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DELTA REPORT

10-Q

AMSC - AMERICAN SUPERCONDUCTOR C

10-Q - DECEMBER 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 914

█ **CHANGES** 289

█ **DELETIONS** 268

█ **ADDITIONS** 357

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

FORM 10-Q

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **September 30, 2024** **December 31, 2024**

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ____ to ____.

Commission File Number: 0-19672

American Superconductor Corporation

(Exact name of registrant as specified in its charter)

Delaware

04-2959321

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

114 East Main St. Ayer, Massachusetts

01432

(Address of principal executive offices)

(Zip Code)

(978) 842-3000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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, \$0.01 par value per share	AMSC	Nasdaq Global Select 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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

Shares outstanding of the Registrant's common stock:

Common Stock, par value \$0.01 per share	39,453,215	39,459,733
Class	Outstanding as of October 25, 2024 January 31, 2025	

AMERICAN SUPERCONDUCTOR CORPORATION
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AMERICAN SUPERCONDUCTOR CORPORATION

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	September 30, 2024	March 31, 2024	December 31, 2024	March 31, 2024
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 72,131	\$ 90,522	\$ 75,203	\$ 90,522
Accounts receivable, net	40,059	26,325	44,135	26,325
Inventory, net	70,880	41,857	74,588	41,857
Prepaid expenses and other current assets	10,806	7,295	10,194	7,295
Restricted cash	1,201	468	1,314	468
Total current assets	<u>195,077</u>	<u>166,467</u>	<u>205,434</u>	<u>166,467</u>
Property, plant and equipment, net	38,765	10,861	38,390	10,861
Intangibles, net	7,329	6,369	6,622	6,369
Right-of-use assets	3,744	2,557	4,050	2,557
Goodwill	48,950	43,471	48,950	43,471
Restricted cash	1,454	1,290	3,523	1,290
Deferred tax assets	1,201	1,119	1,155	1,119
Equity-method investments	1,245	—	1,397	—
Other assets	683	637	757	637
Total assets	<u>\$ 298,448</u>	<u>\$ 232,771</u>	<u>\$ 310,278</u>	<u>\$ 232,771</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued expenses	\$ 25,158	\$ 24,235	\$ 29,425	\$ 24,235
Lease liability, current portion	555	716	675	716
Debt, current portion	—	25	—	25
Contingent consideration	—	3,100	—	3,100
Deferred tax liabilities, current portion	16	—	—	—
Deferred revenue, current portion	69,356	50,732	74,325	50,732
Total current liabilities	<u>95,085</u>	<u>78,808</u>	<u>104,425</u>	<u>78,808</u>
Deferred revenue, long-term portion	11,915	7,097	9,003	7,097
Lease liability, long-term portion	2,814	1,968	2,725	1,968
Deferred tax liabilities, long-term portion	1,591	300	1,423	300
Other liabilities	28	27	26	27
Total liabilities	<u>111,433</u>	<u>88,200</u>	<u>117,602</u>	<u>88,200</u>
Commitments and Contingencies (Note 18)				

Stockholders' equity:					
Common stock		398	373		
Common stock, \$0.01 par value, 75,000,000 shares authorized; 39,863,084 and 37,343,812 shares issued and 39,459,733 and 36,946,181 shares outstanding at December 31, 2024 and March 31, 2024, respectively				399	373
Additional paid-in capital	1,253,168	1,212,913	1,256,210	1,212,913	
Treasury stock	(3,765)	(3,639)			
Treasury stock, at cost, 403,351 and 397,631 at December 31, 2024 and March 31, 2024, respectively				(3,765)	(3,639)
Accumulated other comprehensive income	1,509	1,582	1,662	1,582	
Accumulated deficit	(1,064,295)	(1,066,658)	(1,061,830)	(1,066,658)	
Total stockholders' equity	187,015	144,571	192,676	144,571	
Total liabilities and stockholders' equity	\$ 298,448	\$ 232,771	\$ 310,278	\$ 232,771	

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

AMERICAN SUPERCONDUCTOR CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Three Months Ended				Six Months Ended		Three Months Ended	Nine Months Ended	
	September 30,		September 30,		December 31,	December 31,	December 31,	December 31,	
	2024	2023	2024	2023	2024	2023	2024	2024	2023
	\$ 54,471	\$ 34,004	\$ 94,761	\$ 64,258	\$ 61,403	\$ 39,353	\$ 156,163	\$ 103,611	
Revenues									
Cost of revenues	38,858	25,418	66,923	49,390	45,077	29,369	112,000	78,759	
Gross margin	15,613	8,586	27,838	14,868	16,326	9,984	44,163	24,852	
Operating expenses:									
Research and development	2,646	1,641	4,931	3,493	3,000	2,199	7,932	5,693	
Selling, general and administrative	10,525	7,946	19,423	15,815	11,567	7,833	30,990	23,648	
Amortization of acquisition-related intangibles	433	538	845	1,076	444	538	1,289	1,614	
Change in fair value of contingent consideration	2,762	850	6,682	2,200	—	852	6,682	3,052	
Restructuring	—	(20)	—	(14)	—	—	—	(14)	
Total operating expenses	16,366	10,955	31,881	22,570	15,011	11,422	46,893	33,993	
Operating loss	(753)	(2,369)	(4,043)	(7,702)					
Operating income (loss)					1,315	(1,438)	(2,730)	(9,141)	
Interest income, net	979	194	2,099	368	802	150	2,901	518	
Other expense, net	(329)	(204)	(489)	(321)					
Loss before income tax expense (benefit)	(103)	(2,379)	(2,433)	(7,655)					
Other income (expense), net					272	(298)	(214)	(618)	
Income (loss) before income tax expense (benefit)					2,389	(1,586)	(43)	(9,241)	
Income tax (benefit) expense	(4,990)	106	(4,796)	228	(76)	63	(4,871)	291	
Net income (loss)	\$ 4,887	\$ (2,485)	\$ 2,363	\$ (7,883)	\$ 2,465	\$ (1,649)	\$ 4,828	\$ (9,532)	

Net income (loss) per common share										
Basic	\$ 0.13	\$ (0.09)	\$ 0.07	\$ (0.28)	\$ 0.07	\$ (0.06)	\$ 0.13	\$ (0.33)		
Diluted	\$ 0.13	\$ (0.09)	\$ 0.06	\$ (0.28)	\$ 0.06	\$ (0.06)	\$ 0.13	\$ (0.33)		
Weighted average number of common shares outstanding										
Basic	36,952	28,828	36,317	28,545	37,661	29,092	36,766	28,728		
Diluted	37,499	28,828	36,951	28,545	38,463	29,092	37,457	28,728		

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

AMERICAN SUPERCONDUCTOR CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ 4,887	\$ (2,485)	\$ 2,363	\$ (7,883)
Other comprehensive (loss) gain, net of tax:				
Foreign currency translation (loss) gain	(88)	64	(73)	62
Total other comprehensive (loss) gain, net of tax	(88)	64	(73)	62
Comprehensive income (loss)	\$ 4,799	\$ (2,421)	\$ 2,290	\$ (7,821)

	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Net income (loss)	\$ 2,465	\$ (1,649)	\$ 4,828	\$ (9,532)
Other comprehensive gain (loss), net of tax:				
Foreign currency translation gain (loss)	153	(106)	80	(44)
Total other comprehensive gain (loss), net of tax	153	(106)	80	(44)
Comprehensive income (loss)	\$ 2,618	\$ (1,755)	\$ 4,908	\$ (9,576)

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

AMERICAN SUPERCONDUCTOR CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE AND SIX NINE MONTHS ENDED SEPTEMBER 30, DECEMBER 31, 2024 AND 2023

(In thousands)

	Common Stock		Additional		Accumulated Other			Total	Common Stock		Additional		Accumulated Other	
	Number of Shares	Par Value	Paid-in Capital	Treasury Stock	Comprehensive Income (Loss)	Accumulated Deficit	Stockholders' Equity		Number of Shares	Par Value	Paid-in Capital	Treasury Stock	Comprehensive Income (Loss)	
Balance at March 31, 2024	37,343	\$ 373	\$ 1,212,913	\$ (3,639)	\$ 1,582	\$ (1,066,658)	\$ 144,571	37,343	\$ 373	\$ 1,212,913	\$ (3,639)	\$ 1,582		
Issuance of common stock restricted shares	—	44	1	(1)	—	—	—	—	44	1	(1)	—	—	
Stock-based compensation expense	—	—	1,229	—	—	—	1,229	—	—	—	1,229	—	—	
Issuance of common stock for 401(k) match	12	—	179	—	—	—	179	12	—	179	—	—	—	
Repurchase of treasury stock	—	—	—	(126)	—	—	(126)	—	—	—	—	(126)	—	
Cumulative translation adjustment	—	—	—	—	15	—	15	—	—	—	—	—	—	1
Net loss	—	—	—	—	—	(2,524)	(2,524)	—	—	—	—	—	—	
Balance at June 30, 2024	37,399	\$ 374	\$ 1,214,320	\$ (3,765)	\$ 1,597	\$ (1,069,182)	\$ 143,344	37,399	\$ 374	\$ 1,214,320	\$ (3,765)	\$ 1,597		
Issuance of common stock – ESPP	8	—	157	—	—	—	157	8	—	157	—	—	—	
Issuance of common stock restricted shares	—	815	8	(8)	—	—	—	—	815	8	(8)	—	—	
Stock-based compensation expense	—	—	843	—	—	—	843	—	—	—	843	—	—	
Issuance of common stock for 401(k) match	—	7	—	166	—	—	166	7	—	166	—	—	—	
Issuance of common stock	—	—	—	—	—	—	—	—	—	—	—	—	—	
Megatrann acquisition, net of offering expenses	1,298	13	31,189	—	—	—	31,202	1,298	13	31,189	—	—	—	
Issuance of common stock to settle contingent consideration	300	3	6,501	—	—	—	6,504	300	3	6,501	—	—	—	

Cumulative translation adjustment	—	—	—	—	(88)	—	(88)	—	—	—	—	(88)
Net income	—	—	—	—	—	4,887	4,887	—	—	—	—	—
Balance at September 30, 2024	39,827	\$ 398	\$ 1,253,168	\$ (3,765)	\$ 1,509	\$ (1,064,295)	\$ 187,015	39,827	\$ 398	\$ 1,253,168	\$ (3,765)	\$ 1,509
Issuance of common stock – restricted shares	—	—	—	—	—	—	—	30	1	—	—	—
Stock-based compensation expense	—	—	—	—	—	—	—	—	—	2,861	—	—
Issuance of common stock for 401(k) match	—	—	—	—	—	—	—	7	—	181	—	—
Cumulative translation adjustment	—	—	—	—	—	—	—	—	—	—	—	15
Net income	—	—	—	—	—	—	—	—	—	—	—	—
Balance at December 31, 2024	39,864	399	\$ 1,256,210	\$ (3,765)	\$ 1,566	\$ (1,064,295)	\$ 187,015	39,864	399	\$ 1,256,210	\$ (3,765)	\$ 1,566

	Accumulated Other						Total	Accumulated Other							
	Common Stock	Additional	Number of Shares	Par Value	Paid-in Capital	Treasury Stock	Comprehensive Income (Loss)	Accumulated Deficit	Stockholders' Equity	Common Stock	Additional	Number of Shares	Par Value	Paid-in Capital	Treasury Stock
Balance at March 31, 2023	29,937	\$ 299	\$ 1,139,113	\$ (3,639)	\$ 1,571	\$ (1,055,547)	\$ 81,797	29,937	\$ 299	\$ 1,139,113	\$ (3,639)	\$ 1,571	—	—	—
Issuance of common stock – restricted shares	699	7	(7)	—	—	—	—	699	7	(7)	—	—	—	—	—
Stock-based compensation expense	—	—	1,357	—	—	—	—	1,357	—	—	1,357	—	—	—	—
Issuance of common stock for 401(k) match	33	1	163	—	—	—	—	164	33	1	163	—	—	—	—
Cumulative translation adjustment	—	—	—	—	(2)	—	(2)	—	—	—	—	—	—	—	(2)
Net loss	—	—	—	—	—	—	(5,398)	(5,398)	—	—	—	—	—	—	(5,398)
Balance at June 30, 2023	30,669	\$ 307	\$ 1,140,626	\$ (3,639)	\$ 1,569	\$ (1,060,945)	\$ 77,918	30,669	\$ 307	\$ 1,140,626	\$ (3,639)	\$ 1,566	—	—	—
Issuance of common stock – ESPP	21	—	136	—	—	—	—	136	21	—	136	—	—	—	—

Issuance of common stock	9	—	—	—	—	—	—	9	—	—	—
Stock-based compensation expense	—	—	1,111	—	—	—	1,111	—	—	1,111	—
Issuance of common stock for 401(k) match	17	—	150	—	—	—	150	17	—	150	—
Cumulative translation adjustment	—	—	—	—	64	—	64	—	—	—	6
Net loss	—	—	—	—	—	(2,485)	(2,485)	—	—	—	—
Balance at September 30, 2023	30,716	\$ 307	\$ 1,142,023	\$ (3,639)	\$ 1,633	\$ (1,063,430)	\$ 76,894	30,716	\$ 307	\$ 1,142,023	\$ (3,639)
Stock-based compensation expense	—	—	—	—	—	—	—	—	—	1,140	—
Issuance of common stock for 401(k) match	—	—	—	—	18	—	154	—	—	—	—
Issuance of common stock - stock offering	—	—	—	—	400	4	3,088	—	—	—	—
Cumulative translation adjustment	—	—	—	—	—	—	—	—	—	—	(10)
Net loss	—	—	—	—	—	—	—	—	—	—	—
Balance at December 31, 2023	31,134	\$ 311	\$ 1,146,405	\$ (3,639)	\$ 31,134	\$ 311	\$ 1,146,405	\$ (3,639)	\$ 31,134	\$ 311	\$ 1,146,405

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

AMERICAN SUPERCONDUCTOR CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

Cash flows from operating activities:

Net income (loss)

Six Months Ended September 30,		Nine Months Ended December 31,	
2024	2023	2024	2023
\$ 2,363	\$ (7,883)	\$ 4,828	\$ (9,532)

Adjustments to reconcile net income (loss) to net cash provided by (used in) operations:				
Depreciation and amortization	2,395	2,234	3,984	3,360
Stock-based compensation expense	2,072	2,468	4,933	3,608
Provision for excess and obsolete inventory	780	1,070	1,186	1,536
Amortization of operating lease right-of-use assets	546	122	753	457
Deferred income taxes	(5,165)	—	(5,171)	3
Earnings from equity method investments			(152)	—
Change in fair value of contingent consideration	6,682	2,200	6,682	3,052
Other non-cash items	(15)	273	(177)	494
Changes in operating asset and liability accounts:				
Accounts receivable	2,538	3,152	(1,650)	5,945
Inventory	(6,672)	(11,935)	(10,836)	(8,737)
Prepaid expenses and other assets	(2,082)	8,015	(1,658)	6,682
Operating leases	(1,048)	(123)	(1,531)	(450)
Accounts payable and accrued expenses	(4,455)	(9,399)	118	(15,409)
Deferred revenue	18,182	8,458	20,686	8,894
Net cash provided by (used in) operating activities	<u>16,121</u>	<u>(1,348)</u>	<u>21,995</u>	<u>(97)</u>
Cash flows from investing activities:				
Purchases of property, plant and equipment	(852)	(430)	(1,376)	(635)
Cash paid to settle Megatran contingent consideration liability	(3,278)	—	(3,278)	—
Cash paid for Megatran Acquisition, net of cash acquired	(29,577)	—	(29,577)	—
Change in other assets	218	(10)	167	(8)
Net cash used in investing activities	<u>(33,489)</u>	<u>(440)</u>	<u>(34,064)</u>	<u>(643)</u>
Cash flows from financing activities:				
Repurchase of treasury stock	(126)	—	(126)	—
Repayment of debt	(25)	(33)	(25)	(49)
Cash paid related to registration of common stock shares	(148)	—	(148)	—
Proceeds from exercise of employee stock options and ESPP	157	136	157	136
Net cash (used in) provided by financing activities	<u>(142)</u>	<u>103</u>	<u>(142)</u>	<u>87</u>
Effect of exchange rate changes on cash	<u>16</u>	<u>(10)</u>	<u>(29)</u>	<u>3</u>
Net decrease in cash, cash equivalents and restricted cash	<u>(17,494)</u>	<u>(1,695)</u>	<u>(12,240)</u>	<u>(650)</u>
Cash, cash equivalents and restricted cash at beginning of period	<u>92,280</u>	<u>25,675</u>	<u>92,280</u>	<u>25,675</u>
Cash, cash equivalents and restricted cash at end of period	<u>\$ 74,786</u>	<u>\$ 23,980</u>	<u>\$ 80,040</u>	<u>\$ 25,025</u>
Supplemental schedule of cash flow information:				
Cash paid for income taxes, net of refunds	\$ 248	\$ 171	\$ 263	\$ 263
Non-cash investing and financing activities				
Issuance of common stock in connection with the purchase of Megatran	\$ 31,350	\$ —	\$ 31,350	\$ —
Issuance of common stock to settle contingent consideration	\$ 6,504	\$ —	\$ 6,504	\$ 3,092
Right-of-use assets obtained in exchange for new lease obligations	\$ —	\$ 242	\$ 2,247	\$ 348
Issuance of common stock to settle 401k match liabilities	\$ 345	\$ 313	\$ 526	\$ 467

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

AMERICAN SUPERCONDUCTOR CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of the Business and Operations and Liquidity

Nature of the Business and Operations

American Superconductor Corporation (together with its subsidiaries, "AMSC®" or the "Company") was founded on April 9, 1987. The Company is a leading system provider of megawatt-scale power resiliency solutions that orchestrate the rhythm and harmony of power on the grid™ and protect and expand the capability of the Navy's fleet. The Company's system level products leverage its proprietary "smart materials" and "smart software and controls" to provide enhanced resiliency and improved performance of megawatt-scale power flow.

