

**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 quarterly period ended September 30, 2024
OR

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: 001-39815

908 DEVICES INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

45-4524096
(I.R.S. Employer Identification No.)

645 Summer Street, Boston, MA
(Address of principal executive offices)

02210
(Zip Code)

Registrant's telephone number, including area code: (857) 254-1500

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	MASS	The Nasdaq Global Market

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

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

As of November 7, 2024, the registrant had 34,822,836 shares of common stock, \$0.001 par value per share, issued and outstanding.

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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements, which reflect our current views with respect to, among other things, our operations and financial performance. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations and financial position, business strategy and plans and our objectives for future operations, are forward-looking statements, and are made under the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "should," "could," "target," "predict," "seek" and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short- and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those referenced in the section titled "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a competitive and rapidly changing environment and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date of this report. You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Quarterly Report on Form 10-Q to conform these statements to actual results or to changes in our expectations.

We own various trademark registrations and applications, and unregistered trademarks, including MX908, ThreatID, ProtectIR, XplorIR, Rebel, ZipChip, Maven, Maverick, 908 Devices and our corporate logo. All other trade names, trademarks and service marks of other companies appearing in this Quarterly Report on Form 10-Q are the property of their respective holders. Solely for convenience, the trademarks and trade names in this Quarterly Report on Form 10-Q may be referred to without the ®,™ or RTM symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend to use or display other companies' trademarks and trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

PART I—FINANCIAL INFORMATION
Item 1. Condensed Consolidated Financial Statements (Unaudited)

908 DEVICES INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share and per share amounts)

	September 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 45,025	\$ 121,041
Marketable securities	26,661	24,641
Accounts receivable, net of allowance for credit losses of \$ 585 and \$395 at September 30, 2024 and December 31, 2023	16,659	8,989
Inventory	17,833	14,938
Prepaid expenses and other current assets	2,749	4,181
Total current assets	108,927	173,790
Operating lease, right-of-use assets	7,484	6,233
Property and equipment, net	3,666	3,342
Goodwill	10,137	10,367
Intangible assets, net	46,683	7,860
Other long-term assets	1,386	1,389
Total assets	<u>\$ 178,283</u>	<u>\$ 202,981</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,895	\$ 1,191
Accrued expenses	7,667	8,713
Deferred revenue	13,859	10,629
Operating lease liabilities	2,297	2,016
Total current liabilities	25,718	22,549
Operating lease liabilities, net of current portion	4,882	3,929
Deferred revenue, net of current portion	11,027	8,571
Deferred income taxes	2,258	2,441
Contingent consideration	3,359	—
Total liabilities	47,244	37,490
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized, no shares issued or outstanding at September 30, 2024 and December 31, 2023, respectively	—	—
Common stock, \$0.001 par value; 100,000,000 shares authorized; 34,712,488 shares and 32,519,023 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	35	33
Additional paid-in capital	352,795	334,692
Accumulated other comprehensive income	1,568	1,365
Accumulated deficit	(223,359)	(170,599)
Total stockholders' equity	131,039	165,491
Total liabilities and stockholders' equity	<u>\$ 178,283</u>	<u>\$ 202,981</u>

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

908 DEVICES INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue:				
Product revenue	\$ 12,845	\$ 12,161	\$ 30,344	\$ 28,778
Service revenue	3,887	2,136	10,326	6,730
Contract revenue	41	—	141	370
Total revenue	<u>16,773</u>	<u>14,297</u>	<u>40,811</u>	<u>35,878</u>
Cost of revenue:				
Product cost of revenue	6,237	4,651	14,179	13,237
Service cost of revenue	2,202	1,777	5,803	4,495
Contract cost of revenue	2	—	76	99
Total cost of revenue	<u>8,441</u>	<u>6,428</u>	<u>20,058</u>	<u>17,831</u>
Gross profit	<u>8,332</u>	<u>7,869</u>	<u>20,753</u>	<u>18,047</u>
Operating expenses:				
Research and development	6,788	5,537	18,959	16,460
Selling, general and administrative	13,379	11,317	39,877	34,297
Change in fair value of contingent consideration	(12,141)	104	(12,141)	335
Goodwill impairment	30,523	—	30,523	—
Total operating expenses	<u>38,549</u>	<u>16,958</u>	<u>77,218</u>	<u>51,092</u>
Loss from operations	<u>(30,217)</u>	<u>(9,089)</u>	<u>(56,465)</u>	<u>(33,045)</u>
Other income, net:				
Interest income	879	1,449	3,741	4,155
Interest expense	—	350	—	(201)
Other (expense) income, net	(29)	110	(247)	(88)
Total other income, net	<u>850</u>	<u>1,909</u>	<u>3,494</u>	<u>3,866</u>
Loss from operations before income taxes	(29,367)	(7,180)	(52,971)	(29,179)
Benefit for income taxes	72	87	211	209
Net loss	<u>\$ (29,295)</u>	<u>\$ (7,093)</u>	<u>\$ (52,760)</u>	<u>\$ (28,970)</u>
Net loss per share				
Basic and diluted	<u>\$ (0.84)</u>	<u>\$ (0.22)</u>	<u>\$ (1.56)</u>	<u>\$ (0.90)</u>
Weighted average common shares outstanding				
Basic and diluted	<u>34,670,638</u>	<u>32,345,925</u>	<u>33,817,613</u>	<u>32,171,685</u>

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

908 DEVICES INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)
(in thousands, except share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net loss	\$ (29,295)	\$ (7,093)	\$ (52,760)	\$ (28,970)
Other comprehensive income (loss)				
Foreign currency translation adjustment	683	(404)	188	(170)
Unrealized gain on marketable securities, net of tax of \$0	27	248	15	360
Total other comprehensive income (loss)	\$ 710	\$ (156)	\$ 203	\$ 190
Comprehensive loss	<u>\$ (28,585)</u>	<u>\$ (7,249)</u>	<u>\$ (52,557)</u>	<u>\$ (28,780)</u>

908 DEVICES INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(in thousands, except share amounts)

					Accumulated		Total
		Common Stock	Additional Paid-in Capital	Other Comprehensive Income	Accumulated Deficit		Stockholders' Equity
	Shares	Amount					
Balances at December 31, 2023	32,519,023	\$ 33	\$ 334,692	\$ 1,365	\$ (170,599)		\$ 165,491
Issuance of common stock upon exercise of stock options	34,563	—	61	—	—	—	61
Stock-based compensation expense	—	—	2,643	—	—	—	2,643
Vesting of restricted stock units	370,511	—	—	—	—	—	—
Net loss	—	—	—	—	(10,917)	—	(10,917)
Foreign currency translation adjustments	—	—	—	(370)	—	—	(370)
Unrealized loss on marketable securities	—	—	—	(15)	—	—	(15)
Balances at March 31, 2024	<u>32,924,097</u>	<u>\$ 33</u>	<u>\$ 337,396</u>	<u>\$ 980</u>	<u>\$ (181,516)</u>		<u>\$ 156,893</u>
Issuance of common stock upon exercise of stock options	57,610	—	97	—	—	—	97
Stock-based compensation expense	—	—	3,096	—	—	—	3,096
Issuance of common stock pursuant to the acquisition of RedWave Technology	1,497,171	2	8,615	—	—	—	8,617
Issuance of common stock upon ESPP purchase	67,292	—	326	—	—	—	326
Vesting of restricted stock units	84,713	—	—	—	—	—	—
Net loss	—	—	—	—	(12,548)	—	(12,548)
Foreign currency translation adjustments	—	—	—	(125)	—	—	(125)
Unrealized gains on marketable securities	—	—	—	3	—	—	3
Balances at June 30, 2024	<u>34,630,883</u>	<u>\$ 35</u>	<u>\$ 349,530</u>	<u>\$ 858</u>	<u>\$ (194,064)</u>		<u>\$ 156,359</u>
Issuance of common stock upon exercise of stock options	41,535	—	66	—	—	—	66
Stock-based compensation expense	—	—	3,199	—	—	—	3,199
Vesting of restricted stock units	40,070	—	—	—	—	—	—
Net loss	—	—	—	—	(29,295)	—	(29,295)
Foreign currency translation adjustments	—	—	—	683	—	—	683
Unrealized gains on marketable securities	—	—	—	27	—	—	27
Balances at September 30, 2024	<u>34,712,488</u>	<u>\$ 35</u>	<u>\$ 352,795</u>	<u>\$ 1,568</u>	<u>\$ (223,359)</u>		<u>\$ 131,039</u>

					Accumulated		Total
	Common Stock	Additional Paid-in Capital	Other Comprehensive Income	Accumulated Deficit			Stockholders' Equity
	Shares	Amount					
Balances at December 31, 2022	31,859,847	\$ 32	\$ 323,969	\$ 798	\$ (134,200)		\$ 190,599
Issuance of common stock upon exercise of stock options	56,547	—	88	—	—	—	88
Stock-based compensation expense	—	—	2,166	—	—	—	2,166
Vesting of restricted stock units	145,123	—	—	—	—	—	—
Net loss	—	—	—	—	(12,532)	—	(12,532)
Foreign currency translation adjustments	—	—	—	291	—	—	291
Balances at March 31, 2023	<u>32,061,517</u>	<u>\$ 32</u>	<u>\$ 326,223</u>	<u>\$ 1,089</u>	<u>\$ (146,732)</u>		<u>\$ 180,612</u>
Issuance of common stock upon exercise of stock options	166,226	—	301	—	—	—	301
Stock-based compensation expense	—	—	2,578	—	—	—	2,578
Issuance of common stock upon ESPP purchase	45,082	—	259	—	—	—	259
Vesting of restricted stock units	54,036	—	—	—	—	—	—
Net loss	—	—	—	—	(9,346)	—	(9,346)
Foreign currency translation adjustments	—	—	—	(57)	—	—	(57)
Unrealized gains on marketable securities	—	—	—	112	—	—	112
Balances at June 30, 2023	<u>32,326,861</u>	<u>\$ 32</u>	<u>\$ 329,361</u>	<u>\$ 1,144</u>	<u>\$ (156,078)</u>		<u>\$ 174,459</u>
Issuance of common stock upon exercise of stock options	15,393	—	15	—	—	—	15
Stock-based compensation expense	—	—	2,704	—	—	—	2,704
Vesting of restricted stock units	29,174	—	—	—	—	—	—
Net loss	—	—	—	—	(7,093)	—	(7,093)
Foreign currency translation adjustments	—	—	—	(404)	—	—	(404)
Unrealized gains on marketable securities	—	—	—	248	—	—	248
Balances at September 30, 2023	<u>32,371,428</u>	<u>\$ 32</u>	<u>\$ 332,080</u>	<u>\$ 988</u>	<u>\$ (163,171)</u>		<u>\$ 169,929</u>

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

908 DEVICES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (52,760)	\$ (28,970)
Adjustments to reconcile net loss to net cash used in operating activities:		
Goodwill impairment	30,523	—
Depreciation and amortization expense	3,245	1,979
Stock-based compensation expense	8,938	7,448
Noncash interest expense and loss on extinguishment of debt	—	206
Provision for inventory obsolescence	527	284
Net amortization of premiums and accretion of discounts on marketable securities	(86)	—
Loss on disposal of property and equipment	54	—
Provision for credit losses	190	92
Change in fair value of contingent consideration	(12,141)	335
Deferred income tax	(210)	(239)
Changes in operating assets and liabilities, net of business combinations:		
Accounts receivable, net	(6,901)	(2,950)
Inventory	(2,996)	(3,841)
Prepaid expenses and other current assets	1,478	516
Other long-term assets	(6)	(210)
Accounts payable and accrued expenses	464	1,228
Deferred revenue	1,694	884
Right-of-use operating lease assets	1,493	1,222
Operating lease liabilities	(1,510)	(1,113)
Net cash used in operating activities	<u>(28,004)</u>	<u>(23,129)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(412)	(1,712)
Purchases of marketable securities	(40,879)	(34,258)
Acquisition of RedWave Technology, net of cash acquired	(44,783)	—
Proceeds from sales and maturities of marketable securities	38,973	4,934
Net cash used in investing activities	<u>(47,101)</u>	<u>(31,036)</u>
Cash flows from financing activities:		
Payments for withholding taxes on vested awards	(1,039)	(598)
Proceeds from issuance of common stock	551	663
Repayment of notes payable	—	(15,000)
Payments for contingent consideration	(417)	(1,095)
Net cash used in financing activities	<u>(905)</u>	<u>(16,030)</u>
Effect of foreign exchange rate changes on cash and cash equivalents	(6)	(14)
Net decrease in cash, cash equivalents and restricted cash	(76,016)	(70,209)
Cash, cash equivalents and restricted cash at beginning of period	121,212	188,593
Cash, cash equivalents and restricted cash at end of period	<u>\$ 45,196</u>	<u>\$ 118,384</u>
Supplemental disclosure of noncash investing and financing information:		
Property and equipment included in account payable	\$ 36	\$ —
Transfers of inventory to property and equipment	\$ 999	\$ 342
Fair value of common stock issued for acquisition of RedWave Technology	\$ 8,616	\$ —
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 45,025	\$ 118,213
Restricted cash included in other long-term assets	171	171
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>\$ 45,196</u>	<u>\$ 118,384</u>

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

908 DEVICES INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Nature of the Business and Basis of Presentation

908 Devices Inc. (the "Company") was incorporated in the State of Delaware on February 10, 2012. The Company is a commercial-stage technology company providing a suite of purpose-built handheld and desktop devices used at the point-of-need for chemical and biochemical analysis in a broad array of markets including life sciences research, bioprocessing, pharma/biopharma, forensics and adjacent markets.

The Company is subject to risks and uncertainties common to technology companies in the device industry and of similar size, including, but not limited to, development by competitors of new technological innovations, dependence on key personnel, protection of proprietary technology, compliance with government regulations, uncertainty of market acceptance of products, and the need to obtain additional financing to fund operations. Potential risks and uncertainties also include, without limitation, uncertainties regarding rising inflation and higher interest rates. Products currently under development will require additional research and development efforts prior to commercialization and will require additional capital and adequate personnel and infrastructure. The Company's research and development may not be successfully completed, adequate protection for the Company's technology may not be obtained, the Company may not obtain necessary government regulatory approval, and approved products may not prove commercially viable. The Company operates in an environment of rapid change in technology and competition.

Acquisition

The Company acquired CAM2 Technologies, LLC (d/b/a RedWave Technology) ("RedWave"), located in Danbury, Connecticut in April 2024. RedWave is a leading provider of portable FTIR spectroscopic analyzers for rapid chemical identification of bulk materials. FTIR (Fourier Transform Infrared), an optical spectroscopy technology, is highly regarded for its specific substance identification abilities across a broad range of bulk materials. This acquisition provides the Company with an expanded portfolio of handheld chemical analysis devices for forensic workflows that quickly detect and identify unknown solids, liquids, vapors, and aerosols at the point of need. In addition, RedWave bolsters the Company's desktop portfolio with a line of accessories for pharma Process Analytical Technology (PAT) and industrial QC applications. See Note 13, *Acquisition*, for further information.

