# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, DC 20549**

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# FORM 10-Q

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**(Mark One)**

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

**For the quarterly period ended March 31, 2024**

**OR**

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

**For the transition period from ____ to ____**

**Commission File Number: 001-39516**

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# OWLET, INC.

**(Exact Name of Registrant as Specified in its Charter)**

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| | |
|---|---|
| **Delaware** | **85-1615012** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **3300 North Ashton Boulevard , Suite 300<br>Lehi , Utah** | **84043** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**Registrant's telephone number, including area code: (844) 334-5330**

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Class A Common Stock, $0.0001 par value per share | OWLT | New York Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | o | Accelerated filer | o |
| Non-accelerated filer | x | Smaller reporting company | x |
| Emerging growth company | x | | |

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

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

As of May 10, 2024, the registrant had 9,047,883 shares of common stock, $0.0001 par value per share, outstanding.

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Report”) contains certain statements that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). All statements other than statements of historical facts contained in this Report, including statements concerning possible or assumed future actions, business strategies, events or results of operations, and any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as “may,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “contemplate,” “believe,” “estimate,” “predict,” “potential” or “continue” or the negative of these terms or other similar expressions. The forward-looking statements in this Report are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this Report and are subject to a number of risks, uncertainties and assumptions described under the sections in this Report and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "Form 10-K") entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Report and our Form 10-K. These forward-looking statements are subject to numerous risks, including, without limitation, the following:

- We have a limited operating history.
- We have not been profitable to date, and operating losses could continue, which could materially and adversely affect our business, financial condition and results of operations, including our ability to continue as a going concern.
- We have experienced fluctuations in the growth of our business and anticipate this will continue. If we fail to manage our growth effectively, our business could be materially and adversely affected.
- If any governmental authority or notified body were to require marketing authorization or similar certification for any product that we sell for which we have not obtained such marketing authorization or certification, we could be subject to regulatory enforcement action and/or required to cease selling or recall the product pending receipt of marketing authorization or similar certification from such other governmental authority or notified body, which can be a lengthy and time-consuming process, harm financial results and have long-term negative effects on our operations.
- Our products rely on mobile applications to function and we rely on Apple’s App Store and the Google Play Store for distribution of our mobile applications.
- A substantial portion of our sales comes through a limited number of retailers.
- We are required to obtain and maintain marketing authorizations or certifications from the FDA, foreign regulatory authorities or notified bodies for medical device products in the U.S. or in foreign jurisdictions, which can be a lengthy and time-consuming process, and a failure to do so on a timely basis, or at all, could severely harm our business.
- We currently rely on a single manufacturer for the assembly of our Smart Sock and Dream Sock products and a single manufacturer for the assembly of our Owlet Cam. We will likely rely on single manufacturers for future products we may develop. If we encounter manufacturing problems or delays, we may be unable to promptly transition to alternative manufacturers and our ability to generate revenue will be limited.
- If we are unable to obtain key materials and components from sole or limited source suppliers, we will not be able to deliver our products to customers.
- Our success depends in part on our proprietary technology, and if we are unable to obtain, maintain or successfully enforce our intellectual property rights, the commercial value of our products and services will be adversely affected, our competitive position may be harmed and we may be unable to operate our business profitably.
- Our business and operations may suffer in the event of IT system failures, cyberattacks or deficiencies in our cybersecurity.
- We are involved, and may become involved in the future, in disputes and other legal or regulatory proceedings that, if adversely decided or settled, could materially and adversely affect our business, financial condition and results of operations.
- We face the risk of product liability claims and the amount of insurance coverage held now or in the future may not be adequate to cover all liabilities we might incur.
- Operations in international markets will expose us to additional business, political, regulatory, operational, financial and economic risks.
- Our success depends substantially on our reputation and brand.
- Some of our products and services are in development or have been recently introduced into the market and may not achieve market acceptance, which could limit our growth and adversely affect our business, financial condition and results of operations.

- We have identified material weaknesses in our internal control over financial reporting and we may identify additional material weaknesses in the future or otherwise fail to maintain effective internal control over financial reporting, which may result in material misstatements of our consolidated financial statements, cause us to fail to meet our periodic reporting obligations or cause our access to the capital markets to be impaired.
- We may need to raise additional capital in the future in order to execute our strategic plan, which may not be available on terms acceptable to us, or at all.

These risks and other important factors, including those discussed in this Report, may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Moreover, we operate in an evolving environment. Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included elsewhere in this Report are not guarantees of future performance and our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate, may differ materially from the forward-looking statements included elsewhere in this Report. In addition, even if our results of operations, financial condition and liquidity, and events in the industry in which we operate, are consistent with the forward-looking statements included elsewhere in this Report, they may not be predictive of results or developments in future periods.

Any forward-looking statement that we make in this Report speaks only as of the date of such statement. Except as required by law, we do not undertake any obligation to update or revise, or to publicly announce any update or revision to, any of the forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Report. For all of our forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Reform Act.

As used in this Report, unless otherwise stated or the context otherwise requires: “we,” “us,” “our,” “Owlet,” the “Company,” and similar references refer to Owlet, Inc. and its subsidiaries, “common stock” refers to our Class A common stock.

**Basis of Presentation for Reverse Stock Split**

On July 7, 2023, we effected a 1-for-14 reverse stock split (the “Reverse Stock Split”) of our issued and outstanding common stock, by the filing of our Second Amended and Restated Certificate of Incorporation (the “Charter Amendment”) with the Secretary of State of the State of Delaware pursuant to the Delaware General Corporation Law. The Reverse Stock Split became effective at 5:00 p.m. Eastern Time on July 7, 2023. Our common stock began trading on the New York Stock Exchange on a split-adjusted basis on July 10, 2023. Where applicable, all information presented in this Report has been retrospectively adjusted to give effect to our 1-for-14 reverse split of our outstanding common stock and, unless otherwise indicated, all such amounts and corresponding conversion price and/or exercise price data set forth in this Report has been adjusted to give effect to such reverse stock split.

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

**Owlet, Inc.**
**Condensed Consolidated Balance Sheets**
*(in thousands, except share and per share amounts)*
*(unaudited)*

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 18,397 | $ 16,557 |
| Accounts receivable, net | 11,596 | 13,973 |
| Inventory | 7,738 | 6,493 |
| Prepaid expenses and other current assets | 2,288 | 2,921 |
| Total current assets | 40,019 | 39,944 |
| Property and equipment, net | 284 | 377 |
| Right of use assets, net | 581 | 937 |
| Intangible assets, net | 2,209 | 2,210 |
| Other assets | 733 | 655 |
| Total assets | $ 43,826 | $ 44,123 |
| **Liabilities, Convertible Preferred Stock, and Stockholders' Deficit** | | |
| Current liabilities: | | |
| Accounts payable | $ 16,064 | $ 13,679 |
| Accrued and other expenses | 11,003 | 15,051 |
| Current portion of deferred revenues | 1,144 | 1,166 |
| Line of credit | 7,212 | 9,250 |
| Current portion of long-term debt | 4,032 | 5,944 |
| Total current liabilities | 39,455 | 45,090 |
| Common stock warrant liabilities | 25,457 | 27,781 |
| Other long-term liabilities | 705 | 928 |
| Total liabilities | 65,617 | 73,799 |
| Commitments and contingencies (Note 5) | | |
| Series A convertible preferred stock, $ 0.0001 par value, 27,450 and 28,628 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively | 8,735 | 7,855 |
| Series B convertible preferred stock, $ 0.0001 par value; 9,250 and 0 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively | 2,408 | — |
| Stockholders' deficit: | | |
| Common stock, $ 0.0001 par value, 107,142,857 shares authorized as of March 31, 2024 and December 31, 2023; 9,014,403 and 8,797,456 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively. | 1 | 1 |
| Additional paid-in capital | 219,450 | 218,127 |
| Accumulated deficit | ( 252,385 ) | ( 255,659 ) |
| Total stockholders' deficit | ( 32,934 ) | ( 37,531 ) |
| Total liabilities, convertible preferred stock, and stockholders' deficit | $ 43,826 | $ 44,123 |

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

**Owlet, Inc.**

**Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)**

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

*(unaudited)*

| | Three Months Ended March 31, | |
|---|---|---|
| | **2024** | **2023** |
| Revenues | $ 14,750 | $ 10,736 |
| Cost of revenues | 8,203 | 6,583 |
| Gross profit | 6,547 | 4,153 |
| Operating expenses: | | |
| General and administrative | 6,050 | 8,866 |
| Sales and marketing | 3,896 | 3,353 |
| Research and development | 2,347 | 2,890 |
| Total operating expenses | 12,293 | 15,109 |
| Operating loss | ( 5,746 ) | ( 10,956 ) |
| Other income (expense): | | |
| Interest expense, net | ( 161 ) | ( 2,812 ) |
| Common stock warrant liability adjustment | 9,179 | 1,912 |
| Other (expense) income, net | 2 | ( 11 ) |
| Total other (expense) income, net | 9,020 | ( 911 ) |
| Income (loss) before income tax provision | 3,274 | ( 11,867 ) |
| Income tax provision | — | — |
| Net income (loss) and comprehensive income (loss) | 3,274 | ( 11,867 ) |
| Accretion on convertible preferred stock | ( 1,328 ) | ( 653 ) |
| Net income (loss) allocated to participating securities | ( 661 ) | — |
| Net income (loss) attributable to common stockholders | $ 1,285 | $ ( 12,520 ) |
| | | |
| Net income (loss) per share attributable to common stockholders: | | |
| Basic | $ 0.15 | $ ( 1.54 ) |
| Diluted | $ ( 0.51 ) | $ ( 1.54 ) |
| Weighted-average shares used in computing net income (loss) per share attributable to common stockholders: | | |
| Basic | 8,740,059 | 8,110,387 |
| Diluted | 9,617,825 | 8,110,387 |

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

**Owlet, Inc.**

**Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Deficit**

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

*(unaudited)*

| | Series A Convertible Preferred Stock | | Series B Convertible Preferred Stock | | Common Stock | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | Additional Paid-in Capital | Accumulated Deficit | Total Stockholders' Deficit |
| Balance as of December 31, 2022 | — | $ — | — | $ — | 8,242,009 | $ 1 | $ 212,122 | $ ( 222,758 ) | $ ( 10,635 ) |
| Issuance of preferred stock | 30,000 | 3867 | — | — | — | — | — | — | — |
| Preferred stock issuance costs | — | ( 253 ) | — | — | — | — | — | — | — |
| Accretion on Series A convertible preferred stock | — | 653 | — | — | — | — | ( 653 ) | — | ( 653 ) |
| Issuance of SVB Warrants (Note 4) | — | — | — | — | — | — | 43 | — | 43 |
| Issuance of common stock upon exercise of stock options | — | — | — | — | 18,054 | — | 55 | — | 55 |
| Issuance of common stock for restricted stock units vesting | — | — | — | — | 115,257 | — | — | — | — |
| Issuance of common stock for employee stock purchase plan | — | — | — | — | 15,104 | — | 101 | — | 101 |
| Stock-based compensation | — | — | — | — | — | — | 2,789 | — | 2,789 |
| Net loss | — | — | — | — | — | — | — | ( 11,867 ) | ( 11,867 ) |
| Balance as of March 31, 2023 | 30,000 | $ 4,267 | — | $ — | 8,390,424 | $ 1 | $ 214,457 | $ ( 234,625 ) | $ ( 20,167 ) |
| | | | | | | | | | |
| Balance as of December 31, 2023 | 28,628 | $ 7,855 | — | $ — | 8,797,456 | $ 1 | $218,127 | $ ( 255,659 ) | $ ( 37,531 ) |
| Issuance of preferred stock | — | — | 9,250 | 2,394 | — | — | — | — | — |
| Preferred stock issuance costs | — | — | — | ( 102 ) | — | — | — | — | — |
| Accretion on convertible preferred stock | — | 1,212 | — | 116 | — | — | ( 1,328 ) | — | ( 1,328 ) |
| Conversion of preferred stock | ( 1,178 ) | ( 332 ) | — | — | 171,719 | — | 332 | — | 332 |
| Issuance of common stock for restricted stock units vesting | — | — | — | — | 22,437 | — | — | — | — |
| Issuance of common stock for employee stock purchase plan | — | — | — | — | 22,791 | — | 92 | — | 92 |
| Stock-based compensation | — | — | — | — | — | — | 2,227 | — | 2,227 |
| Net income | — | — | — | — | — | — | — | 3,274 | 3,274 |
| Balance as of March 31, 2024 | 27,450 | $ 8,735 | 9,250 | $ 2,408 | 9,014,403 | $ 1 | $219,450 | $ ( 252,385 ) | $ ( 32,934 ) |

