

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2023  
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
☐ 1934

For the transition period from \_\_\_\_ to \_\_\_\_

Commission File Number 001-13449

**Quantum**<sup>®</sup>

**Quantum Corporation**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**94-2665054**

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

**224 Airport Parkway Suite 550**  
**San Jose CA**

(Address of Principal Executive Offices)

**95110**

(Zip Code)

**(408) 944-4000**

Registrant's telephone number, including area code

(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	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	QMCO	Nasdaq Global Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x    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). x    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. (Check one):

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

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 ☐

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

As of the close of business on September 5, 2024 there were 4,792,690 shares of Quantum Corporation's common stock issued and outstanding.

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**QUANTUM CORPORATION**  
**QUARTERLY REPORT ON FORM 10-Q**  
**For the Quarter Ended December 31, 2023**

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As used in this Quarterly Report on Form 10-Q, the terms "Quantum," "we," "us," and "our" refer to Quantum Corporation and its subsidiaries taken as a whole, unless otherwise noted or unless the context indicates otherwise.

#### **Note Regarding Forward-Looking Statements**

This report contains forward-looking statements. All statements contained in this report other than statements of historical fact, including, but not limited to, statements regarding our future operating results and financial position; our business strategy, focus and plans; our market growth and trends; our products, services and expected benefits thereof; and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "could," "would," "project," "plan," "potentially," "preliminary," "likely," and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including the competitive pressures that we face; risks associated with executing our strategy; the impact of macroeconomic and geopolitical trends and events; the need to manage third-party suppliers and the distribution of our products and the delivery of our services effectively; the protection of our intellectual property assets, including intellectual property licensed from third parties; risks associated with our international operations; the development and transition of new products and services and the enhancement of existing products and services to meet customer needs; our response to emerging technological trends; the execution and performance of contracts by us and our suppliers, customers, clients and partners; the hiring and retention of key employees; risks associated with business combination and investment transactions; the execution, timing and results of any transformation or restructuring plans, including estimates and assumptions related to the cost and the anticipated benefits of the transformation and restructuring plans; the outcome of any claims and disputes; and those risks described under Part II, Item 1A. Risk Factors. Moreover, we operate in a competitive and changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the effect of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Accordingly, you should not rely on forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur. We undertake no obligation to update any of these forward-looking statements for any reason after the date of this report or to conform these statements to actual results or revised expectations.

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## EXPLANATORY NOTE

This Quarterly Report on Form 10-Q (this “Quarterly Report”) contains our restated condensed consolidated financial statements for the three and nine months ended December 31, 2023. The financial results contained in this Quarterly Report were presented in our Annual Report on Form 10-K for the fiscal year ended March 31, 2024 (the “Annual Report”) and filed with the Securities and Exchange Commission on June 28, 2024. This Quarterly Report does not reflect events occurring after the filing of the Annual Report, or modify or update those disclosures affected by subsequent events, which is described in more detail below. We are separately filing this Quarterly Report in order to become eligible to utilize registration statements on Form S-8, including those registration statements on Form S-8 that we have previously filed.

Accordingly, the liquidity section of this Quarterly Report has not been updated to reflect events that have occurred since the filing of the Annual Report and as a result should be read together with the liquidity section of the recently filed Quarterly Report for the quarter ended June 30, 2024, filed on August 14, 2024, which includes discussion on amendments entered into on August 13, 2024 to the Credit Agreements (as defined below) (such amendments, the “August 2024 Amendments”).

During the three months period ended December 31, 2023 (the quarterly period covered by this Quarterly Report), we were an accelerated filer. In preparation of the Annual Report, we re-evaluated our filer status and determined that we were a non-accelerated filer as of the end of the period covered by the Annual Report. The cover page of this Quarterly Report reflects our current status as a non-accelerated filer as of the date that we are filing this Quarterly Report with the Securities and Exchange Commission.

### *Background of Restatement*

In November 2023, the Company determined that it was necessary to re-evaluate its application of standalone selling price under Accounting Standards Codification Topic 606 (“Topic 606”). In May 2024, the Company concluded that its application of Topic 606 related to standalone selling price was inconsistent with the generally accepted application of the guidance. The Company’s management reperformed the determination of standalone selling price with the support of external advisors, and the resulting calculations have been applied to the revenue allocations in the fiscal years ended March 31, 2024, March 31, 2023 and March 31, 2022. The Company additionally identified contractual terms contained within outstanding warrant agreements issued to its prior and current lenders in 2018, 2020 and 2023, which required further evaluation under Accounting Standards Codification Topic 815 (“Topic 815”). After consulting with external advisors and completing an extensive review process, management concluded that the classification of warrants as equity was not consistent with Topic 815 and has restated them as a liability. This also resulted in the requirement to account for the change in the fair value of the warrants through the Statements of Operations and Comprehensive Income (Loss). As a result of these errors, as noted in the Form 8-K filed on May 29, 2024, the Company restated the financial statements for the periods referenced below (the “Restatement”).

This Quarterly Report for the quarter ended December 31, 2023 includes the following information, in addition to Consolidated Balance Sheet as of December 31, 2023, and the related Consolidated Statement of Operations and Comprehensive Income (Loss), Changes in Stockholders’ Equity, and Consolidated Statement of Cash Flows for the quarter ended December 31, 2023:

- a) Restated Consolidated Financial Statements as of and for the year ended March 31, 2023;
  - b) Restated and unaudited interim Condensed Consolidated Financial Information for the quarter ended December 31, 2022;
  - c) Unaudited interim Condensed Consolidated Financial Information for the quarter ended December 31, 2023; and
  - d) Amended Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) related to the quarter ended December 31, 2022.
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**PART I—FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**QUANTUM CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except per share amounts, unaudited)

	December 31, 2023	March 31, 2023
<b>Assets</b>		<b>Restated</b>
Current assets:		
Cash and cash equivalents	\$ 24,377	\$ 25,963
Restricted cash	172	212
Accounts receivable, net of allowance for credit losses of \$ 21 and \$ 201 , respectively	60,020	72,464
Manufacturing inventories	20,409	19,441
Service parts inventories	25,423	25,304
Prepaid expenses	3,763	4,158
Other current assets	7,224	5,513
Total current assets	141,388	153,055
Property and equipment, net	13,251	16,555
Intangible assets, net	1,986	4,941
Goodwill	12,969	12,969
Right-of-use assets, net	9,625	10,291
Other long-term assets	19,986	15,846
Total assets	\$ 199,205	\$ 213,657
<b>Liabilities and Stockholders' Deficit</b>		
Current liabilities:		
Accounts payable	\$ 22,426	\$ 35,716
Accrued compensation	15,286	15,710
Deferred revenue, current portion	73,240	79,807
Term debt, current portion	82,587	5,000
Revolving credit facility	32,000	—
Warrant liabilities	1,843	7,989
Other accrued liabilities	13,854	13,666
Total current liabilities	241,236	157,888
Deferred revenue, net of current portion	37,281	35,495
Revolving credit facility	—	16,750
Long-term debt, net of current portion	—	66,354
Operating lease liabilities	9,885	10,169
Other long-term liabilities	12,734	11,370
Total liabilities	301,136	298,026
Commitments and contingencies (Note 9)		
<b>Stockholders' deficit</b>		
Preferred stock, 20,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$ 0.01 par value; 225,000 shares authorized; 95,850 and 93,574 shares issued and outstanding	959	936
Additional paid-in capital	706,133	702,370
Accumulated deficit	( 808,436 )	( 786,094 )
Accumulated other comprehensive loss	( 587 )	( 1,581 )
Total stockholders' deficit	( 101,931 )	( 84,369 )
Total liabilities and stockholders' deficit	\$ 199,205	\$ 213,657

*See accompanying Notes to Condensed Consolidated Financial Statements.*



**QUANTUM CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
(in thousands, except per share amounts, unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
		Restated		Restated
Revenue:				
Product	\$ 37,113	\$ 77,494	\$ 138,635	\$ 203,192
Service and subscription	32,771	33,155	94,229	99,937
Royalty	2,042	2,826	7,235	9,744
Total revenue	71,926	113,475	240,099	312,873
Cost of revenue:				
Product	30,044	58,528	105,214	163,010
Service and subscription	12,701	12,379	37,329	42,229
Total cost of revenue	42,745	70,907	142,543	205,239
Gross profit	29,181	42,568	97,556	107,634
Operating expenses:				
Sales and marketing	14,244	16,339	45,800	47,894
General and administrative	11,893	10,969	34,833	35,223
Research and development	8,763	11,254	28,828	33,925
Restructuring charges	497	( 41 )	3,164	1,605
Total operating expenses	35,397	38,521	112,625	118,647
Income (loss) from operations	( 6,216 )	4,047	( 15,069 )	( 11,013 )
Other income (expense), net	( 1,419 )	( 544 )	( 2,049 )	2,638
Interest expense	( 3,937 )	( 2,701 )	( 10,992 )	( 7,537 )
Change in fair value of warrant liabilities	2,213	4	7,341	10,678
Loss on debt extinguishment	—	—	—	( 1,392 )
Net income (loss) before income taxes	( 9,359 )	806	( 20,769 )	( 6,626 )
Income tax provision	510	693	1,573	1,564
Net income (loss)	\$ ( 9,869 )	\$ 113	\$ ( 22,342 )	\$ ( 8,190 )
Net income (loss) per share - basic	\$ ( 0.10 )	\$ 0.00	\$ ( 0.24 )	\$ ( 0.10 )
Net income (loss) per share - diluted	\$ ( 0.10 )	\$ 0.00	\$ ( 0.24 )	\$ ( 0.18 )
Weighted average shares - basic	95,806	92,752	94,834	89,335
Weighted average shares - diluted	95,806	92,752	94,834	90,440
Net income (loss)	\$ ( 9,869 )	\$ 113	\$ ( 22,342 )	\$ ( 8,190 )
Foreign currency translation adjustments, net	1,465	1,480	994	( 1,094 )
Total comprehensive income (loss)	\$ ( 8,404 )	\$ 1,593	\$ ( 21,348 )	\$ ( 9,284 )

See accompanying Notes to Condensed Consolidated Financial Statements.



