REFINITIV

DELTA REPORT

10-Q

GNSS - GENASYS INC.

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

The following comparison report has been automatically generated

TOTAL DELTAS	1819
CHANGES	136
DELETIONS	800
ADDITIONS	883

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

FORM 10-Q

(Mark one)

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

For the quarterly period ended June 30, 2024December 31, 2024

or

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: 000-24248

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GENASYS INC.

(Exact name of registrant as specified in its charter)

Delaware	**87-0361799**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
16262 West Bernardo Drive,San Diego, California	**92127**
(Address of principal executive offices)	(Zip Code)

(858) (858) 676-1112

(Registrant's Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which securities are registered
Common stock, $0.00001 par value per share	GNSS	NASDAQ Capital Market

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

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

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

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

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

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

The number of shares of Common Stock, $0.00001 par value, outstanding on July 31, 2024 February 5, 2025 was 44,604,014.44,932,968.

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PART I. FINANCIAL INFORMATION

Item1.Financial Statements

Genasys Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except par value and share amounts)

	December 31, 2024 (Unaudited)	September 30, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,469	$ 4,945
Short-term marketable securities	5,146	7,945
Restricted cash	95	95
Accounts receivable, net of allowance for credit losses of $65	3,017	3,283
Inventories, net	7,500	7,313
Prepaid expenses and other	3,777	2,559
Total current assets	28,004	26,140
Long-term marketable securities	305	249
Long-term restricted cash	250	250
Property and equipment, net	1,231	1,291
Goodwill	13,165	13,329
Intangible assets, net	7,885	8,506
Operating lease right of use assets	2,898	3,110
Other assets	902	1,061
Total assets	$ 54,640	$ 53,936

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,504	$ 4,034
Accrued liabilities	15,524	9,030
Operating lease liabilities, current portion	1,025	1,021
Total current liabilities	21,053	14,085
Notes payable, at fair value	12,380	12,010
Warrant liability	4,170	6,640
Deferred revenue, noncurrent	378	369
Operating lease liabilities, noncurrent	2,989	3,269
Total liabilities	40,970	36,373
Stockholders' equity:		
Preferred stock, $0.00001 par value; 5,000,000 shares authorized; none issued and outstanding	—	—
Common stock, $0.00001 par value; 100,000,000 shares authorized; 44,929,634 and 44,631,030 shares issued and outstanding as of December 31, 2024 and September 30, 2024, respectively	—	—
Additional paid-in capital	126,082	125,690
Accumulated deficit	(111,870)	(107,792)
Accumulated other comprehensive loss	(542)	(335)
Total stockholders' equity	13,670	17,563
Total liabilities and stockholders' equity	$ 54,640	$ 53,936

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

	June 30, 2024 (Unaudited)	September 30, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,672	$ 8,665
Short-term marketable securities	4,046	1,481
Restricted cash	-	758
Accounts receivable, net of allowance for credit losses of $65	5,661	5,952
Inventories, net	7,315	6,501
Prepaid expenses and other	5,927	1,851
Total current assets	31,621	25,208
Long-term restricted cash	346	96
Property and equipment, net	1,373	1,551
Goodwill	13,235	10,282
Intangible assets, net	9,123	8,427
Operating lease right of use assets	3,307	3,886
Other assets	404	455
Total assets	$ 59,409	$ 49,905

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,562	$ 2,785
Accrued liabilities	7,683	7,466
Operating lease liabilities, current portion	1,026	1,008
Total current liabilities	12,271	11,259
Notes payable, at fair value	11,699	-
Warrant liability	3,104	-
Other liabilities, noncurrent	343	551
Operating lease liabilities, noncurrent	3,518	4,283
Total liabilities	30,935	16,093
Stockholders' equity:		
Preferred stock, $0.00001 par value; 5,000,000 shares authorized; none issued and outstanding	-	-
Common stock, $0.00001 par value; 100,000,000 shares authorized; 44,604,014 and 37,211,071 shares issued and outstanding, respectively	-	-
Additional paid-in capital	125,350	110,379
Accumulated deficit	(96,406)	(76,062)
Accumulated other comprehensive loss	(470)	(505)
Total stockholders' equity	28,474	33,812
Total liabilities and stockholders' equity	$ 59,409	$ 49,905

See accompanying notes

Genasys Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share and share amounts)

(Unaudited)

	Three Months Ended December 31,	
	2024	**2023**
Revenues:		
Product sales	$ 4,144	$ 2,166
Contract and other	2,796	2,195
Total revenues	6,940	4,361
Cost of revenues	3,762	2,882
Gross profit	3,178	1,479
Operating expenses		
Selling, general and administrative	6,834	6,518
Research and development	2,285	2,191
Total operating expenses	9,119	8,709
Loss from operations	(5,941)	(7,230)
Other income, net	1,863	77
Loss before income taxes	(4,078)	(7,153)
Income tax benefit	-	(429)
Net loss	$ (4,078)	$ (6,724)

Net loss per common share - basic and diluted	$ (0.09)	$ (0.15)
Weighted average common shares outstanding:		
Basic and diluted	44,912,206	43,729,240

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

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Nine Months Ended June 30, 2024	Nine Months Ended June 30, 2023
Revenues:				
Product sales	$ 4,576	$ 12,593	$ 9,951	$ 31,651
Contract and other	2,591	1,669	7,316	4,311
Total revenues	7,167	14,262	17,267	35,962
Cost of revenues	3,383	7,567	9,827	19,510
Gross profit	3,784	6,695	7,440	16,452
Operating expenses				
Selling, general and administrative	6,649	6,004	19,806	18,443
Research and development	2,496	2,141	7,218	6,357
Total operating expenses	9,145	8,145	27,024	24,800
Loss from operations	(5,361)	(1,450)	(19,584)	(8,348)
Other income (expense), net	(1,363)	1	(1,236)	(4)
Loss before income taxes	(6,724)	(1,449)	(20,820)	(8,352)
Income tax benefit	(42)	(26)	(476)	(18)
Net loss	$ (6,682)	$ (1,423)	$ (20,344)	$ (8,334)
Net loss per common share - basic and diluted	$ (0.15)	$ (0.04)	$ (0.46)	$ (0.23)
Weighted average common shares outstanding:				
Basic and diluted	44,598,393	37,053,196	44,216,602	36,855,014

See accompanying notes

Genasys Inc.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands)

(Unaudited)

	Three Months Ended December 31, 2024	**Three Months Ended December 31, 2023**
Net loss	$ (4,078)	$ (6,724)
Unrealized gain on marketable securities	7	10
Unrealized foreign currency (loss) gain	(214)	109
Comprehensive loss	$ (4,285)	$ (6,605)

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Net loss	$ (6,682)	$ (1,423)	$ (20,344)	(8,334)
Unrealized gain on marketable securities	1	21	8	71
Unrealized foreign currency (loss) gain	(26)	-	27	$ 297
Comprehensive loss	$ (6,707)	$ (1,402)	$ (20,309)	$ (7,966)

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See accompanying notes

Genasys Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	Three Months Ended December 31,	
	2024	**2023**
Operating Activities:		
Net loss	$ (4,078)	$ (6,724)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	737	729
Warranty provision	(6)	(22)
Inventory obsolescence	73	39
Loss on disposition of fixed assets	—	2
Stock-based compensation	391	446
Partial release of valuation allowance	—	(517)
Gain on change in fair value of warrants	(2,470)	—
Loss on change in fair value of Term Loan	370	—
Amortization of operating lease right of use asset	192	192
Accretion of acquisition holdback liability	—	5
Remeasurement of acquisition contingent consideration	—	46
Accretion of investment of marketable securities	33	—
Changes in operating assets and liabilities:		
Accounts receivable, net	259	1,666
Inventories, net	(260)	(429)
Prepaid expenses and other	(1,084)	(249)
Accounts payable	500	(902)
Accrued and other liabilities	6,290	(11)
Net cash provided by (used in) operating activities	947	(5,729)
Investing Activities:		
Purchases of marketable securities	(1,400)	(7,532)
Proceeds from maturities of marketable securities	4,102	247
Cash paid for acquisitions net of cash acquired	—	(923)
Cash paid for asset purchase holdback liability	—	(764)
Capital expenditures	(69)	(142)
Net cash provided by (used in) investing activities	2,633	(9,114)
Financing Activities:		

	2024	2023
Proceeds from exercise of stock options	1	—
Proceeds from offering of common stock, net of issuance costs	—	10,449
Net cash provided by financing activities	1	10,449
Effect of foreign exchange rate on cash	(55)	1
Net increase (decrease) in cash, cash equivalents, and restricted cash	3,526	(4,393)
Cash, cash equivalents and restricted cash, beginning of period	5,288	9,519
Cash, cash equivalents and restricted cash, end of period	$ 8,814	$ 5,126
Reconciliation of cash, cash equivalents and restricted cash to the consolidated balance sheets:		
Cash and cash equivalents	$ 8,469	$ 4,780
Restricted cash, current portion	95	—
Long-term restricted cash	250	346
Total cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows	$ 8,814	$ 5,126

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

	Nine Months Ended June 30,	
	2024	2023
Operating Activities:		
Net loss	$ (20,344)	$ (8,334)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,193	1,918
Amortization of debt issuance costs	-	8
Warranty provision	(56)	54
Inventory obsolescence	139	184
Loss on disposition of fixed assets	6	-
Stock-based compensation	1,269	1,329
Gain on change in fair value of warrants	(21)	-
Loss on change in fair value of Term Loan	124	-
Defered income taxes	(525)	(26)
Amortization of operating lease right of use asset	584	577
Accretion of acquisition holdback liability	15	36
Remeasurement of acquisition contingent consideration	(16)	-
Changes in operating assets and liabilities:		
Accounts receivable, net	434	(3,570)
Inventories, net	(952)	(2,127)
Prepaid expenses and other	(3,995)	1,755
Accounts payable	1,776	955
Accrued and other liabilities	(641)	(5,581)
Net cash used in operating activities	(20,010)	(12,822)
Investing Activities:		
Purchases of marketable securities	(11,796)	(3,641)
Proceeds from maturities of marketable securities	9,240	6,949
Cash paid for acquisitions net of cash acquired	(908)	-
Cash paid for asset purchase holdback liability	(764)	-
Capital expenditures	(161)	(229)
Net cash (used in) provided by investing activities	(4,389)	3,079

Financing Activities:		
Proceeds from issuance of Term Loan and warrants, net of issuance cost	13,698	-
Proceeds from exercise of stock options	-	87
Proceeds from offering of common stock, net of issuance costs	10,449	-
Payment of contingent consideration	(219)	-
Shares retained for payment of taxes in connection with the exercise of stock options	-	(207)
Shares retained for payment of taxes in connection with settlement of restricted stock units	(12)	(45)
Net cash provided by (used in) financing activities	23,916	(165)
Effect of foreign exchange rate on cash	(18)	71
Net decrease in cash, cash equivalents, and restricted cash	(501)	(9,837)
Cash, cash equivalents and restricted cash, beginning of period	9,519	13,659
Cash, cash equivalents and restricted cash, end of period	$ 9,018	$ 3,822
	-	-
Reconciliation of cash, cash equivalents and restricted cash to the consolidated balance sheets:		
Cash and cash equivalents	$ 8,672	$ 2,971
Restricted cash, current portion	-	755
Long-term restricted cash	346	96
Total cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows	$ 9,018	$ 3,822