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

**Owlet, Inc.**
**Condensed Consolidated Statements of Cash Flows**
*(in thousands)*
*(unaudited)*

| | Three Months Ended March 31, | |
|---|---|---|
| | **2024** | **2023** |
| **Cash flows from operating activities** | | |
| Net income (loss) | $ 3,274 | $ ( 11,867 ) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | |
| Depreciation and amortization | 109 | 293 |
| Stock-based compensation | 2,227 | 2,789 |
| Provision for credit losses | ( 388 ) | 83 |
| Common stock warrant liability adjustment | ( 9,179 ) | ( 1,912 ) |
| Amortization of right of use assets | 356 | 332 |
| Other adjustments, net | 25 | 94 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 2,765 | 480 |
| Prepaid expenses and other assets | 555 | 1,261 |
| Inventory | ( 1,245 ) | 3,771 |
| Accounts payable and accrued and other expenses | ( 1,158 ) | ( 5,661 ) |
| Other, net | ( 680 ) | 963 |
| Net cash used in operating activities | ( 3,339 ) | ( 9,374 ) |
| **Cash flows from investing activities** | | |
| Purchase of property and equipment | — | ( 6 ) |
| Purchase of intangible assets | ( 54 ) | ( 2 ) |
| Net cash used in investing activities | ( 54 ) | ( 8 ) |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of preferred stock, net of $ 158 and $ 0 of paid transaction costs, respectively | 9,092 | 30,000 |
| Proceeds from short-term borrowings | 28,941 | 32,895 |
| Payments of short-term borrowings | ( 31,392 ) | ( 38,635 ) |
| Payments of long-term borrowings | ( 1,500 ) | ( 1,500 ) |
| Other, net | 92 | 156 |
| Net cash provided by financing activities | 5,233 | 22,916 |
| Net change in cash and cash equivalents | 1,840 | 13,534 |
| Cash and cash equivalents at beginning of period | 16,557 | 11,231 |
| Cash and cash equivalents at end of period | $ 18,397 | $ 24,765 |

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

**Owlet, Inc.**
**Notes to Condensed Consolidated Financial Statements**
*(in thousands, except share and per share amounts)*
*(unaudited)*

**Note 1. Basis of Presentation**

As used in these financial statements, unless otherwise stated or the context otherwise requires: “we,” “us,” “our,” “Owlet,” the “Company,” and similar references refer to Owlet, Inc. and its subsidiaries, “common stock” refers to our Class A common stock.

***Basis of Presentation and Principles of Consolidation***

The accompanying unaudited condensed consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and applicable rules and regulations of the U.S. Securities and Exchange Commission (the "SEC") regarding interim financial reporting. The condensed consolidated balance sheet as of December 31, 2023, included herein, was derived from the audited consolidated financial statements as of that date, but does not include all disclosures including certain notes required by U.S. GAAP on an annual reporting basis. All intercompany transactions and balances have been eliminated in consolidation. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary for the fair statement of the Company’s financial position, results of operations, and cash flows for the interim periods presented. All dollar amounts, except per share amounts, in the notes are presented in thousands, unless otherwise specified.

Certain prior year amounts have been reclassified to conform to the current period presentation.

***Reverse Stock Split***

On July 7, 2023, the Company filed with the Secretary of State of the State of Delaware a Certificate of Amendment to its Second Amended and Restated Certificate of Incorporation (the “Charter Amendment”) to effect a one-for-14 reverse stock split (the “Reverse Stock Split”) of the Company’s common stock and a reduction in the number of authorized shares of common stock and authorized but unissued shares of the Company’s preferred stock. The number of authorized shares of Common Stock was reduced from 1,000,000,000 shares to 107,142,857 shares, which reflects a reduction to 1.5 times the then current number of authorized shares of Common Stock, divided by the Reverse Stock Split ratio. The Reverse Stock Split also reduced the number of authorized shares of preferred stock from 100,000,000 shares to 10,741,071 shares, which reflects a reduction to 1.5 times the then current number of authorized but unissued shares of preferred stock, divided by the Reverse Stock Split ratio. The Reverse Stock Split became effective on July 7, 2023.

There was no net effect on total stockholders' equity, and the par value per share of our common stock remains unchanged at $ 0.0001 per share after the Reverse Stock Split. All references made to share or per share amounts in the accompanying condensed consolidated financial statements and applicable disclosures have been retroactively adjusted for all periods presented to reflect the applicable effects of the Reverse Stock Split and the reduction in the number of authorized shares of common stock and preferred stock effected by the Charter Amendment.

***Risks and Uncertainties***

In accordance with ASU No. 2014-15, Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern (Subtopic 205-40), the Company has evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the condensed consolidated financial statements are issued.

Since inception, the Company has experienced recurring operating losses and generated negative cash flows from operations, resulting in an accumulated deficit of $ 252,385 as of March 31, 2024. During the three months ended March 31, 2024 and 2023, we had negative cash flows from operations of $ 3,339 and $ 9,374 , respectively. As of March 31, 2024, we had $ 18,397 of cash on hand.

Recurring operating losses, negative cash flows from operations since inception, and a low cash balance relative to current obligations raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the accompanying condensed consolidated financial statements are issued. The accompanying condensed consolidated financial statements have been prepared on a going concern basis and accordingly, do not include any adjustments relating to the recoverability and classification of asset carrying amounts, or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

As the Company continues to address these financial conditions, management has undertaken the following actions:

- As described further in Note 7, on February 17, 2023 the Company consummated a sale of preferred stock and warrants to purchase its common stock for aggregate gross proceeds of $ 30,000 . On February 29, 2024, the Company consummated a sale of preferred stock and warrants to purchase its common stock for aggregate gross proceeds of $ 9,250 .

- As described in Note 4, the Company has entered into amendments to its financing arrangement with SVB, which, among other revisions, (i) deferred certain payments of principal (ii) deferred the maturity of the revolving line of credit from April 22, 2024 to December 31, 2024, (iii) had SVB waive certain stated events of default, (iv) expanded the eligibility of inventory and accounts that the Company can borrow against, and (v) modified certain financial covenants required of the Company.

- During the year ended December 31, 2022, the Company undertook restructuring actions, which significantly reduced employee headcount and reduced operating spend. This included the reduction of consulting and outside services, the reduction of marketing programs, and the prioritization of and sequencing of research and development projects.

We have not generated sufficient cash flows from operations to satisfy our capital requirements. There can be no assurance that the Company will generate sufficient future cash flows from operations due to potential factors, including but not limited to inflation, recession, or reduced demand for the Company's products. If revenues decrease from current levels, the Company may be unable to further reduce costs, or such reductions may limit our ability to pursue strategic initiatives and grow revenues in the future.

There can be no assurance that we will be able to obtain additional financing on terms acceptable to us, if at all. Failure to secure additional funding may require us to modify, delay or abandon some of our planned future development, or to otherwise enact further operating cost reductions, which could have a material adverse effect on our business, operating results, financial condition and ability to achieve our intended business objectives.

If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges, or unforeseen circumstances could be significantly limited, and our business, financial condition and results of operations could be materially adversely affected. We also could be required to seek funds through arrangements with partners or others that may require us to relinquish rights or jointly own some aspects of our technologies, products or services that we would otherwise pursue on our own.

The Company maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. As of March 31, 2024, substantially all of the Company's cash was held with Silicon Valley Bank and Citibank, and exceeded federally insured limits. On March 10, 2023, Silicon Valley Bank was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver. On March 12, 2023, the Secretary of the Treasury, the chair of the Federal Reserve Board and the chairman of the FDIC released a joint statement related to the FDIC's resolution of the Silicon Valley Bank receivership, which provided that all depositors would have access to all their money starting March 13, 2023. As of the issuance date of these financial statements, all cash deposited by the Company with Silicon Valley Bank, now a division of First Citizens Bank and Trust Company, has been accessible by the Company.

***Recently Issued Accounting Guidance***

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. The expanded annual disclosures are effective for our year ending December 31, 2024, and the expanded interim disclosures are effective in 2025 and will be applied retrospectively to all prior periods presented. Early adoption is permitted. The Company is currently assessing the impact of the guidance on its consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires, among other things, additional disclosures primarily related to the income tax rate reconciliation and income taxes paid. The expanded annual disclosures are effective for our year ending December 31, 2025. The Company is currently evaluating the impact that ASU 2023-09 will have on our consolidated financial statements and whether we will apply the standard prospectively or retrospectively.

## Note 2. Certain Balance Sheet Accounts

***Allowance for Credit Losses***

The Company records its accounts receivable at sales value and maintains an allowance for its current estimate of expected credit losses. Provisions for expected credit losses are estimated based on historical experience, assessment of specific risk, review of outstanding invoices, and forecasts about the future. The Company establishes specific reserves for customers in an adverse financial condition and adjusts for its expectations of changes in conditions that may impact the collectability of outstanding receivable.

The following table summarizes the Company's allowance for credit losses for the three months ended March 31, 2024 and 2023:

| **Allowance for credit losses:** | **Beginning Balance** | **Charges to Expense** | **Charges to Revenue** | **Write-offs** | **Ending Balance** |
|---|---|---|---|---|---|
| Three Months Ended March 31, 2023 | $ 3,013 | 83 | ( 20 ) | ( 128 ) | $ 2,948 |
| Three Months Ended March 31, 2024 | $ 3,322 | ( 388 ) | 56 | ( 2,490 ) | $ 500 |

Write-offs for the three months ended March 31, 2024 related to a settlement agreement with a former retailer for past due receivables which had previously been charged to the provision for credit losses in a prior period. A benefit was recognized during the three months ended March 31, 2024, which represented a partial recovery of the past due receivables in connection with the settlement.

***Inventory***

Substantially all of the Company’s inventory consisted of finished goods as of March 31, 2024 and December 31, 2023.

***Property and Equipment, net***

Property and equipment consisted of the following as of:

| | **March 31, 2024** | **December 31, 2023** |
|---|---|---|
| Tooling and manufacturing equipment | $ 2,633 | $ 2,632 |
| Furniture and fixtures | 633 | 639 |
| Computer equipment | 335 | 348 |
| Software | 106 | 106 |
| Leasehold improvements | 35 | 35 |
| Total property and equipment | 3,742 | 3,760 |
| Less accumulated depreciation and amortization | ( 3,458 ) | ( 3,383 ) |
| Property and equipment, net | $ 284 | $ 377 |

Depreciation and amortization expense on property and equipment was $ 93 and $ 274 for the three months ended March 31, 2024 and March 31, 2023, respectively. For the three months ended March 31, 2024 and March 31, 2023, the Company allocated $ 85 and $ 182 , respectively, of depreciation and amortization expense related to tooling and manufacturing equipment and software to cost of revenues.

***Intangible Assets Subject to Amortization***

Intangible assets were $ 2,209 , net of accumulated amortization of $ 296 as of March 31, 2024, and $ 2,210 , net of accumulated amortization of $ 280 , as of December 31, 2023.

Capitalized software development costs were $ 1,873 on March 31, 2024 and December 31, 2023. The Company’s internally developed software capitalized within intangible assets on the balance sheet is still in development and not ready for general release. As such, the Company has not recognized any amortization for the three months ended March 31, 2024 or 2023.

The Company did no t recognize any impairment charges for intangible assets during the three months ended March 31, 2024 or 2023.

***Accrued and Other Expenses***

Accrued and other expenses, among other things, included accrued sales returns of $ 1,281 and $ 2,919 as of March 31, 2024 and December 31, 2023, respectively.

Changes in accrued warranty were as follows:

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Accrued warranty, beginning of period | $ 782 | $ 712 |
| Provision for warranties issued during the period | 177 | 35 |
| Settlements of warranty claims during the period | ( 191 ) | ( 155 ) |
| Accrued warranty, end of period | $ 768 | $ 592 |

***Preferred Stock***

The Company is authorized to issue up to 10,741,071 shares of $ 0.0001 par value preferred stock, of which 36,700 and 28,628 shares were outstanding as of March 31, 2024 and December 31, 2023, respectively. See Note 7 - *Convertible Preferred Stock and Common Stock Warrants* of this Report for more information.