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**QUANTUM CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(in thousands, unaudited)**

	Nine Months Ended December 31,	
	2023	2022
		Restated
<b>Operating activities</b>		
Net loss	\$ ( 22,342 )	\$ ( 8,190 )
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	7,593	7,235
Amortization of debt issuance costs	1,948	1,201
Loss on debt extinguishment	—	992
Provision for product and service inventories	3,328	11,334
Stock-based compensation	3,741	8,340
Change in fair value of warrant liabilities	( 7,340 )	( 10,678 )
Other non-cash	3,010	( 3,193 )
Changes in assets and liabilities:		
Accounts receivable, net	12,616	( 3,367 )
Manufacturing inventories	( 3,099 )	( 9,352 )
Service parts inventories	( 1,520 )	( 2,671 )
Prepaid expenses	394	654
Accounts payable	( 13,226 )	7,015
Accrued restructuring charges	—	130
Accrued compensation	( 425 )	( 614 )
Deferred revenue	( 4,780 )	( 19,817 )
Other current assets	( 1,698 )	( 2,812 )
Other non-current assets	( 1,532 )	1,357
Other current liabilities	569	2,540
Other non-current liabilities	2,036	300
Net cash used in operating activities	( 20,727 )	( 19,596 )
<b>Investing activities</b>		
Purchases of property and equipment	( 5,025 )	( 10,644 )
Deferred business acquisition payment	—	( 2,000 )
Net cash used in investing activities	( 5,025 )	( 12,644 )
<b>Financing activities</b>		
Borrowings of long-term debt, net of debt issuance costs	14,083	—
Repayments of long-term debt	( 4,497 )	( 23,346 )
Borrowings of credit facility	318,223	363,103
Repayments of credit facility	( 303,671 )	( 353,502 )
Proceeds from issuance of common stock, net	—	66,718
Net cash provided by financing activities	24,138	52,973
Effect of exchange rate changes on cash, cash equivalents and restricted cash	( 12 )	21
Net change in cash, cash equivalents and restricted cash	( 1,626 )	20,754
Cash, cash equivalents, and restricted cash at beginning of period	26,175	5,493
Cash, cash equivalents, and restricted cash at end of period	\$ 24,549	\$ 26,247
The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 24,377	\$ 26,028
Restricted cash, current	172	219
Cash and cash equivalents at the end of period	\$ 24,549	\$ 26,247
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 9,154	\$ 6,270
Cash paid for income taxes, net	\$ 1,136	\$ 837
Non-cash transactions		
Purchases of property and equipment included in accounts payable	\$ 164	\$ 1,198
Transfer of manufacturing inventory to services inventory	\$ 75	\$ 2,308
Transfer of manufacturing inventory to property and equipment	\$ 205	\$ 264
Paid-in-kind interest	\$ 1,401	\$ 319

See accompanying Notes to Condensed Consolidated Financial Statements.

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**QUANTUM CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT**  
(in thousands, unaudited)

Three Months Ended	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount				
Balance, September 30, 2022, As Restated	92,158	\$ 922	\$ 696,567	\$ ( 776,027 )	\$ ( 3,997 )	\$ ( 82,535 )
Net income	—	—	—	113	—	113
Foreign currency translation adjustments, net	—	—	—	—	1,480	1,480
Shares issued under employee incentive plans, net	625	6	( 6 )	—	—	—
Shares issued in connection with business acquisition	361	4	( 4 )	—	—	—
Rights offering expenses	—	—	( 2 )	—	—	( 2 )
Stock-based compensation	—	—	2,981	—	—	2,981
Balance, December 31, 2022, As Restated	93,144	\$ 932	\$ 699,536	\$ ( 775,914 )	\$ ( 2,517 )	\$ ( 77,963 )
Balance, September 30, 2023	95,519	\$ 956	\$ 705,230	\$ ( 798,567 )	\$ ( 2,052 )	\$ ( 94,433 )
Net loss	—	—	—	( 9,869 )	—	( 9,869 )
Foreign currency translation adjustments, net	—	—	—	—	1,465	1,465
Shares issued under employee incentive plans, net	331	3	( 3 )	—	—	—
Stock-based compensation	—	—	906	—	—	906
Balance, December 31, 2023	95,850	\$ 959	\$ 706,133	\$ ( 808,436 )	\$ ( 587 )	\$ ( 101,931 )

See accompanying Notes to Condensed Consolidated Financial Statements.

Nine Months Ended	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount				
Balance, March 31, 2022, As Restated	60,433	\$ 605	\$ 624,805	\$ ( 767,724 )	\$ ( 1,423 )	\$ ( 143,737 )
Net loss	—	—	—	( 8,190 )	—	( 8,190 )
Foreign currency translation adjustments, net	—	—	—	—	( 1,094 )	( 1,094 )
Shares issued under employee stock purchase plan	300	3	469	—	—	472
Shares issued under employee incentive plans, net	2,050	20	( 20 )	—	—	—
Shares issued in connection with business acquisition	361	4	( 4 )	—	—	—
Shares issued in connection with rights offering, net	30,000	300	65,946	—	—	66,246
Stock-based compensation	—	—	8,340	—	—	8,340
Balance, December 31, 2022, As Restated	93,144	\$ 932	\$ 699,536	\$ ( 775,914 )	\$ ( 2,517 )	\$ ( 77,963 )
Balance, March 31, 2023, As Restated	93,574	\$ 936	\$ 702,370	\$ ( 786,094 )	\$ ( 1,581 )	\$ ( 84,369 )
Net loss	—	—	—	( 22,342 )	—	( 22,342 )
Foreign currency translation adjustments, net	—	—	—	—	994	994
Shares issued under employee incentive plans, net	2,276	23	( 23 )	—	—	—
Warrants issued in connection with debt refinancing	—	—	49	—	—	49
Stock-based compensation	—	—	3,737	—	—	3,737
Balance, December 31, 2023	95,850	\$ 959	\$ 706,133	\$ ( 808,436 )	\$ ( 587 )	\$ ( 101,931 )

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**NOTE 1: DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Description of Business***

Quantum Corporation, together with its consolidated subsidiaries ("Quantum" or the "Company"), is a leader in storing and managing digital video and other forms of unstructured data, delivering top streaming performance for video and rich media applications, along with low-cost, long-term storage systems for data protection and archiving. The Company helps customers around the world capture, create and share digital data and preserve and protect it. The Company's software-defined, hyperconverged storage solutions span from non-volatile memory express ("NVMe"), to solid state drives ("SSD"), hard disk drives ("HDD"), tape and the cloud and are tied together leveraging a single namespace view of the entire data environment. The Company works closely with a broad network of distributors, value-added resellers ("VARs"), direct marketing resellers ("DMRs"), original equipment manufacturers ("OEMs") and other suppliers to meet customers' evolving needs.

***Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. All intercompany balances and transactions have been eliminated. Certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted. The Company believes the disclosures made are adequate to prevent the information presented from being misleading. However, the accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included within the Annual Report.

The unaudited condensed consolidated interim financial statements reflect all adjustments, consisting only of normal and recurring items, necessary to present fairly our financial position as of December 31, 2023, the results of operations and comprehensive income (loss), statements of cash flows, and changes in stockholders' deficit for the three and nine months ended December 31, 2023 and 2022.

***Going Concern***

These consolidated financial statements have been prepared in accordance with GAAP assuming the Company will continue as a going concern. The going concern assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

***Restatement of Previously Issued Consolidated Financial Statements***

During the year ended March 31, 2024, the Company identified multiple prior period misstatements. In accordance with Staff Accounting Bulletins No. 99 ("SAB No. 99") Topic 1.M, "Materiality" and SAB No. 99 Topic 1.N "Considering the Effects of Misstatements when Quantifying Misstatements in the Current Year Financial Statements," the Company assessed the materiality of these errors to its previously issued consolidated financial statements. Based upon the Company's evaluation of both quantitative and qualitative factors, the Company concluded the errors were material to the Company's previously issued consolidated financial statements for the fiscal years ended March 31, 2023 and 2022. Accordingly, the Company has restated the accompanying fiscal years ended March 31, 2023 and 2022 Consolidated Financial Statements for the fiscal years ended March 31, 2023 and 2022. See *Note 12: Restatement of Previously Issued Financial Statements*.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and accompanying notes. Actual results could differ from these estimates and assumptions due to risks and uncertainties. Such estimates include, but are not limited to, the determination of standalone selling price for revenue arrangements with multiple performance obligations, inventory adjustments, useful lives of intangible assets and property and equipment, stock-

based compensation, fair value of warrants, and provision for income taxes including related reserves. Management bases its estimates on historical experience and on various other assumptions which management believes to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

#### **Restricted Cash**

Restricted cash is comprised of bank guarantees and similar required minimum balances that serve as cash collateral in connection with various items including insurance requirements, value added taxes, ongoing tax audits and leases in certain countries.

#### **Recently Issued but not Adopted Accounting Pronouncements**

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires public entities to disclose information about their reportable segments' significant expenses and other segment items on an interim and annual basis. Public entities with a single reportable segment are required to apply the disclosure requirements in ASU 2023-07, as well as all existing segment disclosures and reconciliation requirements in ASC 280 on an interim and annual basis. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2023-07.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires public entities, on an annual basis, to provide disclosure of specific categories in the rate reconciliation, as well as disclosure of income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2023-09.

#### **NOTE 2: REVENUE**

Based on how the Company manages its business, the Company has determined that it currently operates in one reportable segment. The Company operates in three geographic regions: (a) Americas; (b) Europe, Middle East and Africa ("EMEA"); and (c) Asia Pacific ("APAC"). Revenue by geography is based on the location of the customer from which the revenue is earned.

In the following table, revenue is disaggregated by major product offerings and geographies (in thousands):



	Three Months Ended December 31,				Nine Months Ended December 31,				
	2023		2022		2023		2022		
			Restated				Restated		
Americas <sup>1</sup>									
Product revenue	16,159		50,970		78,287		134,287		
Service and subscription	18,282		19,590		53,871		59,049		
Total revenue	34,441	47 %	70,560	63 %	132,158	55 %	193,336	62 %	
EMEA									
Product revenue	14,786		18,463		42,609		47,203		
Service and subscription	12,282		11,462		34,234		34,079		
Total revenue	27,068	38 %	29,925	26 %	76,843	32 %	81,282	26 %	
APAC									
Product revenue	6,168		8,061		17,739		21,702		
Service and subscription	2,207		2,103		6,124		6,809		
Total revenue	8,375	12 %	10,164	9 %	23,863	10 %	28,511	9 %	
Consolidated									
Product revenue	37,113		77,494		138,635		203,192		
Service and subscription	32,771		33,155		94,229		99,937		
Royalty <sup>2</sup>	2,042	3 %	2,826	2 %	7,235	3 %	9,744	3 %	
Total revenue	\$ 71,926	100 %	\$ 113,475	100 %	\$ 240,099	100 %	\$ 312,873	100 %	

<sup>1</sup> Revenue for the Americas geographic region outside of the United States is not significant.

<sup>2</sup> Royalty revenue is not allocatable to geographic regions.

## Revenue by Solution

	Three Months Ended December 31,				Nine Months Ended December 31,			
	2023	%	2022	%	2023	%	2022	%
			Restated				Restated	
Primary storage systems	\$ 12,887	18 %	\$ 17,196	15 %	\$ 41,394	17 %	\$ 46,255	15 %
Secondary storage systems	20,206	28 %	52,156	47 %	82,118	34 %	131,435	42 %
Device and media	7,716	11 %	10,475	9 %	23,801	10 %	31,077	10 %
Service	29,075	40 %	30,822	27 %	85,551	36 %	94,362	30 %
Royalty	2,042	3 %	2,826	2 %	7,235	3 %	9,744	3 %
Total revenue <sup>1</sup>	\$ 71,926	100 %	\$ 113,475	100 %	\$ 240,099	100 %	\$ 312,873	100 %

<sup>1</sup> Subscription revenue of \$ 2.3 million and \$ 1.5 million and \$ 4.8 million and \$ 3.3 million was allocated to Primary and Secondary storage systems for the three and nine months ended December 31, 2023 and 2022, respectively.