See accompanying notes

Genasys Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(in thousands)

(Unaudited)

	Nine Months Ended June 30,	
	2024	2023
Noncash investing and financing activities:		
Change in unrealized loss on marketable securities	$ 8	$ 71
Obligation to issue common stock in connection with the Amika Mobile asset purchase	$ -	$ (416)
Initial measurement of operating lease right of use assets	$ -	$ 79
Initial measurement of operating lease liabilities	$ -	$ 79
Shares surrendered from stock option exercises	$ -	$ 300
Obligation to issue common stock in connection with the Evertel acquisition	$ (685)	$ -
Shares issued in connection with the Evertel acquisition	$ (1,924)	$ -
Settlement of contingent consideration in shares of common stock	$ (656)	$ -
Holdback liability payable in connection with the Evertel acquisition	$ (245)	$ -
Accrued term loan and warrant issuance cost not paid	$ (119)	$ -

	Three Months Ended December 31,	
	2024	**2023**

Noncash investing and financing activities:				
Change in unrealized loss on marketable securities	$	7	$	10
Purchases of property and equipment included in accounts payable and accrued liabilities	$	3	$	—
Obligation to issue common stock in connection with the Evertel acquisition	$	—	$	(527)
Shares issued in connection with the Evertel acquisition	$	—	$	(1,924)
Contingent consideration in shares of common stock	$	—	$	(890)
Holdback liability payable in connection with the Evertel acquisition	$	—	$	(230)
Supplemental disclosure of cash flow information				
Cash paid for interest	$	368	$	—
Cash paid for taxes	$	11	$	—

Genasys Inc.

Notes to the Condensed Consolidated Financial Statements

(in thousands, except per share and share amounts)

(Unaudited)

(Unaudited)

1. OPERATIONS

Genasys Inc. ("Genasys" or the "Company") is a global provider of Protective Communications™ solutions including its Genasys Protect™ software platform and Genasys Long Range Acoustic Devices ("LRAD"). Genasys' unified platform receives information from a wide variety of sensors and Internet-of-Things ("IoT") inputs to collect real-time information on developing and active emergency situations. The Company's customers Company can use this information to create and disseminate alerts, warnings, notifications, and instructions through multiple channels before, during, and after public safety and enterprise threats, critical events, and other crisis situations.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

General

The Company's unaudited interim condensed consolidated financial statements included herein have been prepared in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X and the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In management's opinion, the accompanying financial statements reflect adjustments necessary to present fairly the financial position, results of operations, and cash flows for those periods indicated, and contain adequate disclosure to make the information presented not misleading. Adjustments included herein are of a normal, recurring nature unless otherwise disclosed in the footnotes. The condensed consolidated financial statements and notes thereto should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended September 30, 2023 September 30, 2024, included in the Company's Annual Report on Form 10-K, as filed with the SEC on December 7, 2023 December 13, 2024. The accompanying condensed consolidated balance sheet as of September 30, 2023 September 30, 2024, has been derived from the audited consolidated balance sheet as of September 30, 2023 September 30, 2024, contained in the above referenced Form 10-K. Results of operations for interim periods are not necessarily indicative of the results of operations for a full year.

Principles of consolidation

The Company has eight wholly owned subsidiaries, Genasys II Spain, S.A.U. ("Genasys Spain"), Genasys Communications Canada ULC ("Genasys Canada"), Genasys Singapore PTE Ltd, Genasys Puerto Rico, LLC, Zonehaven LLC, Evertel Technologies LLC, and Genasys Inc. (branch) in the United Arab Emirates and one currently inactive subsidiary, Genasys America de CV. The condensed consolidated financial statements include the accounts of these subsidiaries after elimination of intercompany transactions and accounts.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions (e.g., share-based compensation valuation, allowance for doubtful accounts for expected credit losses, fair value of term loan and warrant liabilities, contingent consideration, valuation of inventory, goodwill and intangible assets, warranty reserve, valuation of operating lease right of use assets and operating lease liabilities, accrued bonus and valuation allowance related to deferred tax assets) that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and affect the reported amounts of revenues and expenses during the reporting periods. Actual results could materially differ from those estimates.

Cash, cash equivalents and restricted cash

The Company considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents. As of June 30, 2024 December 31, 2024, the amount of cash and cash equivalents was $8,672. $8,469. As of September 30, 2023 September 30, 2024, the amount of cash and cash equivalents was $8,665. $4,945.

The Company considers any amounts pledged as collateral or otherwise restricted for use in current operations to be restricted cash. In addition, the Company excludes from cash and cash equivalents cash required to fund specific future contractual obligations related to business combinations. Restricted cash is classified as a current asset unless amounts are not expected to be released and available for use in operations within one year. As of June 30, 2024 each of December 31, 2024 and September 30, 2024, restricted cash was $346. As of September 30, 2023 $345, which were restricted cash was $854. for a maintenance contract and corporate card payment.

Accounts receivable and allowance for credit losses

The Company adopted Accounting Standards Update ("ASU") No. 2019-10, *Financial Instruments – Credit Losses ("ASC 326"),* as of October 1, 2023. This new standard adds to U.S. GAAP an impairment model, known as the current expected credit loss ("CECL") model, that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses, which is intended to result in the timelier recognition of losses. Under the CECL model, entities estimate credit losses over the entire contractual term from the date of initial recognition of the financial instrument. The standard only impacts the Company's trade receivables. The Company adopted the accounting standard as of October 1, 2023. There was no cumulative effect adjustment, and the adoption of this standard did not have a material impact on the consolidated financial statements or existing internal controls.

The Company maintains an allowance for credit losses primarily for estimated losses resulting from the inability or failure of individual customers to make required payments. The Company maintains an allowance under ASC Accounting Standards Codification ("ASC") Topic 326, based on historical losses, changes in payment history, customer-specific information, current economic conditions, and reasonable and supportable forecasts of future economic conditions. The allowance under ASC 326 is updated as additional losses are incurred or information becomes available related to the customer or economic conditions.

(Unaudited)

The Company's allowance for credit losses was $65 $65 as of June 30, 2024 December 31, 2024 and September 30, 2023 September 30, 2024.

The Company writes off accounts receivable based on the age of the receivable and the facts and circumstances surrounding the customer and reasons for non-payment. Actual write-offs might differ from the recorded allowance.

Reclassifications

Where necessary, certain prior year's information has been reclassified to conform to the current year's presentation.

Term Loan

The Company determined that it is eligible for the fair value option ("FVO") election in connection with the Term Loan. The Term Loan meets the definition of a "recognized financial liability" which is an acceptable financial instrument eligible for the fair value option under ASC 825-10-15-4 and do not meet the definition of any of the financial instruments found within ASC 825-10-15-5 that are not eligible for the fair value option. The fair value option election was made to enhance the relevance and transparency of information presented related to the features embedded in the Term Loan. At the date of issuance, the fair value of the Term Loan was estimated using a discounted cash flow method. Changes in the fair value of the Term Loan, other than changes associated with the Company's own credit risk, are recorded as gains or losses in the Company's condensed consolidated statements of operations and comprehensive loss in each reporting period. Changes in fair value attributable to the Company's own credit risk are recorded in other comprehensive income or loss in the Company's Company's condensed consolidated statements of operations and comprehensive loss in each reporting period; there have been no such changes for the three months ended June 30, 2024 December 31, 2024. Under the fair value option, debt issuance costs are recorded in other expenses in the Company's condensed consolidated statements of operations and comprehensive loss.

Warrants

The warrants issued in conjunction with the Term Loan are classified as liabilities under ASC 815-40 due to not being indexed to the Company's stock. The warrants are measured at fair value using Monte Carlo simulation to capture the down-round provision in the warrant agreement. Changes in fair value of the warrants, are recorded as gains or losses in other income in the Company's condensed consolidated statements of operations and comprehensive loss in each reporting period.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Recently adopted pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, which supersedes current guidance by requiring recognition of credit losses when it is probable that a loss has been incurred. The new standard requires the establishment of an allowance for estimated credit losses on financial assets including trade and other receivables at each reporting date. The new standard will result in earlier recognition of allowances for losses on trade and other receivables and other contractual rights to receive cash. In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments – Credit Losses ("ASC 326"), Derivatives and Hedging ("ASC 815") and Leases ("ASC 842")*, which extended the effective date of ASC 326 for certain companies until fiscal years beginning after December 15, 2022. The new standard was effective for the Company beginning October 1, 2023. The adoption of this standard did not have a material effect on the Company's condensed consolidated financial statements. Refer to Note 2, Basis of Presentation and Significant Accounting Policies, for additional information.

Accounting pronouncements not yet adopted

In November 2023, the FASB issued ASU No. 2023-07, "*Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*" ("ASU 2023-07"). ASU 2023-07 expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. The standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, which means that it will be effective for the Company's annual periods beginning October 1, 2024, and interim periods beginning October 1, 2025. Early adoption is permitted. The Company is currently evaluating the impact the updated standard will have on disclosures within the consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*" ("ASU 2023-09"). ASU 2023-09 requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as disaggregated information on income tax paid. The standard is effective for fiscal years beginning after December 15, 2024, which means it will be effective for the Company's fiscal years beginning October 1, 2025. Early adoption is permitted. The Company is currently evaluating the impact the updated standard will have on disclosures within the consolidated financial statements.

In November 2024, the FASB issued ASU No. 2024-03, "*Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses" ("ASU 2024-03")*. ASU 2024-03 requires additional disclosure of specific types of expenses included in the expense captions presented on the face of the income statement as well as disclosures about selling expenses. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026, and interim periods beginning after December 15, 2027, with early adoption permitted. ASU 2024-03 may be applied either prospectively with the option for retrospective application for all prior periods presented. The Company is currently evaluating the impact the updated standard will have on disclosures within the consolidated financial statements.

4. BUSINESS COMBINATIONS

On October 4, 2023, the Company completed the acquisition of all of the membership interests in Evertel Technologies, LLC. ("Evertel"), pursuant to a Membership Interest Purchase Agreement ("Purchase Agreement") with Word Systems Operations, LLC ("Seller") and Evertel.

Evertel offers a secure and compliant mission-critical collaboration platform for the public safety market that connects public safety personnel, information, and tools in one space.

