ended March 31, 2024 (Successor):** | | | | | | | | | | | |
| Revenues by geographic area | $ 3,326 | $ 701 | $ - | $ 643 | $ (643) | $ 4,027 | $ 1,667 | $ 151 | $ 240 | $ (240) | $ 1,818 |
| Operating income (loss) by geographic area | $ (6,882) | $ (1,693) | $ - | $ 176 | $ - | $ (8,399) | $ (3,000) | $ (602) | $ 15 | $ - | $ (3,587) |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net income (loss) by geographic area | $ (8,976) | $ (1,714) | $ - | $ 180 | $ (21) | $ (10,531) | $ (4,527) | $ (657) | $ 14 | $ - | $ (5,170) |
| <u>For the Period from January 1, 2023 to March 14, 2023 (Predecessor)</u>: | | | | | | | | | | | |
| Revenues by geographic area | $ 1,395 | $ 285 | $ - | $ 160 | $ (220) | $ 1,620 | $ 1,395 | $ 285 | $ 160 | $ (220) | $ 1,620 |
| Operating income (loss) by geographic area | $ (3,479) | $ (905) | $ - | $ 3 | $ - | $ (4,381) | $ (3,479) | $ (905) | $ 3 | $ - | $ (4,381) |
| Net income (loss) by geographic area | $ (3,342) | $ (1,041) | $ - | $ 3 | $ - | $ (4,380) | $ (3,342) | $ (1,041) | $ 3 | $ - | $ (4,380) |
| <u>For the Three Months Ended September 30, 2022 (Predecessor)</u>: | | | | | | | | | | | |
| <u>For the Period from March 15, 2023 to March 31, 2023 (Successor)</u>: | | | | | | | | | | | |
| Revenues by geographic area | $ 1,426 | $ 485 | $ 404 | $ - | $ (573) | $ 1,742 | $ 272 | $ 70 | $ 196 | $ (196) | $ 342 |
| Operating income (loss) by geographic area | $ (8,173) | $ (1,401) | $ 96 | $ (60) | $ 22 | $ (9,516) | $ (486) | $ (158) | $ 157 | $ - | $ (487) |
| Net income (loss) by geographic area | $ (8,053) | $ (2,950) | $ 138 | $ (64) | $ - | $ (10,929) | $ 2,780 | $ (158) | $ 157 | $ (21) | $ 2,758 |
| <u>For the Nine Months Ended September 30, 2022 (Predecessor)</u>: | | | | | | | | | | | |
| Revenues by geographic area | $ 5,311 | $ 1,701 | $ 819 | $ - | $ (1,358) | $ 6,473 | | | | | |
| Operating income (loss) by geographic area | $ (17,532) | $ (4,476) | $ 138 | $ (86) | $ 22 | $ (21,934) | | | | | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net income (loss) by geographic area | $ (17,135) | $ (6,549) | $ 142 | $ (92) | $ - | $ (23,634) | | | | | |
| **As of September 30, 2023 (Successor)** | | | | | | | | | | | |
| **As of March 31, 2024 (Successor)** | | | | | | | | | | | |
| Identifiable assets by geographic area | $ 74,236 | $ 724 | $ - | $ 445 | $ (1,805) | $ 73,600 | $ 36,681 | $ 600 | $ 445 | $ (3,169) | $ 34,557 |
| Long lived assets by geographic area | $ 19,551 | $ 340 | $ - | $ 168 | $ - | $ 20,059 | $ 17,533 | $ 282 | $ 122 | $ - | $ 17,937 |
| Goodwill by geographic area | $ 44,200 | $ - | $ - | $ - | $ - | $ 44,200 | $ 8,737 | $ - | $ - | $ - | $ 8,737 |
| **As of December 31, 2022 (Predecessor)** | | | | | | | | | | | |
| **As of December 31, 2023 (Successor)** | | | | | | | | | | | |
| Identifiable assets by geographic area | $ 24,591 | $ 5,484 | $ 228 | $ 415 | $ (1,438) | $ 29,280 | $ 38,143 | $ 627 | $ 434 | $ (2,623) | $ 36,581 |
| Long lived assets by geographic area | $ 15,558 | $ 4,788 | $ 98 | $ 215 | $ - | $ 20,659 | $ 18,269 | $ 320 | $ 148 | $ - | $ 18,737 |
| Goodwill by geographic area | $ - | $ - | $ - | $ - | $ - | $ - | $ 8,737 | $ - | $ - | $ - | $ 8,737 |



**NOTE 15 16 – Leases**

The Company has operating leases for administrative offices in Canada, the Philippines, and the United States. The Manila, Philippines office lease expires in May 2025, the Canada lease expires in June May 2026, and the United States office lease expires in May April 2024. The Company has no other operating or financing leases with terms greater than 12 months.

Lease expense for operating leases recorded on the balance sheet is based on the future minimum lease payments recognized on a straight-line basis over the term of the lease plus any variable lease costs. Operating lease expenses, inclusive of short-term and variable lease expenses, recognized in the Company's unaudited condensed consolidated statement of operations for the three months ended September 30, 2023 March 31, 2024 (Successor), for the period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor), and for the period from January 1, 2023 to March 14, 2023 (Predecessor), for the three months ended September 30, 2022 (Predecessor), and for the nine months ended September 30, 2022 (Predecessor) was approximately $56 113 thousand, $121 thousand, $57 thousand, $200 9 thousand, and $500 57 thousand, respectively.

Operating lease liabilities are based on the net present value of the remaining lease payments over the remaining lease term. In determining the present value of lease payments, the Company used its incremental borrowing rate based on the information available at the date of adoption of ASC 842 "Leases" ("ASC 842"). As of September 30, 2023 March 31, 2024 (Successor), the weighted average remaining lease term is 1.6 1.1 years and the weighted average discount rate used to determine the operating lease liabilities was 8.0%. As of December 31, 2022 (Predecessor) December 31, 2023 (Successor), the weighted average remaining lease term is 2.8 1.4 years and the weighted average discount rate used to determine the operating lease liabilities was 8.0%.

| *(in thousand)* | Operating Leases |
|---|---|
| Year 2024 | $ 197 |

| | |
|---|---|
| Year 2025 | 174 |
| Year 2026 | 59 |
| Total lease payments | 430 |
| Less: Imputed interest | (39) |
| Present value of lease liabilities | $ 391 |

**NOTE 16 17 – Commitments and Contingencies**

***Risks and Uncertainties***

Various social and political circumstances in the United States and around the world (including wars and other forms of conflict, including rising trade tensions between the United States and China, and other uncertainties regarding actual and potential shifts in the United States and foreign, trade, economic and other policies with other countries, terrorist acts, security operations and catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes and global health epidemics) may also contribute to increased market volatility and economic uncertainties or deterioration in the United States and worldwide. Specifically, the rising conflict between Russia and Ukraine, and resulting market volatility could adversely affect the Company's ability to complete a Business Combination. In response to the conflict between Russia and Ukraine, the United States and other countries have imposed sanctions or other restrictive actions against Russia. Any of the above factors, including sanctions, export controls, tariffs, trade wars and other governmental actions, could have a material adverse effect on the Company's ability to complete a Business Combination and the value of the Company's securities.

Management continues to evaluate the impact of these types of risks and has concluded that while it is reasonably possible that these risks and uncertainties could have a negative effect on the Company's financial position, results of its operations and/or search for a target company, the specific impact is not readily determinable as of the date of these condensed consolidated financial statements. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.



***Litigation***

Certain conditions may exist as of the date the financial statements are issued which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company, or unasserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability and an estimate of the range of possible losses, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed, unless they involve guarantees, in which case the guarantees would be disclosed. There can be no assurance that such matters will not materially and adversely affect the Company's business, financial position, and results of operations or cash flows.

**NOTE 17 18 – Common Stock Subsequent Events**

Following On April 1, 2024, it is announced to the Business Combination, public that CXApp will be partnering with Google Cloud to define a new category in enterprise software: Employee Experiences. Google Cloud powers most of CXApp's enterprise customer applications and is a natural partner to aid in expanding service offerings. As part of the Company's Class C Common Stock is subject agreement, Google and its service partners will provide advanced services including end-to-end security, analytics and monitoring as well as usage-based SaaS performance enhancements to transfer restrictions and will automatically convert into create the Company's Class A Common Stock best-in-class cloud-mobile experience to CXApp's clients on the earlier new CXAI Platform. CXAI Platform is expected to occur be first deployed in the summer. Google has agreed to add the CXAI application platform to the Google Marketplace and signed a go-to-market partnership agreement. This would enable all of (i) Google's existing clients to have access to the 180th day following the closing of the Merger CXAI platform with seamless and (ii) the day that the last reported sale price of the New CXApp Class A Common Stock equals or exceeds $12.00 per share for any 20 trading days within any 30-trading day period following the closing of the Merger. automated delivery.