## Contract Balances

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The following tables presents the Company's contract liabilities and certain information related to this balance as of March 31, 2023 and December 31, 2023 (in thousands):

		March 31, 2023
		As Restated
Deferred revenue	\$	115,302
Revenue recognized in the period from amounts included in contract liabilities at the beginning of the period	\$	83,113
		December 31, 2023
Deferred revenue	\$	110,521
Revenue recognized in the period from amounts included in contract liabilities at the beginning of the period		65,650

### Remaining Performance Obligations

Total remaining performance obligations ("RPO"), which is contracted but not recognized revenue, was \$ 137.7 million as of December 31, 2023. RPO consists of both deferred revenue and non-cancelable amounts that are expected to be invoiced and recognized as revenue in future periods and excludes variable consideration related to sales-based royalties. Of the \$ 137.7 million RPO at the end of the third quarter of fiscal 2024, we expect to recognize approximately 66 % over the next 12 months, and the remainder over the next 13 to 60 months.

Remaining performance obligations consisted of the following (in thousands):

	Current	Non-Current	Total
As of December 31, 2023	\$ 91,444	\$ 46,213	\$ 137,657

Deferred revenue primarily consists of amounts invoiced and paid but not recognized as revenue including performance obligations pertaining to subscription services. The table below reflects our deferred revenue as of March 31, 2023 and December 31, 2023 (in thousands):

	Deferred revenue by period			
	Total	1 year or less	1 – 3 Years	3 year or greater
Service revenue	\$ 107,331	\$ 73,195	\$ 34,030	\$ 106
Subscription revenue	7,971	6,612	1,359	—
Total at March 31, 2023	\$ 115,302	\$ 79,807	\$ 35,389	\$ 106

	Deferred revenue by period			
	Total	1 year or less	1 – 3 Years	3 year or greater
Service revenue	\$ 101,386	\$ 67,906	\$ 28,025	\$ 5,455
Subscription revenue	9,135	5,334	2,621	1,180
Total at December 31, 2023	\$ 110,521	\$ 73,240	\$ 30,646	\$ 6,635

### NOTE 3: BALANCE SHEET INFORMATION

Certain significant amounts included in the Company's condensed consolidated balance sheets consist of the following (in thousands):

#### Manufacturing inventories

	December 31, 2023	March 31, 2023
Finished goods	\$ 9,048	\$ 6,958
Work in progress	830	1,304
Raw materials	10,531	11,179
Total manufacturing inventories	\$ 20,409	\$ 19,441

### Service parts inventories

	December 31, 2023	March 31, 2023
Finished goods	\$ 17,330	\$ 19,834
Component parts	8,093	5,470
Total service parts inventories	<u>\$ 25,423</u>	<u>\$ 25,304</u>

### Intangibles, net

	December 31, 2023			March 31, 2023		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Developed technology	\$ 9,013	\$ ( 8,318 )	\$ 695	\$ 9,013	\$ ( 6,269 )	\$ 2,744
Customer lists	4,398	( 3,107 )	1,291	4,398	( 2,201 )	2,197
Intangible assets, net	<u>\$ 13,411</u>	<u>\$ ( 11,425 )</u>	<u>\$ 1,986</u>	<u>\$ 13,411</u>	<u>\$ ( 8,470 )</u>	<u>\$ 4,941</u>

Intangible assets amortization expense was \$ 0.8 million and \$ 0.7 million and \$ 3.0 million and \$ 3.1 million for the three and nine months ended December 31, 2023 and 2022, respectively. As of December 31, 2023, the remaining weighted-average amortization period for definite-lived intangible assets was approximately 1.1 years. The Company recorded amortization of developed technology in cost of product revenue, and customer lists in sales and marketing expenses in the condensed consolidated statements of operations.

As of December 31, 2023, the future expected amortization expense for intangible assets is as follows (in thousands):

Fiscal year ending	Estimated future amortization expense
Remainder of 2024	\$ 480
2025	1,506
Thereafter	—
Total	<u>\$ 1,986</u>

### Goodwill

As of December 31, 2023 and March 31, 2023, goodwill was \$ 13.0 million. There were no impairments to goodwill during the three and nine months ended December 31, 2023 and 2022.

### Other long-term assets

	December 31, 2023	March 31, 2023
Capitalized SaaS implementation costs for internal use	\$ 14,480	\$ 11,483
Capitalized debt costs	1,879	1,690
Contract asset	1,448	1,247
Deferred taxes	1,678	1,054
Other	501	372
Total other long-term assets	<u>\$ 19,986</u>	<u>\$ 15,846</u>

**NOTE 4: DEBT**

The Company's debt consisted of the following (in thousands):

	December 31, 2023	March 31, 2023
Term Loan	\$ 87,318	\$ 74,667
PNC Credit Facility	32,000	16,750
Less: current portion	( 114,587 )	( 5,000 )
Less: unamortized debt issuance costs <sup>(1)</sup>	( 4,731 )	( 3,313 )
Long-term debt, net	\$ —	\$ 83,104

<sup>(1)</sup> The unamortized debt issuance costs related to the Term Loan are presented as a reduction of the carrying amount of the corresponding debt balance on the accompanying consolidated balance sheets. Unamortized debt issuance costs related to the PNC Credit Facility are presented within other assets on the accompanying consolidated balance sheets.

On August 5, 2021, the Company entered into a senior secured term loan, as amended (the "2021 Term Loan"). Principal is payable at a rate per annum equal to (a) 2.5 % of the original principal balance thereof during the first year following the closing date of the 2021 Term Loan and (b) 5 % of the original principal balance thereof thereafter. Principal and interest payments are payable on a quarterly basis. Loans under the 2021 Term Loan designated as ABR Loans bear interest at a rate per annum equal to the greatest of (i) 1.75 %; (ii) the Federal funds rate plus 0.50 %; (iii) the secured overnight financing rate ("SOFR") based upon an interest period of one month plus 1.0 %; and (iv) the "Prime Rate" last quoted by the Wall Street Journal, plus an applicable margin of 5.00 %. Loans designated as SOFR Rate Loans bear interest at a rate per annum equal to the SOFR Rate plus an applicable margin of 6.00 % (the "Applicable Margin"). The SOFR Rate is subject to a floor of 0.75 %. The Company can designate a loan as an ABR Rate Loan or SOFR Rate Loan in its discretion.

The Company has a revolving credit facility agreement with PNC Bank, as amended (the "PNC Credit Facility" and, collectively with the Term Loan, the "Credit Agreements") maturing on August 5, 2026 and providing for borrowings up to a maximum principal amount of the lesser of: (a) \$ 40.0 million or (b) the amount of the borrowing base, as defined in the PNC Credit Facility agreement. PNC Credit Facility loans designated as PNC SOFR Loans bear interest at a rate per annum equal to the SOFR rate plus 2.75 % until December 31, 2023 and thereafter between 2.25 % and 2.75 % determined based on the Company's Total Net Leverage Ratio, (as defined in the PNC Credit Facility agreement) for the most recently completed fiscal quarter (the "PNC SOFR Loan Interest Rate"). Loans under the PNC Credit Facility designated as PNC Domestic Rate Loans and Swing Loans bear interest at a rate per annum equal to the greatest of (i) the base commercial lending rate of PNC Bank; (ii) the Overnight Bank Funding Rate plus 0.5 %; and (iii) the daily SOFR rate plus 1.0 %, plus 1.75 % until December 31, 2023 and thereafter between 1.25 % and 1.75 % determined based on the Company's Total Net Leverage Ratio (the "PNC Domestic Loan Interest Rate"). With respect to any PNC SOFR Rate Loan, the Company has agreed to pay affiliates of certain Term Loan lenders a fee equal to a percentage per annum equal to the sum of (x) 6.50 %, minus (y) the PNC SOFR Loan Interest Rate, plus (z) if the SOFR Rate applicable to such interest payment is less than 0.75 %, (i) 0.75 % minus (ii) such SOFR Rate. With respect to any Domestic Rate Loan or Swing Loan, the Company has agreed to pay an affiliate of certain Term Loan lenders a fee equal to a percentage per annum equal to the sum of (x) 5.50 %, minus (y) the PNC Domestic Loan Interest Rate, plus (z) if the Alternative Base Rate applicable to such interest payment is less than 1.00 %, (i) 1.00 % minus (ii) such Alternative Base Rate.

The Credit Agreements contain certain covenants, including requirements to prepay the Term Loan in an amount equal to (i) 100 % of the net cash proceeds from certain asset dispositions, extraordinary receipts, debt issuances and equity issuances, subject to certain reinvestment rights and other exceptions and (ii) 75 % of certain excess cash flow of the Company and its subsidiaries beginning in the fiscal year ended March 31, 2023, subject to certain exceptions, including reductions to the percentage of such excess cash flow that is required to prepay the loans to 50 % and 0 %, based on the Company's applicable total net leverage ratio. Amounts outstanding under the Term Loan may become due and payable upon the occurrence of specified events, which among other things include (subject to certain exceptions and cure periods): (i) failure to pay principal, interest, or any fees when due; (ii) breach of any representation or warranty, covenant, or other agreement in the Term Loan and other related loan documents; (iii) the occurrence of a bankruptcy or insolvency proceeding with respect to the Company or certain of its subsidiaries; (iv) any "Event of Default" with respect to other indebtedness involving an aggregate amount of \$ 3,000,000 or more; (v) any lien created by the Term Loan or any related security documents ceasing to be valid and perfected; (vi) the Term Loan or any related security documents or guarantees ceasing to be legal, valid, and binding upon the parties thereto; or (vii) a change of control shall occur. Additionally, the Credit Agreements contain financial covenants relating to minimum liquidity and quarterly total net leverage. The PNC Credit Facility contains a financial covenant related to the Company's quarterly fixed charges coverage ratio, as defined in the PNC Credit Facility agreements beginning in the fiscal quarter ending March 31, 2025.

The Term Loan and PNC Credit Facility matures on August 5, 2026 under the terms of the related agreements. As discussed in *Note 1: Description of Business and Significant Accounting Policies—Going Concern*, the Company expects to be in violation of its net leverage covenant as of the June 30, 2024 testing date and the violation will cause the outstanding Term Loan and PNC Credit Facility outstanding balances to become due as an event of default. As a result, the Company has classified the Term Loan and PNC Credit Facility as current liabilities in the accompanying consolidated balance sheet.

On June 1, 2023, the Company entered into amendments to the Credit Agreements (the "June 2023 Amendment") which, among other things, provided an advance of \$ 15.0 million in additional Term Loan borrowings (the "2023 Term Loan" and, collectively with the 2021 Term Loan, the "Term Loan") and incurred \$ 0.9 million in original issuance discount and origination fees which have been recorded as a reduction to the carrying amount of the 2023 Term Loan and amortized to interest expense over the loan term. The terms of the 2023 Term Loan are substantially similar to the terms of the 2021 Term Loan, including in relation to maturity and security, except that, among other things, (a) the Applicable Margin (i) for any 2023 Term Loan designated an "ABR Loan" is 9.00 % per annum and (ii) for any 2023 Term Loan designated as a "SOFR Loan" is 10.00 % per annum, (b) accrued interest on the 2023 Term Loan is payable in kind ("PIK"), and is capitalized and added to the principal amount of the 2023 Term Loan at the end of each interest period applicable thereto, (c) the 2023 Term Loan does not amortize prior to the maturity date thereof, and (d) the 2023 Term Loan may not be prepaid prior to the payment in full of the existing term loans. In connection with the 2023 Term Loan, the Company issued warrants to purchase an aggregate of 1.25 million shares (the "June 2023 Warrants") of the Company's common stock, at an exercise price of \$ 1.00 per share. See *Note 7: Common Stock* for additional discussion related to the June 2023 Warrants.