**Note 3. Deferred Revenues**

Deferred revenues relate to performance obligations for which payments are received from customers prior to the satisfaction of the Company's obligations to its customers. Deferred revenues primarily consist of amounts allocated to the mobile application, unspecified upgrade rights, and content, and are recognized over the service period of the performance obligations, which range from 5 to 27 months.

Changes in the total deferred revenues balance were as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Beginning balance | $ 1,302 | $ 1,386 |
| Deferral of revenues | 521 | 395 |
| Recognition of deferred revenues | ( 543 ) | ( 524 ) |
| Ending balance | $ 1,280 | $ 1,257 |

The Company recognized $ 477 and $ 483 of revenue during the three months ended March 31, 2024 and 2023, respectively, that was included in the deferred revenue balance at the beginning of the respective period. Revenue for the three months ended March 31, 2024 includes $ 330 relating to the correction of immaterial misstatements from previous periods.

**Note 4. Long-Term Debt and Other Financing Arrangements**

The following is a summary of the Company's long-term indebtedness as of:

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Term note payable to SVB, maturing on October 1, 2024 | $ 3,500 | $ 5,000 |
| Financed insurance premium | 532 | 944 |
| Total debt | 4,032 | 5,944 |
| Less: current portion | ( 4,032 ) | ( 5,944 ) |
| Total long-term debt, net | $ — | $ — |

***Third Amended and Restated Loan and Security Agreement***

On November 23, 2022, the Company entered into the Third Amended and Restated Loan and Security Agreement (the "November 2022 LSA") with Silicon Valley Bank, now a division of First Citizens Bank and Trust Company ("SVB"). The November 2022 LSA

amended, restated and replaced in its entirety the prior Second Amended and Restated Loan and Security Agreement, dated April 22, 2020, and all prior amendments. On March 27, 2023, the Company entered into the first amendment to the November 2022 LSA with SVB (the “March 2023 Amendment”), which, among other revisions, (i) deferred certain payments of principal by the Company until September 1, 2023, (ii) had SVB waive certain stated events of default, (iii) expanded the eligibility of inventory and accounts that the Company can borrow against, and (iv) modified certain financial covenants required of the Company.

In connection with the March 2023 Amendment, the Company granted SVB a warrant to purchase 10,714 shares of the Company's common stock at a price of $ 5.32 per share, expiring on March 27, 2035 (the "SVB Warrants"). The warrant was valued at $ 43 and is classified as equity and included within additional paid-in capital on the condensed consolidated balance sheet. See Note 7, *Convertible Preferred Stock and Common Stock Warrants* for a summary of all common stock warrants currently outstanding.

On August 10, 2023, the Company entered into the second amendment to the November 2022 LSA with SVB (the “August 2023 Amendment”) that clarified the calculation of the financial covenants under the agreement.

On November 13, 2023, the Company entered into a waiver and third amendment to the November 2022 LSA with SVB (the "November 2023 Amendment") to, among other things, waive a covenant violation and to revise the adjusted EBITDA requirements for future periods.

On March 8, 2024, the Company entered into a waiver and fourth amendment to the November 2022 LSA (the "March 2024 Amendment" and together with the November 2022 LSA, the March 2023 Amendment, the August 2023 Amendment, and the November 2023 Amendment, the "LSA") with SVB, which, among other revisions, (i) deferred the maturity of the revolving line of credit (the "SVB Revolver") from April 22, 2024 to December 31, 2024, (ii) had SVB waive certain stated events of default, (iii) expanded the eligibility of inventory and accounts that the Company can borrow against, and (iv) modified certain financial covenants required of the Company.

As of March 31, 2024, the Company was in violation of the adjusted EBITDA covenant for the three months ended December 31, 2023 under the LSA. On May 10, 2024, the Company entered into a waiver agreement with SVB to waive this covenant violation.

*Line of Credit*

The LSA provides for a $ 10,000 revolving line of credit (the “SVB Revolver”) as of March 31, 2024. The SVB Revolver is an asset-based lending facility subject to borrowing base availability, which is limited by specified percentages of eligible accounts receivable and eligible inventory. Borrowing base availability can be impacted based upon the period’s eligible accounts receivable and eligible inventory and may be significantly lower than the full $ 10,000 line of credit. As of March 31, 2024 the borrowing base availability was $ 7,253 .

The SVB Revolver facility matures and terminates on December 31, 2024. As of March 31, 2024, the SVB Revolver bore interest on the outstanding principal amount at a floating rate per annum equal to the greater of (i) 5.00 % and (ii) the prime rate plus the prime rate margin, which is 2.25 % for advances on the SVB Revolver, as defined by the LSA. As of March 31, 2024 there was $ 7,212 of outstanding borrowings under the SVB Revolver.

*Term Loan*

The LSA also provided for an $ 8,500 term loan (the “Term Loan”), replacing the term loans made under the previous agreement, of which $ 3,500 was outstanding as of March 31, 2024. The Term Loan amortizes with equal monthly installments of $ 500 and matures on October 1, 2024 (the "Term Loan Maturity Date").

The Term Loan accrues interest on the outstanding principal amount at a floating rate per annum equal to the greater of (i) five and three-quarters percent ( 5.75 %) and (ii) the prime rate plus the prime rate margin, which is 3.50 % for the Term Loan (as defined in the LSA), and such interest is payable (a) monthly in arrears, (b) on each prepayment date and (c) on the Term Loan Maturity Date. All outstanding principal and accrued and unpaid interest and all other Term Loan-related outstanding obligations shall become due and payable in full on the Term Loan Maturity Date.

The Company believes that the fair value of the Term Loan approximates the recorded amount as of March 31, 2024 and December 31, 2023, as the interest rates on the long-term debt are variable and the rates are based on market interest rates (bank’s prime rate) after consideration of default and credit risk (using Level 2 inputs).

***Financed Insurance Premiums***

In 2023, the Company renewed its corporate directors & officers and employment liability policies and entered into several new short-term commercial premium finance agreements with First Insurance Funding totaling $ 1,421 to be paid within one year, accruing interest at a weighted average rate of 9.0 %. As of March 31, 2024, the remaining principal balance on the combined financed insurance premiums was $ 532 .

***Future Aggregate Maturities***

As of March 31, 2024, future aggregate maturities of the Term Note and Financed Insurance Premium payables were as follows:

| Years Ending December 31, | | Amount |
|---|---|---|
| 2024 | | 4,032 |
| Total | $ | 4,032 |

**Note 5. Commitments and Contingencies**

During February 2023, the Company entered into an agreement with a significant vendor to pay $ 3,000 of interest over 36 months with respect to past due payables. The present value of the future payments was expensed and included within interest expense, net on the condensed consolidated statements of operations for the three months ended March 31, 2023.

***Litigation***

The Company is involved in legal proceedings from time to time arising in the normal course of business. While any outcome related to such legal proceedings cannot be predicted with certainty, the Company believes that the outcome of these proceedings will not have a material impact on the Company’s financial position, results of operations, or liquidity.

In November 2021, two putative class action complaints were filed against us in the U.S. District Court for the Central District of California, the first captioned *Butala v. Owlet, Inc.* , Case No. 2:21-cv-09016, and the second captioned *Cherian v. Owlet, Inc.* , Case No. 2:21-cv-09293. Both complaints alleged violations of the Securities Exchange Act of 1934 (“Exchange Act”) against the Company and certain of its officers and directors on behalf of a putative class of investors who: (a) purchased the Company’s common stock between March 31, 2021 and October 4, 2021 (“Section 10(b) Claims”); or (b) held common stock in SBG as of June 1, 2021, and were eligible to vote at SBG's special meeting held on July 14, 2021 (“Section 14(a) Claims”). Both complaints allege, among other things, that the Company and certain of its officers and directors made false and/or misleading statements and failed to disclose certain information regarding the FDA’s likely classification of the Owlet Smart Sock as a medical device requiring marketing authorization.

On September 8, 2023, the Court ruled that while the *Butala and Cherian* cases were consolidated, there would be two distinct and separate classes to represent the Section 10(b) Claims and Section 14(a) Claims, respectively, and appointed lead plaintiffs and lead counsel for each class. Amended complaints were filed for each class on November 21, 2023, and then further amended in consolidated filings on December 22, 2023. The Company intends to vigorously defend itself against these claims, and filed motions to dismiss the complaints on February 9, 2024 on behalf of itself and the named officers and directors. The plaintiffs filed oppositions to the motions to dismiss on March 24, 2024. The Company intends to file replies in support of the motions to dismiss on or before May 10, 2024.

***Indemnification***

In the ordinary course of business, the Company enters into agreements that may include indemnification provisions. Pursuant to such agreements, the Company may indemnify, hold harmless, and defend an indemnified party for losses suffered or incurred by the indemnified party. Some of the provisions will limit losses to those arising from third party actions. In some cases, the indemnification will continue after the termination of the agreement. The maximum potential amount of future payments the Company could be required to make under these provisions is not determinable. The Company has never incurred material costs to defend lawsuits or settle claims related to these indemnification provisions. The Company has entered into indemnification agreements with its directors and officers that may require the Company to indemnify its directors and officers against liabilities that may arise by reason of their status or service as directors or officers to the fullest extent permitted by Delaware corporate law. The Company currently has directors’ and officers’ insurance coverage that reduces its exposure and enables the Company to recover a portion of any future amounts paid. The Company believes the estimated fair value of these indemnification agreements in excess of applicable insurance coverage is immaterial.

**Note 6. Stock-based Compensation**

The Company has various stock compensation plans, which are more fully described in Part II, Item 8 "Financial Statements and Supplementary Data - Note 8 to the Consolidated Financial Statements - Share-based Compensation" in the 2023 Annual Report on Form 10-K.

Under the 2021 Incentive Award Plan, the Company has the ability to grant options, stock appreciation rights, restricted stock, restricted stock units ("RSU"), performance stock units ("PRSU"), dividend equivalents, or other stock or cash-based awards to employees, directors, or consultants. Option awards are generally granted with an exercise price equal to the fair value of the Company's common stock at the date of grant. Options, RSU, and PRSU awards generally vest over a period of four years .

*Stock-based Compensation Expense*

Total stock-based compensation was recognized as follows (in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| General and administrative | $ 1,283 | $ 1,436 |
| Sales and marketing | 344 | 492 |
| Research and development | 600 | 861 |
| Total stock-based compensation | $ 2,227 | $ 2,789 |

There was no stock-based compensation capitalized during the three months ended March 31, 2024 or 2023.

As of March 31, 2024, the Company had $ 717 of unrecognized stock-based compensation costs related to non-vested options that will be recognized over a weighted-average period of 0.7 years, $ 8,152 of unrecognized stock-based compensation costs related to unvested RSUs that will be recognized over a weighted-average period of 1.9 years, and $ 369 of unrecognized stock-based compensation costs related to unvested PRSUs that will be recognized over a weighted-average period of 1.5 years.

**Note 7. Convertible Preferred Stock and Common Stock Warrants**

***February 2023 Offering***

On February 17, 2023 the Company entered into private placement investment agreements with certain investors, pursuant to which the Company issued and sold to the investors (i) an aggregate of 30,000 shares of the Company's Series A convertible preferred stock, par value $ 0.0001 per share and (ii) warrants to purchase an aggregate of 7,871,712 shares of the Company's common stock, par value $ 0.0001 per share, ("Series A Warrants") for an aggregate purchase price of $ 30,000 .

The Series A convertible preferred stock is convertible into common stock at the option of the holder at any time after February 17, 2023 and ranks, with respect to dividend rights, rights of redemption and rights upon a liquidation event, (i) senior to the common stock and all other classes or series of equity securities of the Company established after February 17, 2023, unless such shares or equity securities expressly provide that they rank in parity with or senior to the Series A convertible preferred stock with respect to dividend rights, rights of redemption or rights upon a liquidation event, (ii) on parity with each class or series of equity securities of the Company established after the February 17, 2023, the terms of which expressly provide that it ranks on parity with the Series A convertible preferred stock with respect to dividend rights, rights of redemption and rights upon a liquidation event and (iii) junior to each class or series of equity securities of the Company established after February 17, 2023, the terms of which expressly provide that it ranks senior to the Series A convertible preferred stock with respect to dividend rights, rights of redemption and rights upon a liquidation event. Except as otherwise provided in the certificate of designation relating to the Series A convertible preferred stock or as required by law, holders of shares of Series A convertible preferred stock are entitled to vote with the holders of shares of common stock (and any other class or series that may similarly be entitled to vote with the holders of common stock) on an as-converted to common stock basis at any annual or special meeting of stockholders of the Company, and not as a separate class.