The accompanying condensed consolidated financial statements have been prepared based on continuity of operations, realization of assets and the satisfaction of liabilities and commitments in the ordinary course of business. The Company has incurred recurring losses since inception, including net losses of \$52.8 million for the nine months ended September 30, 2024 and \$36.4 million for the year ended December 31, 2023. As of September 30, 2024, the Company had an accumulated deficit of \$223.4 million. The Company expects to continue to generate operating losses in the foreseeable future. The Company expects that its cash and cash equivalents and revenue from product and service will be sufficient to fund its operating expenses and capital expenditure requirements for at least 12 months from the issuance date of the condensed consolidated financial statements. The Company may seek additional funding through private or public equity financings, debt financings, collaborations, strategic alliances and marketing, distribution or licensing arrangements. The Company may not be able to obtain financing on acceptable terms, or at all, and the Company may not be able to enter into collaborations or other arrangements. The terms of any financing may adversely affect the holdings or the rights of the Company's stockholders. If the Company is unable to obtain funding, the Company could be forced to delay, reduce or eliminate some or all of its research and development programs, product expansion or commercialization efforts, or the Company may be unable to continue operations.

2. Summary of Significant Accounting Policies

Unaudited Condensed Interim Financial Information

The condensed consolidated balance sheet at December 31, 2023 was derived from audited consolidated financial statements but does not include all disclosures required by GAAP. The accompanying unaudited condensed consolidated financial statements as of September 30, 2024 and for the three and nine months ended September 30, 2024 and 2023 have

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been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial statements. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2023 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 on file with the SEC. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of the Company's financial position as of September 30, 2024 and results of operations for the three and nine months ended September 30, 2024 and 2023 and statements of stockholders' equity for the three and nine months ended September 30, 2024 and 2023 and cash flows for the nine months ended September 30, 2024 and 2023 have been made. The Company's results of operations for the three and nine months ended September 30, 2024 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2024 or any other period.

Basis of Presentation

The Company's condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB").

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, 908 Devices Securities Corporation, RedWave, 908 Devices (Shanghai) Technology Co., Ltd. and 908 Devices GmbH. All intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Significant estimates and assumptions reflected in these condensed consolidated financial statements include, but are not limited to, revenue recognition and accounts receivable, the valuation of inventory, fair value of assets acquired and liabilities assumed in acquisitions, estimated fair value used to record impairment charges related to goodwill, fair value of contingent consideration, and the valuation of stock-based awards. The Company bases its estimates on historical experience, known trends and other market-specific or other relevant factors that it believes to be reasonable under the circumstances. Due to the impact of inflation and changes in interest rates, there has been uncertainty and disruption in the global economy and financial markets. The Company is not aware of any specific event or circumstance that would require further updates to its estimates or judgments or a revision of the carrying value of its assets or liabilities as of the date of issuance of these condensed consolidated financial statements. These estimates may change, as new events occur and additional information is obtained. On an ongoing basis, management evaluates its estimates as there are changes in circumstances, facts and experience. Changes in estimates are recorded in the period in which they become known. Actual results may differ from those estimates or assumptions.

Risk of Concentrations of Credit, Significant Customers and Significant Suppliers

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents, marketable securities, and accounts receivable. The Company's cash and cash equivalents and restricted cash are maintained in bank deposit accounts and money market funds that regularly exceed federally insured limits. The Company is exposed to credit risk on its cash, cash equivalents and restricted cash in the event of default by the financial institutions to the extent account balances exceed the amount insured by the Federal Deposit Insurance Corporation ("FDIC"). The Company's marketable securities are invested in U.S. treasury securities and as a result, the Company believes represent minimal credit risk.

Significant customers are those that accounted for 10% or more of the Company's total revenue or accounts receivable. For the three months ended September 30, 2024, one customer represented 21% of total revenue. For the comparable three months ended September 30, 2023, two customers represented 41% and 17% of total revenue, respectively. For the nine

months ended September 30, 2024, one customer represented 10% of total revenue. For the comparable nine months ended September 30, 2023, two customers represented 22% and 11% of total revenue. As of September 30, 2024, three customers accounted for 27%, 18% and 13% of gross accounts receivable. As of December 31, 2023, one customer accounted for 19% of gross accounts receivable.

Certain of the components included in the Company's products are obtained from a sole source, a single source or a limited group of suppliers. Although the Company seeks to reduce dependence on those limited sources of suppliers and manufacturers, the partial or complete loss of certain of these sources, or the requirement to establish a new supplier for the components, could have a material adverse effect on the Company's operating results, financial condition and cash flows and damage its customer relationships.

Accounts Receivable

Accounts receivable are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. The Company performs ongoing credit evaluations of its customers and monitors economic conditions to identify facts and circumstances that may indicate its receivables are at risk of not being collected. The Company provides reserves against accounts receivable for estimated credit losses, if any, that may result from a customer's inability to pay based on the composition of its accounts receivable, current economic conditions and historical credit loss activity, and relevant available forward-looking information. Amounts deemed uncollectible are charged or written-off against the reserve.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Balances at beginning of period	\$ 585	\$ 133	\$ 395	\$ 25
Current period change for expected credit loss	22	—	212	108
Deduction / recoveries collected	(22)	(16)	(22)	(16)
Balances at end of period	<u>\$ 585</u>	<u>\$ 117</u>	<u>\$ 585</u>	<u>\$ 117</u>

Fair Value Measurements

Certain assets and liabilities are carried at fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The Company's financial instruments consist primarily of cash equivalents, marketable securities, accounts receivable, accounts payable, accrued expenses and contingent consideration. The Company's cash equivalents and marketable securities, consisting of money market funds (a Level 1 measurement) and U.S. treasury notes (a Level 2 measurement), are carried at fair value, determined according to the fair value hierarchy described above (See Note 3, *Fair Value Measurements*). The carrying values of the Company's accounts receivable, accounts payable and accrued expenses approximate their fair values due to the short-term nature of these assets and liabilities. The carrying value of the Company's long-term debt approximates its fair value (a Level 2 measurement) at each balance sheet date due to its variable interest rate, which approximates a market interest rate. The Company's contingent consideration is measured at its fair value at each balance sheet date using unobservable inputs in the valuation methodology (a Level 3 measurement).

Marketable Securities

The Company's marketable securities are classified as available-for-sale and are carried at fair value, with the unrealized gains and losses reported as a component of accumulated other comprehensive income (loss) in stockholders' equity. Premiums and discounts on marketable securities are amortized and accreted, respectively, to earliest call date and maturity, respectively, and included in interest income in the consolidated statements of operations.

When the fair value is below the amortized cost basis of a marketable security, an estimate of expected credit losses is made. The credit-related impairment amount is recognized in the consolidated statements of operations. Credit losses are recognized through the use of an allowance for credit losses account in the consolidated balance sheet and subsequent improvements in expected credit losses are recognized as a reversal of an amount in the allowance account. If the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security prior to recovery of its amortized cost basis, then the allowance for the credit loss is written-off and the excess of the amortized cost basis of the asset over its fair value is recorded in the consolidated statements of operations. There were no credit losses recorded for the nine months ended September 30, 2024. The Company purchased a total of approximately \$40.9 million of U.S. treasury securities for the nine months ended September 30, 2024 and all marketable securities mature in one year or less.

Goodwill and Intangible Assets

Goodwill is not amortized, but is evaluated for impairment on an annual basis, or on an interim basis when events or changes in circumstances indicate that the carrying value may not be recoverable. In assessing the recoverability of goodwill, the Company must make assumptions regarding the estimated future cash flows, and other factors, to determine the fair value. If these estimates or their related assumptions change in the future, the Company may be required to record impairment charges in the reporting period in which the impairment is determined.

The Company tests goodwill for impairment at the reporting unit level, which is the operating segment, in the fourth quarter of every fiscal year. The Company has the option of performing a qualitative assessment to determine whether further impairment testing is necessary before performing the quantitative assessment. If as a result of the qualitative assessment, it is more-likely-than-not that the fair value of its reporting unit is less than its carrying amount, a quantitative impairment test will be required. The quantitative goodwill impairment test requires management to estimate and compare the fair value of the reporting unit with its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets, goodwill is not impaired. If the fair value of the reporting unit is less than the carrying value, the difference is recorded as an impairment loss.

Intangible assets with a finite useful life are recorded at cost, net of accumulated amortization and are amortized on a straight-line basis over their estimated useful lives as follows:

Customer Relationships	8 years
Developed Technology	15 years
Software	3 years
Trade Name	2 years

The Company reviews other long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or an asset group may not be recoverable. In evaluating long-lived assets for recoverability, the Company estimates the future cash flows that are expected from the use of each asset group. Impairment losses are measured and recorded for the excess of an asset's carrying value over its fair value. To determine the fair value of long-lived assets, the Company utilizes the valuation technique or techniques deemed most appropriate based on the nature of the asset or asset group, which may include the use of quoted market prices, prices for similar assets or other valuation techniques such as discounted future cash flows or earnings.

Revenue Recognition

The Company recognizes revenue from sales to customers under ASC 606, *Revenue from Contracts with Customers* ("ASC 606"), by applying the following five steps: (1) identification of the contract, or contracts, with a customer, (2) identification of the performance obligations in the contract, (3) determination of the transaction price, (4) allocation of the transaction price to the performance obligations in the contract and (5) recognition of revenue when, or as, performance obligations are satisfied.

For a contract with multiple performance obligations, the Company allocates the contract's transaction price to each performance obligation on a relative standalone selling price basis using the Company's best estimate of the standalone selling price of each distinct product or service in the contract. The primary method used to estimate standalone selling price is the price observed in standalone sales to customers; however, when prices in standalone sales are not available the Company may use third party pricing for similar products or services or estimate the standalone selling price, which is set by management. Allocation of the transaction price is determined at the contract's inception and is not updated to reflect changes between contract inception and when the performance obligations are satisfied.

Product and Service Revenue

The Company derives product and service revenue primarily from the sale of handheld and desktop products and related consumables and services. Revenue is recognized when control of the promised products, consumables or services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products, consumables or services (the transaction price). A performance obligation is a promise in a contract to transfer a distinct product or service to a customer and is the unit of accounting under ASC 606. For devices and consumables sold by the Company, control transfers to the customer at a point in time. To indicate the transfer of control, the Company must have a present right to payment, legal title must have passed to the customer, the customer must have the significant risks and rewards of ownership, and where acceptance is other than perfunctory, the customer must have accepted the product or service. The Company's principal terms of sale are freight on board ("FOB") shipping point, or equivalent, and, as such, the Company primarily transfers control and records revenue for product sales upon shipment. Sales arrangements with delivery terms that are not FOB shipping point are not recognized upon shipment and the transfer of control for revenue recognition is evaluated based on the associated shipping terms and customer obligations. If a performance obligation to the customer with respect to a sales transaction remains to be fulfilled following shipment (typically installation or acceptance by the customer), revenue recognition for that performance obligation is deferred until such commitments have been fulfilled. For extended warranty and support, control transfers to the customer over the term of the arrangement. Revenue for extended warranty and support is recognized based upon the period of time elapsed under the arrangement as this period represents the transfer of benefits or services under the agreement.

The Company recognizes a receivable at the point in time at which it has an unconditional right to payment. Such receivables are not contract assets. Payment terms for customer orders, including for each of the Company's primary performance obligations, are typically 30 to 90 days after the shipment or delivery of the product, and such payments typically do not include payments that are variable, dependent on specified factors or events. In limited circumstances, there exists a right of return for a product if agreed to by the Company. Revenue is only recognized for those goods that are not expected to be returned such that it is probable that there will not be a significant reversal of cumulative revenue. Service arrangements commonly call for payments in advance of performing the work (e.g., extended warranty/service contracts), upon completion of the service or a mix of both. The Company does not enter into significant financing agreements or other forms of variable consideration.

Contract assets arise from unbilled amounts in customer arrangements when revenue recognized exceeds the amount billed to the customer and the Company's right to payment is not only subject to the passage of time. The Company had no contract assets related to product or service revenue as of September 30, 2024 or December 31, 2023.

Contract liabilities represent the Company's obligation to transfer goods or services to a customer for which it has received consideration (or the amount is due) from the customer. The Company has determined that its only contract liability related to product and service revenue is deferred revenue, which consists of customer deposits and upfront payments but that have not been recognized as revenue. Amounts expected to be recognized as revenue within 12 months of the balance sheet date are

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classified as current deferred revenue and amounts expected to be recognized as revenue beyond 12 months of the balance sheet date are classified as noncurrent deferred revenue.

The following is a summary of the activity of the Company's deferred revenue related to product and service revenue (in thousands):

	Nine Months Ended September 30,	
	2024	2023
Balances at beginning of period	\$ 19,200	\$ 16,510
Recognition of revenue included in balance at beginning of the period	(7,562)	(5,332)
Deferred revenue acquired, net of revenue recognized	3,261	—
Revenue deferred during the period, net of revenue recognized	9,987	8,714
Balances at end of period	<u>\$ 24,886</u>	<u>\$ 19,892</u>

The amount of deferred revenue equals the transaction price allocated to unfulfilled performance obligations for the period presented. Such deferred revenue amounts related to product and service revenue are expected to be recognized in the future as follows (in thousands):

	September 30,	December 31,
	2024	2023
Deferred revenue expected to be recognized in:		
One year or less	\$ 13,859	\$ 10,629
One to two years	5,254	5,080
Three years and beyond	5,773	3,491
	<u>\$ 24,886</u>	<u>\$ 19,200</u>

Distribution Channels

A majority of the Company's revenue is generated by sales in conjunction with its channel partners, such as its international channel partners and, in the United States, for end customers where a government contract is required or a customer has a pre-existing relationship. When the Company transacts with a channel partner, its contractual arrangement is with the partner and not with the end-use customer. Whether the Company transacts business with and receives the order from a channel partner or directly from an end-use customer, its revenue recognition policy and resulting pattern of revenue recognition for the order are the same.