The June 2023 Amendment to the 2021 Term Loan was accounted for as a modification. The value of the June 2023 Warrants in addition to \$ 0.7 million of fees paid to the lenders have been reflected as a reduction to the carrying amount of the Term Loan and amortized to interest expense over the remaining loan term. The Company incurred \$ 0.9 million of legal and financial advisory fees which were included in general and administrated expenses in the condensed consolidated statement of operations and comprehensive income (loss). The June 2023 Amendment to the PNC Credit Facility was accounted for as a modification and \$ 0.7 million in related fees and expenses were recorded to other assets and are amortized to interest expense over the remaining term of the agreement.

The Term Loan amendments and certain warrants issued to term lenders during fiscal 2023 and fiscal 2024 were entered into with certain entities managed by Pacific Investment Management Company, LLC ("PIMCO") which is considered a related party due to the fact that Christopher D. Neumeyer is a member of the Company's Board of Directors and also an executive vice president and portfolio manager at PIMCO. The principal and PIK interest related to the June 2023 Term Loan which totaled \$ 16.4 million as of December 31, 2023 are payable at maturity.

On November 10, 2023, the Company entered into amendments to the Credit Agreements which among other things, waives compliance with respect to its financials for the second quarter of fiscal 2024 while the Company re-evaluates its methodology for accounting under ASC 606. On November 13, 2023, the Company entered into amendments to the Credit Agreements which among other things, waives compliance with respect to its financials

for the second quarter of fiscal 2024 while the Company re-evaluates its methodology for accounting under ASC 606.

As of December 31, 2023, the interest rate on the Term Loan was 11.65 % and the interest rate on the PNC Credit Facility for Domestic Rate Loans and Swing Loans was 15.65 %. As of December 31, 2023, the PNC Credit Facility had an available borrowing base of \$ 32.2 million, of which \$ 0.2 million was available to borrow at that date.

#### NOTE 5: LEASES

Supplemental balance sheet information related to leases is as follows (in thousands):

Operating Leases	December 31, 2023	March 31, 2023
Operating lease right-of-use asset	\$ 9,625	\$ 10,291
Other accrued liabilities	1,193	1,364
Operating lease liability	9,885	10,169
Total operating lease liabilities	\$ 11,047	\$ 11,533

Components of lease cost were as follows (in thousands):

Lease Cost	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Operating lease cost	\$ 710	\$ 994	\$ 2,316	\$ 3,023
Variable lease cost	51	176	233	513
Total lease cost	\$ 761	\$ 1,170	\$ 2,549	\$ 3,536

Maturity of Lease Liabilities	Operating Leases
2025	\$ 633
2026	2,422
2027	2,059
2028	1,709
2029	1,511
Thereafter	13,275
Total lease payments	\$ 21,609
Less: imputed interest	( 10,562 )
Present value of lease liabilities	\$ 11,047

Lease Term and Discount Rate	December 31, 2023	March 31, 2023
Weighted average remaining operating lease term (years)	10.60	10.85
Weighted average discount rate for operating leases	12.7 %	12.7 %

Operating cash outflows related to operating leases totaled \$ 2.3 million and \$ 2.4 million for the nine months ended December 31, 2023 and 2022, respectively.

## NOTE 6: RESTRUCTURING CHARGES

During the quarters ending December 31, 2023 and 2022, the Company approved certain restructuring plans to improve operational efficiencies and rationalize its cost structure.

The following tables show the activity and the estimated timing of future payouts for accrued restructuring (in thousands):

	<b>Severance and Benefits</b>
<b>Balance as of March 31, 2022</b>	<b>\$ —</b>
Restructuring costs	1,356
Adjustments to prior estimates	61
Cash payments	( 1,417 )
<b>Balance as of December 31, 2022</b>	<b>\$ —</b>
<b>Balance as of March 31, 2023</b>	<b>\$ —</b>
Restructuring costs	3,164
Cash payments	( 3,164 )
<b>Balance as of December 31, 2023</b>	<b>\$ —</b>

## NOTE 7: COMMON STOCK

### Long-Term Incentive Plan

On July 25, 2023 the stockholders of the Company approved a new Long-Term Incentive Plan ("2023 LTIP"). The 2023 LTIP serves as the successor to our 2012 Long-Term Incentive Plan and provides for grants of performance share units, restricted stock units and stock options.

### Warrants

In connection with a debt refinancing and debt amendment activities, the Company issued warrants to purchase shares of the Company's common stock in December 2018 which are exercisable until December 27, 2028 (the "December 2018 Warrants"), in June 2020 which are exercisable until June 16, 2030 (the "June 2020 Warrants") and in June 2023 which are exercisable until June 1, 2033 (the "June 2023 Warrants," and collectively with the December 2018 Warrants and June 2020 Warrants, the "Lender Warrants").

The following summarizes the Company's outstanding Lender Warrants (in thousands, except exercise price):

	<b>December 2018</b>		<b>June 2020 Warrants</b>		<b>June 2023 Warrants</b>		<b>Total</b>
	<b>Warrants</b>						
<b>December 31, 2024:</b>							
Exercise price	\$	1.33	\$	2.77	\$	1.00	
Number shares under warrant(s)		7,131		3,683		1,250	12,064
Fair value	\$	1,024	\$	514	\$	305	\$ 1,843
<b>March 31, 2023:</b>							
Exercise price	\$	1.33	\$	2.79		n/a	
Number shares under warrant(s)		7,111		3,656		n/a	10,767
Fair value	\$	5,447	\$	2,542		n/a	\$ 7,989

The table below sets forth a summary of changes in the fair value of the Company's Level 2 warrant liabilities as of December 31, 2022 and 2023:

<b>Balance at March 31, 2022</b>	<b>\$</b>	<b>18,237</b>
Issuance of warrants		—
Change in fair value of warrant liabilities		( 10,678 )
<b>Balance at December 31, 2022</b>	<b>\$</b>	<b>7,559</b>
<b>Balance at March 31, 2023</b>	<b>\$</b>	<b>7,989</b>
Issuance of warrants		1,194
Change in fair value of warrant liabilities		( 7,340 )
<b>Balance at December 31, 2023</b>	<b>\$</b>	<b>1,843</b>

Upon exercise, the aggregate exercise price of the Lender Warrants may be paid, at each warrant holder's election, in cash or on a net issuance basis, based upon the fair market value of the Company's common stock at the time of exercise. The exercise price and the number of shares underlying the Lender Warrants are subject to adjustment in the event of specified events, including dilutive issuances of equity instruments at a price lower than the exercise price of the respective warrants (the "Down Round Feature"), repricing of existing equity-linked instruments at a price lower than the exercise price of the respective warrants (the "Warrant Repricing Feature"), a subdivision or combination of the Company's common stock, a reclassification of the Company's common stock or specified dividend payments. The Company's warrants also have a provision that determines the potential stock price used when applying the Black-Scholes valuation model to determine the settlement price of the warrants in Successor Major Transactions ("SMT"), as defined in the respective warrant agreements, which include a change in control or liquidation (the "Warrant Settlement Price Provision"). The Warrant Settlement Price Provision requires the use of the greater of the closing price of the Company's common stock on the trading day immediately preceding the date on which an SMT is consummated, the closing market price of the Company's common stock following the first public announcement of an SMT or the closing market of the Company's common stock immediately preceding the announcement of an SMT. Due to these terms, equity classification was precluded, and these warrants are carried as liabilities at fair value.

The Company also issued 50,000 warrants to purchase the Company's common stock in June 2020 and June 2023 to advisors of the Company at an exercise price of \$ 3.00 and \$ 1.00 , respectively (collectively the "Other Warrants"). The Company has concluded that the Other Warrants do not contain provisions that would require liability classification under Topic 480 or Topic 718 and have been equity classified.

#### Registration Rights Agreements

The Lender Warrants grant the holders certain registration rights for the shares of common stock issuable upon the exercise of the applicable warrants, including (a) the ability of a holder to request that the Company file a Form S-1 registration statement with respect to at least 40 % of the registrable securities held by such holder as of the issuance date of the applicable warrants; (b) the ability of a holder to request that the Company file a Form S-3 registration statement with respect to outstanding registrable securities if at any time the Company is eligible to use a Form S-3 registration statement; and (c) certain piggyback registration rights related to potential future equity offerings of the Company, subject to certain limitations.

#### NOTE 8: NET LOSS PER SHARE

The Company has stock options, performance share units, restricted stock units and options to purchase shares under its Employee Stock Purchase Plan, as amended and restated on July 25, 2023 ("ESPP"), granted under various stock incentive plans that, upon exercise and vesting, would increase shares outstanding. The Company has also issued warrants to purchase shares of the Company's common stock.



The following table sets forth the computation of basic and diluted net income (loss) per share attributable to common stockholders (in thousands, except per share data):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
		As Restated		As Restated
<b>Numerator:</b>				
Net income (loss) attributable to common stockholders used in basic earnings per share	\$ ( 9,869 )	\$ 113	\$ ( 22,342 )	\$ ( 8,190 )
Add back: Excluded (gain) loss on assumed exercise of liability-classified common stock warrants during the period	—	—	—	( 7,652 )
Net income (loss) attributable to common stockholders used in diluted earnings per share	\$ ( 9,869 )	\$ 113	\$ ( 22,342 )	\$ ( 15,842 )
<b>Denominator:</b>				
Weighted average common shares outstanding used in basic earnings per share	95,806	92,752	94,834	89,335
Incremental common shares from:				
Assumed exercise of dilutive warrants	—	—	—	1,105
Weighted average common shares outstanding used in diluted earnings per share	95,806	92,752	94,834	90,440
Net income (loss) per share attributable to common stockholders - Basic	\$ ( 0.10 )	\$ 0.00	\$ ( 0.24 )	\$ ( 0.10 )
Net income (loss) per share attributable to common stockholders - Diluted	\$ ( 0.10 )	\$ 0.00	\$ ( 0.24 )	\$ ( 0.18 )

The dilutive impact related to common stock from restricted stock units and warrants is determined by applying the treasury stock method to the assumed vesting of outstanding restricted stock units and the exercise of outstanding warrants. The dilutive impact related to common stock from contingently issuable performance share units is determined by applying a two-step approach using both the contingently issuable share guidance and the treasury stock method.

The following weighted-average outstanding shares of common stock equivalents were excluded from the computation of diluted net income (loss) per share attributable to common stockholders for the periods presented because including them would have been anti-dilutive (in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Stock Awards	7	2,110	331	2,480
Warrants	12,164	3,706	12,164	3,706

The Company had outstanding market based restricted stock units as of December 31, 2023 that were eligible to vest into shares of the Company's common stock subject to the achievement of certain stock price targets in addition to a time-based vesting period. These contingently issuable shares are excluded from the computation of diluted earnings per share if, based on current period results, the shares would not be issuable if the end of the reporting period were the end of the contingency period. There were 7,468 shares of contingently issuable market-based restricted stock units that were excluded from the table above as the market conditions were not satisfied as of December 31, 2023.