At any time from and after February 17, 2028, the holders of at least a majority of the then outstanding shares of Series A convertible preferred stock may specify a date and time or the occurrence of an event by vote or written consent that all, and not less than all, of the outstanding shares of Series A preferred stock will automatically be: (i) converted into shares of common stock at a conversion rate of 145.7726 per share (the "Conversion Rate"), (ii) subject to certain exceptions and limitations, redeemed for an amount per share of Series A preferred stock equal to the liquidation preference of one thousand dollars per share, plus all accrued or declared but unpaid dividends as of the redemption date and time or (iii) a combination of the foregoing.

Subject to certain exceptions, upon the occurrence of a fundamental change, voluntary or involuntary liquidation, dissolution or winding-up of the Company, the Company will be required to pay an amount per share of Series A convertible preferred stock equal to the greater of (i) one thousand dollars per share or (ii) the consideration per share of Series A convertible preferred stock as would have been payable had all such shares been converted to common stock immediately prior to the liquidation event, plus, in each case, the aggregate amount of all declared but unpaid dividends thereon to the date of final distribution to the holders of Series A convertible preferred stock.

Each of the Series A Warrants sold in the private placement offering is exercisable for one share of common stock at an exercise price of $ 4.66 per share, is immediately exercisable, and will expire on February 17, 2028. As the Series A Warrants could require cash settlement in certain scenarios, the warrants were classified as liabilities upon issuance and were initially recorded at an aggregate estimated fair value of $ 26,133 . The total proceeds from the offering were first allocated to the liability classified warrants, based on their fair values, with the residual $ 3,867 allocated to the Series A convertible preferred stock. The Series A convertible stock will accrete to its redemption value, starting from the issuance date to the date at which the shares become redeemable on February 17, 2028. Accretion will be recorded as a deemed dividend. None of the Series A Warrants have been exercised as of March 31, 2024.

The Company incurred $ 1,963 of issuance costs related to the offering. Issuance costs allocated to the preferred stock of $ 253 were recorded as a reduction to the Series A convertible preferred stock. Issuance costs allocated to the liability classified warrants of $ 1,710 were recorded as an expense within general and administrative expenses.

***February 2024 Offering***

On February 25, 2024 we entered into a private placement investment agreement with certain investors, pursuant to which we issued and sold to the investors (i) an aggregate of 9,250 shares of the Company's Series B convertible preferred stock, par value $ 0.0001 per share and (ii) warrants to purchase an aggregate of 1,799,021 shares of our common stock, par value $ 0.0001 per share (the "Series B Warrants"), for an aggregate purchase price of $ 9,250 .

The Series B convertible preferred stock is convertible into common stock at the option of the holder at any time after February 29, 2024 and ranks, with respect to dividend rights, rights of redemption and rights upon a liquidation event, (i) equal to the Company's Series A convertible preferred stock, (ii) senior to the common stock and all other classes or series of equity securities of the Company established after February 29, 2024, unless such shares or equity securities expressly provide that they rank in parity with or senior to the Series B convertible preferred stock with respect to dividend rights, rights of redemption or rights upon a liquidation event, (iii) on parity with each class or series of equity securities of the Company established after the February 29, 2024, the terms of which expressly provide that it ranks on parity with the Series B convertible preferred stock with respect to dividend rights, rights of redemption and rights upon a liquidation event and (iv) junior to each class or series of equity securities of the Company established after February 29, 2024, the terms of which expressly provide that it ranks senior to the Series B convertible preferred stock with respect to dividend rights, rights of redemption and rights upon a liquidation event. Except as otherwise provided in the certificate of designation relating to the Series B convertible preferred stock or as required by law, holders of shares of Series B convertible preferred stock are entitled to vote with the holders of shares of common stock (and any other class or series that may similarly be entitled to vote with the holders of common stock) on an as-converted to common stock basis at any annual or special meeting of stockholders of the Company, and not as a separate class.

At any time from and after March 1, 2029, the holders of at least a majority of the then outstanding shares of Series B convertible preferred stock may specify a date and time or the occurrence of an event by vote or written consent that all, and not less than all, of the outstanding shares of Series B convertible preferred stock will automatically be: (i) converted into shares of common stock at a conversion rate of 129.6596 per share, (ii) subject to certain exceptions and limitations, redeemed for an amount per share of Series B preferred stock equal to the liquidation preference of one thousand dollars per share, plus all accrued or declared but unpaid dividends as of the redemption date and time or (iii) a combination of the foregoing.

Subject to certain exceptions, upon the occurrence of a fundamental change, voluntary or involuntary liquidation, dissolution or winding-up of the Company, the Company will be required to pay an amount per share of Series B convertible preferred stock equal to the greater of (i) one thousand dollars per share or (ii) the consideration per share of Series B convertible preferred stock as would have been payable had all such shares been converted to common stock immediately prior to the liquidation event, plus, in each case, the aggregate amount of all declared but unpaid dividends thereon to the date of final distribution to the holders of Series B convertible preferred stock.

Each of the Series B Warrants sold in the private placement offering is exercisable for one share of common stock at an exercise price of $ 7.7125 per share, is immediately exercisable, and will expire on March 1, 2029. As the Series B Warrants could require cash settlement in certain scenarios, the warrants were classified as liabilities upon issuance and were initially recorded at an aggregate estimated fair value of $ 6,856 . The total proceeds from the offering were first allocated to the liability classified warrants, based on their fair values, with the residual $ 2,394 allocated to the Series B convertible preferred stock. The Series B convertible stock will accrete to its redemption value, starting from the issuance date to the date at which the shares become redeemable on March 1, 2029. Accretion will be recorded as a deemed dividend. None of the Series B Warrants have been exercised as of March 31, 2024.

The Company incurred $ 394 of issuance costs related to the offering. Issuance costs allocated to the preferred stock of $ 102 were recorded as a reduction to the Series B convertible preferred stock. Issuance costs allocated to the liability classified warrants of $ 292 were recorded as an expense within general and administrative expenses.

***SBG Common Stock Warrants***

As a result of the merger completed with SBG on July 15, 2021 (the "Merger"), the Company continues to record liabilities for warrants issued by SBG prior to the Merger.

Pursuant to the SBG initial public offering, SBG sold warrants to purchase an aggregate of 821,428 shares of the Company's common stock at a price of $ 161.00 per share ("SBG Public Warrants"). Following the closing of the Initial Public Offering on September 17, 2020, the Company completed the sale of warrants to purchase an aggregate of 471,428 shares of the Company's common stock at a price of $ 161.00 per share in a private placement to Sandbridge Acquisition Holdings LLC (the "SBG Private Placement Warrants"). Together, the SBG Public Warrants and SBG Private Placement Warrants are referred to as the "SBG Common Stock Warrants." The SBG Public Warrants became exercisable 12 months from the closing of the Initial Public Offering. The SBG Common Stock Warrants will expire five years after the completion of the Merger or earlier upon redemption or liquidation.

See Part II, Item 8 "Financial Statements and Supplementary Data - Note 3 to the Consolidated Financial Statements - Merger" in the 2022 Annual Report on Form 10-K for the year ended December 31, 2022 (the "Form 10-K") for more information.

The following table summarizes issuable shares of the Company's common stock based on warrant activity for the three months ended March 31, 2024:

| | As of December 31, 2023 | Shares Issuable by New Warrants | Shares Purchased by Exercise | As of March 31, 2024 |
|---|---|---|---|---|
| SBG Public Warrants | 821,428 | — | — | 821,428 |
| SBG Private Placement Warrants | 471,428 | — | — | 471,428 |
| Series A Warrants | 7,871,712 | — | — | 7,871,712 |
| Series B Warrants | — | 1,799,021 | — | 1,799,021 |
| SVB Warrants (Note 4) | 10,714 | — | — | 10,714 |
| Total | 9,175,282 | 1,799,021 | — | 10,974,303 |

**Note 8. Fair Value Measurements**

The following table presents information about the Company's assets and liabilities measured and reported in the financial statements at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

| | March 31, 2024 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Balance |
| Assets: | | | | |
| Money market funds | $ 17,917 | $ — | $ — | $ 17,917 |
| Total assets | $ 17,917 | $ — | $ — | $ 17,917 |
| Liabilities: | | | | |
| SBG Public Warrants | $ — | $ — | $ 21 | $ 21 |
| SBG Private Placement Warrants | — | — | 12 | 12 |
| Series A Warrants | — | — | 20,876 | 20,876 |
| Series B Warrants | — | — | 4,548 | 4,548 |
| Total liabilities | $ — | $ — | $ 25,457 | $ 25,457 |

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Balance |
| Assets: | | | | |
| Money market funds | $ 16,489 | $ — | $ — | $ 16,489 |
| Total assets | $ 16,489 | $ — | $ — | $ 16,489 |
| Liabilities: | | | | |
| SBG Public Warrants | $ — | $ — | $ 61 | $ 61 |
| SBG Private Placement Warrants | — | — | 35 | 35 |
| Series A Warrants | $ — | $ — | $ 27,685 | $ 27,685 |
| Total liabilities | $ — | $ — | $ 27,781 | $ 27,781 |

Money market funds are included within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

The SBG Public Warrants and SBG Private Placement Warrants as of March 31, 2024 and December 31, 2023 are presented in Level 3 of the fair value hierarchy. On June 15, 2023, the Company received notice from the New York Stock Exchange (the "NYSE") that the NYSE had halted trading in the SBG Public Warrants due to the low trading price of those warrants. On June 16, 2023, the NYSE provided written notice to the Company and publicly announced that NYSE Regulation had determined to commence proceedings to delist the SBG Public Warrants and that such warrants were no longer suitable for listing based on "abnormally low" price levels, pursuant to Section 802.01D of the NYSE Listed Company Manual. As such, these instruments are no longer valued using quoted market prices and correspondingly, the SBG Private Placement Warrants can no longer be valued based on a quoted market price of the SBG Public Warrants. The Company measured the fair value of both the SBG Public Warrants and the SBG Private Placement Warrants as of March 31, 2024 and December 31, 2023 using the Black-Scholes option pricing model with the following assumptions:

| SBG Common Stock Warrants - Black-Scholes Inputs | March 31, 2024 | December 31, 2023 |
|---|---|---|
| OWLT stock price | $ 4.31 | $ 5.28 |
| Exercise price of warrants | $ 161.00 | $ 161.00 |
| Term in years | 2.29 | 2.54 |
| Risk-free interest rate | 4.53 % | 4.11 % |
| Volatility | 85.00 % | 85.00 % |

The Series A Warrants are presented as Level 3 measurements, relying on unobservable inputs reflecting the Company's own assumptions. Level 3 measurements, which are not based on quoted prices in active markets, introduce a higher degree of subjectivity and may be more sensitive to fluctuations in stock price, volatility rates, and U.S. Treasury Bond rates.

The Company measured the fair value of the Series A Warrants as of March 31, 2024 and December 31, 2023, using the Black-Scholes option pricing model with the following assumptions:

| Series A Warrants - Black-Scholes Inputs | March 31, 2024 | December 31, 2023 |
|---|---|---|
| OWLT stock price | $ 4.31 | $ 5.28 |
| Exercise price of warrants | $ 4.66 | $ 4.66 |
| Term in years | 3.88 | 4.13 |
| Risk-free interest rate | 4.32 % | 3.91 % |
| Volatility | 85.00 % | 85.00 % |

The Series B Warrants are presented as Level 3 measurements, relying on unobservable inputs reflecting the Company's own assumptions. Level 3 measurements, which are not based on quoted prices in active markets, introduce a higher degree of subjectivity and may be more sensitive to fluctuations in stock price, volatility rates, and U.S. Treasury Bond rates.