The Evertel acquisition was accounted for as a business combination using the acquisition method pursuant to Accounting Standards Codification ("ASC") ASC Topic 805*.* As the acquirer for accounting purposes, the Company has estimated the purchase consideration, assets acquired and liabilities

assumed as of the acquisition date, with the excess of the purchase consideration over the fair value of net assets acquired recognized as goodwill. The estimated fair value of assets purchased, and liabilities assumed, in certain cases may be subject to revision based on the final determination of fair value.

Genasys Inc.
Notes to the Condensed Consolidated Financial Statements
(in thousands, except per share and share amounts)
(Unaudited)

The consideration consisted of the following:

(in thousands, except per share and share amounts)

Cash paid	$ 923	$ 923
Common stock issued	2,082	2,609
Contingent consideration	890	890
Acquisition holdback liability	230	230
Common stock to be issued	527	
Working capital adjustment	(15)	(15)
	$ 4,637	$ 4,637

The Company funded the cash portion of the total consideration with available cash on hand. The Company also issued 986,486 shares of the Company's common stock to the former owners of Evertel. The fair value of the Company's stock on the closing date was $1.95, $1.95, resulting in the addition of $1,924 $1,924 to additional-paid-in-capital. The contingent consideration liability is a current liability and recorded in the current portion of accrued liabilities. Under the terms of the Purchase Agreement, the Company recorded a $158 $158 credit to additional-paid-in-capital and an addition to goodwill as this is consideration transferred to the former owners of Evertel during the second quarter of fiscal 2024, and the Company issued common stock to the former owners of Evertel and three key employees during the third quarter of fiscal 2024 to settle the obligation. The Company also recorded a holdback liability and an obligation to issue common stock as security for potential indemnification claims against the seller. Seller. The holdback liability and the common stock will be released twelve months from the closing date, subject to amounts withheld for actual, pending or potential claims. The holdback liability was recorded as a current liability at $230, $230, which represented the fair value of the holdback liability as of the acquisition date. The fair value of the holdback liability has and will be adjusted each reporting period with the change in fair value recorded in the condensed consolidated statement of operations. The obligation to issue common stock was recorded as a credit to additional paid in capital for $527 $527 on the acquisition date. During the second quarter of fiscal 2024, the Company and the former owners of Evertel, agreed on a working capital adjustment that resulted in a payment of $15 $15 to the Company.

The Company incurred $113 $151 in expenses related to this transaction. $39 $39 of the expenses were incurred in the fourth quarter of fiscal year 2023, $12 $12 in the first fiscal quarter of fiscal 2024, and $62 $62 in the second fiscal quarter of fiscal 2024, $18 in the third quarter of fiscal 2024, and $20 in the fourth quarter of fiscal 2024. The expense was recorded in selling, general and administrative expenses in the consolidated statement of operations.

The preliminary allocation of the purchase price as of the acquisition date is as follows:

Assets acquired		
Accounts receivable	$	142
Prepaid expenses		27
Intangible assets		2,550
Goodwill		2,923
Total Assets	$	5,642
Liabilities assumed		
Accrued commissions	$	10
Deferred revenue		470
Deferred tax liability		525
Total liabilities		1,005
Net assets acquired	$	4,637

The estimated fair value of identifiable intangible assets acquired and their estimated useful lives are as follows:

	Fair Value	Est.Useful Life (in years)
Developed technology	$ 2,290	7
Customer relationships	260	5
	$ 2,550	

Identifiable intangible assets consist of certain technology and customer relationships purchased from Evertel. Identifiable intangible assets are amortized over their estimated useful lives based upon several assumptions, including the estimated period of economic benefit and utilization. The weighted average amortization period for identifiable intangible assets acquired is 6.8 years. These intangible assets are classified as Level 3 in the ASC Topic 820 three-tier fair value hierarchy.

The goodwill for Evertel is attributable to combining the Company's existing emergency communications solutions with the software and software development capabilities of Evertel to enhance product offerings. Goodwill is also attributable to the skill level of the acquired workforce. The Company will continue to analyze the transaction and refine its calculations, as appropriate during the measurement period, which could affect the value of goodwill. Goodwill from the Evertel acquisition will not be deductible for tax purposes.

As of June 30, 2024 December 31, 2024, $874 $874 of the contingent consideration was issued to the former owners of Evertel. The Company paid $219 $219 in cash and issued 236,343 shares of common stock. During the period since acquisition, the contingent consideration decreased $16 $16 due to remeasurement adjustments. As of June 30, 2024 December 31, 2024, no contingent consideration liability remained outstanding.

The Company has included the operating results of Evertel in continuing operations in its unaudited condensed consolidated financial statements since the acquisition date. $291 in net revenues and $72 in net loss of Evertel were included in the unaudited condensed consolidated financial statements for the three months ending June 30, 2024, and $706 in net revenues and $504 in net loss of Evertel were included in the unaudited condensed consolidated financial statements for the nine months ended June 30, 2024.

5. REVENUE RECOGNITION

5.REVENUE RECOGNITON

ASC 606, *Revenue from Contracts with Customers* ("ASC 606"), outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized:

1. Identify the contract(s) with customers
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognize revenue when or as the performance obligations have been satisfied

1. Identify the contract(s) with customers
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognize revenue when the performance obligations have been satisfied

ASC 606 requires revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services.

The Company derives its revenue from the sale of products to customers, contracts, software license fees, other services and freight. The Company sells its products through its direct sales force and through authorized resellers and system integrators. The Company recognizes revenue for goods, including software, when all the significant risks and rewards have been transferred to the customer, no continuing managerial involvement usually associated with ownership of the goods is retained, no effective control over the goods sold is retained, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transactions will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Software license revenue, maintenance and/or software development service fees may be bundled in one arrangement or may be sold separately.

Product revenue

Product revenue is recognized as a distinct single performance obligation when products are tendered to a carrier for delivery, which represents the point in time that the Company's customer obtains control of the products. A smaller portion of product revenue is recognized when the customer receives delivery of the products. A portion of products are sold through resellers and system integrators based on firm commitments from an end user, and as a result, resellers and system integrators carry little or no inventory. The Company's customers do not have a right to return product unless the product is found defective and therefore the Company's estimate for returns has historically been insignificant.

Perpetual licensed software

The sale and/or license of software products is deemed to have occurred when a customer either has taken possession of, or has the ability to take immediate possession of, the software and the software key. Perpetual software licenses can include one-year maintenance and support services. In addition, the Company sells maintenance services on a stand-alone basis and is therefore capable of determining their fair value. On this basis, the amount of the embedded maintenance is separated from the fee for the perpetual license and is recognized on a straight-line basis over the period to which the maintenance relates.

Time-based licensed software

The time-based license agreements include the use of a software license for a fixed term, generally one-year, and maintenance and support services during the same period. The Company does not sell time-based licenses without maintenance and support services and therefore revenues for the entire arrangements are recognized on a straight-line basis over the term.

Warranty, maintenance and services

The Company offers extended warranty, maintenance and other services. Extended warranty and maintenance contracts are offered with terms ranging from one to several years, which provide repair and maintenance services after expiration of the original one-year warranty term. Revenues from separately priced extended warranty and maintenance contracts are recognized based on time elapsed over the service period and classified as contract and other revenues. Revenue from other services such as training or installation is recognized when the service is completed.

Multiple performance obligation arrangements

The Company has entered into a number of multiple performance obligation arrangements, such as the sale of a product or perpetual licenses that may include maintenance and support (included in the price of perpetual licenses) and time-based licenses (that include embedded maintenance and support, both of which may be sold with software development services, training, and other product sales). In some cases, the Company delivers software development services bundled with the sale of the software. In multiple performance obligation arrangements, the Company uses either the stand-alone selling price or an expected cost-plus margin approach to determine the fair value of each performance obligation within the arrangement, including software and software-related services such as maintenance and support. In general, performance obligations in such arrangements are also sold on a stand-alone basis and stand-alone selling prices are available.

Revenue is allocated to each performance obligation based on the fair value of each individual performance obligation and is recognized when the revenue recognition criteria described above are met, except for time-based licenses which are not unbundled. When software development services are performed and are considered essential to the functionality of the software, the Company recognizes revenue from the software development services on a stage of completion basis, and the revenue from the software when the related development services have been completed.

The Company disaggregates revenue by reporting segment (Hardware and Software) and geographically to depict the nature of revenue in a manner consistent with its business operations and to be consistent with other communications and public filings. Refer to Note 19, Segment Information and Note 20, Major Customers, Suppliers and Related Information for additional details of revenues by reporting segment and disaggregation of revenue.

Contract assets and liabilities

The Company enters into contracts to sell products and provide services and recognizes contract assets and liabilities that arise from these transactions. The Company recognizes revenue and corresponding accounts receivable according to ASC 606 and, at times, recognizes revenue in advance of the time when contracts give the Company the right to invoice a customer. Sales commissions are considered incremental and recoverable costs of obtaining a contract with a customer. Subscription related commission costs are deferred and then amortized on a straight-line basis over the period of benefit. The Company may also receive consideration, per terms of a contract, from customers prior to transferring goods to the customer. The Company records customer deposits as a contract liability. Additionally, the Company may receive payments, most typically for service and warranty contracts, at the onset of the contract and before the services have been performed. In such instances, a deferred revenue liability is recorded. The Company recognizes these contract liabilities as revenue after all revenue recognition criteria are met. The table below reflects the balances of contract liabilities as of June 30, 2024 December 31, 2024 and September 30, 2023 September 30, 2024, including the change between the periods. There were Contract assets balance was $337no and $150 contract assets as of June 30, 2024 December 31, 2024 and September 30, 2023. September 30, 2024, respectively. The current portion of contract liabilities and the noncurrent portion are included in “Accrued liabilities” and “Other liabilities, noncurrent”, respectively, on the accompanying condensed consolidated balance sheets. Refer to Note 11, Accrued and Other Liabilities for additional details.

(in thousands, except per share and share amounts)

(Unaudited)

The Company's contract liabilities were as follows:

	Customer deposits	Deferred revenue	Total contract liabilities	Customer deposits	Deferred revenue	Total contract liabilities
Balance as of September 30, 2023	$ 766	$ 3,254	$ 4,020			
Balance as of September 30, 2024				$ 1,606	$ 4,012	$ 5,618
New performance obligations	3,485	5,703	9,188	9,733	1,487	11,220
Recognition of revenue as a result of satisfying performance obligations	(3,393)	(5,044)	(8,437)	(2,330)	(1,926)	(4,256)
Effect of exchange rate on deferred revenue	-	(2)	(2)	—	(3)	(3)
Balance as of June 30, 2024	$ 858	$ 3,911	$ 4,769			
Balance as of December 31, 2024				$ 9,009	$ 3,570	$ 12,579
Less: non-current portion	-	(343)	(343)	—	(378)	(378)
Current portion as of June 30, 2024	$ 858	$ 3,568	$ 4,426			
Current portion as of December 31, 2024				$ 9,009	$ 3,192	$ 12,201

Remaining performance obligations

Remaining performance obligations related to ASC 606 represent the aggregate transaction price allocated to performance obligations under an original contract with a term greater than one year, which are fully or partially unsatisfied at the end of the period.