#### NOTE 9: INCOME TAXES

The effective tax rate for the three and nine months ended December 31, 2023 was ( 5.5 )% and ( 7.6 )%, respectively, as compared to 86.0 % and ( 23.6 )%, respectively, for the three and nine months ended December 31, 2022. The effective tax rates differed from the federal statutory tax rate of 21% during each of these periods due primarily to

unbenefited losses experienced in jurisdictions with valuation allowances on deferred tax assets as well as the forecasted mix of earnings in domestic and international jurisdictions.

As of December 31, 2023, including interest and penalties, the Company had \$ 98.8 million of unrecognized tax benefits, \$ 80.0 million of which, if recognized, would favorably affect the effective tax rate without consideration of the valuation allowance. As of December 31, 2023, the Company had accrued interest and penalties related to these unrecognized tax benefits of \$ 1.4 million. The Company recognizes interest and penalties related to income tax matters in the income tax provision in the condensed consolidated statements of operations. As of December 31, 2023, \$ 90.9 million of unrecognized tax benefits were recorded as a contra deferred tax asset in other long-term assets in the condensed consolidated balance sheet and \$ 7.9 million (including interest and penalties) were recorded in other long-term liabilities in the condensed consolidated balance sheets. During the next 12 months, it is reasonably possible that approximately \$ 5.5 million of tax benefits, inclusive of interest and penalties, that are currently unrecognized could be recognized as a result of the expiration of applicable statutes of limitations. Upon recognition of the tax benefit related to the expiring statutes of limitation, \$ 4.7 million will be offset by the establishment of a related valuation allowance. The net tax benefit recognized in the statements of operation is estimated to be \$ 0.8 million.

## **NOTE 10: COMMITMENTS AND CONTINGENCIES**

### ***Commitments to Purchase Inventory***

The Company uses contract manufacturers for its manufacturing operations. Under these arrangements, the contract manufacturer procures inventory to manufacture products based upon the Company's forecast of customer demand. The Company has similar arrangements with certain other suppliers. The Company is responsible for the financial impact on the supplier or contract manufacturer of any reduction or product mix shift in the forecast relative to materials that the third party had already purchased under a prior forecast. Such a variance in forecasted demand could require a cash payment for inventory in excess of current customer demand or for costs of excess or obsolete inventory. As of December 31, 2023, the Company had issued non-cancelable commitments for \$ 28.3 million to purchase inventory from its contract manufacturers and suppliers.

### ***Legal Proceedings***

#### **Realtime Data Matter**

On July 22, 2016, Realtime Data LLC d/b/a IXO ("Realtime Data") filed a patent infringement lawsuit against the Company in the U.S. District Court for the Eastern District of Texas, alleging infringement of U.S. Patents Nos. 7,161,506, 7,378,992, 7,415,530, 8,643,513, 9,054,728, and 9,116,908. The lawsuit was thereafter transferred to the U.S. District Court for the Northern District of California for further proceedings. Realtime Data asserts that the Company has incorporated Realtime Data's patented technology into its compression products and services. On July 31, 2017, the Court in the Northern District of California stayed proceedings in this litigation pending the outcome of Inter Partes Review proceedings before the Patent Trial and Appeal Board relating to the asserted Realtime patents. In those proceedings the asserted claims of the '506 patent, the '992 patent, and the '513 patent were found unpatentable. In addition, on July 19, 2019, the United States District Court for the District of Delaware issued a Quantum Corporation Confidential decision finding that all claims of the '728 patent, the '530 patent, and the '908 patent are not eligible for patent protection under 35 U.S.C. § 101 (the "Delaware Action"). On appeal, the Federal Circuit vacated the decision in the Delaware Action and remanded for the Court to "elaborate on its ruling." In opinions dated May 4, 2021 and August 23, 2021, the Court in the Delaware Action reaffirmed its earlier ruling and granted defendants' motions to dismiss under Section 101. Realtime Data appealed those decisions to the Federal Circuit, which affirmed on August 2, 2023. In January 2024, the U.S. Supreme Court denied Realtime Data's petition for certiorari to hear the case. Following that decision, the parties entered into a covenant not to sue and settlement agreement. The agreement provides that Realtime Data will not sue Quantum based on certain covered patents and dismissed the action pending in the Northern District of California with prejudice.

#### **Arrow Electronics Matter**

On July 27, 2023, Arrow Electronics, Inc., an electronics component distributor filed a lawsuit in a federal court in the Northern District of California against Quantum, alleging breach of contract and breach of the covenant of good faith and fair dealing, seeking, among other things just over \$ 4.6 million in damages. Quantum has filed a responsive pleading disputing Arrow Electronics' claims and plans to aggressively defend itself against them. At this

time, Quantum believes the probability that this lawsuit will have a material adverse effect on our business, operating results, or financial condition is remote.

#### **Other Commitments**

Additionally, from time to time, the Company is party to various legal proceedings and claims arising from the normal course of business activities. Based on current available information, the Company does not expect that the ultimate outcome of any currently pending matters, individually or in the aggregate, will have a material adverse effect on our results of operations, cash flows or financial position.

#### **NOTE 11: FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company's assets, measured and recorded at fair value on a recurring basis, may consist of money market funds which are included in cash and cash equivalents in the Condensed Consolidated Balance Sheets and are valued using quoted market prices (level 1 fair value measurements) at the respective balance sheet dates.

No impairment charges were recognized for non-financial assets in the nine months ended December 31, 2023 and 2022. The Company has no non-financial liabilities measured and recorded at fair value on a non-recurring basis.

#### ***Long-term Debt***

The Company's financial liabilities were comprised primarily of long-term debt at December 31, 2023. The Company uses significant other observable market data or assumptions (Level 2 inputs as defined in the accounting guidance) that it believes market participants would use in pricing debt.

The carrying value and fair value of the Company's financial liabilities were primarily comprised of the following (in thousands):

	December 31,			
	2023		2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Term Loan	\$ 87,318	\$ 87,318	\$ 75,917	\$ 75,917
PNC Credit Facility	32,000	32,000	27,736	27,736

#### **NOTE 12: RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS**

As described in *Note 1: Description of Business and Significant Accounting Policies*, and as further described below, in November 2023, the Company determined that it was necessary to re-evaluate its application of standalone selling price under Topic 606. The Company concluded that its application of Topic 606 related to standalone selling price was inconsistent with the generally accepted application of the guidance. The Company's management reperformed the determination of standalone selling price with the support of external advisors, and the resulting calculations have been applied to the revenue allocations in the fiscal years ended March 31, 2024, March 31, 2023 and March 31, 2022. The Company additionally identified contractual terms contained within outstanding warrant agreements issued to its prior and current lenders in 2018, 2020 and 2023, which required further evaluation under Topic 815. After consulting with external advisors and completing an extensive review process, management concluded that the classification of warrants as equity was not consistent with Topic 815 and has restated them as a liability. This also resulted in the requirement to account for the change in the fair value of the warrants through the Statement of Operations. As a result of these errors, the Company is restating the financial statements for the quarter ended December 31, 2022.

The nature of the restatement adjustments and their impact on previously reported consolidated financial statements is as follows:

The nature of the restatement adjustments are as follows:

- a. *Application of Topic 606 related to standalone selling price* - The Company historically used invoice price as the standalone selling price for all goods and services. This was partly because of the high level of customization for each product sold and because the pricing for individual performance obligations is highly variable. Standalone selling price has now been established for all goods and services sold in a bundled contract using the adjusted market assessment approach or the cost plus a reasonable margin approach and maximizing the use of observable inputs.
- b. *Application of Topic 815 related to classification of outstanding warrants* - The Company inappropriately classified the warrants issued in 2018, 2020 and 2023 as equity.

The net impact of the restatement on our quarterly and year-to-date unaudited condensed financial statements for the quarter ended December 31, 2022 is as follows:

**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except per share amounts)

	December 31, 2022			
	As previously reported	Restatement adjustments	Reference	As restated
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 26,028	\$ —		\$ 26,028
Restricted cash	219	—		219
Accounts receivable, net of allowance for credit losses of \$ 219	72,911	—		72,911
Manufacturing inventories	32,402	—		32,402
Service parts inventories	25,822	—		25,822
Prepaid expenses	7,198	—		7,198
Other current assets	7,489	—		7,489
Total current assets	172,069	—		172,069
Property and equipment, net	16,794	—		16,794
Intangible assets, net	6,497	—		6,497
Goodwill	12,969	—		12,969
Right-of-use assets, net	10,468	—		10,468
Other long-term assets	13,600	—		13,600
Total assets	\$ 232,397	\$ —		\$ 232,397
<b>Liabilities and Stockholders' Deficit</b>				
Current liabilities:				
Accounts payable	\$ 41,788	\$ —		\$ 41,788
Accrued compensation	15,527	—		15,527
Deferred revenue, current portion	72,669	( 1,793 )	(a)	70,876
Term debt, current portion	5,000	—		5,000
Warrant liabilities	—	7,559	(b)	7,559
Other accrued liabilities	15,852	—		15,852
Total current liabilities	150,836	5,766		156,602
Deferred revenue, net of current portion	41,076	( 4,856 )		36,220
Revolving credit facility	27,736	—		27,736
Term debt, net of current portion	67,306	—		67,306
Operating lease liabilities	10,346	—		10,346
Other long-term liabilities	12,150	—		12,150
Total liabilities	309,450	910		310,360
<b>Stockholders' deficit</b>				
Preferred stock:				
Preferred stock, 20,000 shares authorized; no shares issued	—	—		—
Common stock:				
Common stock, \$ 0.01 par value; 225,000 shares authorized; 93,144 shares issued and outstanding	932	—		932
Additional paid-in capital	719,769	( 20,233 )	(b)	699,536
Accumulated deficit	( 795,237 )	19,323	(a) (b)	( 775,914 )
Accumulated other comprehensive loss	( 2,517 )	—		( 2,517 )
Total stockholders' deficit	( 77,053 )	( 910 )		( 77,963 )
Total liabilities and stockholders' deficit	\$ 232,397	\$ —		\$ 232,397

**QUANTUM CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
(in thousands, except per share amounts)

	Three Months Ended December 31, 2022			
	As previously reported	Adjustments	Reference	As restated
<b>Revenue</b>				
Product	\$ 75,420	\$ 2,074	(a)	\$ 77,494
Service and subscription	32,950	205	(a)	33,155
Royalty	2,826	—		2,826
Total revenue	111,196	2,279		113,475
<b>Cost of revenue</b>				
Product	58,528	—		58,528
Service and subscription	12,379	—		12,379
Total cost of revenue	70,907	—		70,907
Gross profit	40,289	2,279		42,568
<b>Operating expenses</b>				
Sales and marketing	16,339	—		16,339
General and administrative	10,969	—		10,969
Research and development	11,254	—		11,254
Restructuring charges	( 41 )	—		( 41 )
Total operating expenses	38,521	—		38,521
Income from operations	1,768	2,279		4,047
Other expense, net	( 544 )	—		( 544 )
Interest expense	( 2,701 )	—		( 2,701 )
Change in fair value of warrant liability	—	4	(b)	4
Net income (loss) before income taxes	( 1,477 )	2,283		806
Income tax provision	693	—		693
Net income (loss)	\$ ( 2,170 )	\$ 2,283		\$ 113
Net income (loss) per share - basic	\$ ( 0.02 )	\$ 0.02		\$ 0.00
Net income (loss) per share - diluted	\$ ( 0.02 )	\$ 0.02		\$ 0.00
Weighted average shares - basic	92,752	92,752		92,752
Weighted average shares - diluted	92,752	92,752		92,752
Net income (loss)	\$ ( 2,170 )	\$ 2,283		\$ 113
Foreign currency translation adjustments, net	1,480	—		1,480
Total comprehensive income (loss)	\$ ( 690 )	\$ 2,283		\$ 1,593