On September 10, 2023 April 18, 2024, the Company's Company received a notice (the "Notice") from The Nasdaq Stock Market LLC ("Nasdaq") notifying the Company that, because the Company is delinquent in filing its 2023 Form 10-K, the Company no longer complies with Nasdaq Listing Rule 5250(c)(1) (the "Listing Rule"), which requires companies with securities listed on Nasdaq to timely file all required periodic reports with the SEC.

In accordance with Nasdaq's listing rules, the Company has 60 calendar days after the Notice to submit a plan of compliance (the "Plan") to Nasdaq addressing how the Company intends to regain compliance with Nasdaq's listing rules, and Nasdaq has the discretion to grant the Company up to 180 calendar days from the due date of the 2023 Form 10-K, or October 14, 2024, to regain compliance. The Company intends to submit the Plan and take the necessary steps to regain compliance with Nasdaq's listing rules as soon as practicable.

On May 22, 2024, the 5,487,300 shares of Class C Common Stock were automatically converted Company entered into an aggregate equity line financing agreement for up to $10,000 thousand, with an initial draw of 5,487,300 shares $2,500 thousand in the second quarter of the Company's Class A Common Stock, par value $0.0001 2024. per share.

**CXAPP INC. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**NOTE 18 – Subsequent Event**

The Company evaluated subsequent events and transactions that occurred after September 30, 2023 up to the date that the condensed financial statements were issued. Based upon this review, the Company did not identify any subsequent events that would have required adjustment or disclosure in the condensed financial statements.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*You should read the following discussion of our financial condition and results of operations in conjunction with the unaudited condensed consolidated financial statements and related notes included elsewhere in this Form 10-Q, with KIN's the audited condensed consolidated financial statements included in its annual report our Annual Report on Form 10-K/A for the year ended December 31, 2022, as 10-K filed with the SEC Securities and Exchange Commission ("SEC") on April 19, 2023, and the annual report of Legacy CXApp included as an exhibit in the Form 8-K, as filed with the SEC on March 20, 2023 May 24, 2024 (the "Annual Report"). References in this report (the "Quarterly Report") to "we", "us" or the "Company" refer to CXApp Inc. References to our "management" or our "management team" refer to our officers and directors. The following management's discussion and analysis of financial condition and results of operations describes the principal factors affecting the results of our operations, financial condition, and changes in financial condition for the period three months ended September 30, 2023, for the predecessor and successor. March 31, 2024.*

Special Note Regarding Forward-Looking Statements

This Quarterly Report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act that are not historical facts and involve risks and uncertainties that could cause actual results to differ materially from those expected and projected. All statements, other than statements of historical fact included in this Form 10-Q including, without limitation, statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding the Company's financial position, business strategy and the plans and objectives of management for future operations, are forward-looking statements. Words such as "expect," "believe," "anticipate," "intend," "estimate," "seek" and variations and similar words and expressions are intended to identify such forward-looking statements. Such forward-looking statements relate to future events or future performance, but reflect management's current beliefs, based on information currently available. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, please refer to the Risk Factors section of the Company's Annual Report on Form 10-K/A 10-K filed with the U.S. Securities and Exchange Commission (the "SEC"). The Company's securities filings can be accessed on the EDGAR section of the SEC's website at www.sec.gov. Except as expressly required by applicable securities law, the Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

Overview of Our Business

The CXApp SaaS platform offers a suite of leading-edge technology workplace experience solutions including an enterprise employee application, indoor mapping, on-device positioning, augmented reality technologies and an AI-based analytics platform, targeting the emerging hybrid workplace market to provide enhanced experiences across people, places, and things.

CXApp creates a connected workplace by reducing app overload, data fragmentation, and complex workflows and streamlines all capabilities through The Workplace SuperApp. All features, services, and integrations are housed in one easy-to-access platform allowing businesses to deliver a more holistic employee experience in a hybrid workplace.

Prior to the closing of the Business Combination, CXApp and subsidiaries were wholly owned subsidiary of Inpixon ("Inpixon") and the Company's financial statements consist of Design Reactor, Inpixon Canada, Inpixon Philippines and select assets, liabilities, revenues and expenses of Inpixon and Inpixon India (collectively the "Company," "we," "us" or "our"), show the historical combined carve-out financial position, results of operations, changes in net investment and cash flows of the Company and should be read in conjunction with the accompanying notes thereto. The Company's combined carve-out financial statements do not necessarily reflect what the results of operations, financial position, or cash flows would have been had the Company been a separate entity nor are they indicative of future results of the Company.

The combined carve-out operating results of the Company have been specifically identified based on the Company's existing divisional organization. The majority of the assets and liabilities of the Company have been identified based on the existing divisional structure. The historical costs and expenses reflected in the Company's financial statements include an allocation for certain corporate and shared service functions. Management believes the assumptions underlying our combined carve-out financial statements are reasonable. Nevertheless, our combined carve-out financial statements may not include all of the actual expenses that would have been incurred had we operated as a standalone company during the periods presented and may not reflect our results of operations, financial position and cash flows had we operated as a standalone company during the periods presented. Actual costs that would have been incurred if we had operated as a standalone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure. We also may incur additional costs associated with being a standalone, publicly listed company that were not included in the expense allocations and, therefore, would result in additional costs that are not reflected in our historical results of operations, financial position and cash flows.
Recent Events

The Business Combination

On September 25, 2022, Inpixon entered into an Agreement and Plan of Merger (the "Merger Agreement"), was entered into by and among Inpixon, KINS Technology Group Inc., a Delaware corporation ("KINS"), CXApp Holding Corp., a Delaware corporation and newly formed wholly-owned wholly owned subsidiary of Inpixon ("CXApp" and, together with Inpixon, collectively, the "Companies"), and KINS Merger Sub Inc., a Delaware corporation and a wholly-owned subsidiary of KINS ("Merger Sub"), pursuant to which KINS acquired the company which consisted of Inpixon's enterprise apps business (including its workplace experience technologies, indoor mapping, events platform, augmented reality and related business solutions) (the "Enterprise Apps Business") in exchange for the issuance of shares of KINS capital stock valued at approximately $70,000 $69,928 thousand (the "Business Combination"). The transaction closed on March 14, 2023.

Immediately prior to the Merger (as defined below) and pursuant to a Separation and Distribution Agreement, dated as of September 25, 2022, among KINS, Inpixon, CXApp and Design Reactor, Inc., a California corporation ("Design Reactor") (the "Separation and Distribution Agreement"), and other ancillary conveyance documents, Inpixon, among other things and on the terms and subject to the conditions of the Separation and Distribution Agreement, transferred the Enterprise Apps Business, including certain related subsidiaries of Inpixon, including Design Reactor, to CXApp (the "Reorganization") and, in connection therewith, . Following the Reorganization, Inpixon distributed (the "Distribution") to Inpixon securityholders and other security holders 100% of the common stock of CXApp, par value $0.0001, to certain holders of Inpixon securities as of the record date (the "CXApp Common Stock" "Spin-Off"), as further described below. .

Immediately following the Distribution, Spin-Off, in accordance with and subject to the terms and conditions of the Merger Agreement, Merger Sub merged with and into CXApp (the "Merger"), with CXApp continuing as the surviving company in the Merger and as a wholly-owned subsidiary of KINS.

On March 14, 2023 (the "Distribution Date"), Inpixon completed The Merger Agreement, along with the Separation and Distribution Agreement and the other transaction documents entered into in connection therewith, provided for, among other things, the consummation of its enterprise apps business (including its workplace experience technologies, indoor mapping, events platform, augmented reality and related business solutions) and certain related assets and liabilities through a spin-off of Legacy CXApp to Inpixon's shareholders of record as of March 6, 2023 (the "Record Date") on a pro rata basis. Pursuant to the Transaction Agreements, following transactions: (i) Inpixon contributed (the "Contribution") to Legacy CXApp cash and certain assets and liabilities constituting transferred the Enterprise Apps Business including certain related subsidiaries (the "Separation") to its wholly-owned subsidiary, CXApp, and contributed approximately $4 million in additional cash so that CXApp would have a minimum of Inpixon, to Legacy CXApp. In consideration for the Contribution, Legacy CXApp issued to Inpixon additional shares of Legacy CXApp common stock such that the number of shares of Legacy CXApp common stock then outstanding equaled the number of shares of Legacy CXApp common stock necessary to effect the Distribution. Pursuant to the Distribution, Inpixon shareholders $10 million in cash and cash equivalents as of the Record Date received one share of Legacy CXApp common stock for each share of Inpixon common stock held as of such date. Pursuant to the Merger Agreement, each share of Legacy CXApp common stock was thereafter exchanged for the right to receive 0.09752221612415190 of a share of New CXApp Class A common stock and 0.3457605844401750 of a share of New CXApp Class C common stock. New CXApp Class A common stock and New CXApp Class C common stock are identical in all respects, except that New CXApp Class C common stock is not listed and will automatically convert into New CXApp Class A common stock on the earlier to occur of (i) the 180th day following the closing of the Business Combination before deduction of expenses (the "Cash Contribution"), (ii) following the Separation, Inpixon distributed 100% of the shares of CXApp Common Stock to Inpixon securityholders by way of the Distribution and (iii) following the completion of the foregoing transactions and subject to the satisfaction or waiver of certain other conditions set forth in the Merger Agreement, the parties consummated the Merger. The Separation, Distribution and (ii) Merger were intended to qualify as "tax-free" transactions.
At the day that time the last reported sale price Business Combination was effected (the "Closing"), the outstanding shares of New CXApp Common Stock after the Distribution and immediately prior to the effective time of the Merger were converted into an aggregate of 7,035,000 shares of KINS Common Stock which was issued to Inpixon securityholders, subject to adjustment. Each holder's aggregate merger consideration consisted of approximately 22% KINS Class A common stock equals or exceeds $12.00 per share for any 20 trading days within any 30-trading day period following the closing of the Merger. Common Stock and approximately 78% KINS Class C Common Stock.