Disaggregated Revenue

The Company's product and service revenue consists of sales of devices and recurring revenue which includes consumables, accessories and the sale of service and extended warranty plans. The following table presents the Company's product and service revenue by revenue stream (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Product and service revenue:				
Device sales revenue	\$ 10,645	\$ 10,719	\$ 24,739	\$ 23,761
Recurring revenue	6,087	3,578	15,931	11,747
Total product and service revenue	<u>16,732</u>	<u>14,297</u>	<u>40,670</u>	<u>35,508</u>
Contract revenue	41	—	141	370
Total revenue	<u>\$ 16,773</u>	<u>\$ 14,297</u>	<u>\$ 40,811</u>	<u>\$ 35,878</u>

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The following table presents the Company's product and service revenue by device type (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Handheld revenue:				
Device sales revenue	\$ 10,061	\$ 9,681	\$ 22,409	\$ 19,929
Recurring revenue	3,917	2,067	10,086	6,813
Total handheld revenue	13,978	11,748	32,495	26,742
Desktop revenue:				
Device sales revenue	584	1,039	2,330	3,832
Recurring revenue	2,170	1,510	5,845	4,934
Total desktop revenue	2,754	2,549	8,175	8,766
Total product and service revenue	<u>\$ 16,732</u>	<u>\$ 14,297</u>	<u>\$ 40,670</u>	<u>\$ 35,508</u>

Revenue based on the end-user entity type for the Company's product and service revenue are presented below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Government	\$ 13,948	\$ 11,740	\$ 32,476	\$ 26,732
Pharmaceutical/Biotechnology	2,738	2,546	8,060	8,705
Academia and other	46	11	134	71
Total product and service revenue	<u>\$ 16,732</u>	<u>\$ 14,297</u>	<u>\$ 40,670</u>	<u>\$ 35,508</u>

The following table disaggregates the Company's product and service revenue from contracts with customers by geography, which are determined based on the customer location (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
United States	\$ 13,617	\$ 12,417	\$ 31,607	\$ 26,769
Europe, Middle East and Africa	2,561	1,456	7,334	7,398
Asia Pacific	356	394	1,224	1,191
Americas other	198	30	505	520
	<u>\$ 16,732</u>	<u>\$ 14,297</u>	<u>\$ 40,670</u>	<u>\$ 35,878</u>

Foreign Currency

The Company translates assets and liabilities of its foreign subsidiaries at rates in effect at the end of the reporting period. Revenues and expenses are translated at average rates in effect during the reporting period. Translation adjustments are included in accumulated other comprehensive loss.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) refers to revenues, expenses, gains and losses that are excluded from net loss as these amounts are recorded directly as an adjustment to shareholders' equity, net of tax. The Company's other comprehensive income (loss) was composed of foreign currency translation adjustments and unrealized gains/losses on available-for-sale marketable securities.

Net Income (Loss) per Share

The Company has one class of shares outstanding and basic net income (loss) per common share is computed by dividing the net income (loss) by the weighted average number of shares of common stock outstanding for the period. Diluted net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding for the period, including potential dilutive common shares assuming the dilutive effect of any

potential dilutive securities outstanding for the fiscal year. Potential dilutive securities include warrants, stock options, restricted stock units, and shares to be purchased under the Company's employee stock purchase plan. For periods in which the Company reports a net loss, diluted net loss per common share is the same as basic net loss per common share since dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

Business Combination

Under the acquisition method of accounting, the Company generally recognizes the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values on the date of acquisition. The fair values assigned, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants, are based on estimates and assumptions determined by management. The excess consideration over the aggregate value of tangible and intangible assets, net of liabilities assumed, is recorded as goodwill. These valuations require significant estimates and assumptions, especially with respect to intangible assets.

The Company estimates the fair value of the contingent consideration earnouts using the Monte Carlo Simulation or probability weighted scenario depending on the nature of the contingent consideration and updates the fair value of the contingent consideration at each reporting period based on the estimated probability of achieving the earnout targets and applying a discount rate that captures the risk associated with the expected contingent payments. To the extent that these estimates change in the future regarding the likelihood of achieving these targets, the Company may need to record material adjustments to its accrued contingent consideration. Such changes in the fair value of contingent consideration are recorded as contingent consideration expense or income in the consolidated statements of operations.

The Company uses the income approach to determine the fair value of certain identifiable intangible assets including customer relationships and developed technology. This approach determines fair value by estimating after-tax cash flows attributable to these assets over their respective useful lives and then discounting these after-tax cash flows back to a present value. The Company bases its assumptions on estimates of future cash flows, expected growth rates, expected trends in technology, probabilities of customer renewals, etc. The Company bases the discount rates used to arrive at a present value as of the date of acquisition on the time value of money and certain industry-specific risk factors. The Company believes the estimated purchased customer relationships, developed technology, software and trade name amounts determined represent the fair value at the date of acquisition and do not exceed the amount a third-party would pay for the assets.

Recently Issued Accounting Pronouncements

The Company qualifies as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 and has elected not to "opt out" of the extended transition related to complying with new or revised accounting standards, which means that when a standard is issued or revised and it has different application dates for public and nonpublic companies, the Company will adopt the new or revised standard at the time nonpublic companies adopt the new or revised standard and will do so until such time that the Company either (i) irrevocably elects to "opt out" of such extended transition period or (ii) no longer qualifies as an emerging growth company.

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280). The accounting guidance requires the Company to expand annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. For public entities, the guidance is effective for annual reporting periods beginning after December 15, 2023 and for interim periods within fiscal years beginning after December 15, 2024. Early application is allowed. As this accounting standard update impacts disclosures only, we do not expect the adoption to have a material impact on our consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740). The accounting guidance requires public entities, on an annual basis, to provide disclosure of specific categories in their tax rate reconciliations, as well as disclosure of income taxes paid disaggregated by jurisdiction. The guidance is effective for fiscal years beginning after December 15, 2025, with early adoption permitted. The Company is currently assessing the impact of the adoption of this guidance.

3. Fair Value Measurements

The following tables present the Company's fair value hierarchy for its assets and liabilities that are measured at fair value on a recurring basis (in thousands):

	Fair Value Measurements at September 30, 2024 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents - Money market funds	\$ 21,822	\$ —	\$ —	\$ 21,822
Marketable securities - U.S. Treasury securities due in 3 - 6 months	—	26,661	—	26,661
Total assets measured at fair value	<u>\$ 21,822</u>	<u>\$ 26,661</u>	<u>\$ —</u>	<u>\$ 48,483</u>
Other long-term liabilities:				
Acquisition-related contingent consideration	—	—	3,359	3,359
Total liabilities measured at fair value	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,359</u>	<u>\$ 3,359</u>
 Fair Value Measurements at December 31, 2023 Using:				
Assets:	Level 1	Level 2	Level 3	Total
	\$ 94,165	\$ —	\$ —	\$ 94,165
Cash equivalents - Money market funds	—	4,964	—	4,964
Marketable securities - U.S. Treasury securities due in 3 - 6 months	—	24,641	—	24,641
Total assets measured at fair value	<u>\$ 94,165</u>	<u>\$ 29,605</u>	<u>\$ —</u>	<u>\$ 123,770</u>
Other current liabilities:				
Acquisition-related contingent consideration	—	—	500	500
Total liabilities measured at fair value	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 500</u>	<u>\$ 500</u>

Money Market Funds

Money market funds were valued by the Company based on quoted market prices, which represent a Level 1 measurement within the fair value hierarchy. There were no transfers between Level 1, Level 2 or Level 3 during the nine months ended September 30, 2024 or 2023.

Marketable Securities

U.S. Treasury securities were valued by the Company using quoted prices in active markets for similar securities, which represent a Level 2 measurement within the fair value hierarchy.

Contingent Consideration

The Company recognizes acquisition-related contingent consideration which represents the estimated fair value of future payments or issuance of the Company's common stock to the former owners of an acquired entity as part of certain transactions. Acquisition-related contingent consideration is measured and reported at fair value using the Monte Carlo simulation method or probability weighted scenario based on the unobservable inputs, which are significant to the fair value and classified with Level 3 of the fair value hierarchy.

For the acquisition of TRACE Analytics GmbH, located in Braunschweig, Germany ("Trace") in August 2022, the amount is contingent based on the acquired business' performance for the milestones ranging from the date of acquisition to June 30, 2024. The unobservable inputs used in the fair value measurements include the probabilities of successful achievement of certain technological integration targets, forecasted results or targets, volatility of the common stock price of the Company, and discount rates. The sellers in the Trace acquisition achieved two of three milestones under the share purchase and transfer agreement, and accordingly the Company paid the sellers \$0.5 million in August 2023 and \$0.5 million in February 2024. During the fourth quarter of 2023, the probability weighted fair value of the remaining future earnout related to the Trace acquisition was determined to be zero and the accumulated accretion under the last milestone and the relative contingent consideration have been reduced to zero. During the second quarter of 2024, the sellers did not meet the last milestone and the measurement period for the milestone ended on June 30, 2024.

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For the acquisition of RedWave in April 2024, the amount of contingent consideration to be issued is contingent based on the amount of revenue the Company generates from the sale of certain RedWave products and services during the two-year period from May 1, 2024 through April 30, 2026. As of the acquisition date of RedWave, the fair value of the contingent consideration was estimated using a Monte Carlo simulation, utilizing the closing price of the Company's common stock on the Nasdaq Global Market of \$5.76 per share, revenue projections, an equity volatility rate of the Company of 90%, a revenue volatility rate of 30% and a discount rate of 26.5%.

As of September 30, 2024, the fair value of the contingent consideration was estimated utilizing the closing price of the Company's common stock on the Nasdaq Global Market of \$3.47 per share, revenue projections, an equity volatility rate of the Company of 75%, a revenue volatility rate of 26% and a discount rate of 19%. The fair value of contingent consideration decreased by \$12.1 million, primarily due to the change in revenue projections from operating decisions made post-acquisition and sustained decreases in the Company's publicly quoted share price during the third quarter of 2024. The following table provides a roll-forward of the fair value of the Company's contingent consideration, for which fair value is determined using Level 3 inputs (in thousands):

Balance as of December 31, 2023	\$ 500
Acquisition date fair value of contingent consideration - earnout	15,500
Decrease in fair value of contingent consideration earnouts	(12,141)
Contingent consideration payment	(500)
Balance as of September 30, 2024	<u>\$ 3,359</u>

The change in the fair value of contingent consideration liability is included in loss from operations.

4. Marketable Securities

Marketable securities by security type consisted of the following (in thousands):

	September 30, 2024				
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Credit Losses	Fair Value
Marketable securities - U.S. Treasury securities	\$ 26,623	\$ 38	\$ —	\$ —	\$ 26,661

	December 31, 2023				
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Credit Losses	Fair Value
Marketable securities - U.S. Treasury securities	\$ 24,628	\$ 13	\$ —	\$ —	\$ 24,641

The Company purchased a total of approximately \$ 40.9 million of U.S. treasury securities for the nine months ended September 30, 2024. The U.S. treasury securities that matured during the nine months ended September 30, 2024 were approximately \$39.0 million and none were sold before maturity. Interest earned on sales of marketable securities is \$ 1.2 million and \$0.1 million for the nine months ended September 30, 2024 and 2023, respectively.

5. Inventory

Inventory consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Raw materials	\$ 11,500	\$ 11,294
Work-in-progress	1,894	1,717
Finished goods	4,439	1,927
	<u><u>\$ 17,833</u></u>	<u><u>\$ 14,938</u></u>

During the nine months ended September 30, 2024 and 2023, the Company made noncash transfers of demonstration equipment from inventory to property and equipment of \$1.0 million and \$0.3 million, respectively.

6. Goodwill and Intangible Assets, net**Goodwill**

As of September 30, 2024, the carrying amount of goodwill was \$10.1 million. The following is a roll forward of the Company's goodwill balance (in thousands):

	Nine Months Ended September 30,	
	2024	2023
Balances at beginning of period	\$ 10,367	\$ 10,050
Goodwill acquired	30,160	—
Goodwill impairment	(30,523)	—
Foreign currency impact	133	(122)
Balances at end of period	<u><u>\$ 10,137</u></u>	<u><u>\$ 9,928</u></u>

The Company evaluates goodwill at least annually on November 1, as well as whenever events or changes in circumstances suggest that the carrying amount may not be recoverable.

As a result of sustained decreases in the Company's publicly quoted share price and market capitalization during the third quarter of 2024, the Company determined that there was a triggering event for its goodwill, definite-lived intangible assets, and other long-lived assets as of September 30, 2024.

The Company assessed the definite-lived intangible assets and other long-lived assets for impairment by comparing the undiscounted cash flows for each of these assets to their respective carrying value. The undiscounted cash flows for each of these assets was in excess of their respective carrying value and, as a result, the Company concluded that there was no impairment for these assets. The significant estimates used in fair value methodology, which are based on Level 3 inputs, include the Company's expectations for future operations and projected cash flows, including revenue, gross margin and operating expenses.

In performing the quantitative assessment of goodwill, the reporting unit's carrying amount exceeded its fair value. The Company estimated the reporting unit's fair value based on the market capitalization and a related control premium of 20% (reflecting the amount that would be paid by a new controlling shareholder for the benefits resulting from synergies and other potential benefits derived from controlling the acquired company). The Company evaluated the implied control premium by comparing it to control premiums or discounts of recent comparable market transactions, as applicable. As a result of the interim quantitative impairment assessment, the Company recorded a \$30.5 million noncash goodwill impairment charge for the three and nine months ended September 30, 2024. When considering a hypothetical sensitivity analysis to our goodwill assessment in future periods, should a triggering event be identified, a further 5% decline in our stock price with all other inputs being equal could result in an impairment charge of approximately \$7 million.

Intangible Assets, net

Intangible assets, net consists of the following (in thousands):

	September 30, 2024			
	Cost	Accumulated Amortization	Translation adjustments	Net Book Value
Customer Relationships	\$ 5,642	\$ (1,025)	\$ 269	\$ 4,886
Developed Technology	43,047	(1,811)	454	41,690
Software	254	(166)	19	107
Trade Name	61	(61)	—	—
	<u>\$ 49,004</u>	<u>\$ (3,063)</u>	<u>\$ 742</u>	<u>\$ 46,683</u>

	December 31, 2023			
	Cost	Accumulated Amortization	Translation adjustments	Net Book Value
Customer Relationships	\$ 3,142	\$ (580)	\$ 240	\$ 2,802
Developed Technology	4,967	(487)	395	4,875
Software	254	(108)	18	164
Trade Name	61	(45)	3	19
	<u>\$ 8,424</u>	<u>\$ (1,220)</u>	<u>\$ 656</u>	<u>\$ 7,860</u>

Amortization expense for intangible assets was recorded in the following expense categories of its condensed consolidated statements of operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Product cost of revenue	\$ 743	\$ 108	\$ 1,380	\$ 321
Selling, general and administrative expenses	187	113	463	337
	<u>\$ 930</u>	<u>\$ 221</u>	<u>\$ 1,843</u>	<u>\$ 658</u>

Estimated future amortization expense for the intangible assets as of September 30, 2024 are as following (in thousands):

2024	\$ 928
2025	3,710
2026	3,641
2027	3,632
2028	3,632
Thereafter	31,140
	<u>\$ 46,683</u>

7. Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	September 30,		December 31,	
	2024	2023	2024	2023
Accrued employee compensation and benefits	\$ 5,382	\$ 5,994		
Accrued warranty	896	942		
Accrued professional fees	874	560		
Contingent consideration	—	500		
Accrued other	515	717		
	<u>\$ 7,667</u>	<u>\$ 8,713</u>		

Changes in the Company's product warranty obligations were as follows (in thousands):

	Nine Months Ended September 30,	
	2024	2023
Accrual balance at beginning of period	\$ 942	\$ 1,119
Provision for new warranties	958	367
Settlements and adjustments made during the period	(1,004)	(477)
Accrual balance at end of period	<u>\$ 896</u>	<u>\$ 1,009</u>

8. Long-Term Debt

2022 Loan Revolver

On November 2, 2022, the Company entered into a Loan and Security Agreement (the "2022 Revolver"), by and between, the Company, as borrower, and Silicon Valley Bank ("SVB"), a division of First Citizens Bank, as lender.