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(in thousands)**

**Nine Months Ended December 31, 2022**

	As previously reported	Restatement adjustments	Reference	As restated
<b>Operating activities</b>				
Net income (loss)	\$ (24,334 )	\$ 16,144	(a) (b)	\$ (8,190 )
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Depreciation and amortization	7,235	—		7,235
Amortization of debt issuance costs	1,201	—		1,201
Long-term debt related costs	992	—		992
Provision for manufacturing and service inventories	11,334	—		11,334
Stock-based compensation	8,340	—		8,340
Change in fair value of warrant liabilities	—	(10,678 )	(b)	(10,678 )
Unrealized foreign exchange (gain) loss, net of income taxes	(1,134 )	—		(1,134 )
Other non-cash	(2,059 )	—		(2,059 )
Changes in assets and liabilities, net of effect of acquisitions:				
Accounts receivable	(3,367 )	—		(3,367 )
Manufacturing inventories	(9,352 )	—		(9,352 )
Service parts inventories	(2,671 )	—		(2,671 )
Accounts payable	7,015	—		7,015
Prepaid expenses	654	—		654
Deferred revenue	(14,351 )	(5,466 )	(a)	(19,817 )
Accrued restructuring charges	130	—		130
Accrued compensation	(614 )	—		(614 )
Other assets	(1,455 )	—		(1,455 )
Other liabilities	2,840	—		2,840
Net cash used in operating activities	(19,596 )	—		(19,596 )
<b>Investing activities</b>				
Purchases of property and equipment	(10,644 )	—		(10,644 )
Business acquisitions	(2,000 )	—		(2,000 )
Net cash used in investing activities	(12,644 )	—		(12,644 )
<b>Financing activities</b>				
Borrowings of long-term debt, net of debt issuance costs	—	—		—
Repayments of long-term debt	(23,346 )	—		(23,346 )
Borrowings of credit facility	363,103	—		363,103
Repayments of credit facility	(353,502 )	—		(353,502 )
Proceeds from issuance of common stock	66,718	—		66,718
Net cash provided by financing activities	52,973	—		52,973
Effect of exchange rate changes on cash and cash equivalents	21	—		21
Net change in cash, cash equivalents, and restricted cash	20,754	—		20,754
Cash, cash equivalents, and restricted cash at beginning of period	5,493	—		5,493
Cash, cash equivalents, and restricted cash at end of period	\$ 26,247	\$ —		\$ 26,247
<b>Supplemental disclosure of cash flow information</b>				
Cash paid for interest	\$ 6,270	\$ —		\$ 6,270
Cash paid for income taxes, net of refunds	\$ 837	\$ —		\$ 837
<b>Non-cash transactions</b>				
Purchases of property and equipment included in accounts payable	\$ 1,198	\$ —		\$ 1,198
Transfer of manufacturing inventory to services inventory	\$ 2,308	\$ —		\$ 2,308
Transfer of manufacturing inventory to property and equipment	\$ 264	\$ —		\$ 264
Paid-in-kind interest	\$ 319	\$ —		\$ 319
Deemed dividend	\$ 389	\$ (389 )	(b)	\$ —
The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the statement of cash flows:				
Cash and cash equivalents	\$ 26,028	\$ —		\$ 26,028
Restricted cash, current	219	—		219
Total cash, cash equivalents and restricted cash at the end of period	\$ 26,247	\$ —		\$ 26,247





**QUANTUM CORPORATION**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**  
(in thousands)

Three Months Ended	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount				
Balance, September 30, 2022	92,158	\$ 922	\$ 696,567	\$ ( 776,027 )	\$ ( 3,997 )	\$ ( 82,535 )
Activity, As Reported	986	10	2,969	( 2,170 )	1,480	2,289
Adjustments	—	—	—	2,283	—	2,283
Balance, December 31, 2022	93,144	\$ 932	\$ 699,536	\$ ( 775,914 )	\$ ( 2,517 )	\$ ( 77,963 )

Nine Months Ended						
Balance, March 31, 2022, As Restated	60,433	\$ 605	\$ 624,805	\$ ( 767,724 )	\$ ( 1,423 )	\$ ( 143,737 )
Activity, As Reported	32,711	327	74,731	( 24,334 )	( 1,094 )	49,630
Adjustments	—	—	—	16,144	—	16,144
Balance, December 31, 2022	93,144	\$ 932	\$ 699,536	\$ ( 775,914 )	\$ ( 2,517 )	\$ ( 77,963 )

## **NOTE 13: SUBSEQUENT EVENTS**

### **Debt Amendments**

Since December 31, 2023, the Company has entered into a series of debt amendments and the detail of which are as follows:

- On February 14, 2024, the Company entered into amendments to the Credit Agreements which among other things, waived compliance with the total net leverage ratio financial covenant, required the Company to take certain actions and make substantial progress on certain business initiatives by specified dates and requires the Company to provide certain informational updates and advisor access to the lenders. Full details were disclosed in our 8-K filed on February 20, 2024.
- On March 22, 2024, the Company entered into amendments to the Credit Agreements which among other things, permitted the sale of certain assets by the Company and required that certain proceeds from the sale of such assets be applied to partially prepay the outstanding term loans. Full details were disclosed in our 8-K filed on March 25, 2024.
- On May 24, 2024, the Company entered into amendments to the Credit Agreements which, among other things, waived compliance with the Company's net leverage covenant as of March 31, 2024 as well as any default that might arise as a result of the restatement of certain of the Company's historical financial statements. Full details were disclosed in our 8-K filed on May 29, 2024. In connection with the May 2024 Amendments, the Company issued to the Term Loan lenders warrants to purchase an aggregate of 2,000,000 shares of the Company's common stock at a purchase price of \$ 0.46 .

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

*The following discussion and analysis compares the change in the consolidated financial statements for quarters ending December 31, 2023 and December 31, 2022 and should be read together with our consolidated financial statements, the accompanying notes, and other information included in this Quarterly Report. In particular, the risk factors contained in Item 1A may reflect trends, demands, commitments, events, or uncertainties that could materially impact our results of operations and liquidity and capital resources. For comparisons of quarters ended December 31, 2022 and December 31, 2021, see our Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 2 of our Quarterly Report on Form 10-Q for the quarter ended December 31, 2022, filed with the SEC on February 2, 2022, and incorporated herein by reference.*

*The following discussion contains forward-looking statements, such as statements regarding anticipated impacts on our business, our future operating results and financial position, our business strategy and plans, our market growth and trends, and our objectives for future operations. Please see "Note Regarding Forward-Looking Statements" for more information about relying on these forward-looking statements.*

### OVERVIEW

We are a technology company whose mission is to deliver innovative solutions to organizations across the world. We design, manufacture and sell technology and services that help customers capture, create and share digital content, and protect it for decades. We emphasize innovative technology in the design and manufacture of our products to help our customers unlock the value in their video and unstructured data in new ways to solve their most pressing business challenges.

We generate revenue by designing, manufacturing, and selling technology and services. Our most significant expenses are related to compensating employees; designing, manufacturing, marketing, and selling our products and services; data center costs in support of our cloud-based services; and interest associated with our long-term debt and income taxes.

### Macroeconomic Conditions

We continue to actively monitor, evaluate and respond to the current uncertain macro environment, including the impact of higher interest rates, inflation, lingering supply chain challenges, and a stronger U.S. dollar. During the quarter we continued to experience longer sales cycle for opportunities with our enterprise as well as commercial customers.

The macro environment remains unpredictable and our past results may not be indicative of future performance.

## RESULTS OF OPERATIONS

(in thousands)	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
		Restated		Restated
Total revenue	\$ 71,926	\$ 113,475	\$ 240,099	\$ 312,873
Total cost of revenue <sup>(1)</sup>	42,745	70,907	142,543	205,239
Gross profit	29,181	42,568	97,556	107,634
Operating expenses				
Research and development <sup>(1)</sup>	14,244	16,339	45,800	47,894
Sales and marketing <sup>(1)</sup>	11,893	10,969	34,833	35,223
General and administrative <sup>(1)</sup>	8,763	11,254	28,828	33,925
Restructuring charges	497	(41)	3,164	1,605
Total operating expenses	35,397	38,521	112,625	118,647
Income (loss) from operations	(6,216)	4,047	(15,069)	(11,013)
Other income (expense), net	(1,419)	(544)	(2,049)	2,638
Interest expense	(3,937)	(2,701)	(10,992)	(7,537)
Change in fair value of warrant liabilities	2,213	4	7,341	10,678
Loss on debt extinguishment	—	—	—	(1,392)
Net income (loss) before income taxes	(9,359)	806	(20,769)	(6,626)
Income tax provision	510	693	1,573	1,564
Net income (loss)	\$ (9,869)	\$ 113	\$ (22,342)	\$ (8,190)

<sup>(1)</sup> Includes stock-based compensation as follows:

(in thousands)	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Cost of revenue	\$ 195	\$ (11)	\$ 576	\$ 621
Research and development	325	1,251	989	2,508
Sales and marketing	(123)	579	516	1,803
General and administrative	509	1,162	1,657	3,408
Total	\$ 906	\$ 2,981	\$ 3,738	\$ 8,340

### Comparison of the Three Months Ended December 31, 2023 and 2022

#### Revenue

(dollars in thousands)	Three Months Ended December 31,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
			Restated			
Product revenue	\$ 37,113	51 %	\$ 77,494	69 %	\$ (40,381)	(52) %
Service and subscription	32,771	46 %	33,155	29 %	(384)	(1) %
Royalty	2,042	3 %	2,826	2 %	(784)	(28) %
Total revenue	\$ 71,926	100 %	\$ 113,475	100 %	\$ (41,549)	(37) %

#### Product Revenue

In the three months ended December 31, 2023, product revenue decreased \$40.4 million, or 52%, as compared to the same period in 2022. The primary driver of the decrease was lower demand from our large hyperscale

customers, as well as declines in the linear-tape open media market impacting both media cartridge sales and associated linear-tape open royalties.

#### Service Revenue

Service and subscription revenue decreased \$0.4 million, or 1%, in the three months ended December 31, 2023 compared to the same period in 2022. This decrease was due in part to certain long-lived products reaching their end-of-service-life, partially offset by new support bookings and the transition towards subscription-based licensing.

#### Royalty Revenue

We receive royalties from third parties that license our linear-tape open media patents through our membership in the linear-tape open consortium. Royalty revenue decreased \$0.8 million, or 28%, in the three months ended December 31, 2023 compared to the same period in 2022 due to decreased market volume of older generation linear-tape open media.