Tax Matters Agreement

On March 14, 2023, in connection with the consummation of the Business Combination and as contemplated by the Separation Agreement, CXApp, Legacy CXApp and Inpixon entered into the Tax Matters Agreement (the "Tax Matters Agreement") which governs each party's respective rights, responsibilities and obligations with respect to tax liabilities and benefits, tax attributes, the preparation and filing of tax returns, the control of audits and other tax proceedings and certain other matters regarding taxes.

RESULTS OF OPERATIONS

***Comparison of the results of operations for the three months ended September 30, 2023 and September 30, 2022***
The following table sets forth our results of operations. This data should be read together with our unaudited financial statements and related notes.

| | Successor | Predecessor |
|---|---|---|

| (in thousands) | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 |
|---|---|---|
| **Condensed Consolidated Statements of Operations Data** | | |
| **Revenues** | $ 1,770 | $ 1,742 |
| Cost of revenues | 358 | 499 |
| Gross profit | 1,412 | 1,243 |
| Operating expenses | 5,641 | 10,759 |
| **Loss from operations** | (4,229) | (9,516) |
| Other income (expense), net | 5,253 | (1,413) |
| Income tax benefit/(provision) | 417 | - |
| **Net income (loss)** | $ 1,441 | $ (10,929) |

*Revenues*

The Company derives revenue from subscription software as a service, design, deployment and implementation services for its enterprise apps business. Revenue was $1,770 thousand and $1,742 thousand for the three months ended September 30, 2023 March 31, 2024 (Successor) and the three months ended September 30, 2022 (Predecessor), respectively. The increase in revenue of $28 thousand is attributable to the new customers revenue booked in the previous quarters and service upgrades for existing customers.

*Gross Margin*

Cost of revenues includes the direct costs to deliver the services including labor and overhead. Cost of revenues were $358 thousand and $499 thousand for the three months ended September 30, 2023 (Successor) and the three months ended September 30, 2022 (Predecessor), respectively. The gross profit margin was 80% and 71% for the three months ended September 30, 2023 (Successor) and the three months ended September 30, 2022 (Predecessor), respectively. The increase is due to the implementation of a more efficient cost structure and more subscription revenue.

*Operating Expenses*

Operating expenses consist primarily of research and development costs, sales and marketing costs, and general and administrative costs. These operating expenses were $5,641 thousand and $10,759 thousand for the three months ended September 30, 2023 (Successor) and the three months ended September 30, 2022 (Predecessor), respectively. The decrease in operating expenses of $5,118 thousand for the same comparative period was attributed to professional fees for administrative contractors incurred in the Predecessor's books.

*Other Income/(Expense)*

Other income/(expense) was a $5,253 thousand income and $1,413 thousand expense for the three months ended September 30, 2023 (Successor) and the three months ended September 30, 2022 (Predecessor), respectively. This increase in other income was primarily attributable to changes in fair value of derivative warrant liabilities of $5,220 thousand during the three months ended September 30, 2023 (Successor).

***Comparison of the results of operations for the period ended September 30, 2023 from March 15, 2023 to March 31, 2023 (Successor), and for the period ended from January 1, 2023 to March 14, 2023 (Predecessor), and the nine months ended September 30, 2022 (Predecessor)***

The following table sets forth our results of operations. This data should be read together with our unaudited financial statements and related notes.

| | Successor | Predecessor | | Successor | | Predecessor |
|---|---|---|---|---|---|---|
| (in thousands) | Period from March 15, 2023 to September 30, 2023 | Period from January 1, 2023 to March 14, 2023 | Nine months ended September 30, 2022 | | | |
| | | | | (unaudited) | | |
| | | | | Three months ended March 31, 2024 | Period from March 15, 2023 to March 31, 2023 | Period from January 1, 2023 to March 14, 2023 |
| **Condensed Consolidated Statements of Operations Data** | | | | | | |
| **Revenues** | $ 4,027 | $ 1,620 | $ 6,473 | $ 1,818 | $ 342 | $ 1,620 |
| **Cost of revenues** | 925 | 483 | 1,628 | 327 | 87 | 483 |
| **Gross profit** | 3,102 | 1,137 | 4,845 | 1,491 | 255 | 1,137 |
| **Operating expenses** | 11,501 | 5,518 | 26,779 | 5,078 | 742 | 5,518 |
| **Loss from operations** | (8,399) | (4,381) | (21,934) | (3,587) | (487) | (4,381) |
| **Other income (expense), net** | (5,090) | 1 | (1,638) | (1,790) | 1,685 | 1 |
| **Income tax benefit/(provision)** | 2,958 | - | (62) | | | |
| **Net loss** | $ (10,531) | $ (4,380) | $ (23,634) | | | |
| **Income tax benefit** | | | | 207 | 1,560 | - |
| **Net income (loss)** | | | | $ (5,170) | $ 2,758 | $ (4,380) |

*Revenues*

The Company derives revenue from subscription software as a service (SaaS), design, deployment and implementation services for its enterprise apps business. Subscription software revenue increased by 9.42% from nine Revenue was $1,818 thousand for the three months ended September 30, 2022 March 31, 2024 (Successor), compared to September 30, 2023. Total revenue was $4,027 $342 thousand and $1,620 thousand for the period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor) and the period ended from January 1, 2023 to March 14, 2023 (Predecessor), respectively, compared to $6,473 respectively. The decrease in revenue of $144 thousand, for the nine months comparative quarters ended September 30, 2022 (Predecessor). This decrease of $826 thousand March 31, 2024 and March 31, 2023, was due to a decline in Professional Services revenue. Professional services are related to integration works and other services that may be requested by the customer and as such the decline in revenue is primarily attributable to the timing professional services revenue because the Company has moved to a full SaaS model versus one-time professional fees.
Our subscription-based revenue was 87% of sales the total revenue for the three months ended March 31, 2024 (Successor) and subscriptions renewal, and level of bookings. 74% for the three months ended March 31, 2023 (Successor), which is a 13% increase in the revenue mix.

*Gross Margin*

Cost of revenues includes the direct costs to deliver the services including labor and overhead. Cost of revenues were $925 $327 thousand for the three months ended March 31, 2024 (Successor), compared to $87 thousand and $483 thousand for the period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor) and the period ended from January 1, 2023 to March 14, 2023 (Predecessor), respectively, compared to $1,628 thousand for the nine months ended September 30, 2022 (Predecessor). respectively. The gross profit margin was 77% 82% for the three months ended March 31, 2024 (Successor), compared to 75% and 70% for the period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor) and the period ended from January 1, 2023 to March 14, 2023 (Predecessor), respectively, compared to 75% respectively. This decrease in cost of revenues of approximately $243 thousand, or approximately 43%, for the nine months comparative periods ended September 30, 2022 (Predecessor). March 31, 2024 and March 31, 2023, was attributable to the decrease in professional services revenue related costs.

*Operating Expenses*

Operating expenses consist primarily of research and development costs, sales and marketing costs, and general and administrative costs. These operating expenses were $11,501 $5,078 thousand for the three months ended March 31, 2024 (Successor), compared to $742 thousand and $5,518 thousand for the period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor) and the period from January 1, 2023 to March 14, 2023 (Predecessor), respectively, compared to $26,779 respectively. The decrease in operating expenses of $1,182 thousand for the nine months ended September 30, 2022 (Predecessor). This decrease of $9,760 thousand is primarily same comparative quarter was attributable to impairment decrease in general and administrative expenses of goodwill $852 thousand, amortization of $5,540 intangibles of $239 thousand, for the nine months ended September 30, 2022 (Predecessor) and the effects other operating expenses of management reduction effort post-business combination. For the nine months ended September 30, 2022 (Predecessor) recorded approximately $2,827 thousand benefit related to the change in fair value of an earnout. $91 thousand.