The 2022 Revolver provided for a revolving line of credit of up to \$ 35.0 million. The Company was permitted to make interest-only payments on the revolving line of credit through November 2, 2025, at which time all outstanding indebtedness would be immediately due and payable. The outstanding principal amount of any advance accrued interest at a floating rate per annum equal to the greater of (i) three and one-half percent (3.50%) and (ii) the "prime rate" as published in The Wall Street Journal for the relevant period minus one-half percent (0.50%). The Company's obligations under the 2022 Revolver were secured by substantially all of the Company's assets, excluding its intellectual property, which was subject to a negative pledge. The revolving line of credit under the 2022 Revolver was scheduled to terminate on November 2, 2025.

The 2022 Revolver also contained certain financial covenants, including a requirement that the amount of unrestricted and unencumbered cash minus advances under the 2022 Revolver, was not less than the amount equal to the greater of (i) \$10.0 million or (ii) nine (9) months of cash burn. The 2022 Revolver contained customary representations and warranties, as well as certain non-financial covenants, including limitations on, among other things, the Company's ability to change the principal nature of its business, dispose of the Company's business or property, engage in any change of control transaction, merge or consolidate with any other entity or to acquire all or substantially all the capital stock or property of another entity, incur additional indebtedness or liens, pay dividends or make other distributions on capital stock, redeem the Company's capital stock, engage in transactions with affiliates or otherwise encumber the Company's intellectual property, in each case, subject to customary exceptions.

As of December 31, 2022, the outstanding principal balance under the 2022 Revolver was \$ 15.0 million, which was repaid in full on January 4, 2023.

On March 10, 2023, SVB, one of our financial institutions, was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver.

On March 12, 2023, the U.S. Department of the Treasury, Federal Reserve Board, and FDIC released a joint statement announcing that the FDIC would complete its resolution of SVB in a manner that fully protected all depositors and that depositors would have access to all of their money starting March 13, 2023.

As of March 31, 2023, the Company had transferred substantially all its cash and cash equivalents away from SVB and deposited the funds with new financial institutions. As a result of the transfer of the Company's cash, cash equivalents and marketable securities, the Company was in default of its financial covenants under the 2022 Revolver. The Company recorded a loss on extinguishment of debt of \$0.5 million in the three months ended March 31, 2023, which was included in interest expense in the condensed consolidated statements of operations.

On August 4, 2023, the Company entered into a Default Waiver and First Amendment to Loan and Security Agreement (the "Amended 2022 Revolver"), by and between, the Company, as borrower, and SVB, as lender. The Amended 2022 Revolver provides for a revolving line of credit of up to \$10.0 million. The Company is permitted to make interest-only payments on the revolving line of credit through November 3, 2025, at which time all outstanding indebtedness shall be immediately due and payable. The outstanding principal amount of any advance shall accrue interest at a floating rate per

annum equal to the greater of (i) four and one-half percent (4.50%) and (ii) the "prime rate" as published in The Wall Street Journal for the relevant period minus one-half percent (0.50%). The Company's obligations under the Amended 2022 Revolver are secured by substantially all of the Company's assets, excluding its intellectual property, which is subject to a negative pledge. The revolving line of credit under the Amended 2022 Revolver terminates on November 3, 2025.

Pursuant to the Amended 2022 Revolver, SVB waived filing any legal action or instituting or enforcing any rights and remedies it may have had against the Company in connection with the Company's failing to maintain all of its operating accounts, depository accounts and excess cash with SVB, as previously required prior to the effectiveness of the Amended 2022 Revolver. The Company recorded a credit of \$0.3 million during the three months ended September 30, 2023 related to the previously recorded early termination penalties.

The Amended 2022 Revolver also contains certain financial covenants, including a requirement that the Company maintain \$20.0 million on account at or through SVB and the amount of unrestricted and unencumbered cash minus advances under the Amended 2022 Revolver is not less than the amount equal to the greater of (i) \$10.0 million or (ii) nine (9) months of cash burn. The Amended 2022 Revolver contains customary representations and warranties, as well as certain non-financial covenants, including limitations on, among other things, the Company's ability to change the principal nature of its business, dispose of the Company's business or property, engage in any change of control transaction, merge or consolidate with any other entity or to acquire all or substantially all the capital stock or property of another entity, incur additional indebtedness or liens, pay dividends or make other distributions on capital stock, redeem the Company's capital stock, engage in transactions with affiliates or otherwise encumber the Company's intellectual property, in each case, subject to customary exceptions.

9. Equity and Net Income (Loss) per Share

Equity

As of September 30, 2024, the Company's certificate of incorporation authorized the Company to issue up to 5,000,000 shares of preferred stock, all of which is undesignated.

Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders. Common stockholders are not entitled to receive dividends, unless declared by the board of directors.

As of September 30, 2024, and December 31, 2023, the Company had outstanding warrants for the purchase of 92,703 shares of common stock at an exercise price of \$9.17 per share, of which warrants for the purchase of 49,078 shares and 43,625 shares expire in 2027 and 2028, respectively.

Net Income (Loss) per Share

The Company only has one class of shares outstanding and basic net income (loss) per common share is computed by dividing the net income (loss) by the weighted average number of shares of common stock outstanding for the period. Diluted net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding for the period, including potential dilutive common shares assuming the dilutive effect of outstanding stock awards. For periods in which the Company reports a net loss, diluted net loss per common share is the same as basic net loss per common share since dilutive common shares are not assumed to have been issued if their effect is anti-dilutive. As the Company has reported a net loss during the nine months ended September 30, 2024 and 2023, basic net loss per share is the same as diluted net loss per share. The Company excluded the following potential shares of common stock, presented based on amounts outstanding at each period end, from the computation of diluted net income (loss) per share attributable to common stockholders for the three and nine months ended September 30, 2024 and 2023 as the impact of including such common stock equivalents would have been anti-dilutive:

	September 30,	
	2024	2023
Warrants to purchase common stock	92,703	92,703
Options to purchase common stock	2,820,387	2,483,790
Performance stock units	105,878	53,794
Restricted stock units	<u>2,702,851</u>	<u>1,911,152</u>
	<u>5,721,819</u>	<u>4,541,439</u>

10. Stock-Based Compensation

The Company recorded stock-based compensation expense for all stock awards in the following expense categories of its condensed consolidated statements of operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cost of revenue	\$ 223	\$ 155	\$ 596	\$ 410
Research and development expenses	919	742	2,568	2,069
Selling, general and administrative expenses	2,057	1,807	5,774	4,969
	<u>\$ 3,199</u>	<u>\$ 2,704</u>	<u>\$ 8,938</u>	<u>\$ 7,448</u>

As of September 30, 2024, there was \$ 17.4 million of unrecognized compensation cost related to unvested restricted stock units ("RSUs") that is expected to be recognized over a weighted average period of 2.5 years.

In March 2023, 53,794 performance-based restricted stock units, ("Market Condition Based PSUs") was granted under the Company's 2020 Stock Option and Incentive Plan (the "2020 Plan") to the Company's chief executive officer. The vesting of the shares underlying the Market Condition Based PSUs is subject to the achievement of stock price levels pre-established by the compensation committee of the Company's board of directors at the grant date. The Market Condition Based PSUs are subject to the market and service conditions and valued using the Monte Carlo simulation model, which requires certain assumptions, including the risk-free interest rate, expected volatility, and the estimated dividend yield. The risk-free interest rate used in the Monte Carlo simulation model is based on zero-coupon yields implied by U.S. Treasury issues with remaining terms similar to the performance period on the market condition based PSUs. The performance period of the Market Condition Based PSUs represents the period of time between the grant date and the end of the performance period. Expected volatility is based on historical data of the peers and certain indices over the most recent time period equal to the performance period.

In May 2024, 52,084 performance-based restricted stock units, ("Performance Condition Based PSUs") were granted under the 2020 Plan to employees. Each Performance Condition Based PSU is equivalent in value to one share of the Company's common stock and related to revenue targets for the period up to April 2026.

The maximum payout percentage for all performance-based restricted stock units, including Market Condition Based PSUs and Performance Condition Based PSUs, granted by the Company is 100%.

As of September 30, 2024, there was \$ 0.3 million of unrecognized compensation cost related to unvested Market Condition Based PSUs and Performance Condition Based PSUs that is expected to be recognized over a weighted average period of 1.4 years.

11. Leases

The Company's primary operating lease obligations consists of various leases for office space in Massachusetts, Connecticut, North Carolina and Braunschweig, Germany.

In April 2024, the Company acquired an operating lease agreement (the "Danbury Lease") in Danbury, Connecticut as a part of the acquisition of RedWave. The Company entered into an amendment in June 2024 to the Danbury Lease (the "Amended Danbury Lease"). Under the Amended Danbury Lease, the Company included an additional 9,000 square feet, representing its currently occupied space on the first floor, for a total of approximately 38,000 square feet and extended the

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term of the Danbury Lease for a new ten-year term. The Amended Danbury Lease is accounted for as a lease modification, which resulted in two new separate operating leases which are the original lease space (the “first floor lease”) and the expanded space (the “third floor lease”). The lease term of the first floor lease commenced in June 2024, which was the point at which the Company obtained control of the leased premises. On the commencement date of the first floor lease, the Company recorded a right-of-use asset and lease liability of \$0.6 million, respectively, and is accounted for as an operating lease. In August 2024, the Company obtained control of the expanded space under the third floor lease, and with occupancy began the term of 10 years. On the commencement date the Company recorded a right-of-use asset and lease liability of \$2.1 million, respectively, and is accounted for as an operating lease.

For additional information, read Note 14, *Leases*, to the consolidated financial statements in the Company’s Form 10-K for the year ended December 31, 2023.

The components of lease expense under ASC 842 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating lease cost	\$ 684	\$ 579	\$ 1,869	\$ 1,548
Short-term lease cost	24	17	75	49
Variable lease cost	36	43	113	97
	<u>\$ 744</u>	<u>\$ 639</u>	<u>\$ 2,057</u>	<u>\$ 1,694</u>

Supplemental disclosure of cash flow information related to leases was as follows (in thousands):

	Nine Months Ended September 30,	
	2024	2023
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 1,882	\$ 1,513
Operating lease liabilities arising from obtaining right-of-use assets	\$ 2,740	\$ 3,003

The weighted-average remaining lease term and discount rate were as follows:

	September 30,	December 31,
	2024	2023
Weighted-average remaining lease term - operating leases (in years)	6.01	3.96
Weighted-average discount rate - operating leases	8.1 %	8.4 %

The interest rate implicit in lease contracts is typically not readily determinable and as such, the Company uses its incremental borrowing rate based on information available at the lease commencement date, which represents an internally developed rate that would be incurred to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in a similar economic environment.

Future annual minimum lease payments under operating leases as of September 30, 2024 are as follows (in thousands):

2024	\$ 694
2025	2,310
2026	947
2027	973
2028	937
Thereafter	<u>3,373</u>
Total future minimum lease payments	<u>9,234</u>
Less: imputed interest	<u>(2,055)</u>
Total operating lease liabilities	<u>\$ 7,179</u>

12. Commitments and Contingencies

Royalty Arrangements

The Company has entered into royalty arrangements whereby the Company owes low- to mid-single digit royalty percentages related to revenue that is derived pursuant to in-licensed technologies. These royalties are calculated as a percent of revenue or on a per component basis, depending on the arrangement. Royalty obligations are expensed when incurred or over the minimum royalty periods and have not been material.

401(k) Savings Plan

The Company has a defined-contribution savings plan under Section 401(k) of the Internal Revenue Code. This plan covers substantially all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. Company contributions to the plan may be made at the discretion of the board of directors. On October 1, 2021, the Company commenced an employer match program whereby the Company matches 100% of the first 3% that each employee contributes to the plan, capped at a maximum of \$ 3,500 per year per employee. During the nine months ended September 30, 2024 and 2023, the Company made \$0.5 million and \$0.4 million, respectively, in contributions to the plan.

Contingent Consideration – Earnouts and Pension liabilities

Earnouts and Pension liabilities from acquisition of Trace Analytics GmbH

The Company agreed to pay three milestone based earnouts under the purchase agreement to acquire Trace (now 908 Devices GmbH) in August 2022 for the total potential payout of \$2.0 million. Milestones were based on target revenues, and technical integration of 908 Devices GmbH (formerly Trace) systems and knowledge, and ranged from the closing date of August 3, 2022 to September 30, 2024. In addition, the Company withheld \$0.9 million of consideration in connection with pension obligations to be transferred post-closing.

During 2023, the Company received notice that the pension obligation had been transferred and was no longer in 908 Devices GmbH's name and therefore the Company released the \$0.9 million assignment of the pension liability. The 908 Devices GmbH acquisition consideration withheld in respect of the pension plan was paid out to the sellers in April 2023. Two of three milestone based earnouts were achieved, pursuant to which the Company made a \$ 0.5 million payment was made in August 2023 and a \$0.5 million payment was made in February 2024.

During the fourth quarter of 2023, the probability weighted fair value of the remaining future earnout relating to the Trace acquisition was determined to be zero. Accordingly, the accumulated accretion under the last milestone and the relative contingent consideration have been reduced to zero.

Earnouts from acquisition of RedWave Technology

The Company may also be obligated to issue up to an additional 4,000,000 unregistered shares of the Company's common stock as contingent consideration to the Beneficial Sellers in connection with the acquisition of RedWave, based on the amount of revenue the Company generates from the sale of certain RedWave products and services during the two-year period from May 1, 2024 through April 30, 2026, as set forth in more detail the Purchase Agreement. If the earnout revenue achieved during the period is at least \$37 million, the Company will be obligated to issue at least 1,000,000 contingent shares, which number of contingent shares will be increased based on the amount of earnout revenue achieved during the period, up to a maximum of 4,000,000 contingent shares for earnout revenue equal to or greater than \$ 45 million. The earnout revenue also may include certain qualified bookings credit, as defined in the Purchase Agreement, for certain RedWave products in the event that earnout revenue is otherwise above \$37 million. No contingent shares will be issued if the earnout revenue achieved during the period is less than \$37 million. See Note 3, *Fair Value Measurements*.