As of June 30, 2024 December 31, 2024, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately $4,769. $12,579. The Company expects to recognize revenue on approximately $4,426 $12,201 or 93%97% of the remaining performance obligations over the next 12 months, and the remainder is expected to be recognized thereafter.

Practical expedients

In cases where the Company is responsible for shipping after the customer has obtained control of the goods, the Company has elected to treat these activities as fulfillment activities rather than as a separate performance obligation. Additionally, the Company has elected to capitalize the cost to obtain a contract only if the period of amortization is longer than one year. The Company only gives consideration to whether a customer agreement has a financing component if the period of time between transfer of goods and services and customer payment is greater than one year. The Company also utilizes the "as invoiced" practical expedient in certain cases where performance obligations are satisfied over time and the invoiced amount corresponds directly with the value the Company is providing to the customer.

6.FAIR VALUE MEASUREMENTS

The Company's financial instruments consist principally of cash equivalents, short and long-term marketable securities, accounts receivable, accounts payable, Term Loan debt, and warrant liabilities. The fair value of a financial instrument is the amount that would be received in an asset sale or paid to transfer a liability in an orderly transaction between unaffiliated market participants. Assets and liabilities measured at fair value are categorized based on whether or not the inputs are observable in the market and the degree that the inputs are observable. The categorization of financial instruments within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritized into three levels (with Level 3 being the lowest) defined as follows:

Level 1: Inputs are based on quoted market prices for identical assets or liabilities in active markets at the measurement date.

Level 2: Inputs include quoted prices for similar assets or liabilities in active markets and/or quoted prices for identical or similar assets or liabilities in markets that are not active near the measurement date.

Level 3: Inputs include management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

The fair value of the Company's cash equivalents and marketable securities were determined based on Level 1 and Level 2 inputs. The valuation techniques used to measure the fair value of the "Level 2" instruments were based on quoted market prices or model-driven valuations using significant inputs derived from or corroborated by observable market data. The valuation techniques used to measure the Term Loan debt and warrant liabilities were determined based on Level 3 inputs not observable in the market and significant to the instruments' valuations. Refer to Note 12, Term Loan and Warrant Liabilities, for additional information regarding the valuation techniques and significant inputs used.

(in thousands, except per share and share amounts)

Other than the Term Loan and the warrant liabilities, the Company did not have any financial instruments in the Level 3 category as of June 30, 2024. The Company did not have any financial instruments in the Level 3 category as of September 30, 2023 December 31, 2024 and September 30, 2024. The Company believes that the recorded values of its other financial instruments approximate their current fair values because of their nature and respective relatively short maturity dates or durations.

There have been no changes in Level 1, Level 2, and Level 3 and no changes in valuation techniques for financial instruments measured at fair value on a recurring basis for the periods ended June 30, 2024 December 31, 2024 and September 30, 2023 September 30, 2024.

Instruments measured at fair value on a recurring basis

Cash equivalents and marketable securities: The following tables present the Company's cash equivalents and marketable securities' costs, gross unrealized gains and losses, and fair value by major security type recorded as cash equivalents or short-term or long-term marketable securities as of June 30, 2024 December 31, 2024, and September 30, 2023 September 30, 2024. Unrealized gains and losses from the remeasurement of marketable securities are recorded in accumulated other comprehensive income (loss) loss until recognized in earnings upon the sale or maturity of the security.

	December 31, 2024						
	Cost Basis	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value	Cash Equivalents	Short-term Securities	Long-term Securities
Level 1:							
Money market funds	$ 1,279	$ —	$ —	$ 1,279	$ 1,279	$ —	$ —
Level 2:							
Certificates of deposit	253	—	—	253	—	253	—
U.S. government agency bonds	641	—	—	641	—	641	—
Municipal securities	2,306	1	(1)	2,306	—	2,001	305
Corporate bonds	2,250	1	—	2,251	—	2,251	—
Subtotal	5,450	2	(1)	5,451	—	5,146	305
Total	$ 6,729	$ 2	$ (1)	$ 6,730	$ 1,279	$ 5,146	$ 305

	September 30, 2024						
	Cost Basis	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value	Cash Equivalents	Short-term Securities	Long-term Securities
Level 1:							
Money market funds	$ 301	$ —	$ —	$ 301	$ 301	$ —	$ —
Level 2:							
Certificates of deposit	401	—	—	401	152	—	249
U.S. government agency bonds	2,591	3	—	2,594	—	2,594	—
Municipal securities	2,127	2	—	2,129	—	2,129	—
Corporate bonds	3,219	3	—	3,222	—	3,222	—

(in thousands, except per share and share amounts)

	Cost Basis	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value	Cash Equivalents	Short-term Securities	Long-term Securities
Subtotal	8,338	8	—	8,346	152	7,945	249
Total	$ 8,639	$ 8	$ —	$ 8,647	$ 453	$ 7,945	$ 249

	June 30, 2024						
	Cost Basis	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value	Cash Equivalents	Short-term Securities	Long-term Securities
Level 1:							
Money market funds	$ 4,423	-	-	4,423	4,423	-	-
Level 2:							
Certificates of deposit	302	-	-	302	-	302	-
Municipal securities	1,431	1	-	1,432	-	1,432	-
Corporate bonds	2,315	-	(3)	2,312	-	2,312	-
Subtotal	4,048	1	(3)	4,046	-	4,046	-
Total	$ 8,471	$ 1	$ (3)	$ 8,469	$ 4,423	$ 4,046	$ -

	September 30, 2023						
	Cost Basis	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value	Cash Equivalents	Short-term Securities	Long-term Securities
Level 1:							
Money market funds	$ 2,307	$ -	$ -	$ 2,307	$ 2,307	$ -	$ -
Level 2:							
Certificates of deposit	301	-	-	301	-	301	-
Municipal securities	926	-	(7)	919	-	919	-
Corporate bonds	264	-	(3)	261	-	261	-
Subtotal	1,491	-	(10)	1,481	-	1,481	-
Total	$ 3,798	$ -	$ (10)	$ 3,788	$ 2,307	$ 1,481	$ -

The Company manages debt investments as a single portfolio of highly marketable securities that is intended to be available to meet current cash requirements. Historically, the gross unrealized losses related to the Company's portfolio of available-for-sale debt securities were immaterial, and primarily due to normal market fluctuations and not due to increased credit risk or other valuation concerns. Gross unrealized losses on available-for-sale debt securities was $3 $1 as of June 30, 2024 December 31, 2024, and historically, such gross unrealized losses have been temporary in nature. The Company believes that it is probable the principal and interest will be collected in accordance with the contractual terms. The debt investment portfolio is reviewed at least quarterly, or when there are changes in credit risks or other potential valuation concerns, to identify and evaluate whether an allowance for credit losses or impairment would be necessary. Factors considered in determining whether a loss is temporary include the magnitude of the decline in market value, the length of time the market value has been below cost (or adjusted cost), credit quality, and the Company's ability and intent to hold the securities for a period of time sufficient to allow for any anticipated recovery in market value.

(Unaudited)

The following table summarizes the fair value and gross unrealized losses related to available-for-sale debt securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of June 30, 2024 and September 30, 2023 December 31, 2024:

	As of June 30, 2024					
	In loss position < 12 months		**In loss position > 12 months**		Total in loss position	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Certificates of deposit	$ -	$ -	$ -	$ -	$ -	$
U.S. government agency bonds	-	-	-	-	-	
Municipal securities	806	-	-	-	806	
Corporate bonds	2,312	(3)	-	-	2,312	
	$ 3,118	$ (3)	$ -	$ -	$ 3,118	$

	As of September 30, 2023					
	In loss position < 12 months		**In loss position > 12 months**		Total in loss position	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Certificates of deposit	$ -	$ -	$ -	$ -	$ -	$
U.S. government agency bonds	-	-	-	-	-	
Municipal securities	684	(2)	235	(5)	919	
Corporate bonds	-	-	261	(3)	261	
	$ 684	$ (2)	$ 496	$ (8)	$ 1,180	$ (

	As of December 31, 2024					
	In loss position < 12 months		*In loss position > 12 months*		*Total in loss position*	
	Fair Value	*Gross Unrealized Loss*	*Fair Value*	*Gross Unrealized Loss*	*Fair Value*	*Gross Unrealized Loss*
Certificates of deposit	*$ —*	*$ —*	*$ —*	*$ —*	*$ —*	*$ —*
U.S. government agency bonds	*292*	*—*	*—*	*—*	*292*	*—*
Municipal securities	*1,447*	*(1)*	*—*	*—*	*1,447*	*(1)*
Corporate bonds	*547*	*—*	*—*	*—*	*547*	*—*
	$ 2,286	*$ (1)*	*$ —*	*$ —*	*$ 2,286*	*$ (1)*

As of September 30, 2024, there were no unrealized loss positions related to available-for-sale debt securities.

Instruments measured at fair value on a non-recurring basis

Nonfinancial assets: Nonfinancial assets such as goodwill, other intangible assets, long-lived assets held and used, and right-of-use ("ROU") assets are measured at fair value when there is an indicator of impairment and recorded at fair value only when impairment is recognized or for a business combination.

Goodwill and intangible assets are recognized at fair value during the period in which an acquisition is completed, from updated estimates during the measurement period, or when they are considered to be impaired. These non-recurring fair value measurements, primarily for intangible assets acquired, were based on Level 3 inputs. The Company estimates the fair value of these long-lived assets on a non-recurring basis based on a market valuation approach, engaging independent valuation experts to assist in the determination of fair value.

The following table presents nonfinancial assets that were subject to fair value measurement during the nine months ended June 30, 2024. There were no business combinations or indicators of impairment during the twelve three months ended September 30, 2023. December 31, 2024 and December 31, 2023, respectively.

		Fair Value Measurements at June 30, 2024			
	Carrying Value	(Level 1)	(Level 2)	(Level 3)	Gain/(Loss)
Intangible assets from Evertel acquisition	$ 2,550	$ -	$ -	$ 2,550	$ -
Goodwill from Evertel acquisition	$ 2,923	$ -	$ -	$ 2,923	$ -

(in thousands, except per share and share amounts)

Contingent consideration liability: In connection with the Evertel acquisition, the Company recorded a liability related to future performance criteria. A payment of up to $1,050 $1,050 is payable based on future performance. The contingent consideration liability was recorded at the fair value of $890 as of the acquisition date. The Company engaged independent valuation experts to assist in determining the fair value of the contingent consideration. During each reporting period, the Company will adjust the The contingent consideration liability as was initially recorded of $890 at the fair value on the acquisition date and subsequently adjusted when performance criteria are were not achieved. The change in fair value is was recorded in other income in the accompanying consolidated statement of operations.