*Other Income/(Expense)*

Other income/(expense) expense was $5,090 a $1,790 thousand in expense, $1,685 thousand income, and $1 thousand in income for the three months ended March 31, 2024 (Successor), for the period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor), and the period from January 1, 2023 to March 14, 2023 (Predecessor), respectively, compared to $1,638 thousand in expense for the nine months ended September 30, 2022 (Predecessor). respectively. This increase decrease in other income (expense) was primarily attributable to changes in fair value of derivative warrant liabilities of ($5,134) $1,472 thousand for during the period March 15, 2023 to September 30, 2023 three months ended March 31, 2024 (Successor).

*Provision for Income Taxes*

There was an income tax benefit of approximately $2,958 $207 thousand for the three months ended March 31, 2024 (Successor), compared to $1,560 thousand and $0 thousand for the period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor) and the period from January 1, 2023 to March 14, 2023 (Predecessor), respectively, compared income tax expense of $62 thousand for the nine months ended September 30, 2022 (Predecessor). respectively. The income tax benefit for the period March 15, 2023 to September 30, 2023 three months ended March 31, 2023 (Successor) is primarily a result of the release of valuation allowance attributable to acquired intangible assets from the Business Combination recorded in the first quarter of 2023.

Non-GAAP Financial information

***EBITDA***

The Company includes a non-GAAP measure that we use to supplement our results presented in accordance with U.S. GAAP. EBITDA is defined as earnings before interest and other income, tax and taxes, depreciation and amortization. Adjusted EBITDA is used by our management as the matrix in which it manages the business. It is defined as EBITDA plus adjustments for other income or expense items, non- recurring items and non-cash stock-based compensation. Adjusted EBITDA is a performance measure that we believe is useful to investors and analysts because it illustrates the underlying financial and business trends relating to our core, recurring results of operations and enhances comparability between periods.

Adjusted EBITDA is not a recognized measure under U.S. GAAP and is not intended to be a substitute for any U.S. GAAP financial measure and, as calculated, may not be comparable to other similarly titled measures of performance of other companies in other industries or within the same industry. Investors should exercise caution in comparing our non-GAAP measure to any similarly titled measure used by other companies.

This non-GAAP measure excludes certain items required by U.S. GAAP and should not be considered as an alternative to information reported in accordance with U.S. GAAP. The table below presents our adjusted EBITDA, reconciled to net income, which is the most comparable GAAP measure, for the periods indicated (in thousands).

| | Successor | | Predecessor | | | Successor | | Predecessor |
|---|---|---|---|---|---|---|---|---|
| | Three Months Ended September 30, 2023 | Period from March 15, 2023 to September 30, 2023 | Period from January 1, 2023 to March 14, 2023 | Three Months Ended September 30, 2022 | Nine months ended September 30, 2022 | Three months ended March 31, 2024 | Period from March 15, 2023 to March 31, 2023 | Period from January 1, 2023 to March 14, 2023 |
| **Net income (loss)** | $ 1,441 | $ (10,531) | $ (4,380) | $ (10,929) | $ (23,634) | $ (5,170) | $ 2,758 | $ (4,380) |
| **Interest and other income** | (57) | (61) | (1) | 6 | (3) | 262 | 1 | (1) |
| **Income tax (benefit)/provision** | (417) | (2,958) | - | - | 62 | (207) | (1,560) | - |
| **Depreciation and amortization** | 721 | 1,562 | 1,034 | 1,145 | 3,403 | 705 | 120 | 1,034 |
| **EBITDA** | 1,688 | (11,988) | (3,347) | (9,778) | (20,172) | (4,410) | 1,319 | (3,347) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Adjusted for:** | | | | | | | | |
| **Earnout compensation expense (benefit)** | - | - | - | - | (2,827) | | | |
| **Changes in fair value of warrant liabilities** | (5,220) | 5,134 | - | - | - | 1,472 | (1,686) | - |
| **Unrealized (gains) losses** | 24 | 20 | (32) | 1,374 | 1,546 | 56 | 3 | (32) |
| **Impairment of goodwill** | - | - | - | - | 5,540 | | | |
| **Stock-based compensation - compensation and related benefits** | 759 | 857 | 158 | 323 | 1,325 | 601 | 2 | 158 |
| **Adjusted EBITDA** | $ (2,749) | $ (5,977) | $ (3,221) | $ (8,081) | $ (14,588) | $ (2,281) | $ (362) | $ (3,221) |

We rely on Adjusted EBITDA, which is a non-GAAP financial measure for the following:

- ● To compare our current operating results with corresponding periods and with the operating results of other companies in our industry;
- ● As a basis for allocating resources to various projects;
- ● As a measure to evaluate potential economic outcomes of acquisitions, operational alternatives and strategic decisions; and
- ● To evaluate internally the performance of our personnel.

We have presented Adjusted EBITDA above because we believe it conveys useful information to investors regarding our operating results. We believe it provides an additional way for investors to view our operations, when considered with both our GAAP results and the reconciliation to net income (loss). By including this information, we can provide investors with a more complete understanding of our business. Specifically, we present Adjusted EBITDA as supplemental disclosure because of the following:

- We believe Adjusted EBITDA is a useful tool for investors to assess the operating performance of our business without the effect of interest, income taxes, depreciation and amortization and other non- cash items including acquisition transaction and financing costs, impairment, unrealized gains, stock based compensation, interest income and expense, and income tax benefit.
- We believe that it is useful to provide to investors with a standard operating metric used by management to evaluate our operating performance; and
- We believe that the use of Adjusted EBITDA is helpful to compare our results to other companies.

Even though we believe Adjusted EBITDA is useful for investors, it does have limitations as an analytical tool. Thus, we strongly urge investors not to consider this metric in isolation or as a substitute for net income (loss) and the other condensed consolidated statement of operations data prepared in accordance with GAAP. Some of these limitations include the fact that:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- 
- Adjusted EBITDA does not reflect income or other taxes or the cash requirements to make any tax payments; and
- 
- Other companies in our industry may calculate Adjusted EBITDA differently than we do, thereby potentially limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered a measure of discretionary cash available to us to invest in the growth of our business or as a measure of performance in compliance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and providing Adjusted EBITDA only as supplemental information.

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, debt service, acquisitions, contractual obligations and other commitments. We assess liquidity in terms of our cash flows from operations and their sufficiency to fund our operating and investing activities.
As of September 30, 2023 (Successor) the Company has a working capital of approximately $1,216 thousand and cash of approximately $7,179 thousand. For the three months ended September 30, 2023 (Successor), and for the period from March 15, 2023 to September 30, 2023 (Successor) the Company incurred net income of approximately $1,441 thousand and net loss $10,531 thousand, respectively. For the period from March 15, 2023 to September 30, 2023 (Successor) the Company used approximately $8,937 thousand of cash for operating activities, of which $4,666 thousand was from a reduction in accrued liabilities, primarily paying merger related transaction liabilities.
On October 3, 2023, the Company implemented a reduction in headcount in North America to streamline the operations which resulted in cost savings of approximately $300 thousand per quarter. This management action will improve the Company's cash burn in the succeeding quarters and will provide sufficient cash runaway for the next twelve months and beyond.
Financing Obligations and Requirements

As of May 15, 2024, the Company owed approximately $3,885 thousand in principal and accrued interest payable of $165 thousand payable within the next nine months. The interest rate is 10%. See Note 10 of the Notes to Unaudited Condensed Consolidated Financial Statements.
Net cash used in operating activities during the three months ended March 31, 2024 (Successor) of $650 thousand consists of net loss of $5,170 thousand offset by non-cash adjustments of approximately $3,051 thousand and net cash changes in operating assets and liabilities of approximately $1,469 thousand. We entered into an equity line financing agreement on May 22, 2024 for up to $10,000 thousand, with an initial draw of $2,500 thousand in the second quarter of 2024. Given our current cash balances and budgeted cash flow requirements, the Company believes such funds are sufficient to satisfy its working capital needs, capital asset purchases, debt repayments and other liquidity requirements associated with its existing operations for the next 12 months from the issuance date of the financial statements. The Company cannot assure you that we will ever earn revenues may continue to pursue strategic transactions and may raise additional capital as needed, using our equity securities and/or cash and debt financings in combinations appropriate for each acquisition.