Indemnification Agreements

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, business partners and other parties with respect to certain matters including, but not limited to, losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with its executive officers and members of its board of directors that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or services as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. To date, the Company has not incurred any material costs as a result of such indemnifications. The Company is not currently aware of any indemnification claims and had not accrued any liabilities related to such obligations in its condensed consolidated financial statements as of September 30, 2024.

Legal Proceedings

The Company is not currently party to any material legal proceedings. At each reporting date, the Company evaluates whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies. The Company expenses as incurred the costs related to such legal proceedings.

13. Acquisition

Acquisition of RedWave Technology

On April 29, 2024, the Company entered into an Equity Purchase Agreement (the "Purchase Agreement") with RedWave, CAM3 HoldCo, LLC, a Connecticut limited liability company ("Seller Entity"), each of the holders of outstanding equity interests of Seller Entity (the "Beneficial Sellers"), and the other parties thereto, pursuant to which the Company purchased all of the outstanding equity interests of RedWave. The purchase price included an initial payment of \$45.0 million in cash and 1,497,171 unregistered shares of the Company's common stock, which reflects closing adjustments relating to working capital, cash and debt adjustments. The cash consideration is subject to additional working capital, cash, debt, and transaction expense adjustments. Approximately \$4.5 million of the cash consideration was placed into an indemnification escrow account until April 29, 2025 to settle certain claims for indemnification for breaches or inaccuracies in RedWave's representations and warranties, covenants, and agreements. The transaction closed on April 29, 2024, at which time RedWave became a wholly-owned subsidiary of the Company.

The Company may also be obligated to issue up to an additional 4,000,000 unregistered shares of the Company's common stock as contingent consideration (see Note 12).

The Company has accounted for the acquisition of RedWave as a business combination under U.S. GAAP. Under the acquisition method of accounting, the assets and liabilities of RedWave have been recorded as of the acquisition date, at their respective fair values, and consolidated with those of the Company.

The Company has preliminarily allocated the purchase price to the net tangible and intangible assets and liabilities assumed based on their estimated fair values as of April 29, 2024. The valuation of assets acquired and liabilities assumed has not yet been finalized as of September 30, 2024. Finalization of the valuation during the measurement period could result in a change in the amounts recorded for the acquired intangible assets, goodwill and among other items. The completion of the valuation will occur no later than one year from the acquisition date and no measurement period adjustments have been made since the acquisition date of April 29, 2024.

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Fair Value of Net Assets Acquired

The following table presents the preliminary allocation of the consideration paid on the acquisition date for the RedWave transaction (amounts in thousands):

Consideration Transferred:		
Cash paid	\$	45,000
Fair value of common stock shares issued ⁽¹⁾		8,616
Contingent consideration - earnout		15,500
Total consideration transferred	\$	<u>69,116</u>
Assets acquired and liabilities assumed:		
Cash and cash equivalents	\$	217
Accounts receivable		950
Inventory		1,416
Prepaid expenses and other current assets		50
Property and equipment		328
Identifiable Intangible assets		
Customer Relationships		2,500
Developed Technology		38,080
Goodwill		30,160
Operating lease right-of-use assets		29
Accounts payable, accrued expenses and other current liabilities		(596)
Deferred revenue		(3,989)
Operating lease liabilities		(29)
Total	\$	<u>69,116</u>

(1) The share consideration component of the estimated purchase price consideration is computed on the basis of 1,497,171 shares issued and the closing price of the Company's common stock on the Nasdaq Global Market of \$5.755 per share on April 29, 2024, which was the date the shares were issued.

The excess of the purchase price over the fair value of the acquired business's net assets represents cost and revenue synergies specific to the Company and RedWave, and has been allocated to goodwill, which is not tax deductible.

The fair value of RedWave's technology-based intangible assets were determined using the multi-period excess earnings method which measures economic benefit indirectly by calculating the income attributable to an asset after appropriate returns are paid to complementary assets used in conjunction with the subject asset to produce the earnings associated with the subject assets, commonly referred to as contributory asset charges. Under this method, the value of an asset is a function of several components, including the forecasted revenue, earnings generated by the asset, expected economic life of the asset, contributory asset charges and a discount rate. The fair value of the customer relationships was calculated using a distributor method, a form of the income approach, which incorporates a variation of the multi-period excess earnings method that uses market-based inputs to value an asset. Under this method, the value of the asset is a function of several components, including revenue associated with the existing customers, distributor profit margin, charges for use of other assets and discount rate. Intangible assets acquired have finite life and are amortized per our accounting policy. See Note 2 for the amortization periods.

The results of RedWave's operations have been included in the Company's condensed consolidated financial statements since the date of the acquisition. RedWave contributed \$6.3 million in revenue during the nine months ended September 30, 2024. The Company has not disclosed RedWave's net income or loss since the acquisition date because the RedWave business is fully integrated into the condensed consolidated Company's operations and therefore it was impracticable to determine these amounts.

The unaudited pro forma results do not reflect any operating efficiencies or potential cost savings which may result from the consolidation of the operations of the Company and RedWave. Accordingly, these unaudited pro forma results are presented for informational purposes only and are not necessarily indicative of the results of operations that would have been achieved had the acquisition occurred on January 1, 2023, nor are they intended to represent or be indicative of future results of operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue (unaudited)	\$ 16,773	\$ 16,994	\$ 45,765	\$ 44,907
Pre-tax loss (unaudited)	\$ (29,996)	\$ (7,993)	\$ (52,997)	\$ (33,292)

Supplemental pro forma pre-tax loss for the three and nine months ended September 30, 2024 were adjusted to exclude \$0.1 million and \$2.3 million of acquisition-related costs, respectively, and include additional \$ 0.7 million and \$2.1 million of intangible amortization costs, respectively. 2023 supplemental pro forma earnings were adjusted to include \$0.1 million and \$2.3 million of acquisition-related costs, respectively, and \$0.7 million and \$2.1 million of intangible amortization costs, respectively.

14. Segment Reporting and Geographic Data

The Company has determined that it operates in one segment in different geographies (see Note 2). Long-lived assets by geography are summarized as follows (in thousands):

	September 30,		December 31,	
	2024	2023	2024	2023
Long-lived assets ⁽¹⁾ by country:				
United States	\$ 10,433	\$ 9,014		
All other countries	717	561		
Total long-lived assets	<u>\$ 11,150</u>	<u>\$ 9,575</u>		

(1) Long-lived assets exclude goodwill, other intangible assets and other assets.

15. Subsequent events

In November 2024, the Company announced an organizational restructuring to strengthen operational efficiencies. As part of the organizational restructuring, and to reduce the Company's annual cash burn, the Company implemented an approximately 11% workforce reduction to rationalize the Company's bioprocessing and life science instrumentation investments in sales, marketing and research and development during the current slower growth market environment. In addition, the Company is transitioning manufacturing operations from Boston into North Carolina and Connecticut, to be completed in 2025. The Company estimates that it will incur costs in the range of \$0.4 million to \$0.6 million in connection with the restructuring, consisting primarily of cash expenditures related to employee severance costs.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on March 8, 2024 ("2023 Form 10-K"). Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in "Item 1.A. Risk Factors" section of our 2023 Form 10-K, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

We have developed an innovative suite of purpose-built handheld and desktop devices for point-of-need chemical analysis. Leveraging complementary analytical technologies including our proprietary mass spectrometry, or Mass Spec, microfluidics, and analytics and machine learning technologies, we make devices that are significantly smaller and more accessible than conventional laboratory instruments. Our devices are used at the point-of-need to interrogate unknown and invisible materials and provide quick, actionable answers to directly address some of the most critical problems in forensics, bioprocessing, pharma/biopharma, life science research and adjacent markets.

We create simplified measurement devices that our customers can use as accurate tools where and when their work needs to be done, rather than overly complex and centralized analytical instrumentation. We believe the insights and answers our devices provide will accelerate workflows, reduce costs, and offer transformational opportunities for our end users.

Front-line workers rely upon our handheld devices to combat the opioid crisis and detect counterfeit pharmaceuticals and illicit materials in the air or on surfaces at levels 1,000 times below their lethal dose. First responders also utilize our handheld devices to detect and identify thousands of hazardous bulk materials. Our desktop devices are accelerating development and production of biotherapeutics by identifying and quantifying extracellular species in bioprocessing critical to cell health and productivity. They sit alongside or are directly connected to bioreactors and fermenters producing drug candidates, functional proteins, cell and gene therapies, and synthetic biology derived products. We believe the insights and answers our devices provide accelerate workflows, reduce costs, and offer transformational opportunities for our end users. The term "products" as used in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" refers to the MX908, ThreatID, ProtectIR, XplorIR, Rebel, ZipChip Interface, Maverick, Maven and related sampling devices.

On April 29, 2024, the Company entered into an Equity Purchase Agreement (the "Purchase Agreement") with CAM2 Technologies, LLC (d/b/a RedWave Technology) ("RedWave"), CAM3 HoldCo, LLC, a Connecticut limited liability company ("Seller Entity"), each of the holders of outstanding equity interests of Seller Entity (the "Beneficial Sellers"), and the other parties thereto, pursuant to which the Company purchased all of the outstanding equity interests of RedWave, and the transaction closed on the same day. The purchase price included an initial payment of \$45.0 million in cash and 1,497,171 unregistered shares of the Company's common stock, which reflects closing adjustments relating to working capital, cash and debt adjustments. The cash consideration is subject to additional working capital, cash, debt, and transaction expense adjustments. RedWave is a leading provider of portable FTIR spectroscopic analyzers for rapid chemical identification of bulk materials. FTIR (Fourier Transform Infrared), an optical spectroscopy technology, is highly regarded for its specific substance identification abilities across a broad range of bulk materials. This acquisition provides the Company with an expanded portfolio of handheld chemical analysis devices for forensic workflows that quickly detect and identify unknown solids, liquids, vapors, and aerosols at the point of need. In addition, RedWave bolsters the Company's desktop portfolio with a line of accessories for pharma Process Analytical Technology (PAT) and industrial QC applications.

Since our inception, we have incurred significant operating losses. Our ability to generate revenue sufficient to achieve profitability will depend on the successful further development and commercialization of our products. We generated revenue of \$40.8 million and \$35.9 million for the nine months ended September 30, 2024 and 2023, respectively, and incurred net losses of \$52.8 million and \$29.0 million for those same periods. As of September 30, 2024, we had an accumulated deficit of \$223.4 million. We expect to continue to incur net losses as we focus on growing sales of our products in both the United States and international markets, including expanding our sales teams as we grow, scaling our manufacturing operations,

continuing research and development efforts to develop new products and further enhance our existing products. Further, we expect to incur additional costs associated with operating as a public company. As a result, we may need additional funding for expenses related to our operating activities, including selling, general and administrative expenses and research and development expenses.

Because of the numerous risks and uncertainties associated with product development and commercialization, we are unable to accurately predict the timing or amount of increased expenses or when, or if, we will be able to achieve or maintain profitability. Until such time, if ever, as we can generate substantial revenue sufficient to achieve profitability, we expect to finance our operations through a combination of equity offerings, debt financings and strategic alliances. We may be unable to raise additional funds or enter into such other agreements or arrangements when needed on favorable terms, or at all. If we are unable to raise capital or enter into such agreements as, and when, needed, we may have to significantly delay, scale back or discontinue the further development and commercialization efforts of one or more of our products, or may be forced to reduce or terminate our operations.

We believe that our existing cash and cash equivalents and revenue from product and service will enable us to fund our operating expenses, capital expenditure requirements and debt service payments for at least the next 12 months. We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our available capital resources sooner than we expect. See "*Liquidity and Capital Resources*."

Global Economic Conditions

We are continuing to closely monitor macroeconomic factors, including, but not limited to, continued inflationary and interest rate pressures, challenging capital market conditions and the limited availability of financing alternatives, which may have an impact on our business, results of operations and financial results.

We are closely monitoring continued economic uncertainty in the United States and abroad, including volatility in the global markets and the rise and fluctuations in inflation and interest rates. These developments and the potential worsening of other macro-economic conditions present risks for us, and our suppliers and customers. For example, general inflation in the United States, EMEA and other geographies has recently been at levels not experienced in recent decades, which has led to higher prices for our raw materials and other inputs, as well as higher salaries and travel expenses, which could continue to negatively impact our business by increasing our cost of sales and operating expenses. General inflation could also negatively impact our business if it leads to spending pressure and decreased available capital for our customers to deploy to purchase our products and services.

In addition, while the United States Federal Reserve has recently begun to lower interest rates, it has over the past couple of years raised, and may again raise, interest rates in response to concerns about inflation. Inflation, together with increased interest rates, may cause our customers to reduce or delay orders for our goods and services thereby causing a decrease in or change in timing of sales of our products and services. The impact of future inflation and interest rate fluctuations on the results of our operations cannot be accurately predicted.

Challenging capital market conditions and the limited availability of financing alternatives, together with inflationary and interest rates pressures, may contribute to more cautious spending by our customers. Certain of our pharmaceutical and biotechnology customers, including bioprocessing customers, may evaluate their inventory levels, cash on hand and path to profitability, and institute cost controls and take other actions to reduce or delay purchases of our products and services. We cannot accurately predict the full impact of current macroeconomic factors on the budgets and capital expenditures of our customers, or the timing of the normalization of customer purchasing patterns.

We are closely monitoring the ongoing military conflict between Russia and Ukraine, and the ongoing hostilities in Israel, Lebanon, and the Gaza Strip and other locations in the Middle East. Although we do not directly source any material products or supplies from Russia, Ukraine, Israel, Lebanon or the Gaza Strip, our customers in Europe and the Middle East could be impacted by extended conflicts or an escalation of these conflicts into neighboring countries.

While it is difficult to predict all of the impacts these global economic events and continued inflationary and interest rate pressures will have on our business and to predict the effects of these factors on our customers' spending in the near term, we believe the long-term opportunity that we see for our products and services remain unchanged.

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For further discussion of the possible impacts of these global factors and other risks on our business, see Part I, Item 1A, "Risk Factors," of our 2023 Form 10-K.

Factors Affecting Our Performance

We believe that our financial performance has been and in the foreseeable future will continue to be primarily driven by the following factors. While each of these factors presents significant opportunities for our business, they also pose important challenges that we must successfully address to sustain our growth and improve our results of operations. Our ability to successfully address the factors below is subject to various risks and uncertainties.