The Company measured the fair value of the Series B Warrants at issuance and again as of March 31, 2024, using the Black-Scholes option pricing model with the following assumptions:

| Series B Warrants - Black-Scholes Inputs | March 31, 2024 | February 29, 2024 |
|---|---|---|
| OWLT stock price | $ 4.31 | $ 5.68 |
| Exercise price of warrants | $ 7.71 | $ 7.71 |
| Term in years | 4.91 | 5.00 |
| Risk-free interest rate | 4.22 % | 4.26 % |
| Volatility | 85.00 % | 90.00 % |

The following table presents a reconciliation of the Company's SBG Public Warrants, SBG Private Placement Warrants, Series A Warrants, and Series B Warrants (together, the "Level 3 Warrants") measured at fair value on a recurring basis as of March 31, 2024:

| | Level 3 Warrants |
|---|---|
| Balance as of December 31, 2023 | $ 27,781 |
| Issuance of Series B Warrants | 6,855 |
| Change in fair value included within common stock warrant liability adjustment | ( 9,179 ) |
| Balance as of March 31, 2024 | $ 25,457 |

There were no transfers between Level 1 and Level 2 in the periods reported. The SBG Public Warrants and SBG Private Placement Warrants were transferred into Level 3 in 2023, as discussed above.

The Company measured the fair value of the SVB Warrants (see Note 4) at issuance as of March 27, 2023, using the Black-Scholes option pricing model with the following assumptions:

| SVB Warrants - Black-Scholes Inputs | March 27, 2023 |
|---|---|
| OWLT stock price | $ 4.62 |
| Exercise price of warrants | $ 5.32 |
| Term in years | 12.00 |
| Risk-free interest rate | 3.60 % |
| Volatility | 85.00 % |

**Note 9. Net Income (Loss) Per Share Attributable to Common Stockholders**

Basic and diluted net income (loss) per share attributable to common stockholders is presented in conformity with the two-class method required for participating securities. Under the two-class method, net income (loss) is attributed to common stockholders and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires income available to common stockholders for the period to be allocated between common and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed.

The Company considers its convertible preferred stock to be participating securities. Under the two-class method, the net loss attributable to common stockholders is not allocated to the convertible preferred stock as the holders of the Company's convertible preferred stock do not have a contractual obligation to share in the Company's losses.

The following table presents the calculation of basic and diluted net income (loss) per share attributable to common stockholders (in thousands, except share and per share amounts):

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2024 | | 2023 | |
| **Basic earnings per common share:** | | | | |
| Net income (loss) and comprehensive income (loss) | $ | 3,274 | $ | ( 11,867 ) |
| Less: | | | | |
| Accretion on convertible preferred stock | | ( 1,328 ) | | ( 653 ) |
| Net income (loss) allocated to participating securities | | ( 661 ) | | — |
| Net income (loss) attributable to common stockholders, basic [1] | $ | 1,285 | $ | ( 12,520 ) |
| | | | | |
| Weighted average common shares outstanding, basic | | 8,740,059 | | 8,110,387 |
| Net income (loss) per share attributable to common stockholders, basic | $ | 0.15 | $ | ( 1.54 ) |
| | | | | |
| **Diluted earnings per common share:** | | | | |
| Net income (loss) and comprehensive income (loss) | $ | 3,274 | $ | ( 11,867 ) |
| Less: | | | | |
| Accretion on convertible preferred stock | | ( 1,328 ) | | ( 653 ) |
| Effect of dilutive securities | | ( 6,809 ) | | — |
| Net loss attributable to common stockholders, diluted | $ | ( 4,863 ) | $ | ( 12,520 ) |
| | | | | |
| Weighted average common shares outstanding, basic | | 8,740,059 | | 8,110,387 |
| Effect of dilutive securities | | 877,766 | | — |
| Weighted average common shares outstanding, diluted | | 9,617,825 | | 8,110,387 |
| Net income (loss) per share attributable to common stockholders, diluted | $ | ( 0.51 ) | $ | ( 1.54 ) |

*(1) For the three months ended March 31, 2023, the Company did not allocate its net loss to participating convertible preferred stock as those shares are not obligated to share in the losses of the Company.*

The following table summarizes the common stock equivalents of potentially dilutive outstanding securities excluded from the computation of diluted net income (loss) per share due to their anti-dilutive effect:

| | As of March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Stock options | 463,168 | 529,897 |
| RSUs | 1,526,327 | 365,512 |
| PRSUs | 71,428 | 87,323 |
| ESPP shares committed | 19,388 | 23,817 |
| Common stock warrants | 3,102,591 | 9,175,282 |
| Convertible preferred stock | 5,200,802 | 4,373,178 |
| Total | 10,383,704 | 14,555,009 |

The Company's 200,536 unvested earnout shares, described in Part II, Item 8 "Financial Statements and Supplementary Data - Note 11 to the Consolidated Financial Statements - Common Stock Warrants and Earnout Shares" in the 2022 Form 10-K, were excluded from the calculation of basic and diluted per share calculations as the vesting conditions have not yet been met as of March 31, 2024.

**Note 10. Segments**

The Company operates as a single operating segment. The Company's chief operating decision maker manages the Company's operations on a consolidated basis for purposes of allocating resources, making operating decisions, and evaluating financial performance. Since the Company operates in one operating segment, all required financial segment information can be found in these consolidated financial statements.

Revenue by geographic area is based on the delivery address of the customer and is summarized as follows (in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| United States | $ 12,901 | $ 9,543 |
| International | 1,849 | 1,193 |
| Total revenues | $ 14,750 | $ 10,736 |

Other than the United States, no individual country exceeded 10% of total revenues for the three months ended March 31, 2024 and March 31, 2023.

The Company's long-lived assets are composed of property and equipment and right of use assets, net, and are summarized by geographic area as follows as of (in thousands):

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| United States | $ 632 | $ 998 |
| International | 233 | 316 |
| Total long-lived assets, net | $ 865 | $ 1,314 |

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

*The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included elsewhere in this Report and in "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Form 10-K. Certain statements we make under this Item 2 constitute "forward-looking statements" under the Reform Act. See "Cautionary Note Regarding Forward-Looking Statements" before Part I of this Report. You should consider our forward-looking statements in light of the risks discussed in our unaudited condensed consolidated financial statements, related notes and other financial information appearing elsewhere in this Report, the "Risk Factors" section of our Form 10–K and this Report, and our other filings with the SEC.*

**Overview**

Our mission is to empower parents with the right information at the right time, to give them more peace of mind and help them find more joy in the journey of parenting. Our digital parenting platform aims to give parents real-time data and insights to help parents feel calmer and more confident. We believe that every parent deserves peace of mind and the opportunity to feel their well-rested best. We also believe that every child deserves to live a long, happy, and healthy life, and we are working to develop products to help facilitate that belief.

**Components of Operating Results**

*Revenues*

We recognize revenue primarily from products and the associated mobile applications. Revenues are recognized when control of goods and services is transferred to customers in an amount that reflects the consideration expected to be received by us in exchange for those goods and services. Substantially all of the Company's revenues were derived from product sales.

*Cost of Revenues*

Cost of revenues consists of product costs, including contract manufacturing, shipping and handling, depreciation and amortization relating to tooling and manufacturing equipment and software, warranty replacement, fulfillment costs, warehousing, hosting, and reserves for excess and obsolete inventory.

*Operating Expenses*

*General and Administrative.* General and administrative expenses consist primarily of salaries, benefits, stock-based compensation, and bonuses for finance and accounting, legal, human resources and administrative executives and employees; third-party legal, accounting, and other professional services; corporate travel and entertainment; depreciation and amortization of property and equipment; and facilities rent.

*Sales and Marketing.* Sales and marketing expenses consist primarily of salaries, commissions, benefits, stock-based compensation, and bonuses for sales and marketing employees and contractors; third-party marketing expenses such as social media and search engine marketing; email marketing and print marketing.

*Research and Development.* Research and development expenses consist primarily of salaries, benefits, stock-based compensation, and bonuses for employees and contractors engaged in the design, development, maintenance and testing of our products and platforms.

*Other Income (Expense)*

*Interest Expense, Net.* Interest expense consists of interest incurred on our outstanding borrowings, including interest incurred on past due payables with one of our vendors as described in Note 5, *Commitments and Contingencies*, to the condensed consolidated financial statements included elsewhere in this Report, and amortization of the associated deferred financing costs. Interest expense is presented net of interest income earned on our money market account.

*Common Stock Warrant Liability Adjustment.* Mark to market adjustment to recognize the change in fair value of common stock warrant liabilities in other income (expense).

*Other Income (Expense), Net.* Other income (expense), net includes our net gain (loss) on foreign exchange transactions.

*Income Tax Provision.* Income tax provision consists primarily of U.S. federal and state income taxes related to the tax jurisdictions in which we conduct business.

## Results of Operations

The following table sets forth our results of operations for the periods indicated in millions (note that amounts within this Item 2 shown in millions may not sum due to rounding):

| | For the Three Months Ended March 31, 2024 | For the Three Months Ended March 31, 2023 |
|---|---|---|
| Revenues | $ 14.8 | $ 10.7 |
| Cost of revenues | 8.2 | 6.6 |
| Gross profit | 6.5 | 4.2 |
| Operating expenses: | | |
| General and administrative | 6.1 | 8.9 |
| Sales and marketing | 3.9 | 3.4 |
| Research and development | 2.3 | 2.9 |
| Total operating expenses | 12.3 | 15.1 |
| Operating loss | (5.7) | (11.0) |
| Other income (expense): | | |
| Interest expense, net | (0.2) | (2.8) |
| Common stock warrant liability adjustment | 9.2 | 1.9 |
| Other income (expense), net | — | — |
| Total other income (expense), net | 9.0 | (0.9) |
| Loss before income tax provision | 3.3 | (11.9) |
| Income tax provision | 0.0 | 0.0 |
| Net loss and comprehensive loss | $ 3.3 | $ (11.9) |

***Revenues***

| (dollars in millions) | For the Three Months Ended March 31, 2024 | 2023 | Change $ | % |
|---|---|---|---|---|
| Revenues | $ 14.8 | $ 10.7 | $ 4.0 | 37.4 % |

Revenues increased by $4.0 million, or 37.4%, from $10.7 million for the three months ended March 31, 2023 to $14.8 million for the three months ended March 31, 2024. The increase was primarily due to higher sales of Owlet Sock products, reflecting an increase in consumer demand and sell-through as compared to the same period in the prior year.

***Cost of Revenues and Gross Profit***

| (dollars in millions) | For the Three Months Ended March 31, 2024 | 2023 | Change $ | % |
|---|---|---|---|---|
| Cost of revenues | $ 8.2 | $ 6.6 | $ 1.6 | 24.6 % |
| Gross profit | $ 6.5 | $ 4.2 | $ 2.4 | 57.6 % |
| Gross margin | 44.4 % | 38.7 % | | |

Cost of revenues increased by $1.6 million, or 24.6%, from $6.6 million for the three months ended March 31, 2023 to $8.2 million for the three months ended March 31, 2024. The increase was primarily due to the increase in product sales. Gross margin increased from 38.7% for the three months ended March 31, 2023 to 44.4% for the three months ended March 31, 2024 primarily due to higher revenue and lower direct product and fulfillment costs.

*General and Administrative*

| | For the Three Months Ended March 31, | | Change | |
|---|---|---|---|---|
| (dollars in millions) | 2024 | 2023 | $ | % |
| General and administrative | $ 6.1 | $ 8.9 | $ (2.8) | (31.8 %) |

General and administrative expense decreased by $2.8 million, or 31.8%, from $8.9 million for the three months ended March 31, 2023 to $6.1 million for the three months ended March 31, 2024. The decrease was driven primarily by lower spend on outside consulting services and lower cost of corporate insurance as compared to the same period in the prior year.

*Sales and Marketing*

| | For the Three Months Ended March 31, | | Change | |
|---|---|---|---|---|
| (dollars in millions) | 2024 | 2023 | $ | % |
| Sales and marketing | $ 3.9 | $ 3.4 | $ 0.5 | 16.2 % |

Sales and marketing expense increased by $0.5 million, or 16.2%, from $3.4 million for the three months ended March 31, 2023 to $3.9 million for the three months ended March 31, 2024. The increase was driven by higher compensation expense due to increased sales and marketing headcount and sales commissions as compared to the same period in the prior year.

*Research and Development*

| | For the Three Months Ended March 31, | | Change | |
|---|---|---|---|---|
| (dollars in millions) | 2024 | 2023 | $ | % |
| Research and development | $ 2.3 | $ 2.9 | $ (0.5) | (18.8 %) |

Research and development expense decreased by $0.5 million, or 18.8%, from $2.9 million for the three months ended March 31, 2023 to $2.3 million for the three months ended March 31, 2024. The decrease was primarily driven by lower compensation expense from reduced research and development headcount.