Liquidity and Capital Resources as of March 31, 2024 Compared With March 31, 2023
Liquidity describes the ability of a company to generate sufficient cash flows to support our meet the cash requirements of its business operations, or that we will ever be profitable. To the extent that our resources from the business combination are insufficient to satisfy including working capital needs, debt service, acquisitions, contractual obligations and other commitments. We assess liquidity

in terms of our cash requirements, we may enter into equity or debt financing transactions. These transactions are expected to provide us additional cash flows from operations and their sufficiency to fund our operating and investing activities.
As of March 31, 2024 (Successor), the Company has a working capital deficiency of approximately $5,280 thousand and liquidity requirements in cash of approximately $5,603 thousand. For the short three months ended March 31, 2024 (Successor), the Company incurred net loss of approximately $5,170 thousand and long-term. If the financing is not available, or if the terms used approximately $650 thousand of financing are less desirable than we expect, we may be forced to take actions to reduce our capital or cash for operating expenditures, including by not seeking potential acquisition opportunities, or eliminating redundancies, which may adversely affect our business, operating results, financial condition and prospects. Our business has been impacted by the COVID-19 pandemic and general macroeconomic conditions and may continue to be impacted. While we have been able to continue operations remotely, we have and continue to experience impact in the demand of certain products and delays in certain projects and customer orders either because customer facilities being partially or fully closed during the pandemic or because of the uncertainty of the customer's financial position and ability to invest in our technology. activities.

The total impact Management believes that COVID-19 and general macroeconomic conditions may continue to impact our results of operations continues to remain uncertain and there are no assurances that we will be able to continue to experience the same growth or not be materially adversely affected. The Company's recurring losses and utilization of cash in its operations are indicators of going concern however with the Company's current liquidity position, including the cash raised under the promissory note of $3,000 thousand payable by December 2024, and access the equity line financing agreement we entered into on May 22, 2024 for up to capital markets, $10,000 thousand, with an initial draw of $2,500 thousand in the Company believes it second quarter of 2024, has mitigated such concerns the ability to mitigate any going concern indicators for a period of at least one year from the date this these financial statements were made are issued.
Liquidity and Capital Resources

The Company's net cash flows used in operating, investing and financing activities and certain balances are as follows (in thousands):

| | Successor | Predecessor | |
|---|---|---|---|
| | **Period from March 15, 2023 to September 30, 2023** | **Period from January 1, 2023 to March 14, 2023** | **Nine Months ended September 30, 2022** |
| **Cash flows (used in) provided by** | | | |
| Net cash used in operating activities | $ (8,937) | $ (5,144) | $ (15,481) |
| Net cash provided by (used in) investing activities | 9,956 | (54) | (359) |
| Net cash provided by financing activities | 4,674 | 8,892 | 16,906 |
| Effect of exchange rates on cash | (17) | 1 | (75) |
| **Net increase in cash and cash equivalents** | $ 5,676 | $ 3,695 | $ 991 |

| | **Successor** | **Predecessor** |
|---|---|---|
| | **September 30, 2023** | December 31, 2022 |
| Cash and cash equivalents | $ 7,179 | $ 6,308 |
| Working capital | $ 1,216 | $ 3,154 |

| | Successor | | Predecessor |
|---|---|---|---|
| | **Three months ended March 31, 2024** | **Period from March 15, 2023 to March 31, 2023** | Period from **January 1, 2023 to March 14, 2023** |
| **Cash flows (used in) provided by** | | | |
| Net cash used in operating activities | $ (650) | $ (4,431) | $ (5,144) |
| Net cash provided by (used in) investing activities | (18) | 9,980 | (54) |
| Net cash provided by (used in) financing activities | - | (328) | 8,892 |
| Effect of exchange rates on cash | (4) | - | 1 |
| **Net increase (decrease) in cash and cash equivalents** | $ (672) | $ 5,221 | $ 3,695 |

| | **March 31, 2024** | December 31, 2023 |
|---|---|---|
| Cash and cash equivalents | $ 5,603 | $ 6,275 |
| Working capital deficit | $ (5,280) | $ (1,287) |

Operating Activities for the periods three months ended September 30, 2023 March 31, 2024 (Successor), March 14, 2023 (Predecessor) for the period from March 15, 2023 to March 31, 2023 (Successor), and the nine months ended September 30, 2022 period from January 1, 2023 to March 14, 2023 (Predecessor)

| | Successor | Predecessor | |
|---|---|---|---|
| | **Period from March 15, 2023 to September 30, 2023** | Period from **January 1, 2023 to March 14, 2023** | **Nine Months Ended September 30, 2022** |
| Net loss | $ (10,531) | $ (4,380) | $ (23,634) |
| Non-cash income and expenses | 4,805 | 1,200 | 8,807 |
| Net change in operating assets and liabilities | (3,211) | (1,964) | (654) |
| Net cash used in operating activities | $ (8,937) | $ (5,144) | $ (15,481) |

| | **Successor** | **Predecessor** |
|---|---|---|

| | Three months ended March 31, 2024 | | Period from March 15, 2023 to March 31, 2023 | | Period from January 1, 2023 to March 14, 2023 | |
|---|---|---|---|---|---|---|
| Net income (loss) | $ | (5,170) | $ | 2,758 | $ | (4,380) |
| Non-cash income and expenses | | 3,051 | | (3,113) | | 1,200 |
| Net change in operating assets and liabilities | | 1,469 | | (4,076) | | (1,964) |
| Net cash used in operating activities | $ | (650) | $ | (4,431) | $ | (5,144) |

Cash Flows from Investing Activities for the periods three months ended September 30, 2023 March 31, 2024 (Successor), March 14, 2023 (Predecessor) for the period from March 15, 2023 to March 31, 2023 (Successor), and for the nine months ended September 30, 2022 period from January 1, 2023 to March 14, 2023 (Predecessor)

Net cash flows provided by used in investing activities during the period from March 15, 2023 to September 30, 2023 three months ended March 31, 2024 (Successor) was approximately $9,956 $18 thousand compared to net cash flows used in and provided in investing activities for the period from March 15, 2023 to March 31, 2023 (Successor) and during the period from January 1, 2023 to March 14, 2023 (Predecessor) of approximately thousand $9,980 and $54 thousand, respectively. Cash flows related to investing activities during the nine three months ended September 30, 2022 (Predecessor) March 31, 2024 (Successor) include $18 thousand for the purchase of approximately $54 thousand property and $359 thousand, respectively. equipment. Cash flows related to investing activities during the period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor) include $47 $23 thousand for the purchase of property and equipment, and $10,003 thousand for as cash acquired in connection with the Business Combination. Cash flows related to investing activities during the period from January 1, 2023 to March 14, 2023 (Predecessor) include $9 thousand for the purchase of property and equipment, and $45 thousand for the investment in capitalized software. Cash flows related to investing activities during the nine months ended September 30, 2022 (Predecessor) include $72 thousand for the purchase of property and equipment, and $287 thousand for investment in capitalized software.

Cash Flows from Financing Activities for the periods ended September 30, 2023 (Successor), March 14, 2023 (Predecessor), and the nine three months ended September 30, 2022 (Predecessor)
Net cash flows provided by financing activities during March 31, 2024 (Successor), for the period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor) was $4,674 thousand , and for the period from January 1, 2023 to March 14, 2023 (Predecessor)
There is no cash flow provided by or used in financing activities during three months ended March 31, 2024 (Successor) compared to net cash flows provided by and used in financing activities for the period from March 15, 2023 to March 31, 2024 (Successor) and during the period from January 1, 2023 to March 14, 2023 (Predecessor) and during the nine months ended September 30, 2022 (Predecessor) of approximately $8,892 $328 thousand and $16,906 $8,892 thousand, respectively. During the period from March 15, 2023 to September 30, 2023 March 31, 2023 (Successor), the Company paid $328 thousand in cash outflows from a for repayment of a related party promissory note and received $5,002 thousand proceed for exercise of 2,000 thousand public warrants. note. During the period from January 1, 2023 to March 14, 2023 (Predecessor), the Company received $9,089 thousand in incoming cash flows from parent, and paid $197 thousand in cash outflows from a payment of an acquisition liability. During the nine months ended September 30, 2022 (Predecessor), the Company received $18,967 thousand in incoming cash flows from parent, and paid $104 thousand and $1,957 thousand in cash outflows from taxes paid related to share based compensation and from a payment of an acquisition liability, respectively.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet guarantees, interest rate swap transactions or foreign currency contracts. We do not engage in trading activities involving non-exchange traded contracts.

Contractual Obligations and Commitments

Contractual obligations are cash that we are obligated to pay as part of certain contracts that we have entered during our course of business. Our contractual obligations consist of operating lease liabilities and acquisition liabilities that are included in our balance sheet. As of September 30, 2023 March 31, 2024 (Successor), the total obligation for operating leases is approximately $594 $391 thousand, of which approximately $321 $231 thousand is expected to be paid in the next twelve months.

Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). In connection with the preparation of our financial statements, we are required to make assumptions and estimates about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our unaudited condensed consolidated financial statements are prepared. On a regular basis, we review the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

*Critical Accounting Policies*
Our significant accounting policies are discussed in Note 2 of the unaudited condensed consolidated financial statements which are included elsewhere in this filing. We believe that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and they require our most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. There have been no changes to estimates during the periods presented in the filing. Historically changes in management estimates have not been material.

Revenue Recognition*Critical Accounting Estimates*
The Company recognizes revenue when control is transferred of the promised products or services to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services. The Company derives revenue from software as a service and professional services for its enterprise apps software.
Our contracts with customers often include promises to transfer multiple distinct products and services.
Our licenses are sold as perpetual or term licenses and the arrangements typically contain various combinations of maintenance and professional services, which are accounted for as separate performance obligations. In determining how revenue should be recognized, a five-step process is used, which requires judgment and estimates within the revenue recognition process. The most critical judgements required in applying ASC 606 *Revenue Recognition from Customers*, and our revenue recognition policy relate to the determination of distinct performance obligations.

- Revenue related to subscription software as a service contract is recognized over time using the output method (days of software provided) because we are providing continuous access to its service.

- Professional services revenue is accounted for using the percentage of completion method. As soon as the outcome of a contract can be estimated reliably, contract revenue is recognized in the statement of operations in proportion to the stage of completion of the contract. Accounting for these contracts involves the use of estimates to determine total contract costs to be incurred.
- Professional services revenue under fixed fee contracts is recognized over time using the input method (direct labor hours) to recognize revenue over the term of the contract. We have elected the practical expedient to recognize revenue for the right to invoice because our right to consideration corresponds directly with the value to the customer of the performance completed to date.

We also consider whether an arrangement has any discounts, material rights, accounting judgment, estimate or specified future upgrades that may represent additional performance obligations. We offer discounts in the form of prompt payment discounts and rebates for a decrease in service level percentages. We have determined that the most likely amount method is most useful for contracts that provides these discounts and rebates as the contracts have two potential outcomes and a significant reversal in the amount of cumulative revenue recognized is not expected assumption to occur. Discounts have not historically been significant, but we continue to monitor and evaluate these estimates based on historical experience, anticipated performance, and our best judgment. Renewals or extensions of licenses are evaluated as distinct licenses (i.e., a distinct good or service), and revenue attributed to the distinct good or service cannot be recognized until critical when (1) the entity provides the distinct license (or makes the license available) to the customer and (2) the customer estimate or assumption is able to use and benefit from the distinct license. If any of these judgments were to change it could cause a material increase complex in nature or decrease in the amount of revenue we report in a particular period.

Goodwill, Acquired Intangible Assets and Other Long-Lived Assets - Impairment Assessments

Long-lived assets are grouped for recognition and measurement of impairment at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. The impairment test for long-lived assets requires us to assess the recoverability of our long-lived assets by comparing their net carrying value to the sum of undiscounted estimated future cash flows directly associated with and arising from our use and eventual disposition of the assets. If the net carrying value of a group of long-lived assets exceeds the sum of related undiscounted estimated future cash flows, we would be required to record an impairment charge equal to the excess, if any, of net carrying value over fair value.

When assessing the recoverability of our long-lived assets, which include property and equipment and finite-lived intangible assets, we make assumptions regarding estimated future cash flows and other factors. Some of these assumptions involve a high degree of judgment and bear (2) the use of different judgments, estimates and assumptions could have a significant material impact on our unaudited condensed consolidated financial statements.

The Management believes there have been no significant changes during the assessment conclusions. Included among these assumptions are estimating undiscounted future cash flows, including three month period ended March 31, 2024, to the projection of comparable sales, operating expenses, capital requirements for maintaining property items disclosed as critical accounting estimates in management's discussion and equipment and residual value of asset groups. We formulate estimates from historical experience and assumptions of future performance, based on business plans and forecasts, recent economic and business trends, and competitive conditions. In the event that our estimates or related assumptions change analysis in the future, we may be required to record an impairment charge. Based Company's Annual Report on our evaluation we did not record a charge Form 10-K for impairment related to long-lived assets for the three months ended September 30, 2023 (Successor) or the year ended December 31, 2022 (Predecessor) December 31, 2023 that was filed with the SEC on May 24, 2024.

We evaluate the remaining useful lives of long-lived assets and identifiable intangible assets whenever events or circumstances indicate that a revision to the remaining period of amortization is warranted. Such events or circumstances may include (but are not limited to): the effects of obsolescence, demand, competition, and/or other economic factors including the stability of the industry in which we operate, known technological advances, legislative actions, or changes in the regulatory environment. If the estimated remaining useful lives change, the remaining carrying amount of the long-lived assets and identifiable intangible assets would be amortized prospectively over that revised remaining useful life. We have determined that there were no events or circumstances during the period ended March 14, 2023 (Predecessor), three months ended September 30, 2023 (Successor), and the nine months ended September 30, 2022 (Predecessor), which would indicate a revision to the remaining amortization period related to any of our long-lived assets. Accordingly, we believe that the current estimated useful lives of long-lived assets reflect the period over which they are expected to contribute to future cash flows and are therefore deemed appropriate.

We have recorded goodwill and other indefinite-lived assets in connection with the Business Combination. Goodwill, which represents the excess of acquisition cost over the fair value of the net tangible and intangible assets of the acquired company, is not amortized. Indefinite-lived intangible assets are stated at fair value as of the date acquired in a business combination. The recoverability of goodwill is evaluated at least annually and when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the three months ended September 30, 2023 (Successor) and the period from March 15, 2023 to September 30, 2023 (Successor), the Company noted that there were no qualitative or quantitative indicators of impairment present at the reporting date as of September 30, 2023.

We analyzed goodwill first to assess qualitative factors, such as macroeconomic conditions, changes in the business environment and reporting unit specific events, to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform a detailed goodwill impairment test as required. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. If we bypass the qualitative assessment or conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then we perform a quantitative impairment test by comparing the fair value of a reporting unit with its carrying amount. We calculate the estimated fair value of a reporting unit using a weighting of the income and market approaches. For the income approach, we use internally developed discounted cash flow models that include the following assumptions, among others made by management: projections of revenues, expenses, and related cash flows based on assumed long-term growth rates and demand trends; expected future investments to grow new units; and estimated discount rates. For the market approach, we use internal analyses based primarily on market comparables. We base these assumptions on its historical data and experience, third party appraisals, industry projections, micro and macro general economic condition projections, and its expectations. Due to the variables inherent in our estimates of fair value, differences in assumptions may have a material effect on the result of our impairment analysis.

Deferred Income Taxes

In accordance with ASC 740 "Income Taxes" ("ASC 740"), management routinely evaluates the likelihood of the realization of its income tax benefits and the recognition of its deferred tax assets. In evaluating the need for any valuation allowance, management will assess whether it is more likely than not that some portion, or all, of the deferred tax asset may not be realized on a jurisdictional basis. Ultimately, the realization of deferred tax assets is dependent upon the generation of future taxable income during those periods in which temporary differences become deductible and/or tax credits and tax loss carry-forwards can be utilized. In performing its analyses, management considers both positive and negative evidence including historical financial performance, previous earnings patterns, future earnings forecasts, tax planning strategies, economic and business trends and the potential realization of net operating loss carry-forwards within a reasonable timeframe. To this end, management considered (i) that we have had historical losses in the prior years and cannot anticipate generating a sufficient level of future profits in order to realize the benefits of our deferred tax asset; (ii) tax planning strategies and (iii) the adequacy of future income as of and for the three months ended September 30, 2023 (Successor), based upon certain economic conditions and historical losses through September 30, 2023. After consideration of these factors, management deemed it appropriate to establish a full valuation allowance with respect to the deferred tax assets for the Company as of September 30, 2023 (Successor) and December 31, 2022 (Predecessor), and no liability for unrecognized tax benefits was required to be reported.

The guidance also discusses the classification of related interest and penalties on income taxes. The Company's policy is to record interest and penalties on uncertain tax positions as a component of income tax expense. No interest or penalties were recorded during the three months ended September 30, 2023 (Successor), the period from March 15, 2023 to September 30, 2023 (Successor), the period ended March 14, 2023 (Predecessor), the three months ended September 30, 2022 (Predecessor) or the nine months ended September 30, 2022 (Predecessor).

Business Combinations

We account for business combinations using the acquisition method of accounting, and accordingly, the assets and liabilities of the acquired business are recorded at their fair values at the date of acquisition. The excess of the purchase price over the estimated fair value is recorded as goodwill. Any changes in the estimated fair values of the net assets recorded for acquisitions prior to the finalization of more detailed analysis, but not to exceed one year from the date of acquisition, will change the amount of the purchase price allocable to goodwill. Any subsequent changes to any purchase price allocations that are material to our financial results will be adjusted. All acquisition costs are expensed as incurred. Separately recognized transactions associated with business combinations are generally expensed subsequent to the acquisition date. The application of business combination and impairment accounting requires the use of significant estimates and assumptions. Upon acquisition, the accounts and results of operations are combined as of and subsequent to the acquisition date and are included in our financial statements from the acquisition date.