These unaudited condensed consolidated financial statements of the Company have been prepared on a going concern basis in accordance with United States generally accepted accounting principles ("GAAP") and the Securities and Exchange Commission's ("SEC") instructions to Form 10-Q. Certain prior period amounts were reclassified to conform to the presentation in the current period. **All significant intercompany accounts and transactions are eliminated in consolidation. Investments in entities in which we do not have a controlling interest are accounted for under the equity method of accounting.** The going concern basis of presentation assumes that the Company will continue operations and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Certain information and footnote disclosures normally included in the condensed consolidated financial statements prepared in accordance with GAAP have been **or omitted** pursuant to those instructions. The year-end balance sheet data was derived from audited financial statements but does not include all disclosures required by GAAP. The unaudited condensed consolidated financial statements, in the opinion of management, reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the results for the interim periods ended **September 30, December 31, 2024** and 2023 and the financial position at **September 30, December 31, 2024**; however, these results are not necessarily indicative of results which may be expected for the full year. The interim condensed consolidated financial statements, and notes thereto, should be read in conjunction with the audited condensed consolidated financial statements for the year ended March 31, 2024, and notes thereto, included in the Company's Annual Report on Form 10-K for the year ended March 31, 2024 filed with the SEC on May 29, 2024.

Liquidity

The Company has historically experienced recurring operating losses and as of **September 30, December 31, 2024**, the Company had an accumulated deficit of **\$1,064.3 million** **\$1,061.8 million**. In addition, the Company has historically experienced recurring negative operating cash flows. At **September 30, December 31, 2024**, the Company had cash and cash equivalents of **\$72.1 million** **\$75.2 million**. Cash provided by operations for the **six** **nine** months ended **September 30, December 31, 2024** was **\$16.1 million** **\$22.0 million**.

In January 2024, the Company filed a shelf registration statement on Form S-3 that will expire three years from the date on which it was declared effective, March 15, 2027 (the "First Form S-3"). The First Form S-3 allows the Company to offer and sell from time-to-time up to \$250 million of common stock, debt securities, warrants or units comprised of any combination of these securities, with \$250 million available for future offerings as of **September 30, December 31, 2024**. The First Form S-3 is intended to provide the Company flexibility to conduct registered sales of its securities, subject to market conditions, in order to fund its future capital needs. The terms of any future offering under the First Form S-3 will be established at the time of such offering and will be described in a prospectus supplement filed with the SEC prior to the completion of any such offering.

On January 31, 2024, the Company entered into an underwriting agreement with Oppenheimer & Co. Inc., as a representative of the several underwriters named therein, relating to the issuance and sale (the "2024 Offering") of 6,210,000 shares of the Company's common stock at a public offering price of \$11.25 per share. The net proceeds to the Company from the 2024 Offering were approximately \$65.2 million, after deducting underwriting discounts and commissions and offering expenses payable by the Company. The 2024 Offering closed on February 14, 2024.

On August 1, 2024 (the "Acquisition Date"), the Company entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") with the selling stockholders named therein. Pursuant to the terms of the Stock Purchase Agreement and concurrently with entering into such agreement, the Company acquired all of the issued and outstanding shares of Megatran Industries, Inc. ("Megatran") (the "Acquisition"), for aggregate consideration in an amount equal to \$61.4 million (the "Purchase Price"), which consideration amount was subject to various adjustments set forth in the Stock Purchase Agreement (including those described below) and consisted of: (a) (i) \$25.0 million, minus (ii) the Indebtedness (as defined in the Stock Purchase Agreement) outstanding as of immediately prior to the closing, minus (iii) Company Expenses (as defined in the Stock Purchase Agreement) (collectively, the "Cash Purchase Price"); (b) a number of restricted shares (rounded up or down to the nearest whole share, as applicable) (the "Company Shares") of the Company's common stock, \$.01 par value per share ("Common Stock") equal to the quotient obtained by dividing (x) \$31.4 million (the "Share Purchase Price") by (y) the closing price per share of Common Stock on the Nasdaq Global Select Market on the last trading day immediately preceding the **Closing** **Acquisition** Date; and (c) an additional cash payment equal to \$5.0 million, as adjusted pursuant to Sections 5.6(c), (d), and (f) of the Stock Purchase Agreement (the "Additional Cash Purchase Price"). Megatran is now a wholly-owned subsidiary of the Company and, together with its wholly-owned subsidiaries and affiliates, is operated and reported as a component of its Grid business **unit** **segment**. On September 23, 2024, the Company paid \$3.3 million to the selling stockholders, which was calculated based on the agreed upon formula set forth in the Stock Purchase Agreement. This amount is reflected as the change in fair value of this contingent consideration in the **three** and **six** **nine** months ended **September 30, 2024**, **December 31, 2024**. As of **September 30, December 31, 2024**, there are no remaining obligations to the selling stockholders of Megatran.

In August 2024, the Company filed an automatically-effective shelf registration statement on Form S-3 that will expire no later than August 12, 2027 (the "Second Form S-3"). The Second Form S-3 allows the Company to offer and sell from time-to-time unspecified amounts of common stock, debt securities, warrants or units comprised of any combination of these securities and allows certain selling stockholders to offer and sell from time-to-time common stock. The Second Form S-3 is intended to assist the Megatran selling stockholders in the resale of their common stock and is intended to provide the Company flexibility to conduct registered sales of its securities, subject to market conditions, in order to fund its future capital needs. The terms of any future offering under the Second Form S-3 will be established at the time of such offering and will be described in a prospectus supplement filed with the SEC prior to the completion of any such offering.

In recent periods, the Company has experienced inflationary pressure in its supply chain and some delays in sourcing materials needed for its products resulting in some production disruption, both of which have increased the Company's cost of revenues and decreased gross margin. While the impact of inflation has been challenging, the Company has taken actions to limit this pressure, including adjusting the pricing of its products and services. Changes in macroeconomic conditions arising from various reasons, such as the ongoing wars between Russia and Ukraine and Israel and Hamas, inflation, rising interest rates, labor force availability, sourcing, material delays and global supply chain disruptions could have a material adverse effect on the Company's business, financial condition and results of operations.

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The Company believes that based on the information presented above and its quarterly management assessment, it has sufficient liquidity to fund its operations and capital expenditures for the next twelve months following the issuance of the unaudited condensed consolidated financial statements for the six months ended September 30, December 31, 2024. The Company's liquidity is highly dependent on its ability to increase revenues, its ability to control its operating costs, and its ability to raise additional capital, if necessary. The impact of global sources of instability, including the wars between Russia and Ukraine and Israel and Hamas, on the global financing markets may reduce the Company's ability to raise additional capital, if necessary, which could negatively impact the Company's liquidity. There can be no assurance that the Company will be able to continue to raise additional capital, on favorable terms or at all, from other sources or execute on any other means of improving liquidity described above.

2. Acquisition

Acquisition of Megatran

As described in Note 1, Nature of the Business and Operations and Liquidity, on the Acquisition Date, the Company acquired all of the issued and outstanding shares of capital stock of Megatran. Megatran's wholly-owned subsidiary, NWL, Inc. ("NWL"), is a U.S.-based global provider of engineered power conversion solutions for demanding industrial and military applications.

Pursuant to the Stock Purchase Agreement, the Company acquired all of the issued and outstanding shares of Megatran, for aggregate consideration in an amount equal to \$61.4 million, which consideration amount was subject to various adjustments set forth in the Stock Purchase Agreement (including those described below) and consisted of: (a) (i) \$25.0 million, minus (ii) the Indebtedness (as defined in the Stock Purchase Agreement) outstanding as of immediately prior to the closing, minus (iii) Company Expenses (as defined in the Stock Purchase Agreement); (b) a number of restricted shares (rounded up or down to the nearest whole share, as applicable) of Common Stock equal to the quotient obtained by dividing (x) \$31.4 million by (y) the closing price per share of Common Stock on the Nasdaq Global Select Market on the last trading day immediately preceding the Closing Acquisition Date; and (c) an additional cash payment equal to \$5.0 million, as adjusted pursuant to Sections 5.6(c), (d), and (f) of the Stock Purchase Agreement. Megatran is now a wholly-owned subsidiary of the Company and, together with its wholly-owned subsidiaries and affiliates, is operated and reported as a component of its Grid business unit segment. On September 23, 2024, the Company paid \$3.3 million to the selling stockholders, which was calculated based on the agreed upon formula set forth in the Stock Purchase Agreement. This amount is reflected as the change in fair value of this contingent consideration in the three and six months ended September 30, 2024, December 31, 2024. As of September 30, December 31, 2024, there are no remaining obligations to the selling stockholders of Megatran.

The Acquisition has been accounted for under the purchase method of accounting in accordance with ASC 805, *Business Combinations*. The Company allocated the purchase price to the assets acquired and liabilities assumed at their estimated fair values as of the date of acquisition. The excess of the purchase price paid by the Company over the estimated fair value of net assets acquired has been recorded as goodwill.

The total purchase price of approximately \$61.4 million includes the fair value of shares of the Company's common stock issued at closing, and cash paid, as follows (in millions):

Cash payments	\$30.0
Issuance of 1,297,600 shares of Company's Common Stock	\$31.4

At the Acquisition Date, in addition to the \$30.0 million cash, the Company valued the Company's common stock, using \$24.16 per share, which was the closing price on the day prior to the day that the Company acquired Megatran. Acquisition costs of \$0.9 million less than \$0.1 million and \$1.1 million were included in selling, general and administrative

("SG&A") for the three and **six** **nine** months ended **September 30, December 31, 2024**, respectively.

The following table summarizes the allocation of the purchase price based on the estimated fair values of the assets acquired and liabilities assumed and related deferred income taxes in connection with the Acquisition as of the **Acquisition Date** (in millions):

Cash and cash equivalents	\$	0.4
Equity-method investments		1.2
Prepaid expenses and other current assets		1.7
Accounts receivable		16.1
Inventory		23.1
Property, plant, and equipment		28.4
Accounts payable and accrued expenses		(5.6)
Deferred revenue		(5.0)
Deferred tax liability		(6.4)
Net tangible assets/(liabilities)		53.9
Backlog		0.7
Customer relationships		1.3
Net identifiable intangible assets		2.0
Goodwill		5.5
Total purchase consideration	\$	61.4

The fair value of the financial assets acquired includes receivables with a fair value of \$16.1 million. The gross amount due is \$16.9 million, of which \$0.8 million is expected to be uncollectible.

Inventory includes a \$0.7 million adjustment to step up the inventory balance to fair value consistent with the purchase price allocation. The fair value was determined based on the estimated selling price of the inventory, less the remaining manufacturing and selling cost and a normal profit margin on those manufacturing and selling efforts. The inventory step up adjustment increased cost of revenue **\$0.3** **\$0.4** million and **\$0.7** million in the three **month period** and **nine months** ended **September 30, December 31, 2024**, respectively, as the inventory was sold.

Backlog of \$0.7 million was evaluated using the multi period excess earnings method under the income approach. The contracts with customers do not provide for any guarantees to source all future requirements from the Company. The amortization method being utilized is economic consumption estimated over an eight-month period with the expense being allocated to cost of revenues.

Customer relationships of \$1.3 million relates to customers currently under contract and was determined based on a multi period excess earnings method under the income approach. The method of amortization being utilized is straight line over 10 years, as the results were not materially different from the economic consumption method, with the expense being allocated to SG&A.

Goodwill represents the value associated with the acquired workforce and expected synergies related to the business combination of the two companies. Goodwill resulting from the Acquisition was assigned to the Company's Grid **business** segment. Goodwill recognized in the Acquisition is not deductible for tax purposes. This purchase price allocation is preliminary and has not been finalized as the analysis on the assets and liabilities acquired, primarily the tax related liability may require further adjustments to our purchase accounting that could result in a measurement period adjustment that would impact the Company's reported net assets and goodwill as of August 1, 2024. Material changes, if any, to the preliminary allocation summarized above will be reported once the related uncertainties are resolved, but no later than August 1, 2025. The \$6.4 million of deferred tax liability is primarily related to basis difference of property, plant, and equipment.

Unaudited Pro Forma Operating Results

The unaudited pro forma condensed consolidated statement of operations for the three and **six** **nine** months ended **September 30, December 31, 2024** and 2023 presented as if the Acquisition had occurred on April 1, **2024** **2023**, and 2023, respectively, is as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2024	2023	2024	2023
Net Revenue	\$ 58,722	\$ 50,929	\$ 118,032	\$ 99,915
Operating income (loss)	81	(1,783)	(4,079)	(7,193)
Net income (loss)	\$ 635	\$ (311)	\$ (2,748)	\$ (633)
Net income (loss) per common share				
Basic	\$ 0.02	\$ (0.01)	\$ (0.07)	\$ (0.02)
Diluted	\$ 0.02	\$ (0.01)	\$ (0.07)	\$ (0.02)
Shares - basic	37,404	30,126	37,189	29,843
Shares - diluted	37,950	30,126	37,189	29,843
	Three Months Ended December 31,		Nine Months Ended December 31,	
	2024	2023	2024	2023
Net Revenue	\$ 61,403	\$ 58,874	\$ 179,435	\$ 158,789
Operating income (loss)	1,577	116	(502)	(7,077)
Net income (loss)	\$ 2,728	\$ 668	\$ 1,922	\$ 35
Net income (loss) per common share				
Basic	\$ 0.07	\$ 0.02	\$ 0.05	\$ -
Diluted	\$ 0.07	\$ 0.02	\$ 0.05	\$ -
Shares - basic	37,661	30,390	37,347	30,026
Shares - diluted	38,463	30,726	38,037	30,405

The pro forma amounts include the historical operating results of the Company and Megatran with appropriate adjustments that give effect to acquisition related costs, income taxes, intangible amortization resulting from the Acquisition and certain conforming accounting policies of the Company. The pro forma amounts are not necessarily indicative of the operating results that would have occurred if the Acquisition and related transactions had been completed at the beginning of the applicable periods presented. In addition, the pro forma amounts are not necessarily indicative of operating results in future periods.