As of June 30, 2024, $874 $874 of the contingent consideration was issued to the former owners of Evertel. The Company paid $219 $219 in cash and issued 236,343 shares of common stock. During stock to former owners of Evertel during fiscal 2024. In October 2024, the period since acquisition, the contingent consideration decreased $16 due Company issued 270,271 shares of common stock to remeasurement adjustments. former owners of Evertel. As of June 30, 2024 December 31, 2024, there was no remaining contingent consideration liability.

The changes in the carrying amount of the contingent consideration liability were as follows:

Value as of acquisition date	$	890
Remeasurement estimate		(16)
Settlement of contingent consideration liability		(874)
Balance as of June 30, 2024	$	-

Acquisition holdback liability: liability: In connection with the Evertel acquisition, the Company recorded a holdback liability related to potential future misrepresentations and indemnifications against third-party claims. The holdback liability will be released twelve months from the closing date, subject to amounts withheld for actual, pending or potential claims. The holdback liability was recorded at the present value, which was the fair value at the acquisition date. The Company engaged independent valuation experts to assist in determining the present value of the holdback liability. The expected future payment was discounted using a rate representative of the Company's payment risk and credit rating. Accretion is recorded in each subsequent reporting period based on the discount factor used to arrive at the original fair value. This change in fair value is was recorded in other income in the accompanying consolidated statement of operations.

The changes change in the carrying amount of the holdback liability is was as follows:

Balance as of acquisition date	$	230
Accretion		15
Balance as of June 30, 2024	$	245

Balance as of September 30, 2024	$	250
Payment		(250)
Balance as of December 31, 2024	$	—

As of December 31, 2024, there was no remaining acquisition holdback liability.

7. INVENTORIES, NET

Inventories, net consisted of the following:

	June 30, 2024	September 30, 2023	**December 31, 2024**	**September 30, 2024**
Raw materials	$ 4,915	$ 5,086	$ 5,730	$ 5,442
Finished goods	1,503	1,029	1,558	1,377

(in thousands, except per share and share amounts)

Work in process	1,869	1,218	1,122	1,331
Inventories, gross	8,286	7,333	8,410	8,150
Reserve for obsolescence	(971)	(832)	(910)	(837)
Inventories, net	$ 7,315	$ 6,501	$ 7,500	$ 7,313

8. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	June 30, 2024	September 30, 2023	**December 31, 2024**	**September 30, 2024**
Office furniture and equipment	$ 1,671	$ 1,582	$ 1,603	$ 1,697
Machinery and equipment	1,480	1,441	1,480	1,480
Leasehold improvements	2,312	2,302	2,294	2,312
Construction in progress	4	-	10	30
Property and equipment, gross	5,467	5,325	5,387	5,519
Accumulated depreciation	(4,094)	(3,774)	(4,156)	(4,228)
Property and equipment, net	$ 1,373	$ 1,551	$ 1,231	$ 1,291

Depreciation and amortization expense for property and equipment was $113 $119 and $111 $110 for the three months ended June 30, 2024 December 31, 2024 and 2023, respectively. Depreciation and amortization expense for property and equipment was $335 for both the nine months ended June 30, 2024 and 2023.

9. GOODWILL AND INTANGIBLE ASSETS

Goodwill is attributable to the acquisitions of Genasys Spain, Zonehaven, Evertel, and the Amika Mobile asset purchase and is due to combining the integrated critical communications, mass messaging solutions and software development capabilities with existing hardware products for enhanced offerings and the skill level of the acquired workforces. The Company periodically reviews goodwill for impairment in accordance with relevant accounting standards. As of June 30, 2024 December 31, 2024 and September 30, 2023 September 30, 2024, goodwill was $13,235 $13,165 and $10,282, $13,329, respectively. There were no additions or impairments to goodwill during the three months ended December 31, 2024. During the nine three months ended June 30, 2024 December 31, 2023, $2,923 $2,772 was added to goodwill as a result of the Evertel acquisition. There were no additions or impairments to goodwill during the twelve months ended September 30, 2023.

The changes in the carrying amount of goodwill by segment as of June 30, 2024 December 31, 2024, were as follows:

	Hardware	Software	Total	**Hardware**	**Software**	**Total**
Balance as of September 30, 2023	$ -	$ 10,282	$ 10,282			
Balance as of September 30, 2024				$ —	$ 13,329	$ 13,329
Acquisitions	-	2,923	2,923	—	—	—
Currency translation	-	30	30	—	(164)	(164)
Balance as of June 30, 2024	$ -	$ 13,235	$ 13,235			
Balance as of December 31, 2024				$ —	$ 13,165	$ 13,165

The changes in the carrying amount of intangible assets by segment as of June 30, 2024 December 31, 2024, were as follows:

	Hardware	Software	Total	**Hardware**	**Software**	**Total**
Balance as of September 30, 2023	$ 17	$ 8,410	$ 8,427			
Balance as of September 30, 2024				$ 14	$ 8,492	$ 8,506
Acquisitions	-	2,550	2,550	—	—	—
Amortization	(2)	(1,856)	(1,858)	—	(618)	(618)
Currency translation	-	4	4	—	(3)	(3)
Balance as of June 30, 2024	$ 15	$ 9,108	$ 9,123			
Balance as of December 31, 2024				$ 14	$ 7,871	$ 7,885

Intangible assets and goodwill related to Genasys Spain are translated from Euros to U.S. dollars at the balance sheet date. The net impact of foreign currency exchange differences arising during the period related to goodwill and intangible assets was an increase a decrease of $34. $167.

The Company's consolidated intangible assets consisted of the following:

	June 30, 2024	September 30, 2023	**December 31, 2024**	**September 30, 2024**
Technology	$ 14,228	$ 11,930	$ 14,209	$ 14,252
Customer relationships	2,058	1,790	2,040	2,081
Trade name portfolio	608	605	602	617
Non-compete agreements	226	223		
Patents	72	72	72	72
	17,192	14,620	16,923	17,022
Accumulated amortization	(8,069)	(6,193)	(9,038)	(8,516)
	$ 9,123	$ 8,427	$ 7,885	$ 8,506

As of June 30, 2024 December 31, 2024, future amortization expense is as follows:

Fiscal year ending September 30,		
2024 (remaining three months)	618	
2025	2,357	
2025 (remaining nine months)		1,737
2026	2,222	2,222
2027	2,048	2,048
2028	1,220	1,220
2029		329
Thereafter	658	329
Total estimated amortization expense	$ 9,123	$ 7,885

Amortization expense was $619 $618 and $525 $619 for the three months ended June 30, 2024 December 31, 2024 and 2023, respectively. Amortization expense was $1,858 and $1,583 for the nine months ended June 30, 2024 and 2023, respectively.

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10. PREPAID EXPENSES AND OTHER

Prepaid expenses and other current assets consisted of the following:

	June 30, 2024	September 30, 2023	**December 31, 2024**	**September 30, 2024**
Deposits for inventory	$ 4	$ 301	$ 1,398	$ 4
Prepaid insurance	276	264		
Prepaid commissions			669	540
Dues and subscriptions	488	261	469	516
Prepaid professional services	450	136	470	595

Prepaid commissions	515	417		
Bid guarantee deposit	3,500	-		
Prepaid insurance			168	288
Trade shows and travel	120	150	74	116
Canadian goods and services and harmonized sales tax receivable	76	123	58	69
Spain value-added tax and bank withholdings			253	225
Other	498	199	218	206
	$ 5,927	$ 1,851	$ 3,777	$ 2,559

Deposits for inventory

Deposits for inventory consisted of cash payments to vendors for inventory to be delivered in the future. Balance at December 31, 2024 included $1,332 for Puerto Rico project.

Prepaid insurance

Prepaid insurance consisted of premiums paid for health, commercial and corporate insurance. These premiums are amortized on a straight-line basis over the term of the agreements.

Dues and subscriptions

Dues and subscriptions consisted of payments made in advance for software subscriptions and trade and professional organizations. These payments are amortized on a straight-line basis over the term of the agreements.

Prepaid professional services

Prepaid professional services consist of payments made in advance for services such as accounting, consulting and legal services.

Prepaid commissions

Prepaid commissions represented the current portion of sales commissions paid in connection with obtaining a contract with a customer. These costs are deferred and are amortized on a straight-line basis over the period of benefit, which is typically between three and five years years.. Amortization of prepaid commissions is included in selling, general and administrative expenses in the accompanying condensed consolidated statement of operations.

Bid guarantee deposit

The bid guarantee deposit is a contractually required security deposit to ensure the execution of contractual documents and construction commencement within the agreed upon timeline. The deposit is held by the Puerto Rico Electric Power Authority and will be returnedNotes to the Company when Condensed Consolidated Financial Statements

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Dues and subscriptions

Dues and subscriptions consisted of payments made in advance for software subscriptions and trade and professional organizations. These payments are amortized on a straight-line basis over the final contract is signed. term of the agreements.

Prepaid professional services

Prepaid professional services consist of payments made in advance for services such as accounting, consulting and legal services.

Prepaid insurance

Prepaid insurance consisted of premiums paid for health, commercial and corporate insurance. These premiums are amortized on a straight-line basis over the term of the agreements.

Trade shows and travel

Trade shows and travel consisted of payments made in advance for trade show events.

Canadian goods and services and harmonized sales tax receivable

The goods and services tax and harmonized sales tax (“GST/HST”) is a Canadian value-added tax (“VAT”) that applies to many goods and services. Registrants may claim refundable tax credits for GST/HST incurred through filing periodic tax returns. This GST/HST receivable is a receivable from the Canadian Revenue Agency.

Spain value-added tax receivable and bank withholdings

Spain VAT is a consumption tax applied to most goods and services. Registered businesses can recover VAT paid on eligible purchases by submitting periodic tax returns. The VAT receivable represents the amount refundable from the Spanish tax authorities.

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

11. ACCRUED AND OTHER LIABILITIES

Accrued liabilities consisted of the following:

	June 30, 2024		September 30, 2023		December 31, 2024		September 30, 2024	
Payroll and related	$	2,074	$	2,237	$	2,998	$	3,249
Deferred revenue		3,568		2,703		3,192		3,643
Customer deposits		858		766		9,009		1,606
Acquisition holdback liability						—		250
Short-term provision						145		155
Warranty reserve						70		76
Accrued contract costs		862		825		110		—
Warranty reserve		76		132				
Asset purchase holdback liability		-		736				
Acquisition holdback liability		245		-				
Other		-		67		—		51
Total	$	7,683	$	7,466	$	15,524	$	9,030

Other liabilities-noncurrent consisted of the following:

	June 30, 2024		September 30, 2023	
Deferred revenue	$	343	$	

Payroll and related

Payroll and related consisted primarily of accrued vacation, bonus, sales commissions and benefits.

Deferred revenue

Deferred revenue as of June 30, 2024 December 31, 2024, included prepayments from customers for services, including extended warranty, scheduled to be performed in the twelve months ending June 30, 2025 December 31, 2025. Deferred extended warranty consisted of warranties purchased in excess of the Company's standard warranty. Extended warranties typically range from one to two years.