Device sales

Our financial performance has largely been driven by, and in the future will continue to be impacted by, the rate of sales of our handheld and desktop devices. Management focuses on device sales as an indicator of current business success and a leading indicator of likely future recurring revenue from consumables and services. We expect our device sales to continue to grow as we increase penetration in our existing markets and expand into, or offer new features and solutions that appeal to, new markets.

We plan to grow our device sales in the coming years through multiple strategies including expanding our sales efforts domestically and globally and continuing to enhance the underlying technology and applications for bioprocessing and life sciences research related to our Maverick, Rebel, ZipChip Interface, and Maven and related sampling devices. We regularly solicit feedback from our customers and focus our research and development efforts on enhancing our devices and enabling our customers to use additional applications that address their needs, which we believe in turn helps to drive additional sales of our devices and consumables.

Our sales process varies considerably depending upon the type of customer to whom we are selling. Our handheld device orders relate to our MX908, ThreatID, ProtectIR, and XplorIR, as well as components for the Aerosol and Vapor Chemical Agent Detectors ("AVCAD") sold to our channel partner. Historically, our handheld devices have been used by municipal, state, federal and foreign governments and governmental agencies. Our sales process with government customers is often long and involves multiple levels of approvals, testing and, in some cases, trials. Device orders from a government customer are typically large orders and can be impacted by the timing of their capital budgets. As a result, the revenue for our handheld devices can vary significantly from period-to-period and has been and may continue to be concentrated in a small number of customers in any given period.

Our desktop devices are typically used by the pharmaceutical, biotechnology and academia markets. Our sales cycles within these markets tend to vary based on the size of the customer and the number of devices they purchase. Our shortest sales cycles are typically for small laboratories and individual researchers where, in some cases, we receive purchase orders from these customers within three months. Our sales process with other institutions can be longer with most customers submitting purchase orders within six to twelve months. Given the variability of our sales cycle, we have in the past experienced, and likely will in the future experience, fluctuations in our desktop device sales on a period-to-period basis.

Recurring revenue

We regularly assess trends relating to recurring revenue which includes consumables, accessories and services based on our product offerings, our customer base and our understanding of how our customers use our products. Recurring revenue was 39% and 33% of total product and service revenue for the nine months ended September 30, 2024 and 2023, respectively. Our recurring revenue as a percentage of total product and service revenue will vary based upon new device placements in the period. As our device installed base expands, recurring revenue on an absolute basis is expected to increase and over time should be an increasingly important contributor to our revenue.

Revenue from the sales of consumables will vary by type of device. We expect that recurring revenue as a percentage of the original device price to be higher for our desktop devices (Rebel, ZipChip Interface, Maverick, Maven and related sampling devices) than for our handheld devices (MX908, ThreatID, ProtectIR, and XplorIR). While we sell single-use swab samplers for MX908 to be used in liquid and solid materials analysis, there are a number of other applications that the MX908 can be used for that do not require consumables. ThreatID, ProtectIR, and XplorIR do not have consumables. Rebel and ZipChip

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Interface require consumables kits for all areas of operations. Currently, Rebel customers, who are actively utilizing the device, are consuming on average approximately half a 200-sample kit per month; however, Rebel is a relatively new product and purchasing patterns related to our consumables kits are evolving. We expect that the number of kits sold per month will vary over the short term. In time, we expect Rebel consumables kits sales to become more consistent as our installed base grows and our customers establish usage patterns. At maximum potential capacity, with continuous operation, the Rebel can consume approximately one 200-sample kit per day. Maverick devices require consumables, probes and standards for all areas of operations. Maven and related sampling devices require consumable sets of buffers, probes and biosensors for all areas of operations.

Revenue mix and gross margin

Our revenue is derived from sales of our devices, consumables, accessories and services. There will be fluctuations in mix between devices and recurring from period-to-period. Over time, as our device installed base grows and we see adoption of Rebel, we expect consumables revenue to constitute a larger percentage of product and service revenue. However, the percentage will be subject to fluctuation based upon our handheld sales in a period. In addition, our selling price and, consequently, our margins, are higher for those devices and recurring revenue that we sell directly to customers as compared to those that we sell through channel partners. While we expect the mix of direct sales as compared to sales through channel partners to remain relatively constant in the near term, we are currently evaluating increasing our direct sales capabilities in certain geographies.

Future device and recurring selling prices and gross margins may fluctuate due to a variety of factors, including the introduction by others of competing products and solutions. We aim to mitigate downward pressure on our average selling prices by increasing the value proposition offered by our devices and consumables and accessories, primarily by expanding the applications for our devices and increasing the quantity and quality of data that can be obtained using our consumables.

Product adoption

We monitor our customers' stages of adoption of our products to provide insight into the timing of future potential sales and to help us formulate financial projections. Typical stages of adoption include testing, trials, pilot and deployment as follows:

- Testing - a customer is actively engaged with internal or external testing of our products. This may include an onsite or virtual demonstration with a salesperson, a customer submitting samples for testing in one of our facilities or testing by a third party.
- Trials - a customer has committed to a trial of one of our products, which may include a defined period to assess functionality of the device in their operational environment (in the field or onsite within the customer's facility).
- Pilot - a customer commits to the purchase of an initial quantity of devices to deploy in their operational environment to assess a broader opportunity that may grow to tens or hundreds of devices.
- Deployment - a customer has completed testing, a trial, and/or a pilot and intends to roll out the technology across their enterprise (either at a site or throughout the entire organization).

Key Business Metrics

We regularly review the number of product placements and cumulative product placement as key metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections, and make strategic decisions. We believe that these metrics are representative of our current business; however, we anticipate these will change or may be substituted for additional or different metrics as our business grows.

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During the nine months ended September 30, 2024 and 2023, our product placements (units recognized as revenue) were as follows:

Product Placements:	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Handheld	178	117	374	286
Desktop	8	7	26	38

The number of product placements vary considerably from period-to-period due to the type and size of our customers and concentrations among larger government customers as described above. We expect continued fluctuations in our period-to-period number of product placements.

Our cumulative product placements consist of the following number of devices:

Cumulative Product Placements:	September 30,	
	2024	2023
Handheld	2,796	2,306
Desktop	457	408

Components of Our Results of Operations

Revenue

Product and Service Revenue

We generate product and service revenue from the sale of our devices and recurring revenue from the sale of consumables, accessories and services. Device sales accounted for 61% and 67% of our product and service revenue for the nine months ended September 30, 2024 and 2023, respectively. Recurring revenue accounted for 39% and 33% of our product and service revenue for the nine months ended September 30, 2024 and 2023, respectively.

Our current device offerings include:

- Handheld devices— MX908 ThreatID, ProtectIR, XplorIR and AVCAD components; and
- Desktop devices—Rebel and ZipChip Interface, Maverick, and Maven and related sampling devices.

We sell our devices directly to customers and through channel partners. Each of our device sales drives various streams of recurring revenue comprised of consumable and accessory product sales and service revenue.

Our consumables consist of:

- MX908—accessories and swabs;
- Rebel—consumables kit with a microfluidic chip and standards;
- ZipChip Interface—microfluidic chip, reagent and assay kits;
- Maverick—calibration kits and accessories; and
- Maven and related sampling devices—probes, tubing sets and accessories.

Rebel and ZipChip Interface consumables can only be used with our devices and there are no alternative after-market options that can be used as a substitute. Each chip is used for a defined number of samples (or runs). We recognize revenue from the sale of consumables as the consumable products are shipped.

We also offer our customers extended warranty and service plans. Our extended warranty and service plans are offered for periods beyond the standard one-year warranty that all of our customers receive. These extended warranty and service plans

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generally have fixed fees and terms ranging from one additional year to four additional years. We recognize revenue from the sale of extended warranty and service plans over the respective coverage period, which approximates the service effort provided by us.

We expect consumables and service revenue to increase in future periods as our installed base grows and we are able to generate recurring sales.

Contract revenue

Contract agreements are arrangements whereby we provide engineering services for the development of our technology platform for specific programs or new and expanding applications of our technologies for future commercial endeavors. Our contract agreements are with the U.S. government and commercial entities (who may be contracting with the government). Contracts typically include compensation for labor effort and materials incurred related to the deliverables under the contract. Our contract revenue was related to one customer during the nine months ended September 30, 2024 and 2023, respectively.

During the three and nine months ended September 30, 2024 and 2023, our revenue was comprised of revenue from the following sources:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Product and service revenue:				
Device sales revenue	\$ 10,645	\$ 10,719	\$ 24,739	\$ 23,761
Recurring revenue	6,087	3,578	15,931	11,747
Total product and service revenue	16,732	14,297	40,670	35,508
Contract revenue	41	—	141	370
Total revenue	<u>\$ 16,773</u>	<u>\$ 14,297</u>	<u>\$ 40,811</u>	<u>\$ 35,878</u>

Our product and service revenue is comprised of sales of our handheld and desktop devices and related consumables, accessories and service contracts to end-users in the government, pharmaceuticals/biotechnology and academia markets as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Government	\$ 13,948	\$ 11,740	\$ 32,476	\$ 26,732
Pharmaceutical/Biotechnology	2,738	2,546	8,060	8,705
Academia and other	46	11	134	71
Total product and service revenue	<u>\$ 16,732</u>	<u>\$ 14,297</u>	<u>\$ 40,670</u>	<u>\$ 35,508</u>

We sell our products primarily in the United States; however, we continue to expand our global sales efforts as we see traction in our products and assess global market needs. The majority of our international sales are through a distribution channel.

Cost of Revenue, Gross Profit and Gross Margin

Product cost of revenue primarily consists of costs for raw material parts and associated freight, shipping and handling costs, royalties, contract manufacturer costs, salaries and other personnel costs, overhead, amortization of intangibles and other direct costs related to those sales recognized as product revenue in the period.

Cost of revenue for services primarily consists of salaries and other personnel costs, travel related to services provided, facility costs associated with training, warranties and other costs of servicing equipment on a return-to-factory basis and at customer sites. Contract cost of revenue primarily consists of salaries and other personnel costs, materials, travel and other direct costs related to the revenue recognized in the period. The contract cost of revenue will vary based upon the type of contract, including whether it is primarily for development services or for both materials and development services.

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We expect that our cost of revenue will increase or decrease to the extent that our revenue increases and decreases and depending on how many contracts we have ongoing at any given point in time and the stage of those contracts.

Gross profit is calculated as revenue less cost of revenue. Gross profit margin is gross profit expressed as a percentage of revenue. Our gross profit in future periods will depend on a variety of factors, including: market conditions that may impact our pricing, sales mix among devices, sales mix changes among consumables, excess and obsolete inventories, our cost structure for manufacturing operations relative to volume, and product warranty obligations. Our gross profit in future periods will vary based upon our channel mix and may decrease based upon our distribution channels and the potential to establish original equipment manufacturing channels for certain components of our technology platform which would have a lower gross margin.

We expect that our gross profit margin for product and service will increase over the long term as our sales and production volumes increase and our cost per unit decreases due to efficiencies of scale. We intend to use our design, engineering and manufacturing capabilities to further advance and improve the efficiency of our manufacturing, which we believe will reduce costs and increase our gross margin. We expect that our gross profit margin for contract will remain consistent for our contracts that are cost reimbursement contracts.

Operating Expenses

Research and development expenses

Research and development expenses consist primarily of costs incurred for our research activities, product development, hardware and software engineering and consultant services and other costs associated with our technology platform and products, which include:

- employee-related expenses, including salaries, related benefits and stock-based compensation expense for employees engaged in research and hardware and software development functions;
- the cost of maintaining and improving our product designs, including third party development costs for new products and materials for prototypes;
- research materials and supplies; and
- facilities, depreciation and other expenses, which include direct and allocated expenses for rent and maintenance of facilities and insurance.

We believe that our continued investment in research and development is essential to our long-term competitive position and expect these expenses to increase in future periods.

Selling, general and administrative expenses

Selling, general and administrative expenses consist primarily of salaries and other personnel costs, and stock-based compensation for our sales and marketing, finance, legal, human resources and general management, as well as professional services, such as legal, audit and accounting services. We expect selling, general and administrative expenses, amortization of customer relationship and trademark intangibles to increase in future periods as the number of sales, sales application specialists and marketing and administrative personnel grows and we continue to introduce new products, invest in demonstration equipment, broaden our customer base and grow our business. We also anticipate that we will incur increased accounting, audit, legal, regulatory, compliance and director and officer insurance costs as well as investor and public relations expenses associated with operating as a public company.

Change in fair value of contingent consideration

Change in fair value of contingent consideration represents the change in fair value of the contingent consideration obligation included in contingent consideration on the consolidated balance sheets as of the end of each period. Remeasurement of the contingent consideration obligation is done each quarter and the carrying value of the obligation is adjusted to the current fair value through our consolidated statements of comprehensive income (loss).

Goodwill impairment

Goodwill impairment is the result of the fair value of our single reporting unit being less than its carrying value. The goodwill impairment resulted from sustained decreases in our publicly quoted share price and market capitalization.

When considering a hypothetical sensitivity analysis to our goodwill assessment in future periods, could a triggering event be identified, a further 5% decline in our stock price with all other inputs being equal could result in an impairment charge of approximately \$7 million.

Other Income (Expense)

Interest income

Interest income consists of interest earned on our invested cash balances.

Interest expense

Interest expense consists of interest expense associated with outstanding borrowings under our loan and security agreements and the amortization of deferred financing costs and debt discounts associated with such arrangements.

Other income (expense), net

Other income (expense), net consists of interest income from our cash and cash equivalents, miscellaneous other income and expense unrelated to our core operations.

Provision for Income Taxes

We have not recorded any U.S. federal or state income tax benefits for the net operating losses we have incurred in each year or for the research and development tax credits we generated in the United States and have recorded a full valuation allowance against our net deferred assets, as we believe, based upon the weight of available evidence, that it is more likely than not that all of our net operating loss carryforwards and tax credits will not be realized.

We recognized an income tax benefit of \$0.2 million and \$0.2 million during the nine months ended September 30, 2024 and 2023, respectively. The income tax benefit recognized during the nine months ended September 30, 2024 and 2023, primarily resulted from a reduction in the deferred tax liabilities recorded as part of our acquisition of 908 Devices GmbH.

As of December 31, 2023, we had gross federal and state operating loss carryforwards of \$108.2 million and \$77.4 million, respectively, which may be available to offset future taxable income and begin to expire in 2032 and 2025, respectively, of which \$73.8 million of federal gross operating losses do not expire. As of December 31, 2023, we also had U.S. federal and state research and development tax credit carryforwards of \$7.2 million and \$3.4 million, respectively, which may be available to offset future tax liabilities and begin to expire in 2032 and 2030, respectively.