In the unaudited consolidated results for the three and **six** nine months ended **September 30, December 31**, 2024, Megatran's operations are included in the Company's consolidated results from the date of Acquisition of August 1, 2024. Megatran contributed **\$14.3** \$18.3 million of revenue and **\$2.1** \$1.9 million in net income for the Company for the three and **six** month period~~s~~ months ended **September 30, 2024, December 31**, 2024. Megatran contributed \$32.4 million of revenue and \$3.9 million in net income for the Company for the nine months ended December 31, 2024. Amortization expense of **\$0.2** \$0.3 million and \$0.5 million is included in the three and **six** nine months ended **September 30, December 31**, 2024, respectively, as a result of the Megatran acquired intangible assets. In addition, **\$0.3** \$0.4 million and \$0.7 million for the step-up basis assigned to acquired inventory was charged to cost of revenues in the three and **six** nine months ended **September 30, December 31**, 2024, respectively.

3. Revenue Recognition

The Company's revenues in its Grid **business** segment are derived primarily through enabling the transmission and distribution of power, providing planning services that allow it to identify power grid needs and risks, and developing ship protection systems for the U.S. Navy. The Company's revenues in its Wind **business** segment are derived primarily through supplying advanced power electronics and control systems, licensing its highly engineered wind turbine designs, and providing extensive customer support services to wind turbine manufacturers. The Company records revenue based on a five-step model in accordance with Accounting Standards Codification ("ASC") 606. For its customer contracts, the Company identifies the performance obligations, determines the transaction price, allocates the contract transaction price to the performance obligations, and recognizes the revenue when (or as) control of goods or services is transferred to the customer. For the three and **six** nine months ended **September 30, December 31**, 2024, **90%** 87% and **89%** 88% of revenue, respectively, was recognized at the point in time when control transferred to the customer, with the remainder being recognized over time. For the three and **six** nine months ended **September 30, December 31**, 2023, **79%** 85% and **78%** 80% of revenue, respectively, was recognized at the point in time when control transferred to the customer, with the remainder being recognized over time.

In the Company's equipment and system product line, each contract with a customer summarizes each product sold to a customer, which typically represents distinct performance obligations. A contract's transaction price is allocated to each distinct performance obligation using the respective standalone selling price which is determined primarily using the cost-plus expected margin approach and recognized as revenue when, or as, the performance obligation is satisfied. The majority of the Company's product sales transfer control to the customer in line with the contracted delivery terms and revenue is recorded at the point in time when title and risk transfer to the customer, which is primarily upon delivery, as the Company has determined that this is the point in time that control transfers to the customer.

In the Company's service and technology development product line, there are several different types of transactions and each begins with a contract with a customer that summarizes each product sold to a customer, which typically represents distinct performance obligations. The technology development transactions are primarily for activities that have no alternative use and for which a profit can be expected throughout the life of the contract. In these cases, the revenue is recognized over time, but in the instances where the profit cannot be assured throughout the entire contract then the revenue is recognized at a point in time. Each contract's transaction price is allocated to each distinct performance obligation using the respective standalone selling price which is determined primarily using the cost-plus expected margin approach. The ongoing service transactions are for service contracts that provide benefit to the customer simultaneously as the Company performs its obligations, and therefore this revenue is recognized ratably over time throughout the effective period of these contracts. The transaction prices on these contracts are allocated based on an adjusted market approach which is re-assessed annually for reasonableness. The field service transactions include contracts for delivery of goods and completion of services made at the customer's requests, which are not deemed satisfied until the work has been completed and/or the requested goods have been delivered, so all of this revenue is recognized at the point in time when the control changes, and at allocated prices based on the adjusted market approach driven by standard price lists. The royalty transactions are related to certain contract terms on transactions in the Company's equipment and systems product line based on activity as specified in the contracts. The transaction prices of these agreements are calculated based on an adjusted market approach as specified in the contract. The Company reports royalty revenue for usage-based royalties when the sales have occurred. In circumstances when collectability is not assured and a contract does not exist under ASC 606, revenue is deferred until a non-refundable payment has been received for substantially all the amount that is due and there are no further remaining performance obligations.

The Company's service contracts can include a purchase order from a customer for specific goods in which each item is a distinct performance obligation satisfied at a point in time at which control of the goods is transferred to the customer. This transfer occurs based on the contracted delivery terms or when the requested service work has been completed. The transaction price for these goods is allocated based on the adjusted market approach considering similar transactions under similar circumstances. Service contracts are also derived from ongoing maintenance contracts and extended service-type warranty contracts. In these transactions, the Company is contracted to provide an ongoing service over a specified period of time. As the customer is consuming the benefits as the service is being provided, the revenue is recognized over time ratably.

The Company's policy is not to accept volume discounts, product returns, or rebates and allowances within its contracts. In the event a contract was approved with any of these terms, it would be evaluated for variable consideration, estimated and recorded as a reduction of revenue in the same period the related product revenue was recorded.

The Company provides assurance-type warranties on all product sales for a term of typically one to three years, and extended service-type warranties are available for purchase at the customer's option for an additional term ranging up to four additional years. The Company accrues for the estimated warranty costs for assurance warranties at the time of sale based on historical warranty experience plus any known or expected changes in warranty exposure. For all extended service-type warranties, the Company recognizes the revenue ratably over time during the effective period of the services.

The Company records revenue net of sales tax, value added tax, excise tax and other taxes collected concurrent with revenue-producing activities. The Company has elected to recognize the cost for freight and shipping when control over the products sold passes to customers and revenue is recognized. The Company has elected to recognize incremental costs of obtaining a contract as expense when incurred except in contracts where the amortization period would exceed twelve months. As of **September 30, December 31, 2024** and March 31, 2024, the Company's capitalized incremental contract costs were not material. The Company has elected not to adjust the promised amount of consideration for the effects of a significant financing component if the period of financing is twelve months or less. The Company has elected to recognize revenue based on the as invoiced practical expedient if there is a right to consideration from a customer in an amount that corresponds directly with the value of the Company's performance.

The Company's contracts with customers do not typically include extended payment terms and may include milestone billing over the life of the contract. Payment terms vary by contract type and type of customer and generally range from 30 to 60 days from delivery.

The following tables disaggregate the Company's revenue by product line and by shipment destination (in thousands):

Product Line:	Three Months Ended September 30, 2024		Six Months Ended September 30, 2024		Three Months Ended December 31, 2024		Nine Months Ended December 31, 2024	
	Grid		Wind		Grid		Wind	
	\$ 43,747	\$ 7,166	\$ 74,452	\$ 14,591	\$ 48,979	\$ 8,768	\$ 123,431	\$ 23,357
Equipment and systems	\$ 3,189	369	4,820	898	3,327	329	8,147	1,228
Services and technology development	\$ 46,936	\$ 7,535	\$ 79,272	\$ 15,489	\$ 52,306	\$ 9,097	\$ 131,578	\$ 24,585
Total								

Region:												
Americas	\$ 43,479	\$ 1	\$ 73,957	\$ 1	\$ 47,737	\$ —	\$ 121,696	\$ 1				
Asia Pacific	790	7,531	1,989	15,483	2,293	9,080	4,280	24,562				
EMEA	2,667	3	3,326	5	2,276	17	5,602	22				
Total	<u>\$ 46,936</u>	<u>\$ 7,535</u>	<u>\$ 79,272</u>	<u>\$ 15,489</u>	<u>\$ 52,306</u>	<u>\$ 9,097</u>	<u>\$ 131,578</u>	<u>\$ 24,585</u>				

Product Line:	Three Months Ended September 30, 2023		Six Months Ended September 30, 2023		Three Months Ended December 31, 2023		Nine Months Ended December 31, 2023	
	Grid		Wind		Grid		Wind	
	\$ 22,682	\$ 4,879	\$ 45,808	\$ 8,862	\$ 31,210	\$ 4,983	\$ 81,181	\$ 13,844
Equipment and systems	5,833	610	8,443	1,145	2,393	767	6,673	1,913
Total	<u>\$ 28,515</u>	<u>\$ 5,489</u>	<u>\$ 54,251</u>	<u>\$ 10,007</u>	<u>\$ 33,603</u>	<u>\$ 5,750</u>	<u>\$ 87,854</u>	<u>\$ 15,757</u>

Region:												
Americas	\$ 24,696	\$ 27	\$ 47,856	\$ 57	\$ 26,782	\$ 45	\$ 74,640	\$ 102				
Asia Pacific	3,418	5,462	5,129	9,928	3,704	5,660	8,832	15,587				
EMEA	401	-	1,266	22	3,117	45	4,382	68				
Total	<u>\$ 28,515</u>	<u>\$ 5,489</u>	<u>\$ 54,251</u>	<u>\$ 10,007</u>	<u>\$ 33,603</u>	<u>\$ 5,750</u>	<u>\$ 87,854</u>	<u>\$ 15,757</u>				

As of September 30, December 31, 2024 and 2023, the Company's contract assets and liabilities primarily relate to the timing differences between cash received from a customer in connection with contractual rights to invoicing and the timing of revenue recognition following completion of performance obligations. The Company's accounts receivable balance is made up entirely of customer contract related balances. Changes in the Company's contract assets, which are included in "Unbilled accounts receivable" and "Deferred program costs" (see Note 8, "Accounts Receivable" and Note 9, "Inventory" for a reconciliation to the condensed consolidated balance sheets) and "Contract liabilities", which are included in the current portion and long-term portion of "Deferred revenue" in the Company's condensed consolidated balance sheets, are as follows (in thousands):

	Unbilled Accounts Receivable	Deferred Program Costs	Contract Liabilities	Unbilled Accounts Receivable	Deferred Program Costs	Contract Liabilities
Beginning balance as of March 31, 2024	\$ 6,150	\$ 2,523	\$ 57,829	\$ 6,150	\$ 2,523	\$ 57,829
Increase for balance acquired	—	—	5,049	—	—	5,049
Increases for costs incurred to fulfill performance obligations	—	4,866	—	—	10,876	—
Increase (decrease) due to customer billings	(6,241)	—	70,133	(7,139)	—	96,400
Decrease due to cost recognition on completed performance obligations	—	(2,553)	—	—	(6,133)	—
Increase (decrease) due to recognition of revenue based on transfer of control of performance obligations	4,607	—	(52,084)	6,120	—	(75,410)
Other changes and FX impact	7	12	344	(18)	(11)	(540)
Ending balance as of September 30, 2024	<u>\$ 4,523</u>	<u>\$ 4,848</u>	<u>\$ 81,271</u>			
Ending balance as of December 31, 2024				\$ 5,113	\$ 7,255	\$ 83,328

	Unbilled Accounts Receivable	Deferred Program Costs	Contract Liabilities	Unbilled Accounts Receivable	Deferred Program Costs	Contract Liabilities
Beginning balance as of March 31, 2023	\$ 9,958	\$ 2,136	\$ 50,760	\$ 9,958	\$ 2,136	\$ 50,760
Increases for costs incurred to fulfill performance obligations	—	2,110	—	—	2,714	—
Increase (decrease) due to customer billings	(13,981)	—	34,284	(18,354)	—	55,018
Decrease due to cost recognition on completed performance obligations	—	(2,160)	—	—	(3,518)	—
Increase (decrease) due to recognition of revenue based on transfer of control of performance obligations	10,351	—	(25,710)	12,969	—	(46,190)
Other changes and FX impact	7	(11)	(288)	15	5	155
Ending balance as of September 30, 2023	<u>\$ 6,335</u>	<u>\$ 2,075</u>	<u>\$ 59,046</u>			

The Company's remaining performance obligations represent the unrecognized revenue value of the Company's contractual commitments. The Company's performance obligations may vary significantly each reporting period based on the timing of major new contractual commitments. As of **September 30, December 31, 2024**, the Company had outstanding performance obligations on existing contracts under ASC 606 to be recognized in the next twelve months of approximately **\$205.0** **\$204.2** million. There are also approximately **\$102.3** **\$96.6** million of outstanding performance obligations to be recognized over a period of thirteen to sixty months. The remaining performance obligations are subject to customer actions and therefore the timing of revenue recognition cannot be reasonably estimated.

The following table sets forth customers who represented 10% or more of the Company's total revenues for the three and **six nine** months ended **September 30, December 31, 2024** and 2023:

		Three Months Ended				Six Months Ended				Reportable	Three Months Ended		Nine Months Ended		
		Reportable		September 30,		Reportable		December 31,			December 31,		December 31,		
		Segment	2024	2023	Segment	2024	2023	Segment	2024		Segment	2024	2023	Segment	
Inox Wind Limited	Wind		12 %	12 %		14 %	12 %	Wind	10 %	11 %	Wind	13 %	12 %		
Gray Construction, Inc.	Grid		<10%	11%		<10%	<10%	Grid	14 %	<10%	Grid	<10%	<10%		
Innomotics LLC															

4. Stock-Based Compensation

The Company accounts for its stock-based compensation at fair value. The following table summarizes stock-based compensation expense by financial statement line item for the three and **six nine** months ended **September 30, December 31, 2024** and 2023 (in thousands):

	Three Months Ended September 30,				Six Months Ended September 30,				Three Months Ended December 31,		Nine Months Ended December 31,					
	2024		2023		2024		2023		2024	2023	2024	2023				
	\$	39	\$	59	\$	97	\$	169	\$	211	\$	62	\$	309	\$	230
Cost of revenues																
Research and development		113		156		256		311		442		158		697		469
Selling, general and administrative		691		896		1,719		1,988		2,208		920		3,927		2,909
Total		<u>\$ 843</u>		<u>\$ 1,111</u>		<u>\$ 2,072</u>		<u>\$ 2,468</u>		<u>\$ 2,861</u>		<u>\$ 1,140</u>		<u>\$ 4,933</u>		<u>\$ 3,608</u>

The Company issued **817,500** **30,000** shares and **842,500** **872,500** shares of restricted stock during the three and **six nine** months ended **September 30, December 31, 2024**, respectively. The Company issued no shares and 19,200 shares of immediately vested common stock during the three and **six nine** months ended **September 30, December 31, 2024**, respectively. The Company issued **9,000** **no** shares and 681,500 shares of restricted stock during the three and **six nine** months ended **September 30, December 31, 2023**, respectively. No shares of immediately vested common stock were issued during the three months ended **September 30, December 31, 2023** and 53,675 shares of immediately vested common stock **were issued** during the **six nine** months ended **September 30, December 31, 2023**. These restricted stock awards generally vest over 2-3 years. Awards for restricted stock include both time-based and performance-based awards. For options and restricted stock awards that vest upon the passage of time, expense is being recorded over the vesting period. Performance-based awards are expensed over the requisite service period based on probability of achievement.

The estimated fair value of the Company's stock-based awards, less expected annual forfeitures, is amortized over the awards' service period. There were no unrecognized compensation costs for unvested stock options as of **September 30, December 31, 2024**. The total unrecognized compensation cost for unvested outstanding restricted stock was **\$17.8** **18.2** million as of **September 30, December 31, 2024**. This expense will be recognized over a weighted-average expense period of approximately **1.8** **1.6** years.

The Company granted no stock options during the three and **six** **nine** months ended **September 30, December 31**, 2024 and 2023.

5. Computation of Net Income (Loss) per Common Share

Basic net income (loss) per share ("EPS") is computed by dividing net income (loss) by the weighted-average number of common shares outstanding for the period. Where applicable, diluted EPS is computed by dividing the net income by the weighted-average number of common shares and dilutive common equivalent shares outstanding during the period, calculated using the treasury stock method. Common equivalent shares include the effect of restricted stock, exercise of stock options and warrants and contingently issuable shares. Stock options and warrants that are out-of-the-money with exercise prices greater than the average market price of the underlying common shares and shares of performance-based restricted stock where the contingency was not met are excluded from the computation of diluted EPS as the effect of their inclusion would be anti-dilutive. For the three months ended **September 30, December 31**, 2024, **535,001** **475,971** shares were not included in the calculation of diluted EPS. Of these, **526,333** **475,971** were shares of performance-based restricted stock where the contingency was not met. Of the remaining shares, 652 shares relate to outstanding stock awards that were considered anti-dilutive, and 8,016 shares related to ESPP shares and were excluded as they were considered anti-dilutive. For the **six** **nine** months ended **September 30, December 31**, 2024, **479,341** **471,985** shares were not included in the calculation of diluted EPS. Of these, **469,667** **471,768** were shares of performance-based restricted stock where the contingency was not met. Of the remaining shares, 326 **217** shares relate to outstanding stock awards that were considered anti-dilutive, and 9,348 shares related to ESPP shares and were excluded as they were considered anti-dilutive. For each of the three and **six** **nine** months ended **September 30, December 31**, 2023, **1,036,206** **836,206** shares were not included in the calculation of diluted EPS. Of these, **1,000,000** **300,000** relate to shares associated with the contingent consideration derivative liability for which the contingency **has** **had** not yet been met, and 36,206 relate to outstanding stock options as they were considered anti-dilutive.