### **Gross Profit and Margin**

(dollars in thousands)	Three Months Ended December 31,					
	2023		2022		\$ Change	Basis point change
		Gross margin %	Restated	Gross margin %		
Product	\$ 7,069	19.0 %	\$ 18,966	24.5 %	\$ (11,897)	(550)
Service and subscription	20,070	61.2 %	20,776	62.7 %	(706)	(150)
Royalty	2,042	100.0 %	2,826	100.0 %	(784)	—
Gross profit	<u>\$ 29,181</u>	<u>40.6 %</u>	<u>\$ 42,568</u>	<u>37.5 %</u>	<u>\$ (13,387)</u>	<u>310</u>

Gross profit and margin percentages are key metrics that management monitors to assess the performance on the business.

#### Product Gross Margin

Product gross margin decreased to 19.0%, or by 550 basis points, for the three months ended December 31, 2023, as compared with the same period in 2022. The primary driver of the decrease was lower demand from our large hyperscale customers, as well as declines in the linear-tape open media market impacting both media cartridge sales and associated linear-tape open royalties.

#### Service and Subscription Gross Margin

Service and subscription gross margins decreased 150 basis points for the three months ended December 31, 2023, as compared with the same period in 2022. This decrease was primarily driven by lower service revenues on a similar service cost basis.

#### Royalty Gross Margin

Royalties do not have significant related cost of sales.

## Operating Expenses

(dollars in thousands)	Three Months Ended December 31,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
			Restated			
Sales and marketing	\$ 14,244	20 %	\$ 16,339	14 %	\$ (2,095)	(13)%
General and administrative	11,893	17 %	10,969	10 %	924	8 %
Research and development	8,763	12 %	11,254	10 %	(2,491)	(22)%
Restructuring charges	497	1 %	(41)	— %	538	(1,312)%
Total operating expenses	<u>\$ 35,397</u>	49 %	<u>\$ 38,521</u>	34 %	<u>\$ (3,124)</u>	(8)%

In the three months ended December 31, 2023, sales and marketing expenses decreased \$2.1 million, or 13%, as compared with the same period in 2022. This decrease was primarily driven by the pivot of existing sales and marketing investment towards high-growth markets.

In the three months ended December 31, 2023, general and administrative expenses increased \$0.9 million, or 8%, as compared with the same period in 2022. This increase was largely driven by higher project expense related to the re-evaluation of the Company's application of standalone selling price under Topic 606.

In the three months ended December 31, 2023, research and development expenses decreased \$2.5 million, or 22%, as compared with the same period in 2022. This decrease was primarily driven by cost reduction measures to streamline common development functions across business units, and further consolidate acquired businesses.

In the three months ended December 31, 2023, restructuring expenses increased \$0.5 million as compared with the same period in 2022. The increase was the result of cost reduction initiatives.

## Other Income (Expense)

(dollars in thousands)	Three Months Ended December 31,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
			Restated			
Other income (expense)	\$ (1,419)	(2) %	\$ (544)	(—) %	\$ (875)	(161) %

The change in other income (expense), net during the three months ended December 31, 2023 compared with the same period in 2022 was related primarily to fluctuations in foreign currency exchange rates during the three months ended December 31, 2023.

## Interest Expense

(dollars in thousands)	Three Months Ended December 31,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
			Restated			
Interest expense	\$ 3,937	5 %	\$ 2,701	2 %	\$ 1,236	46 %

In the three months ended December 31, 2023, interest expense increased \$1.2 million, or 46%, as compared with the same period in 2022 due to a higher effective interest rate on our Term Loan.

## Loss on Debt Extinguishment

There were no debt extinguishments in the three months ended December 31, 2023 and 2022.

## Income Taxes

(dollars in thousands)	Three Months Ended December 31,					
	2023	% of pretax income	2022	% of pretax income	\$ Change	% Change
			Restated			
Income tax provision	\$ 510	(5) %	\$ 693	86 %	\$ (183)	(26) %

The income tax provision for the three months ended December 31, 2023 and 2022 is primarily influenced by foreign and state income taxes. Due to our history of net losses in the United States, the protracted period for utilizing tax attributes in certain foreign jurisdictions, and the difficulty in predicting future results, we believe that we cannot rely on projections of future taxable income to realize most of our deferred tax assets. Accordingly, we have established a full valuation allowance against our U.S. and certain foreign net deferred tax assets. Significant management judgment is required in assessing our ability to realize any future benefit from our net deferred tax assets. We intend to maintain this valuation allowance until sufficient positive evidence exists to support its reversal. Our income tax expense recorded in the future will be reduced to the extent that sufficient positive evidence materializes to support a reversal of, or decrease in, our valuation allowance.

## Comparison of the Nine Months Ended December 31, 2023 and 2022

### Revenue

(dollars in thousands)	Nine Months Ended December 31,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
			Restated			
Product revenue	\$ 138,635	58 %	\$ 203,192	65 %	\$ (64,557)	(32) %
Service and subscription	94,229	39 %	99,937	32 %	(5,708)	(6) %
Royalty	7,235	3 %	9,744	3 %	(2,509)	(26) %
Total revenue	\$ 240,099	100 %	\$ 312,873	100 %	\$ (72,774)	(23) %

### Product Revenue

In the nine months ended December 31, 2023, product revenue decreased \$64.6 million, or 32%, as compared to the same period in 2022. The primary driver of the decrease was lower demand from our large hyperscale customers, as well as declines in the linear-tape open media market impacting both media cartridge sales and associated linear-tape open royalties.

### Service Revenue

We offer a broad range of services including product maintenance, implementation, and training as well as software subscriptions. Service revenue is primarily comprised of customer field support contracts which provide standard support services for our hardware. Standard service contracts may be extended or include enhanced service, such as faster service response times.

Service and subscription revenue decreased \$5.7 million, or 6%, in the nine months ended December 31, 2023 compared to the same period in 2022, partially driven by lower overall legacy service revenues offset by higher subscription revenue.

### Royalty Revenue

We receive royalties from third parties that license our linear-tape open media patents through our membership in the linear-tape open consortium. Royalty revenue decreased \$2.5 million, or 26%, in the nine months ended December 31, 2023 compared to the same period in 2022 due to decreased market volume of older generation linear-tape open media.



## Gross Profit and Margin

(dollars in thousands)	Nine Months Ended December 31,					
	2023		2022		\$ Change	Basis point change
		Gross margin %	Restated	Gross margin %		
Product	\$ 33,421	24.1 %	\$ 40,182	19.8 %	\$ (6,761)	430
Service and subscription	56,900	60.4 %	57,708	57.7 %	(808)	270
Royalty	7,235	100.0 %	9,744	100.0 %	(2,509)	—
Gross profit	<u>\$ 97,556</u>	<u>40.6 %</u>	<u>\$ 107,634</u>	<u>34.4 %</u>	<u>\$ (10,078)</u>	<u>620</u>

Gross profit and margin percentages are key metrics that management monitors to assess the performance on the business.

### Product Gross Margin

Product gross margin increased to 24.1%, or by 430 basis points, for the nine months ended December 31, 2023, as compared with the same period in 2022. This increase was primarily due to a more favorable mix of revenues, weighted towards our higher margin product lines, as well as improvements in our operational efficiency and logistics costs. In addition, the prior year period included a \$6.9 million inventory reserve provision recorded during the nine months ended December 31, 2022.

### Service and Subscription Gross Margin

Service and subscription gross margin of 60.4% increased 270 basis points for the nine months ended December 31, 2023, as compared with the same period in 2022. This increase was primarily driven by lower overhead costs across our support and repair functions.

### Royalty Gross Margin

Royalties do not have significant related cost of sales.

## Operating Expenses

(dollars in thousands)	Nine Months Ended December 31,					
	2023		2022		\$ Change	% Change
		% of revenue	Restated	% of revenue		
Sales and marketing	\$ 45,800	19 %	\$ 47,894	15 %	\$ (2,094)	(4) %
General and administrative	34,833	15 %	35,223	11 %	(390)	(1) %
Research and development	28,828	12 %	33,925	11 %	(5,097)	(15) %
Restructuring charges	3,164	1 %	1,605	1 %	1,559	97 %
Total operating expenses	<u>\$ 112,625</u>	<u>47 %</u>	<u>\$ 118,647</u>	<u>38 %</u>	<u>\$ (6,022)</u>	<u>(5) %</u>

In the nine months ended December 31, 2023, sales and marketing expenses decreased \$2.1 million, or 4%, compared with the same period in 2022 as we pivoted existing sales and marketing investment towards high growth markets.

In the nine months ended December 31, 2023, general and administrative expenses decreased \$0.4 million, or 1%, as compared with the same period in 2022. This decrease was largely driven by a reduced facilities footprint, as well as other cost reduction efforts across the business, offset by higher project expense related to the re-evaluation of the Company's application of standalone selling price under Topic 606.

In the nine months ended December 31, 2023, research and development expense decreased \$5.1 million, or 15%, as compared with the same period in 2022. This decrease was primarily driven by cost reduction measures to streamline common development functions across business units, and further consolidate acquired businesses.

In the nine months ended December 31, 2023, restructuring expenses increased \$1.6 million as compared with the same period in 2022. The increase was the result of cost reduction initiatives.

### Other Income (Expense)

(dollars in thousands)	Nine Months Ended December 31,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
	Restated					
Other income (expense)	\$ (2,049)	(1) %	\$ 2,638	1 %	\$ (4,687)	178 %

The change in other income (expense), net during the nine months ended December 31, 2023 compared with the same period in 2022 was related primarily to fluctuations in foreign currency exchange rates during the nine months ended December 31, 2023.

### Interest Expense

(dollars in thousands)	Nine Months Ended December 31,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
	Restated					
Interest expense	\$ 10,992	5 %	\$ 7,537	2 %	\$ 3,455	46 %

In the nine months ended December 31, 2023, interest expense increased \$3.5 million, or 46%, as compared with the same period in 2022 due to a higher effective interest rate on our Term Loan.

### Loss on Debt Extinguishment

(dollars in thousands)	Nine Months Ended December 31,					
	2023	% of revenue	2022	% of revenue	\$ Change	% Change
	Restated					
Loss on debt extinguishment	\$ —	— %	\$ (1,392)	— %	\$ 1,392	100 %

In the nine months ended December 31, 2023, loss on debt extinguishment decreased \$1.4 million as compared with the same period in 2022 due to a loss on debt extinguishment of \$1.4 million for a prepayment of our Term Loan.

### Income Taxes

(dollars in thousands)	Nine Months Ended December 31,					
	2023	% of pretax income	2022	% of pretax income	\$ Change	% Change
	Restated					
Income tax provision	\$ 1,573	(8) %	\$ 1,564	(24) %	\$ 9	1 %

The income tax provision for the nine months ended December 31, 2023 and 2022 is primarily influenced by foreign and state income taxes. Due to our history of net losses in the United States, the protracted period for utilizing tax attributes in certain foreign jurisdictions, and the difficulty in predicting future results, we believe that we cannot rely on projections of future taxable income to realize most of our deferred tax assets. Accordingly, we have established a full valuation allowance against our U.S. and certain foreign net deferred tax assets. Significant management judgment is required in assessing our ability to realize any future benefit from our net deferred tax assets. We intend to maintain this valuation allowance until sufficient positive evidence exists to support its reversal. Our income tax expense recorded in the future will be reduced to the extent that sufficient positive evidence materializes to support a reversal of, or decrease in, our valuation allowance.