Derivative Warrant Liabilities

We account for the Warrants in accordance with the guidance contained in ASC 815-40 under which the Warrants do not meet the criteria for equity treatment and must be recorded as liabilities. Accordingly, we classify the Warrants as liabilities at their fair value and adjust the Warrants to fair value at each reporting period. This liability is subject to re-measurement at each balance sheets date until exercised, and any change in fair value is recognized in our Condensed Consolidated Statements of Operations. We utilized the Public Warrant quoted market price as the fair value of the Warrants as of each relevant date.

JOBS Act Accounting Election

Following the transaction, CXApp will be an "emerging growth company" as defined in the JOBS Act. As such, the Company will be eligible to take advantage of certain exemptions from various reporting requirements that apply to other public companies that are not emerging growth companies, including compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and the requirements to hold a non-binding advisory vote on executive compensation and any golden parachute payments not previously approved. The Company has not made a decision whether to take advantage of any or all of these exemptions. If the Company does take advantage of some or all of these exemptions, some investors may find the Company's common stock less attractive. The result may be a less active trading market for the Company's common stock and its stock price may be more volatile.

In addition, Section 107 of the JOBS Act provides that an emerging growth company may take advantage of the extended transition period provided in Section 13(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), for complying with new or revised accounting standards, meaning that CXApp, as an emerging growth company, can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The Company has elected to take advantage of this extended transition period, and therefore our financial statements may not be comparable to those of companies that comply with such new or revised accounting standards. Section 107 of the JOBS Act provides that our decision not to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

**Not applicable.**

**Item 4. Controls and Procedures**

**Disclosure Controls and Procedures**

**We have established disclosure Disclosure controls and are procedures designed to ensure that material information relating to us, including our consolidated subsidiaries, is made known to the officers who certify our financial reports and to other members of senior management and the Board of Directors.**
**Our management, are designed with the participation objective of our principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this Quarterly Report. Based on this evaluation, our principal executive officer and principal financial officer concluded ensuring that these disclosure controls and procedures were effective as of September 30, 2023 (Successor) and designed to ensure that the information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the requisite time periods period specified in the applicable SEC's rules and forms, and forms. Disclosure controls are also designed with the objective of ensuring that it such information is accumulated and communicated to our management, including our principal the chief executive officer and principal chief financial officer, as appropriate to allow timely decisions regarding required disclosure.**
**We conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 31, 2024. The material weakness and remediation activities were discussed in Part II, Item 9A "Controls and Procedures" of the Company's 2023 Annual Report filed on May 24, 2024.**

**Changes in Internal Control over Financial Reporting**

**There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the three months ended September 30, 2023 March 31, 2024 (Successor) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.**

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

**There is no material litigation, arbitration or governmental proceeding currently pending against CXApp or any members of its management team in their capacity as such.**

**Item 1A. Risk Factors**

**Factors that could cause our actual results to differ materially from those in this Quarterly Report include the risk factors described in the Annual Report on Form 10-K/A 10-K filed with the SEC. As of the date of this Quarterly Report, there have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K/A 10-K filed with the SEC.**

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

**None.**

**Item 3. Defaults Upon Senior Securities**

**None.**

**Item 4. Mine Safety Disclosures**

**Not applicable.**

**Item 5. Other Information**

**None.*Insider Trading Arrangements and Policies***
**During the three months ended March 31, 2024, no director or officer of CXApp notified CXApp of the adoption or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K**

**Item 6. Exhibits**

**The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.**

| | |
|---|---|
| **No.**2.1(1) | **Description Agreement and Plan of Exhibit**Merger, dated as of September 25, 2022, by and among KINS Technology Group Inc., Inpixon, CXApp Holding Corp. and KINS Merger Sub Inc. |
| 2.2(1) | Separation and Distribution Agreement, dated as of September 25, 2022, by and among KINS Technology Group Inc., Inpixon, CXApp Holding Corp. and Design Reactor, Inc. |
| 2.3(1) | Sponsor Support Agreement, dated as of September 25, 2022, by and among KINS Capital LLC, KINS Technology Group Inc., Inpixon and CXApp Holding Corp. |
| 3.1(2) | Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to the Company's Current Report on Form 8-K filed on March 20, 2023). Company. |
| 3.2(2) | Amended and Restated Bylaws of the Company. |
| 4.1 | Warrant Agreement, dated as of December 14, 2020, by and between KINS and Continental Stock Transfer & Trust Company, as warrant agent (incorporated herein by reference to the Company's Current Report from Exhibit 4.1 on KINS' Form 8-K, filed on March 20, 2023 December 21, 2020). |
| 4.2(2) | Specimen CXApp Inc. Class A Common Stock Certificate. |
| 4.3(2) | Specimen CXApp Inc. Class C Common Stock Certificate. |

| | |
|---|---|
| 4.4(2) | Specimen Warrant Certificate of the Company. |
| 10.1(2)(#) | Employee Matters Agreement, dated March 14, 2023, by and among KINS, KINS Merger Sub Inc., Inpixon, and Legacy CXApp (incorporated by reference to the Company's Current Report on Form 8-K filed on March 20, 2023) CXApp. |
| 10.2(2) | Tax Matters Agreement, dated March 14, 2023, by and among KINS, Inpixon, and Legacy CXApp (incorporated by reference to the Company's Current Report on Form 8-K filed on March 20, 2023). CXApp. |
| 10.3+ 10.3(2) | Transition Services Agreement, dated March 14, 2023, by and between Inpixon and Legacy CXApp (incorporated by reference to the Company's Current Report on Form 8-K filed on March 20, 2023). CXApp. |
| 10.4# 10.4(2)(#) | Consulting Agreement, dated March 14, 2023, by and between Design Reactor, Inc. and 3AM, LLC (incorporated by reference to the Company's Current Report on Form 8-K filed on March 20, 2023). LLC. |
| 10.5# 10.5(#) | Employment Agreement, dated as of January 9, 2023, by and between Design Reactor, Inc. and Khurram Sheikh (incorporated herein by reference from Exhibit 10.13 of KINS' Registration Statement on Form S-4 (File No. 333-267938, filed February 9, 2023). |
| 10.6# | Employment Agreement, dated as of March 29, 2023, by and between Khurram P. Sheikh and CXApp Inc. Sheikh. (incorporated by reference to the Company's Current Report on Form 8-K filed on March 31, 2023). ) |
| 10.7# 10.6(2)(#) | Employment CXApp Inc. 2023 Equity Incentive Plan. |
| 10.7(3) | Securities Purchase Agreement, dated as of March 29, 2023 May 22, 2024, by and between Leon Papkoff and CXApp Inc. (incorporated by reference to the Company's Current Report on Form 8-K filed on March 31, 2023). and Streeterville Capital, LLC. |
| 14.01(2) | Code of Ethics and Business Conduct of CXApp Inc. |
| 31.1* 31.1(*) | Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a 14(a) 13a-14(a) and 15d-14(a) 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* 31.2(*) | Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a 14(a) 13a-14(a) and 15d-14(a) 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1* 32.1(**) | Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2* 32.2(**)* | Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 99.1** | Press Release, dated November 14, 2023, reporting CXApp's financial results for the three months ended September 30, 2023. |

| | |
|---|---|
| 101.INS* 101.INS | Inline XBRL Instance Document |
| 101.SCH* 101.SCH | Inline XBRL Taxonomy Extension Schema Document. Document |
| 101.CAL* 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. Document |
| 101.DEF* 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. Document |
| 101.LAB* 101.LAB | Inline XBRL Taxonomy Extension Labels Linkbase Document. Document |
| 101.PRE* 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104* | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). Document |

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* Filed herewith.

** Furnished herewith.

+ (1) The annexes, schedules, and certain exhibits to this Exhibit have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant hereby agrees to furnish supplementally a copy of any omitted annex, schedule or exhibit Incorporated by reference to the SEC upon request. Company's Current Report on Form 8-K filed on September 26, 2022.

(2) Incorporated by reference to the Company's Current Report on Form 8-K filed on March 20, 2023.

(3) Incorporated by reference to the Company's Annual Report on Form 10-K filed on May 24, 2024.

\# Indicates a management contract or compensatory plan.