The following table reconciles the numerators and denominators of the earnings per share calculation for the three and **six** **nine** months ended **September 30, December 31**, 2024 and 2023 (in thousands, except per share data):

	Three Months Ended September 30,		Six Months Ended September 30,		Three Months Ended December 31,		Nine Months Ended December 31,	
	2024	2023	2024	2023	2024	2023	2024	2023
Numerator:								
Net income (loss)	\$ 4,887	\$ (2,485)	\$ 2,363	\$ (7,883)	\$ 2,465	\$ (1,649)	\$ 4,828	\$ (9,532)
Denominator:								
Weighted-average shares of common stock outstanding	37,931	30,283	37,463	29,996	39,450	30,547	38,127	30,180
Weighted-average shares subject to repurchase	(979)	(1,455)	(1,146)	(1,451)	(1,789)	(1,455)	(1,361)	(1,452)
Shares used in per-share calculation — basic	36,952	28,828	36,317	28,545	37,661	29,092	36,766	28,728
Shares used in per-share calculation — diluted	37,499	28,828	36,951	28,545	38,463	29,092	37,457	28,728
Net income (loss) per share — basic	\$ 0.13	\$ (0.09)	\$ 0.07	\$ (0.28)	\$ 0.07	\$ (0.06)	\$ 0.13	\$ (0.33)
Net income (loss) per share — diluted	\$ 0.13	\$ (0.09)	\$ 0.06	\$ (0.28)	\$ 0.06	\$ (0.06)	\$ 0.13	\$ (0.33)

6. Goodwill and Other Intangibles

Goodwill

Goodwill represents the difference between the purchase price and the fair value of the identifiable tangible and intangible net assets when accounted for using the purchase method of accounting. Goodwill is not amortized but reviewed for impairment. The Company's goodwill balance relates to the Megatran Acquisition in fiscal 2024, the Neeltran acquisition in fiscal 2021, the Northeast Power Systems, Inc. ("NEPSI") acquisition in fiscal 2020, and the acquisition of Infinia Technology Corporation in fiscal 2017 and is reported in the Grid business segment. Goodwill is reviewed annually on February 28th and whenever events or changes in circumstances indicate that the carrying value of the goodwill might not be recoverable. There were no changes to goodwill during the year ended March 31, 2024.

	Goodwill	Goodwill
March 31, 2024	\$ 43,471	\$ 43,471
Megatran Acquisition	5,479	5,479
September 30, 2024	\$ 48,950	\$ 48,950

December 31, 2024	\$ 48,950
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The Company did not record impairment in the three and **six** **nine** months ended **September 30, December 31, 2024** that would require interim impairment testing of **goodwill**.

Other Intangibles

Intangible assets at **September 30, December 31, 2024** and March 31, 2024 consisted of the following (in thousands):

	September 30, 2024			March 31, 2024				December 31, 2024			March 31, 2024			
	Gross Amount	Accumulated Amortization	Net Book Value	Gross Amount	Accumulated Amortization	Net Book Value	Estimated Useful Life	Gross Amount	Accumulated Amortization	Net Book Value	Gross Amount	Accumulated Amortization	Net Book Value	Estimated Useful Life
	Backlog	1,381	(856)	525	681	(681)	—	1,381	(1,118)	263	681	(681)	—	2
Trade name and trademarks	1,800	—	1,800	1,800	—	1,800	Indefinite	1,800	0	1,800	1,800	—	1,800	Indefinite
Customer relationships	10,880	(7,253)	3,627	9,600	(6,649)	2,951	7-10	10,880	(7,577)	3,303	9,600	(6,649)	2,951	7-10
Core technology and know-how	5,970	(4,593)	1,377	5,970	(4,352)	1,618	5-10	5,970	(4,714)	1,256	5,970	(4,352)	1,618	5-10
Intangible assets	\$ 20,031	\$ (12,702)	\$ 7,329	\$ 18,051	\$ (11,682)	\$ 6,369		\$ 20,031	\$ (13,409)	\$ 6,622	\$ 18,051	\$ (11,682)	\$ 6,369	

The Company recorded intangible amortization expense related to customer relationship and core technology and know-how of \$0.4 million and **\$0.8** **\$1.3** million in the three and **six** **nine** months ended **September 30, December 31, 2024**, respectively. The Company recorded intangible amortization expense related to customer relationship and core technology and know-how of \$0.5 million and **\$1.1** **\$1.6** million in the three and **six** **nine** months ended **September 30, December 31, 2023**, respectively. The Company recorded **\$0.2** **\$0.3** million and **\$0.4** million of intangible amortization in cost of revenue related to backlog during **both** the three and **six** **nine** months ended **September 30, December 31, 2024**, respectively. The Company recorded no amortization expense related to backlog during the three months ended **September 30, December 31, 2023** and less than \$0.1 million related to backlog was reported in cost of revenues during the **six** **nine** months ended **September 30, December 31, 2023**.

Expected future amortization expense related to intangible assets is as follows (in thousands):

Years ending March 31,	Total	Total
2025	1,413	
2025 (remaining)	706	
2026	1,349	1,349
2027	1,213	1,213
2028	671	671
2029	201	201
Thereafter	682	682
Total	\$ 5,529	\$ 4,822

The Company's intangible assets relate entirely to the Grid business segment operations in the United States.

7. Fair Value Measurements

A valuation hierarchy for disclosure of the inputs to valuation used to measure fair value has been established. This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 - Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 - Unobservable inputs that reflect the Company's assumptions that market participants would use in pricing the asset or liability. The Company develops these inputs based on the best information available, including its own data.

The Company provides a gross presentation of activity within Level 3 measurement roll-forward and details of transfers in and out of Level 1 and 2 measurements. A change in the hierarchy of an investment from its current level is reflected in the period during which the pricing methodology of such investment changes. Disclosure of the transfer of securities from Level 1 to Level 2 or Level 3 is made in the event that the related security is significant to total cash and investments. The Company did not have any transfers of assets and liabilities from Level 1, Level 2 or Level 3 of the fair value measurement hierarchy during the **six****three** or **nine** months ended **September 30, December 31**, 2024.

A financial asset's or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Valuation Techniques

Cash Equivalents

Cash equivalents consist of highly liquid instruments with maturities of three months or less that are regarded as high quality, low risk investments and are measured using such inputs as quoted prices and are classified within Level 1 of the valuation hierarchy. Cash equivalents consist principally of certificates of deposits and money market accounts.

Contingent Consideration

Contingent consideration related to the earnout payment set forth in the NEPSI Stock Purchase Agreement governing the acquisition of NEPSI provided that the selling stockholders may have received up to an additional 1,000,000 shares of common stock of the Company upon the achievement of certain specified revenue objectives over varying periods of up to four years following the NEPSI acquisition date which must have occurred by September 30, 2024. Contingent consideration related to the make whole payment set forth in the Megatran Stock Purchase Agreement provided that the selling stockholders would be made whole for any costs or taxes as a result of the orderly distribution process. **We classified contingent consideration related to certain acquisitions within level 3 of the fair value hierarchy because the fair value is derived using significant unobservable inputs, which include revenue risk premium and revenue volatility.** See Note 15, "Contingent Consideration" for further discussion. As of September 30, 2024, the Company **has had** settled all outstanding contingent consideration.

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The following table provides the assets and liabilities carried at fair value on a recurring basis, measured as of **September 30, December 31**, 2024 and March 31, 2024 (in thousands):

	Total Carrying Value	Quoted Prices in Active Markets (Level 1)			Significant Other Observable Inputs (Level 2)			Significant Unobservable Inputs (Level 3)			Quoted Prices in Active Markets (Level 1)			Significant Other Observable Inputs (Level 2)			Significant Unobservable Inputs (Level 3)		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)			
September 30, 2024:																			
December 31, 2024:																			
Assets:																			
Cash equivalents		\$ 41,731	\$ 41,731	\$ —	\$ —	\$ 52,495	\$ 52,495	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		

	Total Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2024				
Assets:				
Cash equivalents	\$ 72,832	\$ 72,832	\$ —	\$ —
Derivative liabilities:				
Contingent consideration	\$ 3,100	\$ —	\$ —	\$ 3,100

The table below reflects the activity for the Company's contingent consideration derivative liability measured at fair value on a recurring basis (in thousands):

	NEPSI Acquisition Contingent Consideration	Megatrak Acquisition Contingent Consideration	NEPSI Acquisition Contingent Consideration	Megatrak Acquisition Contingent Consideration
Balance at March 31, 2023	\$ 1,270	\$ —	\$ 1,270	\$ —
Change in fair value	4,922	—	3,052	—
Settlement of contingent consideration	(3,092)	—	(3,092)	—
Balance at December 31, 2023			\$ 1,230	\$ —
Balance at March 31, 2024	3,100	—	\$ 3,100	\$ —
Change in fair value	3,404	3,278	3,404	3,278
Settlement of contingent consideration	(6,504)	(3,278)	(6,504)	(3,278)
Balance at September 30, 2024	\$ —	\$ —	\$ —	\$ —
Balance at December 31, 2024			\$ —	\$ —

8. Accounts Receivable

Accounts receivable at **September 30**, **December 31**, 2024 and March 31, 2024 consisted of the following (in thousands):

	September 30, 2024	March 31, 2024	December 31, 2024	March 31, 2024
Accounts receivable (billed)	35,536	\$ 20,175	\$ 39,022	\$ 20,175
Accounts receivable (unbilled)	4,523	6,150	5,113	6,150
Accounts receivable	\$ 40,059	\$ 26,325	\$ 44,135	\$ 26,325

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9. Inventory

Inventory, net of reserves, at **September 30**, **December 31**, 2024 and March 31, 2024 consisted of the following (in thousands):

	September 30, 2024	March 31, 2024	December 31, 2024	March 31, 2024
Raw materials	\$ 37,336	\$ 20,622	\$ 38,013	\$ 20,622
Work-in-process	23,819	14,872	23,513	14,872
Finished goods	4,877	3,840	5,807	3,840
Deferred program costs	4,848	2,523	7,255	2,523
Net inventory	\$ 70,880	\$ 41,857	\$ 74,588	\$ 41,857

The Company recorded inventory write-downs of **\$0.3** **\$0.4** million and **\$0.7** **\$0.5** million for the three months ended **September 30**, **December 31**, 2024 and 2023, respectively. The Company recorded inventory write-downs of **\$0.8** **\$1.2** million and **\$1.1** **\$1.5** million for the **six** **nine** months ended **September 30**, **December 31**, 2024 and 2023, respectively. These write-downs were based on the Company's evaluation of its inventory on hand for excess quantities and obsolescence.

Deferred program costs as of **September 30, December 31, 2024** and March 31, 2024 primarily represent costs incurred on programs where the Company needs to complete performance obligations before the related revenue and costs will be recognized.

10. Prepaid and Other Current Assets

During fiscal 2022, the Company conducted an analysis as to whether it was entitled to employee retention credits ("ERC") under the CARES Act as amended by the Taxpayer Certainty and Disaster Tax Relief Act of 2020 and the American Rescue Plan Act of 2021. Based on the analysis, the Company determined that it was entitled to an ERC of approximately \$3.3 million related to payroll taxes paid in the first and second quarters of 2021 and the first quarter of 2020. The Company determined it met all the criteria required under the gross receipts test of the applicable Internal Revenue Service regulations related to ERCs.

As accounting for payroll tax credits are not within the scope of ASC 740, *Income Taxes*, the Company has chosen to account for the ERCs by analogizing to the International Accounting Standards Board IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*. In accordance with IAS 20, an entity recognizes government grants only when there is reasonable assurance that the entity will comply with the conditions attached to them and the grants will be received. The Company evaluated its eligibility for the ERC and determined that it met all the criteria to claim a refundable tax credit against the employer portion of Social Security taxes for up to 70% of the qualified wages the Company paid to employees for the three month periods ended March 31, 2021 and June 30, 2021 and for up to 50% of the qualified wages the Company paid to employees for the three month period ended March 31, 2020.

The Company recorded a \$3.3 million receivable in prepaid expenses and other current assets and a benefit of \$1.8 million to cost of revenues, \$0.8 million to selling, general, and administrative and \$0.7 million to research and development in the fiscal year ended March 31, 2023 for the ERC that was expected to be received based on the amended filings. During the year ended March 31, 2024, the Company received \$3.0 million for the initial claims that were processed. During the **six nine** months ended **September 30, December 31, 2024**, the Company did not receive any cash for the remaining \$0.3 million balance of initial claims that were processed. The remaining balance is expected to be received during the **remainder of fiscal 2024, 2025**.

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11. Property, Plant and Equipment

The cost and accumulated depreciation of property, plant and equipment at **September 30, December 31, 2024** and March 31, 2024 are as follows (in thousands):

	September 30, 2024	March 31, 2024	December 31, 2024	March 31, 2024
Land	\$ 22,650	\$ 980	\$ 22,650	\$ 980
Construction in progress – equipment	851	226	758	226
Buildings	7,445	5,416	7,524	5,416
Equipment and software	47,766	44,095	48,123	44,095
Furniture and fixtures	1,635	1,526	1,650	1,526
Leasehold improvements	7,813	6,990	7,823	6,990
Property, plant and equipment, gross	88,160	59,233	88,528	59,233
Less accumulated depreciation	(49,395)	(48,372)	(50,138)	(48,372)
Property, plant and equipment, net	\$ 38,765	\$ 10,861	\$ 38,390	\$ 10,861

Depreciation expense was **\$0.8 \$0.9** million and \$0.6 million for the three months ended **September 30, December 31, 2024** and 2023, respectively. Depreciation expense was **\$1.4 \$2.3** million and **\$1.2 \$1.7** million for the **six nine** months ended **September 30, December 31, 2024** and 2023, respectively. The increase in land relates to the property added as part of the Megatran Acquisition.

12. Equity-Method Investments

Investment in NWL Pacific Inc. Co., LTD

The Company has a 50% ownership in NWL Pacific Inc. Co., LTD ("NWL Pacific"). The investment represents the Company's interest in NWL Pacific. The investment is a joint venture in South Korea established on May 12, 1998.

The Company treats the equity investment in the condensed consolidated financial statements under the equity method. Equity method investments are equity securities in entities the Company does not control but over which it has the ability to exercise significant influence. These investments are accounted for under the equity method of accounting in accordance with ASC 323, *Investments — Equity Method and Joint Ventures*. Equity method investments are measured at cost minus impairment, if any, plus or minus the Company's share of an investee's income or loss, less distributions received. As of **September 30, December 31, 2024** the **Company** did not have material accounts receivable nor accounts payable balances **with** NWL Pacific.

The tables below present the summarized financial information from the date of acquisition through **September 30, December 31, 2024**, as provided to the Company by the investee, for the unconsolidated company (in thousands):

	2024	
	Three Months Ended	Nine Months Ended
	December 31,	December 31,
	2024	2024
Net Revenue	\$ 857	\$ 857
Gross Profit	308	308
Income from operation	157	157
Net income	\$ 148	\$ 148
Net Revenue	\$ 1,368	\$ 2,225
Gross Profit	492	800
Income from operation	161	318
Net income	\$ 152	\$ 299

13. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at **September 30, December 31, 2024** and March 31, 2024 consisted of the following (in thousands):

	September 30, 2024	March 31, 2024	December 31, 2024	March 31, 2024
Accounts payable	\$ 3,831	\$ 4,476	\$ 4,130	\$ 4,476
Accrued inventories in-transit	2,587	539	3,308	539
Accrued other miscellaneous expenses	3,983	2,366	3,602	2,366
Accrued contract loss	97	97	97	97
Advanced deposits	1,540	2,270	2,892	2,270
Accrued compensation	8,293	10,326	10,688	10,326
Income taxes payable	220	346	181	346
Accrued product warranty	3,110	2,363	3,043	2,363
Accrued commissions	1,497	1,452	1,484	1,452
Total	\$ 25,158	\$ 24,235	\$ 29,425	\$ 24,235

The Company generally provides a one to three year warranty on its products, commencing upon delivery or installation where applicable. A provision is recorded upon revenue recognition to cost of revenues for estimated warranty expense based on historical experience.