*Other Income (Expense)*

| | For the Three Months Ended March 31, | | Change | |
|---|---|---|---|---|
| (dollars in millions) | 2024 | 2023 | $ | % |
| Interest expense, net | $ (0.2) | $ (2.8) | $ (2.7) | 94.3 % |
| Common stock warrant liability adjustment | $ 9.2 | $ 1.9 | $ 7.3 | 380.1 % |
| Other income, net | $ — | $ — | $ — | (118.2 %) |

Interest expense decreased by $2.7 million, from $2.8 million for the three months ended March 31, 2023 to $0.2 million for the three months ended March 31, 2024. As described in Note 5, *Commitments and Contingencies,* to the condensed consolidated financial statements included elsewhere in this Report, we entered an agreement with a significant vendor to pay $3.0 million of interest over 36 months with respect to past due payables. The present value of the future payments was expensed and included within interest expense, net on the condensed consolidated statements of operations for the three months ended March 31, 2023.

For the three months ended March 31, 2024, we recognized a gain of $9.2 million as compared to a gain of $1.9 million for the same period in the prior year resulting from a larger decrease in the fair value of common stock warrants outstanding. Additionally, the gain recognized for the three months ended March 31, 2024 included the decrease in fair value of the newly issued Series B Warrants, which were not outstanding during the same period in the prior year.

**Liquidity and Capital Resources**

We have historically funded our operations primarily with proceeds from issuances of our convertible preferred stock, issuances of our common stock, borrowings under our loan facilities, issuances of convertible promissory notes, and sales of our products and services. As of March 31, 2024, we had cash and cash equivalents of $18.4 million.

***February 2023 Offering***

On February 17, 2023 the Company entered into private placement investment agreements with certain investors, pursuant to which the Company issued and sold to the investors (i) an aggregate of 30,000 shares of the Company's Series A convertible preferred stock, par value $0.0001 per share and (ii) warrants to purchase an aggregate of 7,871,712 shares of the Company's common stock, par value $0.0001 per share, ("Series A Warrants") for an aggregate purchase price of $30.0 million.

The Series A convertible preferred stock is convertible into common stock at the option of the holder at any time after February 17, 2023 and ranks, with respect to dividend rights, rights of redemption and rights upon a liquidation event, (i) senior to the common stock and all other classes or series of equity securities of the Company established after February 17, 2023, unless such shares or equity securities expressly provide that they rank in parity with or senior to the Series A convertible preferred stock with respect to dividend rights, rights of redemption or rights upon a liquidation event, (ii) on parity with each class or series of equity securities of the Company established after the February 17, 2023, the terms of which expressly provide that it ranks on parity with the Series A convertible preferred stock with respect to dividend rights, rights of redemption and rights upon a liquidation event and (iii) junior to each class or series of equity securities of the Company established after February 17, 2023, the terms of which expressly provide that it ranks senior to the Series A convertible preferred stock with respect to dividend rights, rights of redemption and rights upon a liquidation event. Except as otherwise provided in the certificate of designation relating to the Series A convertible preferred stock or as required by law, holders of shares of Series A convertible preferred stock are entitled to vote with the holders of shares of common stock (and any other class or series that may similarly be entitled to vote with the holders of common stock) on an as-converted to common stock basis at any annual or special meeting of stockholders of the Company, and not as a separate class.

At any time from and after February 17, 2028, the holders of at least a majority of the then outstanding shares of Series A convertible preferred stock may specify a date and time or the occurrence of an event by vote or written consent that all, and not less than all, of the outstanding shares of Series A preferred stock will automatically be: (i) converted into shares of common stock at a conversion rate of 145.7726 per share (the "Conversion Rate"), (ii) subject to certain exceptions and limitations, redeemed for an amount per share of Series A preferred stock equal to the liquidation preference of one thousand dollars per share, plus all accrued or declared but unpaid dividends as of the redemption date and time or (iii) a combination of the foregoing.

Subject to certain exceptions, upon the occurrence of a fundamental change, voluntary or involuntary liquidation, dissolution or winding-up of the Company, we will be required to pay an amount per share of Series A convertible preferred stock equal to the greater of (i) one thousand dollars per share or (ii) the consideration per share of Series A convertible preferred stock as would have been payable had all such shares been converted to common stock immediately prior to the liquidation event, plus, in each case, the aggregate amount of all declared but unpaid dividends thereon to the date of final distribution to the holders of Series A convertible preferred stock.

Each of the Series A Warrants sold in the private placement offering is exercisable for one share of common stock at an exercise price of $4.66 per share, is immediately exercisable, and will expire on February 17, 2028. As the Series A Warrants could require cash settlement in certain scenarios, the warrants were classified as liabilities upon issuance and were initially recorded at an aggregate estimated fair value of $26.1 million. The total proceeds from the offering were first allocated to the liability classified warrants, based on their fair values, with the residual $3.9 million allocated to the Series A convertible preferred stock. The Series A convertible stock will accrete to its redemption value, starting from the issuance date to the date at which the shares become redeemable on February 17, 2028. Accretion will be recorded as a deemed dividend. None of the Series A Warrants had been exercised as of March 31, 2024.

The Company incurred $2.0 million of issuance costs related to the offering. Issuance costs allocated to the preferred stock of $0.3 million were recorded as a reduction to the Series A convertible preferred stock. Issuance costs allocated to the liability classified warrants of $1.7 million were recorded as an expense within general and administrative expenses.

***February 2024 Offering***

On February 25, 2024 we entered into a private placement investment agreement with certain investors, pursuant to which we issued and sold to the investors (i) an aggregate of 9,250 shares of the Company's Series B convertible preferred stock, par value $0.0001 per share and (ii) warrants to purchase an aggregate of 1,799,021 shares of our common stock, par value $0.0001 per share (the "Series B Warrants"), for an aggregate purchase price of $9.3 million.

The Series B convertible preferred stock is convertible into common stock at the option of the holder at any time after February 29, 2024 and ranks, with respect to dividend rights, rights of redemption and rights upon a liquidation event, (i) equal to the Company's Series A convertible preferred stock, (ii) senior to the common stock and all other classes or series of equity securities of the Company established after February 29, 2024, unless such shares or equity securities expressly provide that they rank in parity with or senior to the Series B convertible preferred stock with respect to dividend rights, rights of redemption or rights upon a liquidation event, (iii) on

parity with each class or series of equity securities of the Company established after the February 29, 2024, the terms of which expressly provide that it ranks on parity with the Series B convertible preferred stock with respect to dividend rights, rights of redemption and rights upon a liquidation event and (iv) junior to each class or series of equity securities of the Company established after February 29, 2024, the terms of which expressly provide that it ranks senior to the Series B convertible preferred stock with respect to dividend rights, rights of redemption and rights upon a liquidation event. Except as otherwise provided in the certificate of designation relating to the Series B convertible preferred stock or as required by law, holders of shares of Series B convertible preferred stock are entitled to vote with the holders of shares of common stock (and any other class or series that may similarly be entitled to vote with the holders of common stock) on an as-converted to common stock basis at any annual or special meeting of stockholders of the Company, and not as a separate class.

At any time from and after March 1, 2029, the holders of at least a majority of the then outstanding shares of Series B convertible preferred stock may specify a date and time or the occurrence of an event by vote or written consent that all, and not less than all, of the outstanding shares of Series B convertible preferred stock will automatically be: (i) converted into shares of common stock at a conversion rate of 129.6596 per share, (ii) subject to certain exceptions and limitations, redeemed for an amount per share of Series B preferred stock equal to the liquidation preference of one thousand dollars per share, plus all accrued or declared but unpaid dividends as of the redemption date and time or (iii) a combination of the foregoing.

Subject to certain exceptions, upon the occurrence of a fundamental change, voluntary or involuntary liquidation, dissolution or winding-up of the Company, we will be required to pay an amount per share of Series B convertible preferred stock equal to the greater of (i) one thousand dollars per share or (ii) the consideration per share of Series B convertible preferred stock as would have been payable had all such shares been converted to common stock immediately prior to the liquidation event, plus, in each case, the aggregate amount of all declared but unpaid dividends thereon to the date of final distribution to the holders of Series B convertible preferred stock.

Each of the Series B Warrants sold in the private placement offering is exercisable for one share of common stock at an exercise price of $7.7125 per share, is immediately exercisable, and will expire on March 1, 2029. As the Series B Warrants could require cash settlement in certain scenarios, the warrants were classified as liabilities upon issuance and were initially recorded at an aggregate estimated fair value of $6.9 million. The total proceeds from the offering were first allocated to the liability classified warrants, based on their fair values, with the residual $2.4 million allocated to the Series B convertible preferred stock. The Series B convertible stock will accrete to its redemption value, starting from the issuance date to the date at which the shares become redeemable on March 1, 2029. Accretion will be recorded as a deemed dividend. None of the Series B Warrants have been exercised as of March 31, 2024.

We incurred $0.4 million of issuance costs related to the offering. Issuance costs allocated to the preferred stock of $0.1 million were recorded as a reduction to the Series B convertible preferred stock. Issuance costs allocated to the liability classified warrants of $0.3 million were recorded as an expense within general and administrative expenses.

***Funding Requirements***

In accordance with ASU No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40), we have evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date that the accompanying consolidated financial statements included elsewhere in this Report are issued.

Since inception, we have experienced recurring operating losses and generated negative cash flows from operations, resulting in an accumulated deficit of $252.4 million as of March 31, 2024. During the three months ended March 31, 2024 and 2023, we had negative cash flows from operations of $3.3 million and $9.4 million, respectively. As of March 31, 2024, we had $18.4 million of cash on hand.

Recurring operating losses, negative cash flows from operations since inception, and a low cash balance relative to current obligations raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the accompanying condensed consolidated financial statements included elsewhere in this Report are issued. The condensed consolidated financial statements included elsewhere in this Report have been prepared on a going concern basis and accordingly, do not include any adjustments relating to the recoverability and classification of asset carrying amounts, or the amount and classification of liabilities that might result should we be unable to continue as a going concern.

As we continue to address these financial conditions, management have undertaken the following actions:

- As described above, on February 17, 2023 we consummated a sale of preferred stock and warrants to purchase our common stock for aggregate gross proceeds of $30.0 million. On February 29, 2024, we consummated a sale of preferred stock and warrants to purchase our common stock for aggregate gross proceeds of $9.3 million.

- As described in Note 4, *Long-Term Debt and Other Financing Arrangements* , we have entered into amendments to our financing arrangement with SVB, which, among other revisions, (i) deferred certain payments of principal (ii) deferred the maturity of the revolving line of credit from April 22, 2024 to December 31, 2024, (iii) had SVB waive certain stated events of default, (iv) expanded the eligibility of inventory and accounts that the Company can borrow against, and (v) modified certain financial covenants required of the Company.

- During the year ended December 31, 2022, we undertook restructuring actions, which significantly reduced employee headcount and reduced operating spend. This included the reduction of consulting and outside services, the reduction of marketing programs, and the prioritization of and sequencing of research and development projects.

We have not generated sufficient cash flows from operations to satisfy our capital requirements. There can be no assurance that we will generate sufficient future cash flows from operations due to potential factors, including but not limited to inflation, recession, or reduced demand for our products. If revenues decrease from current levels, we may be unable to further reduce costs, or such reductions may limit our ability to pursue strategic initiatives and grow revenues in the future.

There can be no assurance that we will be able to obtain additional financing on terms acceptable to us, if at all. Failure to secure additional funding may require us to modify, delay or abandon some of our planned future development, or to otherwise enact further operating cost reductions, which could have a material adverse effect on our business, operating results, financial condition and ability to achieve our intended business objectives.

If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges, or unforeseen circumstances could be significantly limited, and our business, financial condition and results of operations could be materially adversely affected. We also could be required to seek funds through arrangements with partners or others that may require us to relinquish rights or jointly own some aspects of our technologies, products or services that we would otherwise pursue on our own.