Customer deposits

Customer deposits represent amounts paid by customers as a down payment on hardware orders to be delivered in the twelve months ending June 30, 2025 December 31, 2025. Balance at December 31, 2024 included $8,287 for Puerto Rico project.

Accrued contract costs

Accrued contract costs consisted of accrued expenses for contracting a third-party service provider to fulfill repair and maintenance obligations required under a contract with a foreign military for units sold in the year ended September 30, 2011. fiscal 2011. Payments to the service provider will be made annually upon completion of each year of service. A new contract was signed with the customer in May 2019 The Company is contractually obligated to continue provide such repair and maintenance services through May 2024. November 2027. These services are being recorded in cost of revenues to correspond with the revenues for these services.

Warranty reserve

(in thousands, except per share and share amounts)

Changes in the warranty reserve and extended warranty were as follows:

	June 30, 2024	September 30, 2023	Three Months Ended December 31,	
Balnce as of September 30, 2023	$ 132	$ 159		
			2024	2023
Beginning balance			$ 76	$ 132
Warranty provision	(35)	40	—	(22)
Warranty settlements	(21)	(67)	(6)	—
Balance as of June 30, 2024	$ 76	$ 132		
Ending balance			$ 70	$ 110

The Company establishes a warranty reserve based on anticipated warranty claims at the time product revenue is recognized. Factors affecting warranty reserve levels include the number of units sold, anticipated cost of warranty repairs and anticipated rates of warranty claims. The Company evaluates the adequacy of the provision for warranty costs each reporting period and adjusts the accrued warranty liability to an amount equal to estimated warranty expense for products currently under warranty.

Asset purchase holdback liability

In connection with the Amika Mobile asset purchase, the Company recorded a holdback liability related to potential future adjustments to assets and liabilities, misrepresentations and indemnifications against third-party claims. The holdback liability was paid to the seller of the Amika Mobile assets on October 6, 2023. The liability was recorded at fair value as of September 30, 2023.

Acquisition holdback liability

In connection with the Evertel acquisition, the Company recorded a holdback liability related to potential misrepresentation and indemnifications against third-party claims. The holdback liability will be released twelve months from the closing date, subject to amounts withheld for actual, pending or potential claims. The holdback liability was recorded at the present value, which was the fair value at the acquisition date. Accretion is recorded in each subsequent reporting period based on the discount factor used to arrive at the original fair value. This change in fair value is recorded in the accompanying condensed consolidated statement of operations.

Contingent consideration liability

In connection with the Evertel acquisition, the Company recorded a liability related to future performance criteria. The contingent consideration liability was recorded at the fair value at the acquisition date. The liability has and will be adjusted at each reporting period as progress towards the contingent consideration criteria is achieved.

Deferred extended warranty revenue

Deferred extended warranty revenue consisted of warranties purchased in excess of the Company's standard warranty. Extended warranties typically range from **one** to two years.

12. TERM LOAN AND WARRANT LIABILITIES

On May 13, 2024, the Company entered into a term loan and security agreement, pursuant to which the Company received $14,700$14,700 in cash proceeds in exchange for a $15,000$15,000 term loan ("Term Loan") and the issuance of warrants to purchase up to 3,068,182 shares of the Company's common stock ("Warrants"). Because the Term Loan and Warrants were determined to be freestanding financial instruments both recorded subsequently at fair value, the proceeds received were allocated to each instrument on a relative fair value basis.

Term Loan

The principal of the Term Loan is $15,000$15,000 and is payable upon maturity on May 13, 2026. The Term Loan provides a two percent original issue discount to the lenders. The Company is required to make quarterly interest payments on the Term Loan. The Company may elect to pay quarterly interest on the Term Loan based on the three-month Secured Overnight Financing Rate ("SOFR" ("SOFR") plus five percent (5% (5%) in cash or the Company may elect to pay interest based on the three-month SOFR plus six percent (6% (6%) with 50%50% paid in cash and the remainder paid by issuing shares of the Company's common stock. The Company may voluntarily redeem the Term Loan within one year of the issuance at 101%101% of the principal amount and after one year at par value. The Term Loan includes financial covenants and contains other customary affirmative and negative covenants and events of default. All obligations under the Term Loan are secured by substantially all of the Company's assets. As of June 30, 2024 December 31, 2024, the Company was in compliance with all financial and reporting covenants of the Term Loan.

The Company determined that the Term Loan was eligible for the FVO and accordingly elected the FVO for the Term Loan. This election was made because of operational efficiencies in valuing and reporting for the Term Loan instrument in its entirety at each reporting date. As a result of electing the FVO, the Term Loan was recorded at fair value with subsequent remeasurements at fair value each reporting period. The Company recognizes the resulting gain or loss related to changes to the fair value of the Term Loan on the condensed consolidated statements of operations within other income (expense). income. The change in fair value related to the accrued interest components of the Term Loan is also included within other income (expense) on the condensed consolidated statement of operations. Direct costs and fees related to the Term Loan were expensed as incurred within other income (expense) on the condensed consolidated statement of operations.

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

The Company utilized the discounted cash flow method with reliance on the Monte Carlo simulation model to determine the fair value of the Term Loan at issuance and subsequently at each reporting date. The fair value of the Term Loan was determined based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The One of the significant fair value assumption assumptions is the discount rate, which was 27.2%27.0% and 27.0%26.0% as of May 13, 2024 December 31, 2024 and June 30, 2024 September 30, 2024, respectively.

A summary of the changes in the fair value of the Term Loan Level 3 rollforward is as follows:

		Three Months Ended June 30, 2024
Beginning Balance	$	
Transfer in		11,57
Change in fair value related to non-credit risk in net income		12
Change in fair value related to credit risk in OCI		
Fair value as of June 30, 2024	$	11,69

Fair value as of September 30, 2024	$	12,010
Change in fair value related to non-credit risk in net income		370
Fair value as of December 31, 2024	$	12,380

Warrant Liabilities

The Company issued Warrants to the lenders to purchase up to 3,068,182 shares of the Company's common stock at an initial exercise price of $2.53$2.53 per share, subject to certain adjustments. The Warrants are exercisable upon issuance through May 13, 2029 and may be exercised via cashless exercise.

The Warrants are recognized as liabilities in the condensed consolidated balance sheet and are subject to remeasurement at each balance sheet date from issuance. Any change in fair value is recognized in other income (expense) within the condensed consolidated statement of operations.

The Company utilized the Monte Carlo simulation model to determine the fair value of the warrant liabilities at issuance and subsequently at each reporting date. The fair value of the warrant liabilities is the present value of the warrant payoff at expiration; discounted at the risk-free rate. The fair value of the warrant liabilities was determined based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy.

The following is a summary of the fair value assumptions applied in determining the initial fair value and the subsequent fair value of the warrant liabilities as of each respective date:

	May 13, 2024	June 30, 2024	**December 31, 2024**	**September 30 2024**
Discount Rate	4.5 %	4.3 %	4.2 %	3.6 %
Volatility	55.0 %	56.0 %	60.0 %	58.0 %

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A summary of the changes in the fair value of the warrant liabilities Level 3 rollforward is as follows:

	Three Months Ended June 30, 2024	
Beginning Balance	$	
Transfer in		3,12
Change in fair value in net income		(2
Fair value as of June 30, 2024	$	3,10

Fair value as of September 30, 2024	$	6,640
Change in fair value in net income		(2,470)
Fair value as of December 31, 2024	$	4,170

13. LEASES

The Company determines if an arrangement is a lease at inception. The guidance in ASC 842 defines a lease as a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration. Operating lease ROU assets and lease liabilities are recognized based on the present value of future minimum lease payments over the lease term at commencement date. The Company's leases do not provide an implicit rate. The Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of future payments. Additionally, the portfolio approach is used in determining the discount rate used to present value lease payments. The ROU asset includes any lease payments made and excludes lease incentives and initial direct costs incurred.

The Company is party to operating leases for office and production facilities and equipment under agreements that expire at various dates through fiscal 2028. The Company elected the package of practical expedients permitted under the lease standard. In electing the practical expedient package, the Company is not required to reassess whether an existing or expired contract is or contains a lease, reassess the lease classification for expired or existing leases nor reassess the initial direct costs for leases that commenced before the adoption of ASC 842. The Company also elected the short-term lease exemption such that the lease standard was applied to leases greater than one year in duration. Leases with an initial term of twelve months or less are not recorded on the balance sheet. The Company recognizes lease expense for these leases on a straight-line basis over the lease term.

The tables below show the operating lease ROU assets and liabilities as of September 30, 2023 September 30, 2024, and the balances as of June 30, 2024 December 31, 2024, including the changes during the periods.

	Operating lease ROU assets		**Operating lease ROU assets**	
Operating lease ROU assets as of September 30, 2023	$	3,886		
Operating lease ROU assets as of September 30, 2024			$	3,110
Less amortization of operating lease ROU assets		(584)		(192)
Effect of exchange rate on operating lease ROU assets		5		(20)
Operating lease ROU assets as of June 30, 2024	$	3,307		
Operating lease ROU assets as of December 31, 2024			$	2,898

	Operating lease liabilities	
Operating lease liabilities at September 30, 2023	$	5,291
Less lease principal payments on operating lease liabilities		(752)
Effect of exchange rate on operating lease liabilities		5
Operating lease liabilities as of June 30, 2024		4,544

Less non-current portion		(3,518)
Current portion as of June 30, 2024	$	1,026

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		Operating lease liabilities
Operating lease liabilities at September 30, 2024	$	4,290
Less lease principal payments on operating lease liabilities		(255)
Effect of exchange rate on operating lease liabilities		(21)
Operating lease liabilities as of December 31, 2024		4,014
Less non-current portion		(2,989)
Current portion as of December 31, 2024	$	1,025

As of June 30, 2024 December 31, 2024, the Company's operating leases have a weighted-average remaining lease term of 4.13.6 years and a weighted-average incremental borrowing rate of 4.16%4.16%. The maturities of the operating lease liabilities are as follows:

Fiscal year ending September 30,		
2025 (remaining nine months)	$	872
2026		1,193
2027		1,215
2028		1,047
2029		—
Thereafter		—
Total undiscounted operating lease payments		4,327
Less imputed interest		(313)
Present value of operating lease liabilities	$	4,014

Fiscal year ending September 30,		
2024 (remaining three months)	$	303
2025		1,182
2026		1,197
2027		1,218
2028		1,047
Thereafter		-
Total undiscounted operating lease payments		4,947
Less imputed interest		(403)
Present value of operating lease liabilities	$	4,544

For the three months ended June 30, 2024 December 31, 2024 and 2023, total lease expense under operating leases was approximately $245 $235 and $250, respectively. For the nine months ended June 30, 2024 and 2023, total lease expense under operating leases was approximately $736 and $753, $245, respectively. The Company recorded $7 $7 and $19 $5 in short-term lease expense during the three and nine months ended June 30, 2024, December 31, 2024 and 2023, respectively. The Company recorded $5 and $14 in short-term lease expense during the three and nine months ended June 30, 2023, respectively.