Product warranty activity was as follows (in thousands):

Three Months Ended September 30,		Six Months Ended September 30,		Three Months Ended December 31,		Nine Months Ended December 31,	
2024	2023	2024	2023	2024	2023	2024	2023

Balance at beginning of period	\$ 2,542	\$ 1,926	\$ 2,363	\$ 2,638	\$ 3,110	\$ 1,892	\$ 2,363	\$ 2,638
Acquired warranty obligations	637	—	637	—	—	—	637	—
Provisions for warranties during the period	298	644	774	852	348	360	1,122	1,212
Settlements during the period	(367)	(678)	(664)	(1,598)	(415)	(221)	(1,079)	(1,819)
Balance at end of period	\$ 3,110	\$ 1,892	\$ 3,110	\$ 1,892	\$ 3,043	\$ 2,031	\$ 3,043	\$ 2,031

14. Income Taxes

The Company recorded income tax benefit of \$5.0 million \$0.1 million and \$4.8 million \$4.9 million in the three and **six nine** months ended **September 30, December 31, 2024**, respectively, and income tax expense of \$0.1 million and \$0.2 million \$0.3 million in the three and **six nine** months ended **September 30, December 31, 2023**, respectively.

As a result of a difference in book and tax basis related to the intangible assets acquired in the Acquisition (see Note 2, "Acquisition"), the Company recorded a deferred tax liability of \$6.4 million. As a result, the Company was able to benefit from additional deferred tax assets and therefore released a corresponding valuation allowance of \$5.2 million during the **three nine** months ended **September 30, 2024, December 31, 2024**. The purchase price allocation is preliminary and has not been finalized as the analysis on the assets and liabilities acquired, primarily the tax related liability, may require further adjustments to the Company's purchase accounting that could result in measurement period adjustments that would impact the Company's reported net assets and goodwill as of August 1, 2024. Material changes, if any, to the preliminary allocation summarized in Note 2, "Acquisition" will be reported once the related uncertainties are resolved, but no later than August 1, 2025. Goodwill recognized in the Acquisition, is not deductible for tax purposes.

Accounting for income taxes requires a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if, based on the technical merits, it is more likely than not the position will be sustained upon audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. The Company re-evaluates these uncertain tax positions on a quarterly basis. The evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit and new audit activity. Any changes in these factors could result in the recognition of a tax benefit or an additional charge to the tax provision. The Company did not identify any uncertain tax positions in the **six nine** months ended **September 30, December 31, 2024** and did not have any gross unrecognized tax benefits as of **September 30, December 31, 2024**.

15. Contingent Consideration

NEPSI Contingent Considerations

On October 1, 2020 (the "NEPSI Acquisition Date"), the Company entered into a Stock Purchase Agreement (the "NEPSI Stock Purchase Agreement") with the selling stockholders named therein. Pursuant to the terms of the NEPSI Stock Purchase Agreement and concurrently with entering into such agreement, the Company acquired all of the issued and outstanding (i) shares of capital stock of NEPSI, and (ii) membership interests of Northeast Power Realty, LLC, a New York limited liability company, which holds the real property that serves as NEPSI's headquarters (the "NEPSI Acquisition"). NEPSI is a U.S.-based global provider of medium-voltage metal-enclosed power capacitor banks and harmonic filter banks for use on electric power systems. NEPSI is a wholly-owned subsidiary of the Company and is operated by its Grid business **unit, segment**. The purchase price was \$26.0 million in cash and 873,657 restricted shares of common stock of the Company. As part of the transaction, the selling stockholders were entitled to receive up to an additional 1,000,000 shares of common stock of the Company upon the achievement of certain specified revenue objectives during varying periods of up to four years following closing of the NEPSI Acquisition. During the year ended March 31, 2024, the Company issued 399,999 shares of common stock and cash in lieu of a fractional share of common stock, related to the achievement of specified revenue objectives in connection with the NEPSI Acquisition. NEPSI recognized revenues in excess of \$120.0 million during the four years after the NEPSI Acquisition Date. As a result, during the quarter ended September 30, 2024, the Company issued 300,000 shares of common stock of the Company

to the selling stockholders, following certification of the achievement of the specified earnout revenue objective. As of September 30, 2024, the Company ~~has had~~ settled all outstanding contingent consideration under the NEPSI Stock Purchase Agreement.

The Company evaluated the NEPSI Acquisition earnout payment set forth in the NEPSI Stock Purchase Agreement, which was expected to require settlement in the Company's common stock, and determined the contingent consideration qualified for liability classification and derivative treatment under ASC 815, *Derivatives and Hedging*. As a result, for each period, the periods in which the Company had outstanding contingent consideration, the fair value of the contingent consideration was remeasured and the resulting gain or loss was recognized in operating expenses until the share amount is fixed.

Megatran Contingent Consideration

On August 1, 2024, the Company entered into a Stock Purchase Agreement with the selling stockholders of Megatran named therein. Pursuant to the terms of the Stock Purchase Agreement and concurrently with entering into such agreement, the Company acquired all of the issued and outstanding shares of Megatran for aggregate consideration in an amount equal to \$61.4 million which consideration amount was subject to various adjustments set forth in the Stock Purchase Agreement. The value of the contingent consideration to make the sellers whole was determined to be de minimis at the time of the Acquisition. On September 23, 2024, the Company paid \$3.3 million to the selling stockholders, which was calculated based on the agreed upon formula set forth in the Stock Purchase Agreement. This amount is reflected as the change in fair value of this contingent consideration in the three and six months ended September 30, 2024. As of September 30, 2024, there ~~are~~ were no remaining obligations to the selling stockholders of Megatran. ~~In the three and six months ended September 30, 2024 the Company completed the payment of \$3.3 million to selling stockholders of Megatran to settle the remaining obligations of the acquisition.~~

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Following is a summary of the key assumptions used in a Monte Carlo simulation to calculate the fair value of the contingent consideration related to the NEPSI Acquisition:

	June 30,	
	2024	
Fiscal Year 2024		
Revenue risk premium	5.50 %	
Revenue volatility	27.5 %	
Stock Price	\$ 23.39	
Payment delay (days)	80	
Fair value (millions)	\$ 7.0	

	March 31,	December 31,	September 30,	June 30,	March 31,
	2024	2023	2023	2023	2023
Fiscal Year 2023					
Revenue risk premium	5.50 %	5.70 %	5.30 %	5.20 %	5.30 %
Revenue volatility	24.8 %	24.8 %	27.5 %	22.5 %	25 %
Stock Price	\$ 13.51	\$ 11.14	\$ 7.55	\$ 6.26	\$ 4.91
Payment delay (days)	80	80	80	80	80
Fair value (millions)	\$ 3.1	\$ 1.2	\$ 3.5	\$ 2.6	\$ 1.3

During the three and six nine months ended September 30, December 31, 2024, the Company issued 300,000 shares of common stock related to the achievement of specified revenue objectives at a fair value of \$6.5 million. The Company recorded a gain resulting from the decrease in fair value of \$0.5 million and a loss of \$3.4 million resulting from the increases in the fair value of the contingent consideration in the three and six nine months ended September 30, December 31, 2024, respectively. The Company recorded losses of \$0.9 million and \$2.2 million \$3.1 million resulting from the increases in the fair value of the contingent consideration in the three and six nine months ended September 30, December 31, 2023, respectively.

16. Debt

As part of the acquisition of Neeltran, the Company identified four equipment financing agreements that Neeltran had entered into prior to the acquisition of Neeltran on May 6, 2021. The Company did not have a current debt balance as of September 30, December 31, 2024 and had a balance of less than \$0.1 million as of March 31, 2024.

17. Leases

Operating Leases

All significant lease arrangements are recognized at lease commencement. Operating lease right-of-use assets and lease liabilities are recognized at commencement. The operating lease right-of-use asset includes any lease payments related to initial direct cost and prepayments and excludes any lease incentives. Lease expense is recognized on a straight-line basis over the lease term. The Company enters into a variety of operating lease agreements through the normal course of its business, but primarily real estate leases to support its operations. The real estate lease agreements generally provide for fixed minimum rental payments and the payment of real estate taxes and insurance. Many of these real estate leases have one or more renewal options that allow the Company, at its discretion, to renew the lease for varying periods up to five years or to terminate the lease. Only renewal options or termination rights that the Company believed were likely to be exercised were included in the lease calculations.

The Company also enters into leases for vehicles, IT equipment and service agreements, and other leases related to its manufacturing operations that are also included in the right-of-use assets and lease liability accounts if they are for a term of longer than twelve months. However, many of these leases are either short-term in nature or immaterial. The Company has made the policy election to exclude short-term leases from the condensed consolidated balance sheet.

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Finance Leases

As of **September 30**, **December 31**, 2024, the right-of-use asset related to the finance lease is fully amortized, and is included in the property and equipment, net on the Company's condensed consolidated balance sheet.

Finance lease right-of-use assets and lease liabilities are recognized similar to an operating lease, at the lease commencement date or the date the lessor makes the leased asset available for use. Finance lease right-of-use assets are generally amortized on a straight-line basis over the lease term, and the carrying amount of the finance lease liabilities are (1) accreted to reflect interest using the incremental borrowing rate if the rate implicit in the lease is not readily determinable, and (2) reduced to reflect lease payments made during the period. Amortization expense for finance lease right-of-use assets and interest accretion on finance lease liabilities are recorded to depreciation expense and interest expense, respectively in the Company's condensed consolidated statement of operations.

Supplemental balance sheet information related to leases at **September 30**, **December 31**, 2024, and March 31, 2024 are as follows (in thousands):

	September 30, 2024	March 31, 2024	December 31, 2024	March 31, 2024
Leases:				
Right-of-use assets – Operating	\$ 3,744	\$ 2,557	\$ 4,050	\$ 2,557
Total right-of-use assets	3,744	2,557	4,050	2,557
Lease liabilities – ST Operating	\$ 555	\$ 716	\$ 675	\$ 716
Lease liabilities – LT Operating	2,814	1,968	2,725	1,968
Total lease liabilities	<u>\$ 3,369</u>	<u>\$ 2,684</u>	<u>\$ 3,400</u>	<u>\$ 2,684</u>
Weighted-average remaining lease term	5.33	3.49	5.04	3.49
Weighted-average discount rate	14.84%	9.83%	14.81%	9.83%

The costs related to the Company's finance lease are not material. The costs related to the Company's operating leases for the three and **six** **nine** months ended **September 30**, **December 31**, 2024 and 2023 are as follows (in thousands):

	Three Months Ended	Six Months Ended	Three Months Ended	Nine Months Ended
	September 30, 2024	September 30, 2024	December 31, 2024	December 31, 2024
Operating Leases:				
Operating lease costs – fixed	\$ 336	\$ 645	\$ 407	\$ 1,052

Operating lease costs – variable	45	91	21	110
Short-term lease costs	39	78	38	116
Total lease costs	<u>\$ 420</u>	<u>\$ 814</u>	<u>\$ 466</u>	<u>\$ 1,278</u>

	Three Months Ended	Six Months Ended	Three Months Ended	Nine Months Ended
	September 30, 2023	September 30, 2023	December 31, 2023	December 31, 2023
Operating Leases:				
Operating lease costs – fixed	\$ 255	\$ 514	\$ 303	\$ 817
Operating lease costs – variable	40	79	39	119
Short-term lease costs	37	74	37	111
Total lease costs	<u>\$ 332</u>	<u>\$ 667</u>	<u>\$ 379</u>	<u>\$ 1,047</u>

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The Company's estimated minimum future lease obligations under the Company's leases are as follows (in thousands):

Year ending March 31,	Leases		Leases
2025		\$ 321	\$ 210
2025 (remaining)			
2026		1,113	1,005
2027		1,164	1,317
2028		805	793
2029		385	383
Thereafter		1,497	1,497
Total minimum lease payments		5,285	5,205
Less: interest		(1,916)	(1,805)
Present value of lease liabilities		<u>\$ 3,369</u>	<u>\$ 3,400</u>

18. Commitments and Contingencies

Legal Contingencies

From time to time, the Company is involved in legal and administrative proceedings and claims of various types. The Company records a liability in its condensed consolidated financial statements for these matters when a loss is known or considered probable and the amount can be reasonably estimated. The Company reviews these estimates each accounting period as additional information is known and adjusts the loss provision when appropriate. If a matter is both probable to result in a liability and the amounts of loss can be reasonably estimated, the Company estimates and discloses the possible loss or range of loss to the extent necessary to make the condensed consolidated financial statements not misleading. If the loss is not probable or cannot be reasonably estimated, a liability is not recorded in its condensed consolidated financial statements.

Other

The Company enters into long-term construction contracts with customers that require the Company to obtain performance bonds. The Company is required to deposit an amount equivalent to some or all the face amount of the performance bonds into an escrow account until the termination of the bond. When the performance conditions are met, amounts deposited as collateral for the performance bonds are returned to the Company. In addition, the Company has various contractual arrangements in which minimum quantities of goods or services have been committed to be purchased on an annual basis.

As of **September 30**, **December 31**, 2024, the Company had **\$1.5 million** **\$3.5 million** of restricted cash included in long-term assets and **\$1.2** **\$1.3** million of restricted cash included in current assets. As of March 31, 2024, the Company had **\$1.3** million of restricted cash included in long term assets and **\$0.5** million of restricted cash included in current assets. These amounts included in restricted cash primarily represent deposits to secure letters of credit for various supply contracts and long-term projects or collateral deposits. These deposits are held in interest bearing accounts.

19. Business Segments

The Company reports its financial results in two reportable business segments: Grid and Wind. In accordance with ASC 280, *Segment Reporting*, the Company aggregates **four** operating segments into **one** **the Grid** reporting **business** segment for financial reporting purposes due to their similar operating and financial characteristics. The Company's operating segments reflect the way in which internally-reported financial information is used to make decisions and allocate resources.

Through the Company's power grid offerings, the Grid business segment enables electric utilities, industrial facilities, and renewable energy project developers to connect, transmit and distribute smarter, cleaner and better power through its transmission planning services, power electronics, and superconductor-based systems. The sales process is enabled by transmission planning services that allow it to identify power grid congestion, poor power quality and other risks, which helps the Company determine how its solutions can improve network performance. These services often lead to sales of grid interconnection solutions for wind farms and solar power plants, power quality systems, and transmission and distribution cable systems. The Company also sells ship protection products to the U.S. Navy through its Grid business segment.

Through the Company's wind power offerings, the Wind business segment enables manufacturers to field highly competitive wind turbines through its advanced power electronics and control system products, engineered designs, and support services. The Company supplies advanced power electronics and control systems, licenses its highly engineered wind turbine designs, and provides extensive customer support services to wind turbine manufacturers. The Company's design portfolio includes a broad range of drive trains and power ratings of 2 megawatts ("MWs") and higher. The Company provides a broad range of power electronics and software-based control systems that are highly integrated and designed for optimized performance, efficiency, and grid compatibility.