Results of Operations

Comparison of the three months ended September 30, 2024 and 2023

The following table summarizes our results of operations for the three months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		
	2024	2023	Change
	(in thousands)		
Revenue:			
Product revenue	\$ 12,845	\$ 12,161	\$ 684
Service revenue	3,887	2,136	1,751
Contract revenue	41	—	41
Total revenue	16,773	14,297	2,476
Cost of revenue:			
Product cost of revenue	6,237	4,651	1,586
Service cost of revenue	2,202	1,777	425
Contract cost of revenue	2	—	2
Total cost of revenue	8,441	6,428	2,013
Gross profit	8,332	7,869	463
Operating expenses:			
Research and development	6,788	5,537	1,251
Selling, general and administrative	13,379	11,317	2,062
Change in fair value of contingent consideration	(12,141)	104	(12,245)
Goodwill impairment	30,523	—	30,523
Total operating expenses	38,549	16,958	21,591
Loss from operations	(30,217)	(9,089)	(21,128)
Other income (expense):			
Interest income	879	1,449	(570)
Interest expense	—	350	(350)
Other income (expense), net	(29)	110	(139)
Total other income, net	850	1,909	(1,059)
Loss from operations before income taxes	(29,367)	(7,180)	(22,187)
Benefit for income taxes	72	87	(15)
Net loss	\$ (29,295)	\$ (7,093)	\$ (22,202)

Revenue, Cost of Revenue and Gross Profit

Product

Our product revenue is comprised of revenue from sales of devices and related accessories and consumables as follows:

	Three Months Ended September 30,			Change
	2024	2023	Amount	
	(dollars in thousands)			
Product revenue	\$ 12,845	\$ 12,161	\$ 684	6 %
Product cost of revenue	6,237	4,651	1,586	34 %
Gross profit	\$ 6,608	\$ 7,510	\$ (902)	(12)%
Gross profit margin	51 %	62 %	(11)%	

Product revenue increased by \$0.7 million, or 6%, for the three months ended September 30, 2024, compared to the three months ended September 30, 2023. The increase was primarily related to \$2.8 million in product revenue from our recently acquired FTIR products and an increase in MX908 device placements, offset in part by a \$2.3 million decrease from initial component shipments under our subcontract agreement with a commercial entity that holds a U.S. government prime contract,

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and a \$0.3 million decrease in desktop product revenue, mainly due to the desktop device placement mix for the three months ended September 30, 2024 compared to the three months ended September 30, 2023.

Product cost of revenue increased by \$1.6 million, or 34%, for the three months ended September 30, 2024, compared to the three months ended September 30, 2023. The increase in product cost of revenue was primarily related to an increase in production costs related to the higher product revenues, \$0.6 million in higher intangible amortization, \$0.6 million in higher manufacturing costs due to favorable manufacturing variances in the comparable prior period, and \$0.4 million in higher personnel related costs, partly related to our RedWave acquisition, offset in part by \$0.2 million in lower warranty costs.

Product gross profit decreased by \$0.9 million, or 12%, and gross profit margin decreased by eleven percentage points for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. The decrease in product gross profit was primarily due to the higher intangible amortization resulting in a five percentage point decrease, as well as credits within manufacturing variances during the three months ended September 30, 2023, resulting in a five percentage point decrease.

Service

Our service revenue is comprised of revenue from sales of extended warranty and service plans and customer training as follows:

	Three Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Service revenue	\$ 3,887	\$ 2,136	\$ 1,751	82 %
Service cost of revenue	2,202	1,777	425	24 %
Gross profit	\$ 1,685	\$ 359	\$ 1,326	369 %
Gross profit margin	43 %	17 %	26 %	

Service revenue increased by \$1.8 million, or 82%, for the three months ended September 30, 2024, compared to the three months ended September 30, 2023. The increase was primarily related to an increase in handheld service revenues related to extended service contracts for MX908 devices and our recently acquired FTIR products, and to a lesser extent, an increase in handheld training revenue.

Service cost of revenue increased by \$0.4 million, or 24%, for the three months ended September 30, 2024, compared to the three months ended September 30, 2023. The increase in service cost of revenue was primarily related to a \$0.2 million increase in personnel and other operating costs primarily related to our RedWave acquisition as well as other increases across materials, depreciation and stock compensation.

Service gross profit increased by 369% and gross profit margin increased by 26% for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023, primarily due to an increase in service volume related to training and extended service contracts, leveraging our investments in personnel and service infrastructure.

Contract

	Three Months Ended September 30,		Change	
	2024	2023	Amount	
	(dollars in thousands)			
Contract revenue	\$ 41	\$ —	\$ 41	
Contract cost of revenue	2	—	2	
Gross profit	\$ 39	\$ —	\$ 39	
Gross profit margin	95 %			

Contract revenue increased by less than \$0.1 million for the three months ended September 30, 2024, compared to the three months ended September 30, 2023, during which there was no contract revenue. During the three months ended September 30, 2024 we recognized contract revenue with a new customer.

Contract cost of revenue increased by less than \$0.1 million for the three months ended September 30, 2024, compared to the three months ended September 30, 2023, during which there was no contract cost of revenue.

Contract gross profit increased by less than \$0.1 million for the three months ended September 30, 2024 as compared to the three months ended September 30, 2023, during which there was no contract gross profit.

Operating Expenses

Research and development

	Three Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Research and development expenses	\$ 6,788	\$ 5,537	\$ 1,251	23 %
Percentage of total revenue	40 %	39 %		

Our research and development expenses were \$6.8 million for the three months ended September 30, 2024, an increase of \$1.3 million from research and development expenses of \$5.5 million for the three months ended September 30, 2023. The increase was partly due to the increased expenses from the RedWave acquisition and increased spending due primarily to a \$0.6 million increase in personnel and related costs, a \$0.2 million increase in stock-based compensation, and a \$0.4 million increase in project spend related to materials and consulting.

Selling, general and administrative expenses

	Three Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Selling, general and administrative expenses	\$ 13,379	\$ 11,317	\$ 2,062	18 %
Percentage of total revenue	80 %	79 %		

Our selling, general and administrative expenses were \$13.4 million for the three months ended September 30, 2024, an increase of \$2.1 million from selling, general and administrative expenses of \$11.3 million for the three months ended September 30, 2023. The increase was partly due to the increased expenses from the RedWave acquisition and was due primarily to a \$1.1 million increase in salaries and related costs, a \$0.3 million increase in stock-based compensation, a \$0.3 million increase in consulting expenses costs and a \$0.2 million increase in audit and related costs.

Change in fair value of contingent consideration

The key assumptions, such as revenue projection, equity volatility rate of the Company, revenue volatility rate and discount rate are utilized to estimate the fair value of the contingent consideration under Monte Carlo simulation. The decline in such key assumptions resulted in an adjustment to the fair value of the contingent consideration obligation for the three months ended September 30, 2024 of a credit of \$12.1 million that reduced the value of our contingent consideration liability for that period. For the three months ended September 30, 2023, a charge of \$0.1 million was recorded to reflect an increase in the value of the contingent consideration liability related to the Trace acquisition.

Goodwill impairment

As a result of sustained decreases in our publicly quoted share price and market capitalization, a \$30.5 million goodwill impairment was recorded for the three months ended September 30, 2024.

Other Income

Interest income

Interest income decreased by \$0.6 million to \$0.8 million for the three months ended September 30, 2024 from \$1.4 million for the three months ended September 30, 2023. The decrease was due to the lower cash, cash equivalent and marketable securities balance during the three months ended September 30, 2024, compared to the three months ended September 30, 2023, primarily due to the lower average balance due to the use of cash for the RedWave acquisition in April 2024.

Interest expense

Interest expense for the three months ended September 30, 2023 was a \$0.4 million recovery of debt termination fees. We did not recognize any interest expense for the three months ended September 30, 2024.

Other expense, net

Other expense, net for the three months ended September 30, 2024 did not change materially from the three months ended September 30, 2023.

Benefit for Income Taxes

Benefit for income taxes was \$0.1 million for the three months ended September 30, 2024, relatively unchanged from the three months ended September 30, 2023.

Comparison of the nine months ended September 30, 2024 and 2023

The following table summarizes our results of operations for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30,		
	2024	2023	Change
	(in thousands)		
Revenue:			
Product revenue	\$ 30,344	\$ 28,778	\$ 1,566
Service revenue	10,326	6,730	3,596
Contract revenue	141	370	(229)
Total revenue	<u>40,811</u>	<u>35,878</u>	<u>4,933</u>
Cost of revenue:			
Product cost of revenue	14,179	13,237	942
Service cost of revenue	5,803	4,495	1,308
Contract cost of revenue	76	99	(23)
Total cost of revenue	<u>20,058</u>	<u>17,831</u>	<u>2,227</u>
Gross profit	<u>20,753</u>	<u>18,047</u>	<u>2,706</u>
Operating expenses:			
Research and development	18,959	16,460	2,499
Selling, general and administrative	39,877	34,297	5,580
Change in fair value of contingent consideration	(12,141)	335	(12,476)
Goodwill impairment	30,523	—	30,523
Total operating expenses	<u>77,218</u>	<u>51,092</u>	<u>26,126</u>
Loss from operations	<u>(56,465)</u>	<u>(33,045)</u>	<u>(23,420)</u>
Other income, net:			
Interest income	3,741	4,155	(414)
Interest expense	—	(201)	201
Other expense, net	(247)	(88)	(159)
Total other income, net	<u>3,494</u>	<u>3,866</u>	<u>(372)</u>
Loss from operations before income taxes	<u>(52,971)</u>	<u>(29,179)</u>	<u>(23,792)</u>
Benefit for income taxes	211	209	2
Net loss	<u>\$ (52,760)</u>	<u>\$ (28,970)</u>	<u>\$ (23,790)</u>

Revenue, Cost of Revenue and Gross Profit

Product

Our product revenue is comprised of revenue from sales of devices and related accessories and consumables as follows:

	Nine Months Ended September 30,			Change
	2024	2023	Amount	
	(dollars in thousands)			%
Product revenue	\$ 30,344	\$ 28,778	\$ 1,566	5 %
Product cost of revenue	14,179	13,237	942	7 %
Gross profit	<u>\$ 16,165</u>	<u>\$ 15,541</u>	<u>\$ 624</u>	<u>4 %</u>
Gross profit margin	53 %	54 %	(1)%	

Product revenue increased by \$1.6 million, or 5%, for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. The increase was primarily related to \$5.4 million in product revenue from our recently acquired FTIR products. This increase was offset in part by a \$1.6 million decrease in MX908 related handheld product revenue, mainly due to fewer device placements, a \$0.8 million decrease from component shipments under our subcontract agreement with a commercial entity that holds a U.S. government prime contract as well as a \$1.4 million decrease in desktop product revenue, mainly due to 12 fewer desktop device placements, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023.

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Product cost of revenue increased by \$0.9 million, or 7%, for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. The increase in product cost of revenue was primarily related to an increase in production costs related to the higher product revenues, \$1.1 million in higher intangible amortization, \$0.8 million in higher personnel related costs, partly related to our RedWave acquisition, and \$0.5 in higher manufacturing variances. These increases were offset in part by a \$1.1 million increase in labor and overhead absorption related to the timing of production builds in the nine months ended September 30, 2024 and a \$0.8 million decrease in materials and supplies consumed in production related activities.

Product gross profit increased by \$0.6 million, or 4%, and gross profit margin was relatively unchanged for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The increase in product gross profit was primarily due to the higher product revenue volume, net of favorable timing of production and lower material costs, offset in part by increases in intangible amortization and other production related costs for the nine months ended September 30, 2024.

Service

Our service revenue is comprised of revenue from sales of extended warranty and service plans and customer training as follows:

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
Service revenue	\$ 10,326	\$ 6,730	\$ 3,596	53 %
Service cost of revenue	5,803	4,495	1,308	29 %
Gross profit	\$ 4,523	\$ 2,235	\$ 2,288	102 %
Gross profit margin	44 %	33 %	11 %	

Service revenue increased by \$3.6 million, or 53%, for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. The increase was primarily related to an increase in handheld service revenues related to extended service contracts for MX908 devices and to a lesser extent, our recently acquired FTIR products, as well as an increase in handheld training revenue.

Service cost of revenue increased by \$1.3 million, or 29%, for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. The increase in service cost of revenue was primarily related to a \$0.5 million increase in material costs and contract trainers used to support the higher handheld training revenue, as well as a \$0.4 million increase in personnel and other operating costs, partly related to our RedWave acquisition, and a \$0.2 million increase related to stock-based compensation.

Service gross profit increased by 102%, and gross profit margin increased by eleven percentage points for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023, primarily due to an increase in service volume related to training and extended service contracts, leveraging our investments in personal and service infrastructure.

Contract

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
Contract revenue	\$ 141	\$ 370	\$ (229)	(62)%
Contract cost of revenue	76	99	(23)	(23)%
Gross profit	\$ 65	\$ 271	\$ (206)	(76)%
Gross profit margin	46 %	73 %	(27)%	

Contract revenue decreased by \$0.2 million, or 62%, for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. During the nine months ended September 30, 2024 we recognized contract revenue with two new commercial entities. Contract revenue for the nine months ended September 30, 2023, was related to activities under

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our subcontract agreement with a commercial entity that holds a U.S. government prime contract, which was concluded in the second quarter of 2023.

Contract cost of revenue decreased by 23% for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. The decrease was primarily due to the lower contract revenue but also impacted by the higher costs to perform under the new contracts during the nine months ended September 30, 2024.

Contract gross profit decreased by \$0.2 million for the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023, primarily due to the reduced level of funding and the lower gross profit with our new contracts compared to our prior arrangement during the nine months ended September 30, 2023.

Operating Expenses

Research and development

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Research and development expenses	\$ 18,959	\$ 16,460	\$ 2,499	15 %
Percentage of total revenue	46 %	46 %		

Our research and development expenses were \$19.0 million for the nine months ended September 30, 2024, an increase of \$2.5 million from research and development expenses of \$16.5 million for the nine months ended September 30, 2023. The increase was partly due to the increased expenses from the RedWave acquisition and was due primarily to a \$1.1 million increase in personnel and related costs, a \$0.5 million increase in stock-based compensation, a \$0.4 million increase in project spend related to materials and consulting, and a \$0.2 million increase in depreciation and occupancy related expenses, mainly related to our facility in North Carolina.

Selling, general and administrative expenses

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Selling, general and administrative expenses	\$ 39,877	\$ 34,297	\$ 5,580	16 %
Percentage of total revenue	98 %	96 %		

Our selling, general and administrative expenses were \$39.9 million for the nine months ended September 30, 2024, an increase of \$5.6 million from selling, general and administrative expenses of \$34.3 million for the nine months ended September 30, 2023. The increase was partly due to the increased expenses from the RedWave acquisition and was due primarily to a \$2.4 million increase in banker, legal and accounting fees, mainly related to our acquisition of RedWave, a \$1.9 million increase in salaries and related costs, a \$0.8 million increase in stock-based compensation, a \$0.4 million increase in consulting, legal and related costs not related to the acquisition and a \$0.4 million increase in travel and related costs. These increases were partially offset by a \$0.5 million decrease in severance and related costs and a \$0.2 million decrease in insurance costs.