## LIQUIDITY AND CAPITAL RESOURCES

We consider liquidity in terms of the sufficiency of internal and external cash resources to fund our operating, investing and financing activities. Our principal sources of liquidity include cash from operating activities, cash and cash equivalents on our balance sheet and amounts available under our revolving credit facility agreement with PNC Bank, as amended (the "PNC Credit Facility"). We require significant cash resources to meet obligations to pay principal and interest on our outstanding debt, provide for our research and development activities, fund our working capital needs, and make capital expenditures. Our future liquidity requirements will depend on multiple factors, including our research and development plans and capital asset needs.

We had cash and cash equivalents of \$24.4 million as of December 31, 2023, which consisted primarily of bank deposits and money market accounts. As of December 31, 2023, our total outstanding Term Loan debt was \$87.3 million and PNC Credit Facility borrowings were \$32.2 million. As of December 31, 2023 we had \$0.2 million available to borrow under the PNC Credit Facility.

We are subject to various debt covenants under our debt agreements. Our failure to comply with our debt covenants could materially and adversely affect our financial condition and ability to service our obligations. For additional information about our debt, see the sections entitled "Risk Factors—Risks Related to Our Indebtedness" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" in the Annual Report.

### Cash Flows

The following table summarizes our consolidated cash flows for the periods indicated.

(in thousands)	Nine Months Ended December 31,	
	2023	2022
Cash provided by (used in):		
Operating activities	\$ (20,727)	\$ (19,596)
Investing activities	(5,025)	(12,644)
Financing activities	24,138	52,973
Effect of exchange rate changes	(12)	21
Net increase (decrease) in cash and cash equivalents and restricted cash	\$ (1,626)	\$ 20,754

#### Cash Used In Operating Activities

Net cash used in operating activities was \$20.7 million for the nine months ended December 31, 2023. This use of cash was primarily attributed to cash used in operations excluding changes in assets and liabilities of \$8.0 million in addition to cash used from working capital changes.

Net cash used in operating activities was \$19.6 million for the nine months ended December 31, 2022. This use of cash was primarily attributed to cash used related to manufacturing and service part inventories of \$12.0 million and a decrease in deferred revenue of \$14.4 million offset by an increase of \$7.2 million in accounts payable

#### Cash Used in Investing Activities

Net cash used in investing activities was \$5.0 million in the nine months ended December 31, 2023, which was attributable to capital expenditures.

Net cash used in investing activities was \$12.6 million in the nine months ended December 31, 2022, which was primarily attributable to capital expenditures of \$10.6 million and a \$2.0 million deferred business acquisition payment.

### *Cash Provided by Financing Activities*

Net cash provided by financing activities was \$24.1 million for the nine months ended December 31, 2023, which was related primarily to borrowings on our credit facility of \$14.6 million and borrowing on our Term Loan of \$9.6 million net of issuance costs.

Net cash provided by financing activities was \$53.0 million for the nine months ended December 31, 2022, which was related primarily to \$66.7 million of net cash received from the rights offering of 30 million shares of our common stock and borrowings on our PNC Credit Facility of \$9.6 million offset by a \$20.0 million prepayment of our term debt and term debt principal amortization payments and amendment fees totaling \$3.3 million.

### **Commitments and Contingencies**

Our contingent liabilities consist primarily of certain financial guarantees, both express and implied, related to product liability and potential infringement of intellectual property. We have little history of costs associated with such indemnification requirements and contingent liabilities associated with product liability may be mitigated by our insurance coverage. In the normal course of business to facilitate transactions of our services and products, we indemnify certain parties with respect to certain matters, such as intellectual property infringement or other claims. We also have indemnification agreements with our current and former officers and directors. It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of our indemnification claims, and the unique facts and circumstances involved in each particular agreement. Historically, payments made by us under these agreements have not had a material impact on our operating results, financial position or cash flows.

We are also subject to ordinary course litigation.

### **Off Balance Sheet Arrangements**

Except for the indemnification commitments described under "Commitments and Contingencies" above, we do not currently have any other off-balance sheet arrangements and do not have any holdings in variable interest entities.

### **Contractual Obligations**

We have contractual obligations and commercial commitments, some of which, such as purchase obligations, are not recognized as liabilities in our financial statements. There have not been any material changes to the contractual obligations disclosed in the Annual Report.

### **Critical Accounting Estimates and Policies**

The preparation of our consolidated financial statements in accordance with generally accepted accounting principles requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes included elsewhere in this Quarterly Report. On an ongoing basis, we evaluate estimates, which are based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. We consider certain accounting policies to be critical to understanding our financial statements because the application of these policies requires significant judgment on the part of management, which could have a material impact on our financial statements if actual performance should differ from historical experience or if our assumptions were to change. Our accounting policies that include estimates that require management's subjective or complex judgments about the effects of matters that are inherently uncertain are summarized in the Annual Report under the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates and Policies." For additional information on our significant accounting policies, see Note 1 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report.

### **Recently Issued and Adopted Accounting Pronouncements**

See Note 1 to the notes to the condensed consolidated financial statements included in this Quarterly Report and in the Annual Report.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to our quantitative and qualitative disclosures about market risk from those described under "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Annual Report, which such section is incorporated herein by reference.

### ITEM 4. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive and principal financial officers, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934), as of the end of the period covered by this Quarterly Report. Based on such evaluation, our principal executive and principal financial officers have concluded that as of such date, our disclosure controls and procedures were not effective because of material weaknesses in our internal control over financial reporting.

Notwithstanding the identified material weaknesses, management, including our chief executive officer and chief financial officer have determined, that the condensed consolidated financial statements included in this Quarterly Report fairly represent in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, for the periods presented in accordance with GAAP.

#### Material Weaknesses in Internal Control Over Financial Reporting

In connection with the preparation of our interim condensed consolidated financial statements for the quarter ended December 31, 2023, material weaknesses were identified in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

The Company identified a material weakness in its internal control over financial reporting related to the Company's accounting practices and procedures for the application of standalone selling price under Accounting Standards Codification Topic 606 Revenue from Contracts with Customers ("Topic 606"). Specifically, the Company did not have adequate controls in place to conclude on the application of standalone selling price consistent with the generally accepted application of the guidance in Topic 606. The absence of adequate controls with respect to the application of standalone selling price materially impacted the accuracy of the Company's revenue allocations for the quarter ended December 31, 2023.

Additionally, the Company identified a material weakness in its internal control over financial reporting related to the Company's accounting practices and procedures for warrant agreements under Accounting Standards Codification Topic 815 Contracts in Entity's Own Equity ("Topic 815"). Specifically, the Company did not have adequate controls in place to accurately evaluate and classify warrants consistent with Topic 815. The absence of adequate controls with respect to the classification of warrants resulted in warrants being classified as equity and not as liability, which materially impacted the accuracy of the Company's presentation for the quarter ended December 31, 2023.

Further, the Company identified a material weakness in its internal control over financial reporting as effective controls were not maintained over the accuracy of the inputs in the sales order entry process. Specifically, the Company did not sufficiently execute controls over the review of data inputs in the sales order entry process to ensure accuracy of the price, quantity, and related customer data. The control deficiency did not result in a misstatement; however, this control deficiency could result in a misstatement of revenue that would result in a material misstatement to the interim consolidated financial statements for the quarter ended December 31, 2023 that would not be prevented or detected.

#### Changes in Internal Control

In connection with the evaluation required by Rule 13a-15(d) under the Securities Exchange Act of 1934, there were no changes to our internal control over financial reporting that occurred during the quarter ended December 31, 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **Limitations on Effectiveness of Controls**

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

## **PART II—OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

See [Note 10: Commitments and Contingencies](#), of the notes to the unaudited condensed consolidated financial statements for a discussion of our legal matters.

### **ITEM 1A. RISK FACTORS**

There have been no material changes to the previously disclosed risk factors discussed in “Part I, Item 1A, Risk Factors” in the Annual Report. You should consider carefully these factors, together with all of the other information in this Quarterly Report, including our unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report, before making an investment decision.

### **ITEM 5. OTHER INFORMATION**

#### **Rule 10b5-1 Trading Arrangement**

During the period covered by this Quarterly Report, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

## ITEM 6. EXHIBITS

The exhibits required to be filed or furnished as part of this Quarterly Report are listed below. Notwithstanding any language to the contrary, exhibits 32.1 and 32.2 shall not be deemed to be filed as part of this Quarterly Report for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or deemed to be incorporated by reference into any filing under the Exchange Act or the Securities Act of 1933, except to the extent that the Company specifically incorporates it by reference.

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Filing Date	Exhibit	
10.1#	Waiver dated November 10, 2023 to Term Loan Credit and Security Agreement dated August 5, 2021 by and among the Company, Quantum LTO Holdings, LLC, Square Box Systems Limited, the borrowers and guarantors party thereto, the lenders party thereto, and Blue Torch Finance LLC	8-K	11/13/23	10.1	
10.2#	Waiver dated November 13, 2023 to Amended and Restated Revolving Credit and Security Agreement, dated December 27, 2018, by and among the Company, Quantum LTO Holdings, LLC, Square Box Systems Limited, the borrowers and guarantors party thereto, the lenders party thereto, and PNC Bank, National Association, as administrative agent	8-K	11/13/23	10.2	
10.3#	Offer Letter dated November 9, 2023, by and between the Company and Henk Jan Spanjaard	10-K	6/28/24	10.49	
31.1	Certification of the Principal Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of the Principal Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002				X
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002				X
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002				X
101.SCH	XBRL Taxonomy Extension Schema Document				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				X
104	Cover page interactive data file, submitted using inline XBRL (contained in Exhibit 101)				X

# Indicates management contract or compensatory plan or arrangement.

**SIGNATURES**

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

	<b>Quantum Corporation</b> (Registrant)
<u>September 5, 2024</u> (Date)	<u>/s/ James J. Lerner</u> James J. Lerner President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)
<u>September 5, 2024</u> (Date)	<u>/s/ Kenneth P. Gianella</u> Kenneth P. Gianella Chief Financial Officer (Principal Financial Officer)



CERTIFICATION PURSUANT TO SECTION 302(a)  
OF THE SARBANES-OXLEY ACT OF 2002

I, James J. Lerner, certify that:

- 1) I have reviewed this Quarterly Report on Form 10-Q of Quantum 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date      September 5, 2024

/s/ James J. Lerner

James J. Lerner

President, Chief Executive Officer and Chairman of the Board

(Principal Executive Officer)

CERTIFICATION PURSUANT TO SECTION 302(a)  
OF THE SARBANES-OXLEY ACT OF 2002

I, Kenneth P. Gianella, certify that:

- 1) I have reviewed this Quarterly Report on Form 10-Q of Quantum 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date     September 5, 2024

/s/ Kenneth P. Gianella

Kenneth P. Gianella

Chief Financial Officer

(Principal Financial Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350

I, James J. Lerner, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Quantum Corporation, on Form 10-Q for the quarterly period ended December 31, 2023, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Quantum Corporation.

Date        September 5, 2024

/s/ James J. Lerner

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James J. Lerner

President, Chief Executive Officer and Chairman of the Board

(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350

I, Kenneth P. Gianella, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Quantum Corporation, on Form 10-Q for the quarterly period ended December 31, 2023, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Quantum Corporation.

Date      September 5, 2024

/s/ Kenneth P. Gianella

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Kenneth P. Gianella

Chief Financial Officer

(Principal Financial Officer)