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The operating results for the two business segments are as follows (in thousands):

	Three Months Ended September 30,				Six Months Ended September 30,				Three Months Ended December 31,		Nine Months Ended December 31,	
	2024		2023		2024		2023		2024	2023	2024	2023
	Revenues:		Revenues:		Revenues:		Revenues:		Revenues:		Revenues:	
Grid	\$ 46,936	\$ 28,515	\$ 79,272	\$ 54,251	\$ 52,306	\$ 33,603	\$ 131,578	\$ 87,854				
Wind	7,535	5,489	15,489	10,007	9,097	5,750	24,585	15,757				
Total	\$ 54,471	\$ 34,004	\$ 94,761	\$ 64,258	\$ 61,403	\$ 39,353	\$ 156,163	\$ 103,611				
Operating income (loss):												
Grid	\$ 2,336	\$ (679)	\$ 3,195	\$ (2,649)	\$ 2,819	\$ 268	\$ 6,014	\$ (2,383)				
Wind	516	252	1,515	(398)	1,362	286	2,877	(112)				
Unallocated corporate expenses	(3,605)	(1,942)	(8,753)	(4,655)	(2,866)	(1,992)	(11,621)	(6,646)				
Total	\$ (753)	\$ (2,369)	\$ (4,043)	\$ (7,702)	\$ 1,315	\$ (1,438)	\$ (2,730)	\$ (9,141)				

The accounting policies of the business segments are the same as those for the consolidated Company. The Company's business segments have been determined in accordance with the Company's internal management structure, which is organized based on operating activities. The Company evaluates performance based upon several factors, of which the primary financial measures are segment revenues and segment operating **loss****income (loss)**. The disaggregated financial results of the segments reflect allocation of

certain functional expense categories consistent with the basis and manner in which Company management internally disaggregates financial information for the purpose of assisting in making internal operating decisions. In addition, certain corporate expenses which the Company does not believe are specifically attributable or allocable to either of the two business segments have been excluded from the segment operating loss, income (loss).

Unallocated corporate expenses consisted of net losses resulting from activity relating to both the NEPSI earnout and the Megatran make whole payment which resulted in \$2.8 million and \$6.7 million in increases in the fair value of contingent consideration in the three and six months ended September 30, December 31, 2024, respectively. Unallocated corporate expenses consisted of a loss on contingent consideration of \$0.9 million and \$2.2 million in the three and six months ended September 30, December 31, 2023, respectively. Additionally, unallocated corporate expenses consisted of stock-based compensation expense of \$0.8 million and \$2.1 million in the three and six months ended September 30, December 31, 2024, respectively, and \$1.1 million and \$2.5 million in the three and six months ended September 30, December 31, 2023, respectively.

Total assets for the two business segments as of September 30, December 31, 2024 and March 31, 2024, are as follows (in thousands):

	September 30, 2024	March 31, 2024	December 31, 2024	March 31, 2024
Grid	\$ 212,985	\$ 125,878	\$ 212,583	\$ 125,878
Wind	11,475	14,733	17,729	14,733
Corporate assets	73,988	92,160	79,966	92,160
Total	<u>\$ 298,448</u>	<u>\$ 232,771</u>	<u>\$ 310,278</u>	<u>\$ 232,771</u>

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20. Recent Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The amendments in ASU 2023-07 improve the disclosures about a public entity's reportable segments and address requests from investors for additional, more detailed information about a reportable segment's expenses. Following the release of ASU 2023-07 in November 2023, the effective date will be annual reporting periods beginning after December 15, 2024. As of September 30, December 31, 2024, the Company is evaluating the impact on its condensed consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments in ASU 2023-09 address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. Following the release of ASU 2023-09 in December 2023, the effective date will be annual reporting periods beginning after December 15, 2024. As of September 30, December 31, 2024, the Company is evaluating the impact on its condensed consolidated financial statements.

In March 2024, the FASB issued ASU 2024-02, *Codification Improvements—Amendments to Remove References to the Concepts Statements*. The amendments in ASU 2024-02 contain amendments to the Codification that remove references to various FASB Concepts Statements. Following the release of ASU 2024-02 in March 2024, the effective date will be annual reporting periods beginning after December 15, 2024. As of September 30, December 31, 2024, the Company is evaluating the impact on its condensed consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures*. The amendments in ASU 2024-03 address investor requests for more disclosure of disaggregated financial reporting information about expenses presented in the income statement. Following the release of ASU 2024-03 in November 2024, the effective date will be annual reporting periods beginning after December 15, 2026. As of December 31, 2024, the Company is evaluating the impact on its condensed consolidated financial statements.

21. Subsequent Events

The Company has performed an evaluation of subsequent events through the time of filing this Quarterly Report on Form 10-Q with the SEC and has determined that there are no such events to report.

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AMERICAN SUPERCONDUCTOR CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). For this purpose, any statements contained herein that relate to future events or conditions, including without limitation, the statements in Part II, "Item 1A. Risk Factors" and in Part I under "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and located elsewhere herein regarding industry prospects, our prospective results of operations or financial position, the benefits from our acquisition of Megatran Industries, Inc. ("Megatran") together with its wholly-owned subsidiaries and affiliates, changes in macroeconomic and market conditions, **including inflationary pressure and impacts from sourcing, production disruption, material delays and global supply chain disruptions anticipated payment of ERC's (as defined herein)**, and adoption of accounting changes may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," and similar expressions are intended to identify forward-looking statements. Such forward-looking statements represent management's current expectations and are inherently uncertain. There are a number of important factors that could materially impact the value of our common stock or cause actual results to differ materially from those indicated by such forward-looking statements. These important factors include, but are not limited to: We have a history of operating losses, which may continue in the future. Our operating results may fluctuate significantly from quarter to quarter and may fall below expectations in any particular fiscal quarter; We have a history of negative operating cash flows, and we may require additional financing in the future, which may not be available to us; Our technology and products could infringe intellectual property rights of others, which may require costly litigation and, if we are not successful, could cause us to pay substantial damages and disrupt our business; Changes in exchange rates could adversely affect our results of operations; We may be required to issue performance bonds or provide letters of credit, which restricts our ability to access any cash used as collateral for the bonds or letters of credit; If we fail to maintain proper and effective internal control over financial reporting, our ability to produce accurate and timely financial statements could be impaired and may lead investors and other users to lose confidence in our financial data; We may not realize all of the sales expected from our backlog of orders and contracts; Our contracts with the U.S. government are subject to audit, modification or termination by the U.S. government and include certain other provisions in favor of the government. The continued funding of such contracts remains subject to annual congressional appropriation, which, if not approved, could reduce our revenue and lower or eliminate our profit; Changes in U.S. government defense spending could negatively impact our financial position, results of operations, liquidity and overall business; Pandemics, epidemics or other public health crises may adversely impact our business, financial condition and results of operations; We rely upon third-party suppliers for the components and subassemblies of many of our Grid and Wind products, making us vulnerable to supply shortages and price fluctuations, which could harm our business; Uncertainty surrounding our prospects and financial condition may have an adverse effect on our customer and supplier relationship; Our success is dependent upon attracting and retaining qualified personnel and our inability to do so could significantly damage our business and prospects; A significant portion of our Wind **business** segment revenues are derived from a single customer. If this customer's business is negatively affected, it could adversely impact our business; Our success in addressing the wind energy market is dependent on the manufacturers that license our designs; Our business and operations would be adversely impacted in the event of a failure or security breach of our or any critical third parties' information technology infrastructure and networks; We may acquire additional complementary businesses or technologies, which may require us to incur substantial costs for which we may never realize the anticipated benefits; Failure to comply with evolving data privacy and data protection laws and regulations or to otherwise protect personal data, may adversely impact our business and financial results; Many of our revenue opportunities are dependent upon subcontractors and other business collaborators; If we fail to implement our business strategy successfully, our financial performance could be harmed; Problems with product quality or product performance may cause us to incur warranty expenses and may damage our market reputation and prevent us from achieving increased sales and market share; Many of our customers outside of the United States may be either directly or indirectly related to governmental entities, and we could be adversely affected by violations of the United States Foreign Corrupt Practices Act and similar worldwide anti-bribery laws outside the United States; We have had limited success marketing and selling our superconductor products and system-level solutions, and our failure to more broadly market and sell our products and solutions could lower our revenue and cash flow; We or third parties on whom we depend may be adversely affected by natural disasters, including events resulting from climate change, and our business continuity and disaster recovery plans may not adequately protect us or our value chain from such events; Adverse changes in domestic and global economic conditions could adversely affect our operating results; Our international operations are subject to risks that we do not face in the United States, which could have an adverse effect on our operating results; Our products face competition, which could limit our ability to acquire or retain customers; We have operations in, and depend on sales in, emerging markets, including India, and global conditions could negatively affect our operating results or limit our ability to expand our operations outside of these markets. Changes in India's political, social, regulatory and economic environment may affect our financial performance; Our success depends upon the commercial adoption of the REG system, which is currently limited, and a widespread commercial market for our products may not develop; Industry consolidation could result in more powerful competitors and fewer customers; Increasing focus and scrutiny on environmental sustainability and social initiatives could increase our costs, and inaction could harm our reputation and adversely impact our financial results; Growth of the wind energy market depends largely on the availability and size of government subsidies, economic incentives and legislative programs designed to support the growth of wind energy: Lower prices for other energy sources may reduce the demand for wind energy development, which could have a material adverse effect on our ability to grow our Wind business; We may be unable to adequately prevent disclosure of trade secrets and other proprietary information; Our patents may not provide meaningful or long-term protection for our technology, which could result in us losing some or all of our market position; There are a number of technological challenges that must be successfully addressed before our superconductor products can gain widespread commercial acceptance, and our inability to address such technological challenges could adversely affect our ability to acquire customers for our products; Third parties have or may acquire patents that cover the materials, processes and technologies we use or may use in the future to manufacture our Amperium products, and our success depends on our ability to license such patents or other proprietary rights; Our common stock has experienced, and may continue to experience, market price and volume fluctuations, which may prevent our stockholders from selling our common stock at a profit and could lead to costly litigation against us that could divert our management's attention; Unfavorable results of legal proceedings could have a material adverse effect on our business, operating results and financial condition; and the other important factors discussed under the caption "Risk Factors" in Part 1. Item 1A of our Form 10-K for the fiscal year ended March 31, 2024, and our other reports filed with the SEC. These important factors, among others, could cause actual results to differ materially from those indicated by forward-looking statements made herein and presented elsewhere by management from time to time. Any such forward-looking statements represent management's estimates as of the date of this press release. While we may elect to update such forward-looking statements at some point in the future, we disclaim any obligation to do so, even if subsequent events cause our views to change. These forward-looking statements should not be relied upon as representing our views as of any date subsequent to the date of this Quarterly Report on Form 10-Q.

American Superconductor®, Amperium®, AMSC®, D-VAR®, PowerModule™, D-VAR VVO®, PQ-IVR®, SeaTitan®, Gridtec™ Solutions, Windtec™ Solutions, Smarter, Cleaner...Better Energy™, orchestrate the rhythm and harmony of power on the grid™, actiVAR®, armorVAR™, NEPSI™ and Neeltran™ and SafetyLOCK™ are trademarks or registered trademarks of American Superconductor Corporation or our subsidiaries. We reserve all of our rights with respect to our trademarks or registered trademarks regardless of whether they are so designated in this Quarterly Report on Form 10-Q by an ® or ™ symbol. All other brand names, product names, trademarks or service marks appearing in this Quarterly Report on Form 10-Q are the property of their respective holders.

Executive Overview

We are a leading system provider of megawatt-scale power resiliency solutions that orchestrate the rhythm and harmony of power on the grid™, and protect and expand the capability of our Navy's fleet. Our solutions enhance the performance of the power grid, protect our Navy's fleet, and lower the cost of wind power. In the power grid market, we enable electric utilities, industrial facilities, and renewable energy project developers to connect, transmit and distribute smarter, cleaner and better power through our transmission planning services and power electronics and superconductor-based systems. In the wind power market, we enable manufacturers to field highly competitive wind turbines through our advanced power electronics and control system products, engineering, and support services. Our power grid and wind products and services provide exceptional reliability, security, efficiency and affordability to our customers.

Our power system solutions help to improve energy efficiency, alleviate power grid capacity constraints, improve system resiliency, and increase the adoption of renewable energy generation. Demand for our solutions is driven by the growing needs for modernized smart grids that improve power reliability, security and quality, the U.S. Navy's effort to upgrade onboard power systems to support fleet electrification, and the needs for increased renewable sources of electricity, such as wind and solar energy. Concerns about these factors have led to increased spending by corporations and the military, as well as supportive government regulations and initiatives on local, state, and national levels, including renewable portfolio standards, tax incentives and international treaties.

We manufacture products using two proprietary core technologies: PowerModule™ programmable power electronic converters and our Amperium® high temperature superconductor ("HTS") wires. These technologies and our system-level solutions are protected by a robust intellectual property portfolio consisting of patents and patent applications worldwide and rights through exclusive and non-exclusive licenses.

We operate our business under two market-facing business **units**: **segments**: Grid and Wind. We believe this market-centric structure enables us to more effectively anticipate and meet the needs of power generation project developers, the Navy's ship protection systems, electric utilities and wind turbine manufacturers.

- *Grid.* Through our Gridtec™ Solutions, our Grid business segment enables electric utilities, industrial facilities, and renewable energy project developers to connect, transmit and distribute power with exceptional efficiency, reliability, security and affordability. We provide transmission planning services that allow us to identify power grid congestion, poor power quality, and other risks, which help us determine how our solutions can improve network performance. These services often lead to sales of our grid interconnection solutions for wind farms and solar power plants, power quality systems and transmission and distribution cable systems. We also sell ship protection products to the U.S. Navy through our Grid business segment.
- *Wind.* Through our Windtec™ Solutions, our Wind business segment enables manufacturers to field wind turbines with exceptional power output, reliability and affordability. We supply advanced power electronics and control systems, license our highly engineered wind turbine designs, and provide extensive customer support services to wind turbine manufacturers. Our design portfolio includes a broad range of drivetrains and power ratings of 2 megawatts ("MWs") and higher. We provide a broad range of power electronics and software-based control systems that are highly integrated and designed for optimized performance, efficiency, and grid compatibility.

Our fiscal year begins on April 1 and ends on March 31. When we refer to a particular fiscal year, we are referring to the fiscal year that began on April 1 of that same year. For example, fiscal 2024 refers to the fiscal year that began on April 1, 2024. Other fiscal years follow similarly.

We continue to experience some inflationary pressure in our supply chain and some delays in sourcing materials needed for our products, resulting in some production disruption, both of which have increased our cost of revenues and decreased gross margin. While the impact of inflation has been challenging, we continue to take actions to limit this pressure including adjusting the pricing of our products and services. Changes in macroeconomic conditions arising from various reasons, such as the ongoing wars between Russia and Ukraine and Israel and Hamas, inflation, rising interest rates, labor force availability, sourcing, material delays and global supply chain disruptions, could have a material adverse effect on the Company's business, financial condition and results of operations.

In February 2023, we completed the process of determining and verifying our eligibility and amount of payroll tax credits known as the Employee Retention Credit ("ERC") under the CARES Act which Congress enacted as part of the Taxpayer Certainty and Disaster Tax Relief Act of 2020. This resulted in filing certain amended payroll tax forms for eligible quarters in 2020 and 2021, which, in the aggregate, totaled \$3.3 million. We recognized a receivable in prepaid expenses and other current assets and a benefit to cost of revenues and operating expenses in the quarter ended March 31, 2023. In the year ended March 31, 2024, the Company **we** received \$3.0 million in payments for the initial claims that were processed. The remaining balance is expected to be **paid** **received** during fiscal **2024, 2025**.

On February 2, 2024, we completed an offering of 6,210,000 shares of our common stock at a public offering price of \$11.25 per share under our then-existing Registration Statement on Form S-3. We received net proceeds of approximately \$65.2 million after deducting underwriting discounts and commissions and offering expenses. See Note 1, "Nature of the Business and Operations and Liquidity," for further information about this offering.

On August 1, 2024, we entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") with the selling stockholders named therein. Pursuant to the terms of the Stock Purchase Agreement and concurrently with entering into such agreement, **the Company** **we** acquired all of the issued and outstanding shares of Megatran, for aggregate consideration in an amount equal to \$61.4 million, as may be adjusted pursuant to the Stock Purchase Agreement (the "Purchase Price"), including a cash payment after closing of \$5.0 million, as adjusted pursuant to Sections 5.6(c), (d), and (f) of the Stock Purchase Agreement (the "Additional Cash Purchase Price"). At closing, we paid to Megatran's selling stockholders \$25.0 million in cash on hand, and 1,297,600 restricted shares of our common stock. On September 23, 2024, **the Company** **we** paid the Additional Cash Purchase Price to the selling stockholders, which was calculated based on the agreed upon formula set forth in the Stock Purchase Agreement, in the amount of \$8.3 million, **which includes the Additional Cash Purchase Price and the make whole payment.** Megatran's wholly-owned subsidiary, NWL, Inc. ("NWL"), is a U.S.-based global provider of engineered power conversion solutions for demanding industrial and military applications. As a result of this transaction, Megatran became a wholly-owned subsidiary and is operated by our Grid business **unit**, **segment**.