14. INCOME TAXES

The Company's effective tax rate for the nine three months ended June 30, 2024 December 31, 2024 and 2023 was 2.3%0% and 0% negative 6.0%, respectively.

For the three months ended December 31, 2024, the Company did not record an income tax benefit for the current period tax loss as the benefits were not expected to be realized during the current or future periods. The income tax benefit of $476 $429 for the nine three months ended June 30, 2024 December 31, 2023 is primarily attributable to the partial release of $525 $517 of U.S. valuation allowance in conjunction with the acquisition of Evertel as the acquired net deferred tax liabilities will provide a source of income for the Company to realize a portion of its deferred tax assets, for which a valuation allowance is no longer needed, refer to Note 4, Business Combinations, for additional information. For the nine months ended June 30, 2023, the Company recorded an income tax benefit of $18 related to a prior year foreign income tax expense true-up. needed.

The Company continues to maintain a full valuation allowance against its U.S. and foreign deferred tax assets.

ASC 740, Income Taxes, requires the Company to recognize in its consolidated financial statements uncertainties in tax positions taken that may not be sustained upon examination by the taxing authorities. If interest or penalties are assessed, the Company would recognize these charges as income tax expense. The Company has nonott recorded any income tax expense or benefit for uncertain tax positions.

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15. COMMITMENTS AND CONTINGENCIES

Litigation

Litigation

The Company may at times be involved in litigation in the ordinary course of business. The Company will, from time to time, when appropriate in the Company's estimation, record adequate reserves in the Company's consolidated financial statements for pending litigation. Currently, there are no pending material legal proceedings to which the Company is a party or to which any of its property is subject.

16. SHARE-BASED COMPENSATION

Stock option plans

Bonus plan

The Company has a bonus plan for employees, in accordance with their terms of employment, whereby they can earn a percentage of their salary based on meeting targeted objectives for orders received, revenue, operating income and operating cash flow. In the nine months ended June 30, 2024, the Company recorded $121 in bonus expense. In the nine months ended June 30, 2023, the Company recorded $762 of bonus expense.

Amika Mobile asset purchase

In connection with the Amika Mobile asset purchase, the Company recorded a holdback liability related to potential future adjustments to assets and liabilities, misrepresentations and indemnifications against third-party claims. The holdback liability was paidNotes to the seller of the Amika Mobile assets on October 6, 2023. The liability was recorded at fair value as of September 30, 2023. Condensed Consolidated Financial Statements

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The Company also agreed to issue 191,267 shares of the Company's common stock to the seller of the Amika Mobile assets on each of the first, second and third anniversaries of the closing date. The total number of shares of common stock the Company is obligated to issue is 573,801. The fair value of the Company's common stock on the closing date was $5.98, resulting in the addition of $3,431 to additional paid-in-capital. During the year ended September 30, 2021, the Company accelerated the issuance of 365,109 of such shares of common stock to the seller of the Amika Mobile assets. During the year ended September 30, 2023, the Company issued 69,564 shares of common stock to the seller of the Amika Mobile assets. There were69,564 remaining shares of the Company's common stock subject to issuance under this obligation as of September 30, 2023. These shares were issued on October 2, 2023.(Unaudited)

Evertel Acquisition

In connection with the Evertel acquisition, the Company recorded a liability related to future performance criteria. A payment of up to $1,050 is payable based on future performance. The contingent consideration liability was recorded at the fair value as of the acquisition date. The Company engaged independent valuation experts to assist in determining the fair value of this contingent consideration. As of June 30, 2024, $874 of the contingent consideration was issued to the former owners of Evertel. The Company paid $219 in cash and issued 236,343 shares of common stock. During the period since acquisition, the contingent consideration decreased $16 due to remeasurement adjustments. As of June 30, 2024, no contingent consideration liability remained outstanding.

Also, in connection with the Evertel acquisition, the Company recorded a holdback liability related to potential misrepresentations and indemnifications against third-party claims. The holdback liability will be released twelve months from the closing date, subject to amounts withheld for actual, pending or potential claims. The holdback liability was recorded at the present value which was the fair value at the acquisition date. Accretion is recorded in each subsequent reporting period based on the discount factor used to arrive at the original fair value. This change in fair value is recorded in the accompanying condensed consolidated statement of operations. The fair value was $245, as of June 30, 2024.

The Company also agreed to issue 270,270 shares of the Company's common stock to the seller of Evertel twelve months from the closing date. The fair value of the Company's common stock on the closing date was $1.95, resulting in the addition of $527 to additional paid-in-capital.

(in thousands, except per share and share amounts)

16. SHARE-BASED COMPENSATION

Stock option plans

The Amended and Restated 2015 Equity Incentive Plan ("2015 Equity Plan") was adopted by the Company's Board of Directors on December 6, 2016 and approved by the Company's stockholders on March 14, 2017. The 2015 Equity Plan was amended by the Company's Board of Directors on December 8, 2020, to increase the number of shares authorized for issuance from 5,000,000 to 10,000,000.10,000,000. On March 16, 2021, the Company's stockholders approved the plan amendment. The 2015 Equity Plan authorizes the issuance of stock options, restricted stock, stock appreciation rights, restricted stock units ("RSUs") and performance awards, to an aggregate of 10,000,000 new shares of common stock to employees, directors, advisors or consultants. As of June 30, 2024December 31, 2024, there were options and restricted stock units outstanding covering 3,638,7994,930,591 shares of common stock under the 2015 Equity Plan, respectively, and 2,427,840977,715 shares of common stock available for grant, for a total of 6,066,6395,908,306 shares of common stock authorized and unissued under the equity plans.

Share-based compensation

The Company's employee stock options have various restrictions that reduce option value, including vesting provisions and restrictions on transfer and hedging, among others, and are often exercised prior to their contractual maturity. Share-based compensation is accounted for in accordance with *ASC Topic 718: Compensation - Stock Compensation*. Total compensation expense for all share-based awards is based on the estimated fair market value of the equity instrument issued on the grant date. For share-based awards that vest based solely on a service condition, compensation expense is recognized on a straight-line basis over the total requisite service period for the entire award. For share-based awards that vest based on a market condition, compensation expense is recognized on a straight-line basis over the requisite service period of each separately vesting tranche. For share-based awards that vest based on a performance condition, compensation expense is recognized for the number of awards that are expected to vest based on the probable outcome of the performance condition. Compensation cost for these awards will be adjusted to reflect the number of awards that ultimately vest.

Stock options

A summary of the activity in options of the Company as of December 31, 2024, is presented below:

There were 942,250

	Number of Shares	Weighted Average Exercise Price
Outstanding September 30, 2024	3,695,740	$ 2.84
Granted	968,250	$ 2.79
Forfeited/expired	(3,125)	$ 3.09
Exercised	(667)	$ 1.70
Outstanding December 31, 2024	4,660,198	$ 2.83
Exercisable December 31, 2024	1,568,103	$ 3.25

The aggregate intrinsic value of options outstanding and exercisable as of December 31, 2024 was $726 and $214, respectively. The aggregate intrinsic value represents the difference between the Company's closing stock price on the last day of trading for the quarter, which was $2.60 per share, and the exercise price multiplied by the number of applicable options. The total intrinsic value of stock options granted exercised during the nine three months ended June 30, 2024 December 31, 2024 was $1 and proceeds from these exercises was $1. There were 1,849,500 The total intrinsic value of stock options granted exercised during the nine three months ended June 30, 2023 December 31, 2023 was $0 and proceeds from these exercises was $0.

The following table summarizes information about stock options outstanding as of December 31, 2024:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Term	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$1.70-$2.59	1,599,833	6.43	$ 2.15	237,352	$ 1.70
$2.64-$2.70	1,538,000	5.36	$ 2.69	379,959	$ 2.69
$3.09-$3.55	1,235,365	3.96	$ 3.37	674,605	$ 3.37
$3.95-$6.87	287,000	1.17	$ 5.06	276,187	$ 5.07
	4,660,198	5.10	$ 2.83	1,568,103	$ 3.25

The Company recorded $242 and $218 of stock option compensation expense for employees, directors and consultants for the three months ended December 31, 2024 and 2023, respectively.

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As of December 31, 2024, there was approximately $2,400 of total unrecognized compensation costs related to outstanding employee stock options. This amount is expected to be recognized over a weighted average period of 2.0 years. To the extent the forfeiture rate is different from what the Company anticipated, stock-based compensation related to these awards will be different from the Company's expectations.

Stock options that do not contain market-based vesting conditions are valued using the Black-Scholes option pricing model. The weighted average estimated fair value of employee stock options granted during the nine three months ended June 30, 2024 December 31, 2024 and 2023, was calculated using the Black-Scholes option-pricing model with the following weighted average assumptions (annualized percentages):

	Three Months Ended December 31,	
	2024	2023
Volatility	60.7 %	
Risk-free interest rate	4.1 %	
Dividend yield	0.0 %	
Expected term in years	3.6	

	Nine Months Ended June 30,	
	2024	2023
Volatility	57.7%	52.1%
Risk-free interest rate	4.3%	4.0%
Dividend yield	0.0%	0.0%
Expected term in years	4.2	5.8

Expected volatility is based on the historical volatility of the Company's common stock over the period commensurate with the expected term of the options. The risk-free interest rate is based on rates published by the Federal Reserve Board. The contractual term of the options was seven years years.. The expected term is based on observed and expected time to post-vesting exercise. The expected forfeiture rate is based on past experience and employee retention data. Forfeitures are estimated at the time of the grant and revised in subsequent periods if actual forfeitures differ from those estimates. Such revision adjustments to expense will be recorded as a cumulative adjustment in the period in which the estimate is changed. The Company has not not paid a dividend in fiscal 2024 for the three months ended December 31, 2024 and did not not pay a dividend in fiscal 2023. for the three months ended December 31, 2023.

As of June 30, 2024, there was approximately $1,654 of total unrecognized compensation costs related to outstanding employee stock options. This amount is expected to be recognized over a weighted average period of 2.0 years. To the extent the forfeiture rate is different from what the Company anticipated, stock-based compensation related to these awards will be different from the Company's expectations.

Performance-based stock options

On August 10, 2022, the Company granted performance-based stock options to purchase up to 750,000 shares of the Company's common stock to a key member of management, with a contractual term of seven years. During the year ended September 30, 2023, these options were forfeited due to a voluntary termination of employment. The Company did not record compensation expense related to these options.

On October 8, 2022, the Company awarded performance-based stock options (PVOs) to purchase 800,000 shares of the Company's common stock to a key executive, with a contractual term of seven years years.. Vesting is based upon the achievement of certain performance criteria for each of fiscal 2025 and 2026, including a minimum free cash flow margin and net revenue targets. Additionally, vesting is subject to the executive being employed by the Company at the time the Company achieves such financial targets. The Company has not recorded compensation expense related to these options.