## SIGNATURES

**In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.**

**CXAPP INC.**

Date: November 14, 2023May 31, 2024

By: /s/ Khurram Sheikh
Name: **Khurram Sheikh**
Title: **Chairman, Chief Executive Officer,**
**Interim Chief Financial Officer and Director**
**(Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)**

**EXHIBIT 31.1**

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,**
**AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

**I, Khurram Sheikh, certify that:**

**1. I have reviewed this Quarterly Report on Form 10-Q of CXApp Inc.;**

**2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;**

**3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;**

**4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:**

**a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;**

**b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;**

**c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and**

**d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and**

**5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):**

**a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and**

**b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.**

**Date: November 14, 2023 May 31, 2024**

/s/ Khurram Sheikh
Khurram Sheikh
Chairman, Chief Executive Officer,
Interim Chief Financial Officer and Director
(Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)

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**EXHIBIT 31.2**

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

**I, Khurram Sheikh, certify that:**

**1. I have reviewed this Quarterly Report on Form 10-Q of CXApp Inc.;**

**2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;**

**3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;**

**4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:**

**(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;**

**(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;**

**(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and**

**(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and**

**5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):**

**(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and**

**(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.**

**Date: November 14, 2023 May 31, 2024**

/s/ Khurram Sheikh
Khurram Sheikh
Chairman, Chief Executive Officer,
Interim Chief Financial Officer and Director
(Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)

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**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

**In connection with the Quarterly Report of CXApp Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, Khurram Sheikh, Chairman, Chief Executive Officer and Director of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:**

**1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and**

**2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.**

**Date: November 14, 2023 May 31, 2024**

/s/ Khurram Sheikh
Khurram Sheikh
Chairman, Chief Executive Officer,
Interim Chief Financial Officer and Director
(Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)

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**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350**
**(AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

**In connection with the Quarterly Report of CXApp Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, Khurram Sheikh, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:**

**1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and**

**2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.**

**Date: November 14, 2023 May 31, 2024**

/s/ Khurram Sheikh
Khurram Sheikh
Interim Chief Financial Officer
Chairman, Chief Executive Officer,
Interim Chief Financial Officer and Director
(Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)

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**Exhibit 99.1**

**CXApp Inc. (Nasdaq: CXAI) Announces Q3 2023 Financial Results:**
**Record Growth & Industry Momentum for CXAI Platform**

***Double Digit RPO Growth***
***Signed Largest Fortune 100 Deal To-Date***
***CXAI Platform to Launch in December***

**Palo Alto, Calif., November 14, 2023 / -- CXApp Inc (Nasdaq: CXAI), the global technology leader in employee workplace experiences announced financial results for the third quarter 2023. The 10-Q has been filed with the SEC today and will be available on the Company's website www.cxapp.com.**

**Khurram Sheikh, Chairman and CEO of CXApp said, "The CXAI SaaS platform is anchored on the intersection of customer experience (CX) and artificial intelligence (AI) providing digital transformation for the workplace for enhanced experiences across people, places and things.**

**We are pleased to announce the following financial results and business updates as we make progress on our journey to shape the future of work:**

1. Financial Performance

a. A key highlight of the third quarter has been the record growth we accomplished in our Remaining Performance Obligation (RPO). We demonstrated record growth in our backlog as we grew RPO double digits sequentially through a combination of expansions with existing customers as well as contracting new customers.

b. We have optimized the operational cost structure with a net **56%** operating expense reduction year over year.

c. Our **subscription-based recurring** revenue was **80%** of the total revenue, up from **25%** of total from last year.

d. Our **gross margin** for the quarter was **80% (up from 75% last quarter),** which is an attractive figure that will potentially increase as our subscription revenues increase.

e. CXAI's strategy of **'land & expand'** also continues to be a key contributor to growing subscription revenues with our existing customer base and we have seen a double digit increase in **ARR** since the end of last year.

2. Largest Customer Addition

a. A key highlight of Q3 was being selected by one of the world's largest media organizations for a seven-figure agreement. After a rigorous due diligence process (where the customer evaluated multiple vendors), we were ultimately awarded a large subscription-based contract for an initial three-year term. There is also attractive growth potential through expansions and value-based applications as we launch the first deployment. This builds upon our momentum of large customer wins in Q2 and I believe this demonstrates that despite our small size, large companies are excited about our current solution and path to AI and are partnering with us at an increasing pace.

3. AI (Artificial Intelligence) Platform Update

a. Our state-of-the-art technology platform is based on **37** filed patents, with **17** of them already granted. This substantial intellectual property not only establishes our company as a technological frontrunner but also secures our position as a pioneer in the industry.

b. Our **AI tools and models** are being built on the strong foundation of our full stack software solution that provides contextual awareness using indoor mapping and on-device positioning technology as well as the data collection of millions of data points from our enterprise app. This new area of ***spatial intelligence*** creates the opportunity to personalize the workplace experience at the same time as redefine the workplace environment.

c. CXAI Platform

**Our AI-native platform is built upon our mobile-first, cloud-first Work SuperApp. The Work SuperApp provides a full-stack solution that allows employees to experience all their work tools in a single application. We provide our customer's employees with a simplified immersive user interface, natural language processing inputs, and the assistants to digitally navigate and automate their workday – all seamlessly from anywhere, we have created a more human-centric work model.**

d. Generative AI

**On the CXAI platform we are developing category-leading horizontal and vertical Generative AI applications. We believe these AI-native applications will become the norm for the new knowledge economy and generate transformational employee experiences everywhere.**

e. Experiential Analytics

**The key output of our amazing AI applications is a data and analytics engine that fuses the user, space and things data to create what we are calling "*Experience Analytics*". These are the key insights and outcomes that will drive the help solve the future of work problems.**

f. CXAI Platform Launch:

**We are looking forward to unveiling the platform to select customers this quarter and will be scheduling the launch in *December* this year with a special webcast for investors.**

**Our focus has always been on delivering cutting-edge solutions to empower our users, and I'm excited to see how the CXAI platform and exciting new AI applications will transform employee experiences.**

**Khurram Sheikh concluded "We are excited about the great progress we made this quarter in shaping the future of work with our leading-edge technology solutions. We are mission-focused on defining a new category in enterprise software: Employee Experiences. We have an amazing customer base diversified globally and across all major sectors ready for massive scale-up with our next generation AI platform. And most importantly, we have the leadership team and board that has a track record of leading industry transformations and developing new markets to scale. We look forward to sharing the details of our CXAI Platform in December this year."**

**This press release is for informational purposes only and is neither an offer to purchase, nor a solicitation of an offer to sell, subscribe for or buy, any securities, nor shall there be any sale, issuance or transfer or securities in any jurisdiction in contravention of applicable law.**

**About CXApp Inc**

**CXApp Inc, is the global technology leader in employee workplace experiences. The Company is headquartered in the SF Bay Area and operates the CXAI SaaS platform that is anchored on the intersection of customer experience (CX) and artificial intelligence (AI) providing digital transformation for the workplace for enhanced experiences across people, places and things.**

**CXApp's customers include major Fortune 500 Global Companies in the technology, financial services, consumer, healthcare, and media entertainment verticals.**

**www.cxapp.com**

**CXApp Inc.: marketing@cxapp.com**

**Forward-Looking Statements**

**This press release includes "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. The expectations, estimates, and projections of the Company may differ from its actual results and consequently, you should not rely on these forward-looking statements as predictions of future events. Words such as "expect," "estimate," "project," "budget," "forecast," "anticipate," "intend," "plan," "may," "will," "could," "should," "believes," "predicts," "potential," "continue," or the negative or other variations thereof and similar expressions are intended to identify such forward looking statements. These forward-looking statements include, without limitation, expectations with respect to future performance of the Company, including projected financial information (which is not audited or reviewed by the Company's auditors), and the future plans, operations and opportunities for the Company and other statements that are not historical facts. These statements are based on the current expectations of the Company's management and are not predictions of actual performance. These forward-looking statements involve significant risks and uncertainties that could cause the actual results to differ materially from the expected results. Factors that may cause such differences include, but are not limited to: the impact of the COVID-19 pandemic on our business, operations, results of operations and financial condition, including liquidity for the foreseeable future; the demand for the Company's services together with the possibility that the Company may be adversely affected by other economic, business, and/or competitive factors or changes in the business environment in which the Company operates; changes in consumer preferences or the market for the Company's services; changes in applicable laws or regulations; the availability or competition for opportunities for expansion of the Company's business; difficulties of managing growth profitably; the loss of one or more members of the Company's management team; loss of a major customer and other risks and uncertainties included from time to time in the Company's reports (including all amendments to those reports) filed with the SEC. The Company cautions that the foregoing list of factors is not exclusive. You should not place undue reliance upon any forward-looking statements, which speak only as of the date made. The Company does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in its expectations or any change in events, conditions, or circumstances on which any such statement is based, except as required by law. These forward-looking statements should not be relied upon as representing the Company's assessments as of any date subsequent to the date of this communication.**

**DISCLAIMER**