Change in fair value of contingent consideration

The key assumptions, such as revenue projection, equity volatility rate of the Company, revenue volatility rate and discount rate are utilized to estimate the fair value of the contingent consideration under Monte Carlo simulation. The decline in such key assumptions resulted in an adjustment to the fair value of the contingent consideration obligation for the nine months ended September 30, 2024 of a credit of \$12.1 million that reduced the value of the contingent consideration liability. For the nine months ended September 30, 2023, a charge of \$0.3 million was recorded to increase the value of the contingent consideration liability related to the Trace acquisition.

Goodwill impairment

As a result of sustained decreases in our publicly quoted share price and market capitalization, a \$30.5 million goodwill impairment was recorded for the nine months ended September 30, 2024.

Other Income

Interest income

Interest income decreased by \$0.4 million for the nine months ended September 30, 2024 from \$4.2 million for the nine months ended September 30, 2023. The decrease was due to the lower cash, cash equivalent and marketable securities balance, primarily due to the average balance during the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023, partly due to the use of cash with the RedWave acquisition.

Interest expense

Interest expense decreased by \$0.2 million for the nine months ended September 30, 2024 from \$0.2 million for the nine months ended September 30, 2023. The decrease was primarily due to costs incurred in March 2023 related to the write-off of deferred financing costs on our 2022 Revolver, which was in default and later amended in August 2023.

Other expense, net

Other expense, net for the nine months ended September 30, 2024 did not change materially from the nine months ended September 30, 2023.

Benefit for Income Taxes

Benefit for income taxes was \$0.2 million for the nine months ended September 30, 2024, relatively unchanged from the nine months ended September 30, 2023.

Liquidity and Capital Resources

Since our inception, we have incurred significant operating losses. To date, we have funded our operations primarily with proceeds from sales of redeemable preferred stock, borrowings under loan agreements and revenue from sales of our products and services and contract revenue, proceeds from our initial public offering in December 2020, and with proceeds from an underwritten public offering in November 2021. As of September 30, 2024, we had cash, cash equivalents and marketable securities of \$71.7 million. We believe that our existing cash, cash equivalents and marketable securities will enable us to fund our operating expenses, capital expenditure requirements and debt service payments for at least the next twelve months.

We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we expect. Our future funding requirements will depend on many factors, including:

- market uptake of our products and growth into new and existing markets;
- the cost of our research and development efforts to expand the applications of our current devices and to create enhanced products with our platform of technologies;
- the cost of expanding our commercial operations, including distribution capabilities, and accelerating planned investments, such as hiring additional support, service, and sales management in Europe, Asia Pacific and Latin America, bolstering our infrastructure in these regions;
- the cost of acquiring complementary businesses, products, services or technologies, when and if required;

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- the success of our existing collaborations and our ability to enter additional collaborations in the future;
- the effect of competing technological and market developments; and
- the level of our selling, general and administrative expenses.

On November 2, 2022, we entered into a Loan and Security Agreement, or the 2022 Revolver, with Silicon Valley Bank, or the Lender.

The 2022 Revolver provided for a revolving line of credit of up to \$35.0 million. We were permitted to make interest-only payments on the revolving line of credit through November 2, 2025, at which time all outstanding indebtedness would be immediately due and payable. The outstanding principal amount of any advance accrued interest at a floating rate per annum equal to the greater of (i) three and one-half percent (3.50%) and (ii) the "prime rate" as published in The Wall Street Journal for the relevant period minus one-half percent (0.50%). Our obligations under the 2022 Revolver were secured by substantially all of our assets, excluding our intellectual property, which was subject to a negative pledge. The revolving line of credit under the 2022 Revolver was scheduled to terminate on November 2, 2025.

The 2022 Revolver also contained certain financial covenants, including a requirement that the amount of unrestricted and unencumbered cash minus advances under the 2022 Revolver was not less than the amount equal to the greater of (i) \$10.0 million or (ii) nine (9) months of cash burn. The 2022 Revolver contained customary representations and warranties, as well as certain non-financial covenants, including limitations on, among other things, our ability to change the principal nature of our business, dispose of our business or property, engage in any change of control transaction, merge or consolidate with any other entity or to acquire all or substantially all the capital stock or property of another entity, incur additional indebtedness or liens, pay dividends or make other distributions on capital stock, redeem our capital stock, engage in transactions with affiliates or otherwise encumber our intellectual property, in each case, subject to customary exceptions.

As of December 31, 2023, there were no balances outstanding under the 2022 Revolver. As of December 31, 2022, the outstanding principal balance under the 2022 Revolver was \$15.0 million, which was repaid in full on January 4, 2023. The interest rate applicable to borrowing under the 2022 Revolver was 7.0% as of December 31, 2022.

On March 10, 2023, the Lender, also one of our financial institutions, was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation, or FDIC, as receiver.

As of March 31, 2023, the Company had transferred substantially all its cash, cash equivalents and marketable securities away from the Lender and deposited the funds with new financial institutions. As a result of the transfer of the Company's cash, cash equivalents and marketable securities, the Company was in default, of its financial covenants under the 2022 Revolver. The Company recorded a loss on extinguishment of \$0.5 million in the three months ended March 31, 2023, which was included in interest expense in the condensed consolidated statements of operations.

On August 4, 2023, we entered into a Default Waiver and First Amendment to Loan and Security Agreement with the Lender, or the Amended 2022 Revolver, in which the Lender waived its rights and remedies against the Company and amended the 2022 Revolver. The Amended 2022 Revolver provides for a revolving line of credit of up to \$10.0 million. The Company is permitted to make interest-only payments on the revolving line of credit through November 3, 2025, at which time all outstanding indebtedness shall be immediately due and payable. The outstanding principal amount of any advance shall accrue interest at a floating rate per annum equal to the greater of (i) four and one-half percent (4.50%) and (ii) the "prime rate" as published in The Wall Street Journal for the relevant period minus one-half percent (0.50%). The Company's obligations under the Amended 2022 Revolver are secured by substantially all of the Company's assets, excluding its intellectual property, which is subject to a negative pledge. The revolving line of credit under the Amended 2022 Revolver terminates on November 3, 2025. As of September 30, 2024, there were no balances outstanding under the Amended 2022 Revolver.

Pursuant to the Amended 2022 Revolver, the Lender waived filing any legal action or instituting or enforcing any rights and remedies it may have had against the Company in connection with the Company's failing to maintain all of its operating accounts, depository accounts and excess cash with the Lender, as previously required under the 2022 Revolver. The Company recorded a credit of \$0.3 million during the three months ended September 30, 2023 related to the previously recorded early termination penalties.

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The Amended 2022 Revolver also contains certain financial covenants, including a requirement that the Company maintain \$20.0 million on account at or through the Lender and that the amount of unrestricted and unencumbered cash minus advances under the Amended 2022 Revolver, is not less than the amount equal to the greater of (i) \$10.0 million or (ii) nine (9) months of cash burn. The Amended 2022 Revolver contains customary representations and warranties, as well as certain non-financial covenants, including limitations on, among other things, the Company's ability to change the principal nature of its business, dispose of the Company's business or property, engage in any change of control transaction, merge or consolidate with any other entity or to acquire all or substantially all the capital stock or property of another entity, incur additional indebtedness or liens, pay dividends or make other distributions on capital stock, redeem the Company's capital stock, engage in transactions with affiliates or otherwise encumber the Company's intellectual property, in each case, subject to customary exceptions.

We may seek additional funding through private or public equity financings, debt financings, collaborations, strategic alliances and marketing, channel partner or licensing arrangements. We cannot assure you that we will be able to obtain additional funds on acceptable terms, or at all. If we raise additional funds by issuing equity or equity-linked securities, our stockholders may experience dilution. Future debt financing, if available, may involve covenants, in addition to our existing covenants, restricting our operations or our ability to incur additional debt or potentially limiting our ability to obtain new debt financing or the refinance of our existing debt. Any debt or equity financing that we raise may contain terms that are not favorable to us or our stockholders. If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish some rights to our technologies or our products, or grant licenses on terms that are not favorable to us. If we do not have or are not able to obtain sufficient funds, we may have to delay development or commercialization of our products. We also may have to reduce marketing, customer support or other resources devoted to our products or cease operations.

Cash Flows

The following table summarizes our sources and uses of cash for each of the periods presented:

	Nine Months Ended September 30,	
	2024	2023
	(in thousands)	
Cash used in operating activities	\$ (28,004)	\$ (23,129)
Cash used in investing activities	(47,101)	(31,036)
Cash used in financing activities	(905)	(16,030)
Effect of foreign exchange rate changes on cash and cash equivalents	(6)	(14)
Net decrease in cash, cash equivalents and restricted cash	\$ (76,016)	\$ (70,209)

Operating Activities

During the nine months ended September 30, 2024, net cash used in operating activities was \$28.0 million, primarily resulting from our net loss of \$52.8 million and net cash used in changes in our operating assets and liabilities of \$6.3 million, partially offset by noncash charges of \$31.0 million. Net cash used in changes in our operating assets and liabilities for the nine months ended September 30, 2024, consisted primarily of a \$6.9 million decrease from changes in accounts receivable and a \$3.0 million decrease from changes in inventory, partially offset by a \$1.7 million increase from changes in deferred revenue and a \$1.5 million increase from changes in prepaid expenses and other current assets. Noncash charges consisted primarily of a \$30.5 million increase from the goodwill impairment charge, partially offset by a \$12.1 million decrease from the change in fair value of contingent consideration.

During the nine months ended September 30, 2023, net cash used in operating activities was \$23.1 million, primarily resulting from our net loss of \$29.0 million and net cash used in changes in our operating assets and liabilities of \$4.2 million, partially offset by noncash charges of \$10.1 million. Net cash used in changes in our operating assets and liabilities for the nine months ended September 30, 2023, consisted primarily of a \$3.8 million decrease from changes in inventory and a \$3.0 million decrease from changes in accounts receivable, partially offset by a \$1.2 million increase from changes in accounts payable and accrued expenses and a \$1.2 million increase from changes in right-of-use operating lease assets.

Investing Activities

During the nine months ended September 30, 2024, net cash used in investing activities was \$47.1 million, due to \$44.8 million used for the acquisition of RedWave and a \$40.9 million increase from purchases of marketable securities, partially offset by \$39.0 million in proceeds from maturities of marketable securities.

During the nine months ended September 30, 2023, net cash used in investing activities was \$31.0 million, due to \$34.3 million in purchases of marketable securities, partially offset by \$4.9 million in proceeds from maturities of marketable securities.

Financing Activities

Cash used in financing activities during the nine months ended September 30, 2024 was \$0.9 million, consisting primarily of \$1.0 million in payments for withholding taxes on vested equity awards and \$0.4 million of contingent consideration related to the release of the \$0.5 million milestone paid in February 2024, partially offset by \$0.5 million in proceeds from issuance of common stock.

Cash used in financing activities during the nine months ended September 30, 2023 was \$16.0 million, consisting primarily of the repayment of \$15.0 million outstanding under the 2022 Revolver and \$1.1 million in payments for contingent consideration related to the release of the \$0.9 million assignment of the pension liability and the payment of the initial milestone earned of \$0.5 million in August 2023, in each case related to the Trace acquisition.

Critical Accounting Policies and Significant Judgments and Estimates

Our condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States, or GAAP. The preparation of our condensed consolidated financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, costs and expenses and the disclosure of contingent assets and liabilities in our condensed consolidated financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

For a further discussion of our critical accounting policies, please refer to Note 2 to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q and our 2023 Report on Form 10-K. There were no significant changes to our critical accounting policies for the nine months ended September 30, 2024.

Recently Issued Accounting Pronouncements

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 2 to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q and is incorporated herein by reference.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company, as defined in Rule 12b-2 under the Exchange Act for this reporting period and are not required to provide the information required under this item.

Item 4. Controls and Procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a- 15(e) and 15d- 15(e) under the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and our management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

We acquired RedWave Technology on April 29, 2024. The financial results of RedWave Technology are included in our unaudited consolidated financial statements as of September 30, 2024 and for the quarter then ended. As this acquisition occurred in the second quarter of 2024, the scope of our assessment of our internal control over financial reporting does not include RedWave Technology. This exclusion is in accordance with the SEC's general guidance that an assessment of a recently acquired business may be omitted from the scope of our assessment in the year such business is acquired.

Other than the foregoing, there have been no changes in our internal control over financial reporting during our most recently completed fiscal quarter 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.

We are not currently party to any material legal proceedings.

Item 1A. Risk Factors.

Our operations and financial results are subject to various risks and uncertainties. A detailed discussion of the risks that affect our business is included in the section titled "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on March 8, 2024, or 2023 Form 10-K. There have been no material changes to our risk factors during the nine months ended September 30, 2024 from those discussed in our 2023 Form 10-K.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None of our directors or executive officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the quarter ended September 30, 2024, as such terms are defined under Item 408(a) of Regulation S-K.

Item 6. Exhibits.

Exhibit Number	Description
31.1	Certification of Chief Executive Officer of the Registrant Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer of the Registrant Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1†	Certification of Chief Executive Officer of the Registrant Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2†	Certification of Chief Financial Officer of the Registrant Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Data File (the cover page XBRL tags are embedded within the iXBRL document).

† The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q, are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of 908 Devices Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

908 DEVICES INC.

Date: November 12, 2024

By: /s/ Kevin J. Knopp, Ph.D.
Kevin J. Knopp, Ph.D.
Chief Executive Officer
(Principal Executive Officer)

Date: November 12, 2024

By: /s/ Joseph H. Griffith IV
Joseph H. Griffith IV
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kevin J. Knopp, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of 908 Devices 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)) 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 12, 2024

/s/ Kevin J. Knopp, Ph.D.

Kevin J. Knopp, Ph.D.
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joseph H. Griffith IV, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of 908 Devices 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)) 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 12, 2024

/s/ Joseph H. Griffith IV

Joseph H. Griffith IV
Chief Financial Officer
(Principal Financial Officer)

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

I, Kevin J. Knopp, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Quarterly Report on Form 10-Q of 908 Devices Inc. for the fiscal quarter ended September 30, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of 908 Devices Inc.

/s/ Kevin J. Knopp, Ph.D.

Kevin J. Knopp, Ph.D.
Chief Executive Officer
(Principal Executive Officer)
November 12, 2024

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

I, Joseph H. Griffith IV, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Quarterly Report on Form 10-Q of 908 Devices Inc. for the fiscal quarter ended September 30, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of 908 Devices Inc.

/s/ Joseph H. Griffith IV

Joseph H. Griffith IV
Chief Financial Officer
(Principal Financial Officer)
November 12, 2024