Critical Accounting Policies and Estimates

The preparation of the unaudited condensed consolidated financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and various other assumptions that are believed to be 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. Actual results may differ under different assumptions or conditions.

Equity Method Investments

We treat the equity investment in the condensed consolidated financial statements under the equity method. Equity method investments are equity securities in entities we do not control but over which we have the ability to exercise significant influence. These investments are accounted for under the equity method of accounting in accordance with ASC 323, *Investments — Equity Method and Joint Ventures*. Equity method investments are measured at cost minus impairment, if any, plus or minus the Company's share of an investee's income or loss, less distributions received. Other than those noted here, there were no significant changes in the critical accounting policies that were disclosed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2024.

Results of Operations

Three and six nine months ended September 30, December 31, 2024, compared to the three and six nine months ended September 30, 2023 December 31, 2023

Revenues

Total revenues increased **50% 56%** to **\$54.5 \$61.4** million for the three months ended **September 30, 2024 December 31, 2024** and total revenues increased **47% 51%** to **\$94.8 \$156.2** million for the **six nine** months ended **September 30, 2024 December 31, 2024**, compared to **\$34.0 \$39.4** million and **\$103.6 million** and **\$64.3 million** for the three and **six nine** months ended **September 30, 2023 December 31, 2023**, respectively. Our revenues are summarized as follows (in thousands):

	Three Months Ended				Six Months Ended September				Three Months		Nine Months Ended	
	September 30,		30,		December		December 31,		December 31,		December 31,	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Revenues:												
Grid	\$ 46,936	\$ 28,515	\$ 79,272	\$ 54,251	\$ 52,306	\$ 33,603	\$ 131,578	\$ 87,854				
Wind	7,535	5,489	15,489	10,007	9,097	5,750	24,585	15,757				
Total	\$ 54,471	\$ 34,004	\$ 94,761	\$ 64,258	\$ 61,403	\$ 39,353	\$ 156,163	\$ 103,611				

Our Grid business **unit**, **segment** accounted for **86% 85%** and 84% of total revenues for the three and **six nine** months ended **September 30, 2024 December 31, 2024**, respectively, compared to **84% 85%** for each of the three and **six nine** months ended **September 30, 2023 December 31, 2023**. Our Grid business **unit**, **segment** revenues increased **65% 56%** to **\$46.9 million \$52.3 million** in the three months ended **September 30, 2024 December 31, 2024**, from **\$28.5 million \$33.6 million** in the three months ended **September 30, 2023 December 31, 2023**. Our Grid business **unit**, **segment** revenues increased **46% 50%** to **\$79.3 \$131.6 million** in the **six nine** months ended **September 30, 2024 December 31, 2024**, from **\$54.3 \$87.9 million** in the **six nine** months ended **September 30, 2023 December 31, 2023**. The increase in the Grid business **unit**, **segment** revenues

in the three and **six** nine months ended **September 30, 2024** **December 31, 2024**, compared to the three and **six** nine months ended **September 30, 2023** **December 31, 2023** was primarily driven by the acquisition of Megatran and increased shipments of new energy power systems than in the prior year periods.

Our Wind business **unit** segment accounted for **14%** **15%** and 16% of total revenues for the three and **six** nine months ended **September 30, 2024** **December 31, 2024**, respectively, compared to **16%** **15%** for each of the three and **six** nine months ended **September 30, 2023** **December 31, 2023**. Revenues in the Wind business **unit** segment increased **37%** **58%** and **55%** **56%** to **\$7.5 million** **\$9.1 million** and **\$15.5 million** **\$24.6 million** in the three and **six** nine months ended **September 30, 2024** **December 31, 2024**, respectively, from **\$5.5 million** **\$5.8 million** and **\$10.0 million** **\$15.8 million** in the three and **six** nine months ended **September 30, 2023** **December 31, 2023**, respectively. The increase during the three and **six** nine months ended **September 30, 2024** **December 31, 2024**, compared to the three and **six** nine months ended **September 30, 2023** **December 31, 2023**, was driven by additional shipments of electrical control systems ("ECS") at increased prices.

Cost of Revenues and Gross Margin

Cost of revenues increased by 53% to **\$38.9 million** **\$45.1 million** for the three months ended **September 30, December 31, 2024**, compared to **\$25.4 million** **\$29.4 million** for the three months ended **September 30, December 31, 2023**. Cost of revenues increased by **35%** **42%** to **\$66.9 million** **\$112.0 million** for the **six** nine months ended **September 30, December 31, 2024**, compared to **\$49.4 million** **\$78.8 million** for the **six** nine months ended **September 30, December 31, 2023**. Gross margin was **29%** **27%** and **29%** **28%** for the three and **six** nine months ended **September 30, December 31, 2024**, respectively, compared to 25% and **23%** **24%** for the three and **six** nine months ended **September 30, December 31, 2023**, respectively. Cost of revenues includes total amortization expense of **\$0.2 million** and **\$0.4 million** in the three and **nine** months ended **September 30, 2024**, **December 31, 2024**, as a result of the Megatran acquired backlog intangible assets. In addition, a charge of **\$0.4 million** and **\$0.7 million** related to a fair value purchase adjustment of approximately **\$0.7 million** for the step-up basis assigned to acquired inventory to properly reflect the fair value in purchase accounting. Of this adjustment, **\$0.3 million** accounting was charged to cost of revenues in the three and **nine** months ended **September 30, 2024** **December 31, 2024**, when the inventory sold. The increase in gross margin in the three and **six** nine months ended **September 30, 2024** **December 31, 2024** was due to higher revenues, a favorable product mix and favorable impacts across the business due to pricing increases across our product lines.

Operating Expenses

Research and development

Research and development ("R&D") expenses increased **61%** **36%** and **41%** **39%** in the three and **six** nine months ended **September 30, 2024** **December 31, 2024**, respectively, to **\$2.6 million** **\$3.0 million** and **\$4.9 million** **\$7.9 million** from **\$1.6 million** **\$2.2 million** and **\$3.5 million** **\$5.7 million** in the three and **six** nine months ended **September 30, 2023** **December 31, 2023**, respectively. The increase in the three and **nine** months ended December 31, 2024 was driven primarily by the addition of Megatran R&D expenses, higher overall compensation expense and additional supplies and materials, stock-based compensation expense.

Selling, general, and administrative

Selling, general and administrative ("SG&A") expenses increased **32%** **48%** and **23%** **31%** in the three and **six** nine months ended **September 30, December 31, 2024**, respectively, to **\$10.5 million** **\$11.6 million** and **\$19.4 million** **\$31.0 million** from **\$7.9 million** **\$7.8 million** and **\$15.8 million** **\$23.6 million** in the three and **six** nine months ended **September 30, December 31, 2023**, respectively. The increase in SG&A expense in the three and **six** months ended **September 30, 2024**, respectively, December 31, 2024 was driven primarily by the addition of Megatran SG&A expenses, higher overall compensation expense and additional stock-based compensation expense. The increase in the **nine** months ended December 31, 2024 was due to the addition of Megatran SG&A expenses, higher overall compensation expense, additional stock-based compensation expense, and higher acquisition costs.

Amortization of acquisition related intangibles

We recorded amortization expense related to our core technology and know-how, customer relationships, and other intangible assets of **\$0.4 million** and **\$0.8 million** in the three and **six** nine months ended **September 30, December 31, 2024**, respectively, and **\$0.5 million** and **\$1.1 million** in the three and **six** nine months ended **September 30, December 31, 2023**, respectively. The decrease in amortization expense is a result of using the economic consumption method as the basis to amortize the acquired customer relationship intangible assets from Northeast Power Systems, Inc. ("NEPSI") and Neeltran.

Change in fair value of contingent consideration

The change in fair value of our contingent consideration for the earnout payment on the acquisition of NEPSI resulted in a gain of **\$0.5 million** from a decrease in fair value and a loss of **\$3.4 million** resulting from an increase in fair value in the three and **six** nine months ended **September 30, 2024**, respectively, December 31, 2024. During the three and **six** months ended September 30, 2024, we issued 300,000 shares of common stock of the Company to the selling stockholders following certification of the achievement of specified earnout revenue objectives. We recorded the above noted changes, compared to losses of **\$0.9 million** and **\$2.2 million** **\$3.1 million** in the three and **six** nine months ended

September 30, 2023 December 31, 2023, respectively. We also recorded a \$3.3 million payment relating to the Megatran acquisition, as a payment to settle the remaining obligations after the acquisition. The value of this contingent consideration was de minimis at the Acquisition Date and the resulting change in fair value was recorded in September during the three and six nine months ended September 30, 2024 December 31, 2024.

Operating income (loss)

Our operating income (loss) is summarized as follows (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,		Three Months Ended December 31,		Nine Months Ended December 31,	
	2024	2023	2024	2023	2024	2023	2024	2023
Operating income (loss):								
Grid	\$ 2,336	\$ (679)	\$ 3,195	\$ (2,649)	\$ 2,819	\$ 268	\$ 6,014	\$ (2,383)
Wind	516	252	1,515	(398)	1,362	286	2,877	(112)
Unallocated corporate expenses	(3,605)	(1,942)	(8,753)	(4,655)	(2,866)	(1,992)	(11,621)	(6,646)
Total	\$ (753)	\$ (2,369)	\$ (4,043)	\$ (7,702)	\$ 1,315	\$ (1,438)	\$ (2,730)	\$ (9,141)

Our Grid business segment generated operating income of \$2.3 \$2.8 million and \$3.2 \$6.0 million in the three and six nine months ended September 30, December 31, 2024, respectively, compared to operating losses income of \$0.7 \$0.3 million and \$2.6 operating loss of \$2.4 million in the three and six nine months ended September 30, December 31, 2023, respectively. The increase in the Grid business unit segment operating income in the three and six nine months ended September 30, 2024 December 31, 2024 was due to higher revenues and gross margins in part due to a favorable product mix.

Our Wind business segment generated operating income of \$0.5 \$1.4 million and \$1.5 \$2.9 million in the three and six nine months ended September 30, December 31, 2024, respectively, compared to operating income of \$0.3 million and operating loss of \$0.4 \$0.1 million in the three and six nine months ended September 30, December 31, 2023, respectively. The improvement in the Wind business unit segment operating income in the three and six nine months ended September 30, 2024 December 31, 2024 was due to higher revenues and gross margins from increased sales of ECS units.

Unallocated corporate expenses included net losses on contingent consideration of \$2.8 million and \$6.7 million in the three and six nine months ended September 30, 2024 December 31, 2024, respectively, and net losses on contingent consideration of \$0.9 million and \$2.2 million \$3.1 million in the three and six nine months ended September 30, December 31, 2023, respectively. Additionally, unallocated corporate expenses consisted of stock-based compensation expense of \$0.8 million \$2.9 million and \$2.1 million \$4.9 million in the three and six nine months ended September 30, 2024 December 31, 2024, respectively, and \$1.1 million and \$2.5 \$3.6 million in the three and six nine months ended September 30, December 31, 2023, respectively.

Interest income, net

Interest income, net, was \$1.0 million \$0.8 million and \$2.1 \$2.9 million in the three and six nine months ended September 30, 2024 December 31, 2024, respectively, compared to \$0.2 million and \$0.4 million \$0.5 million in the three and six nine months ended September 30, 2023 December 31, 2023, respectively. The increase in interest income, net, in the three and six nine months ended September 30, 2024 December 31, 2024 was due to higher cash balances.

Other expense, income (expense), net

Other expense, income, net, was \$0.3 million and \$0.5 other expense, net was \$0.2 million in the three and six nine months ended September 30, December 31, 2024, respectively, compared to \$0.2 other expense, net of \$0.3 million and \$0.3 million \$0.6 million in the three and six nine months ended September 30, 2023 December 31, 2023, respectively. The increase decrease in other expense, net, during the three and six nine months ended September 30, 2024 December 31, 2024, compared to the three and six nine months ended September 30, 2023 December 31, 2023, was driven by the impacts of unfavorable favorable fluctuations in foreign currencies and gain on earnings from NWL Pacific during the periods.

Income Taxes

Income tax benefit was \$5.0 million \$0.1 million and \$4.8 \$4.9 million in the three and six nine months ended September 30, 2024 December 31, 2024, respectively. Income tax expense was \$0.1 million and \$0.2 million \$0.3 million in the three and six nine months ended September 30, 2023 December 31, 2023, respectively. The net improvement

into income tax benefit for the three and nine months ended December 31, 2024 was a result of the release of the valuation allowance due to the recording of the deferred tax liability from the acquisition of Megatran.

Net income (loss)

Net income was \$4.9 \$2.5 million and \$2.4 \$4.8 million in the three and six nine months ended September 30, December 31, 2024, respectively, compared to net losses of \$2.5 million \$1.6 million and \$7.9 \$9.5 million in the three and six nine months ended September 30, December 31, 2023, respectively. The improvement in net loss income was driven primarily by increased revenues and gross margins as well as the release of a partial valuation allowance against the deferred tax liability recorded as a result of the Megatran acquisition as well as increased revenues and gross margins..

Non-GAAP Financial Measure - Non-GAAP Net Income (Loss)

Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flow that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP measures included in this Quarterly Report on Form 10-Q, however, should be considered in addition to, and not as a substitute for or superior to the comparable measures prepared in accordance with GAAP.

We define non-GAAP net income (loss) as net income (loss) before stock-based compensation, acquisition costs, amortization of acquisition-related intangibles, change in fair value of contingent consideration, and other non-cash or unusual charges. We believe non-GAAP net income (loss) assists management and investors in comparing our performance across reporting periods on a consistent basis by excluding these non-cash charges and other items that we do not believe are indicative of our core operating performance. In addition, we use non-GAAP net income (loss) as a factor to evaluate the effectiveness of our business strategies. A reconciliation of GAAP to non-GAAP net income (loss) is set forth in the table below (in thousands, except per share data):

	Three Months Ended September 30,				Six Months Ended September 30,				Three Months Ended December 31,				Nine Months Ended December 31,			
	2024		2023		2024		2023		2024		2023		2024		2023	
	\$	4,887	\$	(2,485)	\$	2,363	\$	(7,883)	\$	2,465	\$	(1,649)	\$	4,828	\$	(9,532)
Net income (loss)																
Stock-based compensation		843		1,111		2,072		2,468		2,861		1,140		4,933		3,608
Acquisition costs		850		—		1,080		—		15		—		1,095		—
Amortization of acquisition-related intangibles		608		538		1,020		1,082		706		538		1,727		1,620
Change in fair value of contingent consideration		2,762		850		6,682		2,200		—		852		6,682		3,052
Non-GAAP net income (loss)		\$ 9,950		\$ 14		\$ 13,217		\$ (2,133)		\$ 6,047		\$ 881		\$ 19,265		\$ (1,252)
Non-GAAP net income (loss) per share - basic		\$ 0.27		\$ -		\$ 0.36		\$ (0.07)		\$ 0.16		\$ 0.03		\$ 0.52		\$ (0.04)
Non-GAAP net income (loss) per share - diluted		\$ 0.27		\$ -		\$ 0.36		\$ (0.07)		\$ 0.16		\$ 0.03		\$ 0.51		\$ (0.04)
Weighted average shares outstanding - basic		36,952		28,828		36,317		28,545		37,661		29,092		36,766		28,728
Weighted average shares outstanding - diluted		37,499		28,828		36,951		28,545		38,463		29,428		37,457		28,728

We incurred non-GAAP net income of \$10.0 \$6.0 million and \$13.2 \$19.3 million, or \$0.27 \$0.16 and \$0.36 \$0.52 per share, for the three and six nine months ended September 30, December 31, 2024, respectively, compared to a non-GAAP net income of less than \$0.1 million \$0.9 million and a non-GAAP net loss of \$2.1 \$1.3 million, or \$0.00 \$0.03 and \$0.07 \$0.04 per share, for the three and six nine months ended September 30, December 31, 2023, respectively. The improvement in the non-GAAP net income (loss) for the three and six nine months ended September 30, December 31, 2024 was due to a lower operating loss driven by higher revenues and gross margins. In the three months ended June 30, 2024, we excluded acquisition costs from the reconciliation of GAAP to non-GAAP net income (loss) as there was no definitive agreement with respect to the acquisition of Megatran as of June 30, 2024.