***Loan and Security Agreement with Silicon Valley Bank***

On November 23, 2022, we entered into the Third Amended and Restated Loan and Security Agreement (the “November 2022 LSA”) with Silicon Valley Bank, now a division of First Citizens Bank and Trust Company ("SVB"). The November 2022 LSA amended, restated and replaced in its entirety the prior Second Amended and Restated Loan and Security Agreement, dated April 22, 2020, and all prior amendments. On March 27, 2023, we entered into the first amendment to the November 2022 LSA with SVB (the “March 2023 Amendment”), which, among certain other revisions, (i) deferred certain payments of principal by us until September 1, 2023, (ii) had SVB waive certain stated events of default, (iii) expanded the eligibility of inventory and accounts that we can borrow against, and (iv) modified certain financial covenants required of us.

On August 10, 2023, we entered into the second amendment to the November 2022 LSA with SVB (the “August 2023 Amendment”) that clarified the calculation of the financial covenants under the agreement.

On November 13, 2023, we entered into a waiver and third amendment to the November 2022 LSA with SVB (the "November 2023 Amendment") to, among other things, waive a covenant violation and to revise the adjusted EBITDA requirements for future periods.

On March 8, 2024, we entered into a waiver and fourth amendment to the November 2022 LSA (the "March 2024 Amendment" and together with the November 2022 LSA, the March 2023 Amendment, the August 2023 Amendment, and the November 2023 Amendment, the "LSA") with SVB, which, among other revisions, (i) deferred the maturity of the revolving line of credit (the "SVB Revolver") from April 22, 2024 to December 31, 2024, (ii) had SVB waive certain stated events of default, (iii) expanded the eligibility of inventory and accounts that we can borrow against, and (iv) modified certain financial covenants required of the Company.

As of March 31, 2024, we were in violation of the adjusted EBITDA covenant for the three months ended December 31, 2023 under the LSA. On May 10, 2024, we entered into a waiver agreement with SVB to waive this covenant violation.

*Line of Credit*

The LSA provides for a $10.0 million revolving line of credit (the “SVB Revolver”) as of March 31, 2024. The SVB Revolver is an asset-based lending facility subject to borrowing base availability, which is limited by specified percentages of eligible accounts receivable and eligible inventory. Borrowing base availability can be impacted based upon the period's eligible accounts receivable and eligible inventory, and may be significantly lower than the full $10.0 million line of credit. As of March 31, 2024 the borrowing base availability was $7.3 million.

The SVB Revolver facility matures and terminates on December 31, 2024. As of March 31, 2024, the SVB Revolver bore interest on the outstanding principal amount at a floating rate per annum equal to the greater of (i) 5.00% and (ii) the prime rate plus the prime rate margin, which is 2.25% for advances on the SVB Revolver, as defined by the LSA.

*Term Loan*

The LSA also provided for an $8.5 million term loan (the “Term Loan”), replacing the term loans made under the previous agreement, of which $3.5 million was outstanding as of March 31, 2024. The Term Loan amortizes with equal monthly installments of $0.5 million and matures on October 1, 2024 (the "Term Loan Maturity Date").

The Term Loan accrues interest on the outstanding principal amount at a floating rate per annum equal to the greater of (i) five and three-quarters percent (5.75%) and (ii) the prime rate plus the prime rate margin, which is 3.50% for the Term Loan (as defined in the LSA), and such interest is payable (a) monthly in arrears, (b) on each prepayment date and (c) on the Term Loan Maturity Date. All outstanding principal and accrued and unpaid interest and all other Term Loan-related outstanding obligations shall become due and payable in full on the Term Loan Maturity Date.

We believe that the fair value of the Term Loan approximates the recorded amount as of March 31, 2024 and December 31, 2023, as the interest rates on the long-term debt are variable and the rates are based on market interest rates (bank's prime rate) after consideration of default and credit risk (using Level 2 inputs).

***Financed Insurance Premium***

In July 2023, we renewed our corporate directors & officers and employment liability policies and entered into a new short-term commercial premium finance agreement with First Insurance Funding totaling $1.4 million to be paid in eleven equal monthly payments, accruing interest at a rate of 9.03%. As of March 31, 2024, the remaining principal balance on the combined financed insurance premiums was $0.5 million.

***Cash Flows***

The following table summarizes our cash flow (in millions):

| | Three Months Ended March 31, | |
|---|---|---|
| | **2024** | **2023** |
| Net cash used in operating activities | $ (3.3) | $ (9.4) |
| Net cash used in investing activities | (0.1) | — |
| Net cash provided by financing activities | 5.2 | 22.9 |
| Net change in cash and cash equivalents | $ 1.8 | $ 13.5 |

***Operating Activities***

For the three months ended March 31, 2024, net cash used in operating activities was $3.3 million as compared to net cash used in operating activities of $9.4 million in the prior year. The change in operating cash flows was primarily driven by a lower operating loss, which was $5.7 million for the three months ended March 31, 2024 as compared to an operating loss of $11.0 million for the same period in the prior year.

***Investing Activities***

For the three months ended March 31, 2024 and 2023, we used substantially no cash for investing activities, due to the prioritization of research and development projects in correlation with the restructuring actions taken during the fiscal year 2022.

***Financing Activities***

For the three months ended March 31, 2024 and 2023, net cash provided by financing activities was $5.2 million and $22.9 million, respectively. The decrease is primarily driven by the higher amount proceeds raised by the Series A preferred stock offering in February 2023 as compared to the proceeds raised by the Series B preferred stock offering in February 2024.

**Critical Accounting Policies and Estimates**

There have been no material changes from the critical accounting policies and estimates disclosed in our Form 10-K, other than policies disclosed in this Report.

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

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise required under this Item.

**Item 4. Controls and Procedures.**

**Limitations on Effectiveness of Controls and Procedures**

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

**Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures (as such terms are defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to provide reasonable assurance that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our principal executive officer and principal financial officer, evaluated, as of March 31, 2024, the effectiveness of our disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of March 31, 2024 due to the material weaknesses in our internal control over financial reporting described below.

**Material Weaknesses in Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13(a)-15(f) and 15(d)-15(f) under the Exchange Act.

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 following material weaknesses in our internal control over financial reporting exist as of March 31, 2024.

We did not design and maintain an effective control environment commensurate with our financial reporting requirements. Specifically, we did not maintain a sufficient complement of personnel with an appropriate degree of internal controls and accounting knowledge, experience, and training commensurate with our accounting and financial reporting requirements. This material weakness contributed to the following additional material weaknesses:

- We did not design and maintain effective controls over the segregation of duties related to journal entries. Specifically, certain personnel have the ability to both create and post journal entries within the Company's general ledger system. This material weakness did not result in any adjustments to the consolidated financial statements.

- We did not design and maintain effective controls over the accounting for the accuracy and existence of inventory, nor controls which verified the completeness and accuracy of accrued liabilities. Each of these material weaknesses resulted in immaterial adjustments that were recorded as out-of-period adjustments within the year ended December 31, 2022.

- We did not design and maintain effective controls over the accounting for convertible preferred stock and warrant arrangements. Further, we did not design and maintain effective controls to verify the completeness and accuracy of sales returns and accrued sales tax. Each of these material weaknesses resulted in material adjustments to several account balances and disclosures in the consolidated financial statements as of and for the year ended December 31, 2019. The sales returns material weakness also resulted in immaterial adjustments to revenue and accrued and other expenses as of and for the year ended December 31, 2022.

- We did not design and maintain effective controls over IT general controls for information systems that are relevant to the preparation of our consolidated financial statements. Specifically, we did not design and maintain (i) program change management controls to ensure that IT program and data changes affecting financial IT applications and underlying accounting records are identified, tested, authorized and implemented appropriately, (ii) user access controls to ensure appropriate segregation of duties and that adequately restrict user and privileged access to financial applications, programs, and data to appropriate Company personnel, (iii) computer operations controls to ensure that critical batch jobs

are monitored, and data backups are authorized and monitored, and (iv) testing and approval controls for program development to ensure that new software development is aligned with business and IT requirements. This material weakness did not result in any adjustments to the consolidated financial statements.

Additionally, each of the material weaknesses described above could result in a misstatement of one or more account balances or disclosures that would result in a material misstatement to the interim or annual consolidated financial statements that would not be prevented or detected.

**Remediation Plan**

We have initiated a plan to remediate these material weaknesses. The remediation measures will be ongoing, and although not all inclusive, remediation measures include hiring additional accounting and financial reporting personnel and implementing additional policies, procedures and controls, all of which will result in future costs for the Company.

We have taken actions to improve our IT general controls, segregation of duties over journal entries controls, inventory controls, accrued liabilities, convertible preferred stock, warrant arrangements, sales returns and accrued sales tax controls. However, the material weaknesses will not be considered remediated until our remediation plan has been fully implemented, the applicable controls operate for a sufficient period of time, and we have concluded, through testing, that the newly implemented and enhanced controls are operating effectively.

Notwithstanding the above, our management believes that the consolidated financial statements included in this Report on Form 10-Q state fairly in all material respects our financial position, results of operations and cash flows for the periods presented.

**Changes in Internal Control over Financial Reporting**

Other than the remediation efforts described above, there have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the three months ended March 31, 2024 that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II

### Item 1. Legal Proceedings.

From time to time, we may become involved in various legal proceedings that arise in the ordinary course of business. We evaluate any claims and lawsuits with respect to their potential merits, our potential defenses and counterclaims, and the expected effect on us of defending the claims and a potential adverse result. However, the results of any litigation, investigations or other legal proceedings are inherently unpredictable and expensive. Any claims against us, whether meritorious or not, could be time consuming, result in costly litigation, damage to our reputation, and divert significant resources. If any legal proceedings were to be determined adversely to us, or we were to enter into a settlement agreement, we could be exposed to monetary damages or limits on our ability to operate our business, which could have an adverse effect on our business, financial condition and operating results. For a description of our legal proceedings, see Note 5 to our unaudited consolidated financial statements included elsewhere in this Report, which is incorporated herein by reference.

### Item 1A. Risk Factors.

In addition to the information contained in this Report, you should carefully consider the risk factors disclosed in our Form 10-K, which risk factors are incorporated herein by reference, which could materially affect our business, financial condition or results.

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

Except as previously disclosed in our Current Report on Form 8-K filed with the SEC on February 26, 2024, there were no unregistered sales of equity securities for the three months ended March 31, 2024.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information.

(a) We are reporting the following information in lieu of reporting on a Current Report on Form 8-K under Item 1.01 - Entry into a Material Definitive Agreement.

On May 10, 2024, we entered into a waiver (the “Waiver”) to the Third Amended and Restated Loan and Security Agreement dated as of November 23, 2022, as amended, with Silicon Valley Bank, now a division of First Citizens Bank and Trust Company, to, among other things, waive our violation of our minimum adjusted EBITDA requirement for the three months ended December 31, 2023.

The foregoing description of the Waiver does not purport to be complete and is subject to and qualified in its entirety by reference to the Waiver, which is attached hereto as Exhibit 10.3 to this Report and is incorporated herein by reference.

(b) None.

(c) During the three months ended March 31, 2024, no directors or "officers" (as defined in Rule 16a-1(f) under the Exchange Act) of the Company adopted , modified or terminated "Rule 10b5-1 trading arrangements" and/or "non-Rule 10b5-1 trading arrangements" (each as defined in Item 408 of Regulation S-K).