Liquidity and Capital Resources

We have experienced recurring operating losses and, as of September 30, December 31, 2024, had an accumulated deficit of \$1,064.3 \$1,061.8 million.

Our cash requirements depend on numerous factors, including the successful completion of our product development activities, our ability to commercialize our Resilient Electric Grid and ship protection system solutions, the rate of customer and market adoption of our products, collecting receivables according to established terms, the continued availability of U.S. government funding during the product development phase of our superconductor-based products and whether Inox is successful in executing on Solar Energy Corporation of India Limited orders or in obtaining additional orders under the new central and state auction regime. We continue to closely monitor our expenses and, if required, expect to reduce our operating and capital spending to enhance liquidity.

In January 2024, we filed a shelf registration statement on Form S-3 that will expire three years from the date on which it was declared effective, March 15, 2027 (the "First Form S-3"). The First Form S-3 allows us to offer and sell from time-to-time up to \$250 million of common stock, debt securities, warrants or units comprised of any combination of these securities. The First Form S-3 is intended to provide us flexibility to conduct registered sales of our securities, subject to market conditions, in order to fund our future capital needs. The terms of any future offering under the First Form S-3 will be established at the time of such offering and will be described in a prospectus supplement filed with the SEC prior to the completion of any such offering.

On February 14, 2024, we completed a public offering of 6,210,000 shares of our common stock at a price of \$11.25 per share under our then-existing Registration Statement on Form S-3. We received net proceeds of approximately \$65.2 million after deducting underwriting discounts and commissions and offering expenses.

As described above, on August 1, 2024, we acquired all of the issued and outstanding shares of Megatran, for aggregate consideration in an amount equal to \$61.4 million (the "Purchase Price"), which consideration amount was subject to various adjustments set forth in the Stock Purchase Agreement (including those described below) and consisted of: (a) (i) \$25.0 million, minus (ii) the Indebtedness (as defined in the Stock Purchase Agreement) outstanding as of immediately prior to the closing, minus (iii) Company Expenses (as defined in the Stock Purchase Agreement) (collectively, the "Cash Purchase Price"); (b) a number of restricted shares (rounded up or down to the nearest whole share, as applicable) (the "Company Shares") of our common stock equal to the quotient obtained by dividing (x) \$31.4 million by (y) the closing price per share of Common Stock on the Nasdaq Global Select Market on the last trading day immediately preceding August 1, 2024; and (c) an additional cash payment equal to \$5.0 million, as adjusted pursuant to Sections 5.6(c), (d), and (f) of the Stock Purchase Agreement. Megatran is now a wholly-owned subsidiary of the Company and, together with its wholly-owned subsidiaries and affiliates, is operated and reported as a component of its Grid business **unit**.**segment**. On September 23, 2024, the Company paid the Additional Cash Purchase Price to the selling stockholders, which was calculated based on the agreed upon formula, in the amount of \$8.3 million.

In August 2024, we filed an automatically-effective shelf registration statement on Form S-3 that will expire no later than August 12, 2027 (the "Second Form S-3"). The Second Form S-3 allows us to offer and sell from time-to-time common stock, debt securities, warrants or units comprised of any combination of these securities and allows certain selling stockholders to offer and sell from time-to-time common stock. The Second Form S-3 **is intended to assist** the **Megatran** selling stockholders in the resale of their common stock and **is intended** to provide us flexibility to conduct registered sales of **its** **our** securities, subject to market conditions, in order to fund our future capital needs. The terms of any future offering under the Second Form S-3 will be established at the time of such offering and will be described in a prospectus supplement filed with the SEC prior to the completion of any such offering.

As of **September 30, December 31**, 2024, we had cash, cash equivalents and restricted cash of **\$74.8****\$80.0** million, compared to \$92.3 million as of March 31, 2024, a decrease of **\$17.5 million****\$12.3 million**. As of **September 30, December 31**, 2024, we had **\$3.9****\$3.2** million in cash, cash equivalents, and restricted cash in foreign bank accounts. Our cash, cash equivalents, and restricted cash are summarized as follows (in thousands):

	September 30, 2024	March 31, 2024	December 31, 2024	March 31, 2024
Cash and cash equivalents	\$ 72,131	\$ 90,522	\$ 75,203	\$ 90,522
Restricted cash	2,655	1,758	4,837	1,758
Total cash, cash equivalents, and restricted cash	\$ 74,786	\$ 92,280	\$ 80,040	\$ 92,280

For the **six****nine** months ended **September 30, 2024****December 31, 2024**, net cash provided by operating activities was **\$16.1 million****\$22.0 million**, compared to cash used in operations of **\$1.3 million****\$0.1 million** for the **six****nine** months ended **September 30, 2023****December 31, 2023**. The increase in cash flows provided by operating activities in the **six****nine** months ended **September 30, 2024****December 31, 2024** was due primarily to increased net income, increased deferred revenue, decrease in cash spent on accounts payable and accrued expenses, and a decrease increased deferred revenue, offset by an increase in inventory purchases, accounts receivable, and change in fair value of contingent consideration, offset by cash spent on inventory purchases, prepaid expenses, deferred income taxes, decreased accounts receivable, and a decrease in operating leases.

For the **six****nine** months ended **September 30, 2024****December 31, 2024**, net cash used in investing activities was **\$33.5****\$34.1** million, compared to **\$0.4****\$0.6** million for the **six****nine** months ended **September 30, 2023****December 31, 2023**. The increase in net cash used in investing activities was primarily due to cash paid for the acquisition of Megatran.

For the **six** nine months ended **September 30, 2024** **December 31, 2024**, net cash used in financing activities was \$0.1 million compared to net cash provided by financing activities of **\$0.1 million** **\$0.1 million** for the **six** nine months ended **September 30, 2023** **December 31, 2023**. The decrease was due to the repurchase of common stock in connection with employee tax obligations upon the vesting of stock awards, offset by proceeds related to our **ESP**P.

As of **September 30, 2024** **December 31, 2024**, we had **\$1.5 million** **\$3.5 million** of restricted cash included in long-term assets and **\$1.2** **\$1.3** million of restricted cash included in current assets. At March 31, 2024, we had \$1.3 million of restricted cash included in long-term assets and \$0.5 million of restricted cash in current assets. These amounts included in restricted cash primarily represent collateral deposits to secure surety bonds and letters of credit for various customer contracts. These deposits are held in interest bearing accounts.

We are a party to many contractual obligations involving commitments to make payments to third parties. These obligations impact our short-term and long-term liquidity and capital resource needs. Certain contractual obligations are reflected on the condensed consolidated balance sheet as of **September 30, 2024** **December 31, 2024**, while others are considered future commitments. We have various contractual arrangements, under which we have committed to purchase certain minimum quantities of goods or services on an annual basis. For information regarding our other contractual obligations, refer to Note 15, "Contingent Consideration," Note 16, "Debt," Note 17, "Leases" and Note 18, "Commitments and Contingencies" to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

We believe we have sufficient available liquidity to fund our operations and capital expenditures for the next twelve months. We **recently** raised \$65.2 million, net of offering expenses, through an equity raise in February 2024. In addition, we may seek to raise additional capital, which could be in the form of loans, convertible debt or equity, to fund our operating requirements and capital expenditures. Our liquidity is highly dependent on our ability to increase revenues, control our operating costs, and raise additional capital, if necessary. There can be no assurance that we will be able to raise additional capital on favorable terms or at all or execute on any other means of improving our liquidity as described above. Additionally, the impact of global sources of instability, including the ongoing wars between Russia and Ukraine and Israel and Hamas, instability of financial institutions and political instability in the United States, on the global financial markets may reduce our ability to raise additional capital, if necessary, which could negatively impact our liquidity. We also continue to closely monitor our expenses and, if required, we intend to reduce our operating and capital spending to enhance liquidity.

Legal Proceedings

From time to time, we are involved in legal and administrative proceedings and claims of various types. We record a liability in our condensed consolidated financial statements for these matters when a loss is known or considered probable and the amount can be reasonably estimated. We review these estimates each accounting period as additional information is known and adjust the loss provision when appropriate. If a matter is both probable to result in liability and the amounts of loss can be reasonably estimated, we estimate and disclose the possible loss or range of loss to the extent necessary to make the condensed consolidated financial statements not misleading. If the loss is not probable or cannot be reasonably estimated, a liability is not recorded in our condensed consolidated financial statements.

Recent Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The amendments in ASU 2023-07 improve the disclosures about a public entity's reportable segments and address requests from investors for additional, more detailed information about a reportable segment's expenses. Following the release of ASU 2023-07 in November 2023, the effective date will be annual reporting periods beginning after **December 15, 2024** **December 15, 2023**. As of **September 30, 2024** **December 31, 2024**, we are evaluating the impact on our condensed consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments in ASU 2023-09 address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. Following the release of ASU 2023-09 in December 2023, the effective date will be annual reporting periods beginning after December 15, 2024. As of **September 30, 2024** **December 31, 2024**, we are evaluating the impact on our condensed consolidated financial statements.

In March 2024, the FASB issued ASU 2024-02, *Codification Improvements—Amendments to Remove References to the Concepts Statements*. The amendments in ASU 2024-02 contain amendments to the Codification that remove references to various FASB Concepts Statements. Following the release of ASU 2024-02 in March 2024, the effective date will be annual reporting periods beginning after December 15, 2024. As of **September 30, 2024** **December 31, 2024**, we are evaluating the impact on our condensed consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures*. The amendments in ASU 2024-03 address investor requests for more disclosure of disaggregated financial reporting information about expenses presented in the income statement. Following the release of ASU 2024-03 in November 2024, the effective date will be annual reporting periods beginning after December 15, 2026. As of December 31, 2024, we are evaluating the impact on our condensed consolidated financial statements.

We do not believe that, outside of those disclosed here, there are any other recently issued accounting pronouncements that will have a material impact on our condensed consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of **September 30, December 31**, 2024. 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, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and 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 **September 30, December 31**, 2024, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended **September 30, December 31**, 2024 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

None

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors described in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2024, filed with the SEC on May 29, 2024.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company's stock repurchase activity during the three months ended **September 30, December 31**, 2024 was as follows:

Month	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Average Price Paid per Share	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs (in millions)

July October 1, 2024 - July 31, 2024	October 31, 2024	—	—	—	—	—	—	—
August November 1, 2024 - August 31, 2024	November 30, 2024	—	—	—	—	—	—	—
September December 1, 2024 - September 30, 2024	December 31, 2024	—	—	—	—	—	—	—
Total		—	—	—	—	—	—	—

(a) During the three months ended **September 30, December 31, 2024**, we did not purchase shares in connection with our stock-based compensation plans.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

ITEM 5. OTHER INFORMATION

(a) None

(b) None

(c) During the **On three December 11, 2024, months ended September 30, 2024**, Daniel P. McGahn, Chairman, President and Chief Executive Officer, **no adopted director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) for the sale of up to 183,319 shares of the Company's common stock until the earlier of (i) June 20, 2025, or (ii) the date in Item 408(a) of Regulation S-K, which all shares under the trading arrangement are sold.**

On December 11, 2024, John W. Kosiba, Jr., Senior Vice President, Chief Financial Officer and Treasurer, adopted a Rule 10b5-1 trading arrangement" as each term that is defined intended to satisfy the affirmative defense of Rule 10b5-1(c) for the sale of up to 73,248 shares of the Company's common stock until the earlier of (i) June 30, 2025, or (ii) the date in Item 408(a) of Regulation S-K, which all shares under the trading arrangement are sold.

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ITEM 6. EXHIBITS

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference				
		Form	File No.	Exhibit	Filing Date	Filed/Furnished Herewith
10.1	Stock Purchase Agreement, dated August 1, 2024, by and among the Company, the Selling Stockholders, Megatran and James David Seitz, an individual, solely in his capacity as the stockholder representative thereunder.	8-K	000-19672	10.1	August 5, 2024	
10.2	2022 Stock Incentive Plan, as Amended and Restated.	8-K	000-19672	10.1	August 5, 2024	
10.3	Amended and Restated 2007 Director Stock Plan, as Amended.	8-K	000-19672	10.2	August 5, 2024	
31.1	Chief Executive Officer—Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
31.2	Chief Financial Officer—Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*

32.1	Chief Executive Officer—Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	**
32.2	Chief Financial Officer—Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	*
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document.	*
101.DEF	Inline XBRL Definition Linkbase Document.	*
101.LAB	Inline XBRL Taxonomy Label Linkbase Document.	*
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document.	*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	

Exhibit Number	Exhibit Description	Incorporated by Reference				
		Form	File No.	Exhibit	Filing Date	Filed/Furnished Herewith
31.1	Chief Executive Officer—Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
31.2	Chief Financial Officer—Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
32.1	Chief Executive Officer—Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					**
32.2	Chief Financial Officer—Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					*
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document.					*
101.DEF	Inline XBRL Definition Linkbase Document.					*
101.LAB	Inline XBRL Taxonomy Label Linkbase Document.					*
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document.					*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					

* Filed herewith

** Furnished herewith

Attached as Exhibits 101 to this report are the following formatted in inline XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of **September 30, December 31, 2024** and March 31, 2024 (ii) Statements of Operations for the three and **six** nine months ended **September 30, December 31, 2024** and 2023, (iii) Condensed Consolidated Statements of Comprehensive Loss for the three and **six** nine months ended **September 30, December 31, 2024** and 2023, (iv) Condensed Consolidated Statements of Cash Flows for the **six** nine months ended **September 30, December 31, 2024** and 2023, and (v) Notes to Condensed Consolidated Financial Statements.

SIGNATURE

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.

AMERICAN SUPERCONDUCTOR CORPORATION

By: _____ /s/ John W. Kosiba, Jr.

Date: **October 30, 2024** February 5, 2025

John W. Kosiba, Jr.

Senior Vice President, Chief Financial Officer and Treasurer (Principal
Financial and Accounting Officer)

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Exhibit 31.1

AMERICAN SUPERCONDUCTOR CORPORATION CERTIFICATIONS

I, Daniel P. McGahn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Superconductor Corporation;
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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

- b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer 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:	<u>October 30, 2024</u>	<u>February 5, 2025</u>
By:	<u>/s/ Daniel P. McGahn</u>	
	Daniel P. McGahn	
	Chief Executive Officer	

Exhibit 31.2

AMERICAN SUPERCONDUCTOR CORPORATION
CERTIFICATIONS

I, John W. Kosiba, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Superconductor Corporation;
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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

5. The registrant's other certifying officer 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: October 30, 2024 February 5, 2025 By: _____ /s/ John W. Kosiba, Jr.
John W. Kosiba, Jr.
Chief Financial Officer

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Exhibit 32.1

AMERICAN SUPERCONDUCTOR CORPORATION

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

In connection with the Quarterly Report on Form 10-Q of American Superconductor Corporation (the "Company") for the period ended September 30, December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Daniel P. McGahn, Chief Executive Officer of the Company, hereby certifies, 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:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2024 February 5, 2025 By: _____ /s/ Daniel P. McGahn
Daniel P. McGahn
Chief Executive Officer

Exhibit 32.2

AMERICAN SUPERCONDUCTOR CORPORATION

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

In connection with the Quarterly Report on Form 10-Q of American Superconductor Corporation (the "Company") for the period ended **September 30, December 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, John W. Kosiba, Jr., Chief Financial Officer of the Company, hereby certifies, 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:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **October 30, 2024** February 5, 2025

By:

/s/ John W. Kosiba, Jr.

John W. Kosiba, Jr.

Chief Financial Officer

DISCLAIMER

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