## Item 6. Exhibits

| Exhibit Number | Description | Form | File No. | Exhibit | Filing Date |
|---|---|---|---|---|---|
| 2.1† | Merger Agreement, dated as of February 15, 2021, by and among the Registrant, Project Olympus Merger Sub, Inc. and Owlet Baby Care Inc. | 8-K | 001-39516 | 2.1 | 2/16/2021 |
| 3.1 | Second Amended and Restated Certificate of Incorporation of Owlet, Inc. | 10-K | 001-39516 | 3.1 | 3/8/2024 |
| 3.2 | Certificate of Designation of Series A Convertible Preferred Stock of Owlet, Inc. | 8-K | 001-39516 | 3.1 | 2/21/2023 |
| 3.3 | Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Owlet, Inc. | 8-K | 001-39516 | 3.1 | 7/7/2023 |
| 3.4 | Amended and Restated Bylaws of Owlet, Inc. | S-4 | 333-254888 | 3.4 | 3/31/2021 |
| 3.5 | Certificate of Designation of Series B Convertible Preferred Stock of Owlet, Inc. | 8-K | 001-39516 | 3.1 | 3/4/2024 |
| 4.1 | Warrant Agreement, dated September 14, 2020, between Sandbridge Acquisition Corp. and Continental Stock Transfer & Trust Company. | 8-K | 001-39516 | 4.1 | 9/18/2020 |
| 4.2 | Specimen Warrant Certificate. | S-1 | 333-24832 | 4.4 | 9/1/2020 |
| 4.3 | Form of Warrant to Purchase Class A Common Stock in connection with the February 2023 Offering. | 8-K | 001-39516 | 4.1 | 2/21/2023 |
| 4.4 | Form of Warrant to Purchase Shares of Class A Common Stock in connection with the February 2024 Offering. | 8-K | 001-39516 | 4.1 | 2/26/2024 |
| 4.5 | Amended and Restated Warrant to Purchase Shares of Class A Common Stock, dated February 25, 2024, by and between Owlet, Inc. and Eclipse Early Growth Fund I, L.P. | 8-K | 001-39516 | 4.2 | 2/26/2024 |
| 10.1 | Investment Agreement, dated February 25, 2024, by and among Owlet, Inc. and the investors listed on Schedule I thereto (Series B Convertible Preferred Stock and Warrants) | 8-K | 001-39516 | 10.1 | 2/26/2024 |
| 10.2# | Waiver and Fourth Amendment to the Third Amended and Restated Loan and Security Agreement, dated March 8, 2024, between Silicon Valley Bank, as bank lender, and Owlet, Inc. and its subsidiary, Owlet Baby Care, Inc., as borrowers. | 10-K | 001-39516 | 10.17 | 3/8/2024 |
| 10.3* | Waiver and Fourth Amendment to the Third Amended and Restated Loan and Security Agreement, dated May 10, 2024, between Silicon Valley Bank, as bank lender, and Owlet, Inc. and its subsidiary, Owlet Baby Care, Inc., as borrowers. | | | | |
| 31.1* | Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | |
| 31.2* | Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | |
| 32.1** | Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | |
| 101.INS* | Inline XBRL Instance Document-the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. | | | | |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document. | | | | |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document. | | | | |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document. | | | | |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Linkbase Document. | | | | |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document. | | | | |
| 104* | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). | | | | |

*Filed herewith

**Furnished herewith.

†The annexes, schedules, and certain exhibits to this Exhibit have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant hereby agrees to furnish supplementally a copy of any omitted annex, schedule or exhibit to the SEC upon request.

#Certain portions of this exhibit (indicated by "[***]") have been omitted pursuant to Regulation S-K, Item 601(b)(10).

## 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.

| | | |
|---|---|---|
| | Company Name | |
| Date: May 13, 2024 | By: | /s/ Kurt Workman |
| | Name: | Kurt Workman |
| | Title: | Chief Executive Officer |
| | | (Principal Executive Officer) |
| Date: May 13, 2024 | By: | /s/ Kathryn R. Scolnick |
| | Name: | Kathryn R. Scolnick |
| | Title: | Chief Financial Officer |
| | | (Principal Financial Officer and Principal Accounting Officer) |

## WAIVER AGREEMENT

This Waiver Agreement (this "**Agreement**") is entered into this 10th day of May, 2024 by and among (a) **SILICON VALLEY BANK**, a division of **FIRST-CITIZENS BANK & TRUST COMPANY** (successor by purchase to the Federal Deposit Insurance Corporation as Receiver for Silicon Valley Bridge Bank, N.A. (as successor to Silicon Valley Bank)) ("**Bank**"), and (b)(i) **OWLET BABY CARE, INC.**, a Delaware corporation ("**Owlet Baby Care**"), and (ii) **OWLET, INC.**, a Delaware corporation ("**Owlet**", and together with Owlet Baby Care, individually and collectively, jointly and severally, "**Borrower**").

### RECITALS

**A.** Bank and Borrower have entered into that certain Third Amended and Restated Loan and Security Agreement dated as of November 23, 2022, as amended by that certain First Amendment to Third Amended and Restated Loan and Security Agreement dated as of March 27, 2023, as further amended by that certain Second Amendment to Third Amended and Restated Loan and Security Agreement dated as of August 10, 2023, as further amended by that certain Third Amendment to Third Amended and Restated Loan and Security Agreement dated as of November 13, 2023, and as further amended by that certain Waiver and Fourth Amendment to Third Amended and Restated Loan and Security Agreement dated as of March 8, 2024 (as the same has been and may from time to time be further amended, modified, supplemented or restated, the "**Loan Agreement**").

**B.** Bank has extended credit to Borrower for the purposes permitted in the Loan Agreement.

**C.** Borrower has requested that Bank waive the Stated Event of Default (as defined below).

**D.** Bank has agreed to so waive the Stated Event of Default (as defined below), but only to the extent, in accordance with the terms, subject to the conditions and in reliance upon the representations and warranties set forth below.

### AGREEMENT

**NOW, THEREFORE,** in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

**1. Definitions.** Capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Loan Agreement.

**2. Acknowledgment of Default; Waiver**. Borrower acknowledges and agrees that it is currently in default under the Loan Agreement as a result of Borrower's failure to comply with the Adjusted EBITDA covenant contained in Section 5.10(b) of the Loan Agreement for the fiscal quarter ended December 31, 2023 (the "**Stated Event of Default**"). As a result of the Stated Event of Default, Bank has the right to declare all Obligations due and payable in full and to pursue its rights and remedies pursuant to the Loan Agreement (including, without limitation, collection of interest accrued at the Default Rate), applicable law, or otherwise. Notwithstanding the foregoing, subject to the satisfaction of the conditions precedent set forth in Section 9 below, Bank shall, without further action, waive the Stated Event of Default. Borrower hereby acknowledges and agrees that except as specifically provided herein, nothing in this section or anywhere in this Agreement shall be deemed or otherwise construed as a waiver by Bank of any of its other rights and remedies pursuant to the Loan Documents, applicable law or otherwise. This Agreement shall only constitute an agreement by Bank to waive its rights and remedies with respect to the Stated Event of Default upon the terms and conditions set forth herein.

3. **Release by Borrower**:

**3.1** FOR GOOD AND VALUABLE CONSIDERATION, Borrower hereby forever relieves, releases, and discharges Bank and its present or former employees, officers, directors, agents, representatives, attorneys, and each of them, from any and all claims, debts, liabilities, demands, obligations, promises, acts, agreements, costs and expenses, actions and causes of action, of every type, kind, nature, description or character whatsoever, whether known or unknown, suspected or unsuspected, absolute or contingent, arising out of or in any manner whatsoever connected with or related to facts, circumstances, issues, controversies or claims existing or arising from the beginning of time through and including the date of execution of this Agreement (collectively "**Released Claims**"). Without limiting the foregoing, the Released Claims shall include any and all liabilities or claims arising out of or in any manner whatsoever connected with or related to the Loan Documents, the recitals hereto, any instruments, agreements or documents executed in connection with any of the foregoing or the origination, negotiation, administration, servicing and/or enforcement of any of the foregoing.

**3.2** In furtherance of this release, Borrower expressly acknowledges and waives any and all rights under Section 1542 of the California Civil Code, which provides as follows:

> "**A general release** does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party." (Emphasis added.)

**3.3** By entering into this release, Borrower recognizes that no facts or representations are ever absolutely certain and it may hereafter discover facts in addition to or different from those which it presently knows or believes to be true, but that it is the intention of Borrower hereby to fully, finally and forever settle and release all matters, disputes and differences, known or unknown, suspected or unsuspected; accordingly, if Borrower should subsequently discover that any fact that it relied upon in entering into this release was untrue, or that any understanding of the facts was incorrect, Borrower shall not be entitled to set aside this release by reason thereof, regardless of any claim of mistake of fact or law or any other circumstances whatsoever. Borrower acknowledges that it is not relying upon and has not relied upon any representation or statement made by Bank with respect to the facts underlying this release or with regard to any of such party's rights or asserted rights.

**3.4** This release may be pleaded as a full and complete defense and/or as a cross- complaint or counterclaim against any action, suit, or other proceeding that may be instituted, prosecuted or attempted in breach of this release. Borrower acknowledges that the release contained herein constitutes a material inducement to Bank to enter into this Agreement, and that Bank would not have done so but for Bank's expectation that such release is valid and enforceable in all events.

**3.5** Borrower hereby represents and warrants to Bank, and Bank is relying thereon, as follows:

(a) Except as expressly stated in this Agreement, neither Bank nor any agent, employee or representative of Bank has made any statement or representation to Borrower regarding any fact relied upon by Borrower in entering into this Agreement.

(b) Borrower has made such investigation of the facts pertaining to this Agreement and all of the matters appertaining thereto, as it deems necessary.

(c) The terms of this Agreement are contractual and not a mere recital.

(d) This Agreement has been carefully read by Borrower, the contents hereof are known and understood by Borrower, and this Agreement is signed freely, and without duress, by Borrower.

(e) Borrower represents and warrants that it is the sole and lawful owner of all right, title and interest in and to every claim and every other matter which it releases herein, and that it has not heretofore assigned or transferred, or purported to assign or transfer, to any person, firm or entity any claims or other matters herein released. Borrower shall indemnify Bank, defend and hold it harmless from and against all claims based upon or arising in connection with prior assignments or purported assignments or transfers of any claims or matters released herein.

**4. Due Authorization.** To induce Bank to enter into this Agreement, Borrower hereby represents and warrants to Bank that it has the power and due authority to execute and deliver this Agreement.

**5. Waiver Fee; Bank Expenses**. In addition to the other fees due to Bank under the Loan Documents, in consideration of Bank's agreements hereunder, Borrower shall pay to Bank a fully earned, non-refundable waiver fee in the amount of $12,500.00 (the "**Waiver Fee**") due and payable as of the date hereof. The Waiver Fee shall constitute a portion of the Obligations and be secured by all Collateral. Borrower shall also reimburse Bank for all unreimbursed Bank Expenses, including without limitation, all legal fees and expenses incurred in connection with this Agreement.

**6. Integration**. This Agreement and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Agreement and the Loan Documents merge into this Agreement and the Loan Documents.

**7. Counterparts.** This Agreement may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including portable document format (PDF) or any electronic signature complying with the United States Electronic Signatures in Global and National Commerce (ESIGN) Act of 2000, e.g., www.docusign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes. If this Agreement is placed in escrow with any party or its respective counsel, no agreement shall be binding against any party hereto unless and until all documents have been released from escrow in writing by Bank or its counsel.

**8. Governing Law**. This Agreement and the rights and obligations of the parties hereto shall be governed by and construed in accordance with the laws of the State of California.

**9. Effectiveness**. This Agreement shall be deemed effective upon (a) the due execution and delivery to Bank of this Agreement by each party hereto; and (b) Borrower's payment to Bank of (i) the Waiver Fee and (ii) all unreimbursed Bank Expenses, including without limitation, all legal fees and expenses incurred in connection with this Agreement.

[Signature page follows.]

**IN WITNESS WHEREOF,** the parties hereto have caused this Agreement to be duly executed and delivered as of the date first written above.

**BANK** **BORROWER**

FIRST-CITIZENS BANK & TRUST
DocuSigned by:
Zach Norris
0F4D5B7E85834E1... COMPANY (successor by purchase to the Federal Deposit Insurance Corporation as receiver for Silicon Valley Bridge Bank, N.A. (as successor to Silicon Valley Bank))

By:__ Name: Zach Norris
Title: Managing Director

OWLET BABY CARE, INC.

DocuSigned by:
Kathryn Scolnick
A790D1D22BD341E... By:__ Name: Kathryn Scolnick
Title: Chief Financial Officer

DocuSigned by:
Kathryn Scolnick
A790D1D22BD341E... OWLET, INC.

By:__ Name: Kathryn Scolnick
Title: Chief Financial Officer

**Exhibit 31.1**

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER**
**PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,**
**AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kurt Workman, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 13, 2024

By: /s/ Kurt Workman

Kurt Workman
Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER**
**PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,**
**AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kathryn R. Scolnick, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 13, 2024

By: /s/ Kathryn R. Scolnick
Kathryn R. Scolnick
Chief Financial Officer
(Principal Financial Officer)

**Exhibit 32.1**

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

Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Owlet, Inc., a Delaware corporation (the “Company”), does hereby certify, to the best of such officer’s knowledge, that in connection with the Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”):

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

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

Date: May 13, 2024

By: /s/ Kurt Workman

Kurt Workman
Chief Executive Officer
(Principal Executive Officer)

Date: May 13, 2024

By: /s/ Kathryn R. Scolnick

Kathryn R. Scolnick
Chief Financial Officer
(Principal Financial Officer)