On March 20, 2023, the Company granted performance-based stock options PVOs to purchase up to 450,000 shares of the Company's stock to a key member of management with a contractual term ofseven years years.. Vesting is based upon the achievement of certain performance criteria for each of the first three twelve-month periods following the employee's start date, including targets related to growth in the institutional ownership of the Company's common stock and growth in the trading volume of the Company's common stock during such periods. Additionally, vesting is subject to the employee being employed by the Company on each of the first three anniversaries of the employee's start date. 225,000 of these options contain a market-based vesting condition and accounting principles do not require the market condition to be achieved for compensation expense to be recognized. The Company recorded $127 $3 and $62 of compensation expense related to these options during the nine three months ended June 30, 2024. December 31, 2024 and 2023.

The Company did not not grant any performance-based stock options PVOs during the nine three months ended June 30, 2024 December 31, 2024. As of December 31, 2024, there was no unrecognized compensation related to PVOs.

Restricted stock units

During fiscal 2021, 145,950 RSUs were granted to employees that will vest over three years on the anniversary date of the grant. These were issued at a market value of $989, which have and will be expensed on a straight-line basis over the three-year life of the grants. On February 14, 2023, 145,600 RSUs were granted to employees that will vest over three years on the anniversary date of the grant. These RSUs were issued at a market value of $582, which have and will be expensed on a straight-line basis over the three-year life of the grants.

Genasys Inc.
Notes to the Condensed Consolidated Financial Statements
(in thousands, except per share and share amounts)
(Unaudited)

On November 1, 2022, 10,000 RSUs were granted to a non-employee advisor that vested on the first anniversary of the grant date. These were issued at a market value of $29, which were expensed on a straight-line basis though the November 1, 2023 vest date. On November 1, 2023, 10,000 RSUs were granted to a non-employee advisor that vested on the first anniversary of the grant date. These were issued at a market value of $17, which have and will be expensed on a straight-line basis though the November 1, 2024, vest date.

On March 14, 2023, each non-employee member of the Board of Directors received a grant of 30,000 RSUs that vested on the first anniversary of the grant date. These RSUs were granted at a market value of $417 and have been expensed on a straight-line basis through the March 14, 2024 vest date. On March 14, 2024, each non-employee member of the Board of Directors received a grant of 30,000 RSUs that will vest on the first anniversary of the grant date. These RSUs were granted at a market value of $215 and have and will be expensed on a straight-line basis through the March 14, 2025 vest date. On June 3, 2024, each of the two new non-employee members of the Board of Directors received a grant of 23,654 RSUs that will vest on March 14, 2025. These were issued at a market value of $91 and have and will be expensed on a straight-line basis through the March 14, 2025 vest date.

Compensation expense for RSUs was $134$149 and $211$228 for the three months ended June 30, 2024 and 2023, respectively. Compensation expense for RSUs was $705 and $759 for the nine months ended June 30 2024December 31, 2024 and 2023, respectively. As of June 30, 2024December 31, 2024, there was approximately $611$301 of total unrecognized compensation costs related to outstanding RSUs. This amount is expected to be recognized over a weighted average period of 1.00.7 years.

A summary of the Company's RSUs as of June 30, 2024December 31, 2024, is presented below:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding September 30, 2023	379,597	$ 3.94
Granted	286,019	$ 2.04
Released	(355,024)	$ 3.53
Forfeited/cancelled	(37,533)	$ 2.25
Outstanding June 30, 2024	273,059	$ 2.72

	Number of Shares	**Weighted Average Grant Date Fair Value**
Outstanding September 30, 2024	288,059	$ 2.78
Granted	10,000	$ 2.59
Vested	(27,666)	$ 2.51
Forfeited/cancelled	—	$ —
Outstanding December 31, 2024	270,393	$ 2.70

Stock option summary information

A summary of the activity in options to purchase the capital stock of the Company as of June 30, 2024 is presented below:

	Number of Shares	Weighted Average Exercise Price
Outstanding September 30, 2023	2,904,522	$ 3.19
Granted	942,250	$ 1.73
Forfeited/expired	(481,032)	$ 2.91
Exercised	-	$ -
Outstanding June 30, 2024	3,365,740	$ 2.82

Exerciseable June 30, 2024	1,096,854	$	3.52

Options outstanding are exercisable at prices ranging from $1.51 to $6.87 per share and expire over the period from 2024 to 2030 with an average life of 4.9 years. The aggregate intrinsic value of options outstanding and exercisable as of June 30, 2024 was $368 and $37, respectively. The aggregate intrinsic value represents the difference between the Company's closing stock price on the last day of trading for the quarter, which was $2.12 per share, and the exercise price multiplied by the number of applicable options. The total intrinsic value of stock options exercised during the nine months ended June 30, 2024 was $0 and proceeds from these exercises was $0. The total intrinsic value of stock options exercised during the nine months ended June 30, 2023 was $762 and proceeds from these exercises was $87.

(Unaudited)

The following table summarized information about stock options outstanding as of June 30, 2024:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Term	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$1.51 - $1.76	900,375	5.60	$ 1.71	103,125	$ 1.7[illegible]
$2.20 - $2.68	133,000	6.30	$ 2.51	7,500	$ 2.[illegible]
$2.69 - $2.69	1,000,000	5.27	$ 2.69	100,000	$ 2.[illegible]
$3.09 - $6.87	1,332,365	4.02	$ 3.71	886,229	$ 3.8[illegible]
	3,365,740	4.90	$ 2.82	1,096,854	$ 3.5[illegible]

The Company recorded $166 and $181 of stock option compensation expense for employees, directors and consultants for the three months ended June 30, 2024 and 2023, respectively. The Company recorded $565 and $566 of stock option compensation expense for employees, directors and consultants for the nine months ended June 30, 2024 and 2023, respectively.

Share-based compensation

The Company recorded share-based compensation expense and classified it in the condensed consolidated statements of operations as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Cost of revenues	$ 27	$ 19	$ 69	$ 8[illegible]
Selling, general and administrative	243	351	1071	11[illegible]
Research and development	29	26	129	[illegible]
	$ 299	$ 396	$ 1,269	$ 1,32[illegible]

	Three Months Ended December 31,	
	2024	**2023**
Cost of revenues	$ 17	$ 39
Selling, general and administrative	326	380
Research and development	48	27
	$ 391	$ 446

Genasys Inc.
Notes to the Condensed Consolidated Financial Statements
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(Unaudited)

17. STOCKHOLDERS'STOCKHOLDERS' EQUITY

Summary

Summary

The following table summarizes changes in the components of stockholders' equity during the nine three months ended June 30, 2024 December 31, 2024 and 2023, respectively (amounts in thousands, except par value and share amounts):

	Common Stock		Additional		Accumulated	Total
	Shares	Par Value Amount	Paid-in Capital	Accumulated Deficit	Other Comprehensive Loss	Stockholders' Equity
Balance as of September 30, 2023	37,211,071	$ 372	$ 110,379	$ (76,062)	$ (505)	$ 33,812
Share-based compensation expense	-	-	446	-	-	446
Issuance of common stock upon offering, net of issuance costs	5,750,000	57	10,449	-	-	10,449
Issuance of common stock upon vesting of restricted stock units	10,000	-	-	-	-	-
Issuance of common stock in business combination	986,486	10	1,924	-	-	1,924
Obligation to issue common stock	-	-	527	-	-	527
Release of obligation to issue common stock	69,564	1	-	-	-	-
Accumulated other comprehensive loss	-	-	-	-	119	119
Net loss	-	-	-	(6,724)	-	(6,724)
Balance as of December 31, 2023	44,027,121	$ 440	$ 123,725	$ (82,786)	$ (386)	$ 40,553
Share-based compensation expense	-	$ -	$ 524	$ -	$ -	$ 524
Issuance of common stock upon vesting of restricted stock units	229,233	2	-	-	-	-
Shares retained for payment of taxes in connection with settlement of restricted stock units	(6,846)	-	(12)	-	-	(12)
Settlement of contingent consideration in shares of common stock	236,343	3	656	-	-	656
Obligation to issue common stock	-	-	158	-	-	158
Accumulated other comprehensive loss	-	-	-	-	(59)	(59)
Net loss	-	-	-	(6,938)	-	(6,938)
Balance as of March 31, 2024	44,485,851	$ 445	$ 125,051	$ (89,724)	$ (445)	$ 34,882
Share-based compensation expense	-	$ -	$ 299	$ -	$ -	$ 299
Issuance of common stock upon vesting of restricted stock units	7,080	-	-	-	-	-
Settlement of contingent consideration in shares of common stock	111,083	1		-	-	-
Accumulated other comprehensive loss	-	-	-	-	(25)	(25)
Net loss	-	-	-	(6,682)	-	(6,682)
Balance as of June 30, 2024	44,604,014	$ 446	$ 125,350	$ (96,406)	$ (470)	$ 28,474

	Common Stock		**Additional**		**Accumulated**	**Total**
	Shares	**Par Value Amount**	**Paid-in Capital**	**Accumulated Deficit**	**Other Comprehensive Loss**	**Stockholders' Equity**
Balance as of September 30, 2024	44,631,030	$ 446	$ 125,690	$ (107,792)	$ (335)	$ 17,563

Share-based compensation expense	—	—	391	—	—	391
Issuance of common stock upon exercise of stock options, net	667	—	1	—	—	1
Issuance of common stock upon vesting of restricted stock units	27,666	—	—	—	—	—
Obligation to issue common stock in Evertel acquisition	270,271	3	—	—	—	—
Accumulated other comprehensive loss	—	—	—	—	(207)	(207)
Net loss	—	—	—	(4,078)	—	(4,078)
Balance as of December 31, 2024	44,929,634	$ 449	$ 126,082	$ (111,870)	$ (542)	$ 13,670

Genasys Inc.
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	Common Stock					
	Shares	Par Value Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance as of September 30, 2023	37,211,071	$ 372	$ 110,379	$ (76,062)	$ (505)	$ 33,812
Share-based compensation expense	—	—	446	—	—	446
Issuance of common stock upon offering, net of issuance costs	5,750,000	57	10,449	—	—	10,449
Issuance of common stock upon vesting of restricted stock units	10,000	—	—	—	—	—
Issuance of common stock in business combination	986,486	10	1,924	—	—	1,924
Obligation to issue common stock	—	—	527	—	—	527
Release of obligation to issue common stock	69,564	1	—	—	—	—
Accumulated other comprehensive loss	—	—	—	—	119	119
Net loss	—	—	—	(6,724)	—	(6,724)
Balance as of December 31, 2023	44,027,121	$ 440	$ 123,725	$ (82,786)	$ (386)	$ 40,553

	Common Stock					
	Shares	Par Value Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance as of September 30, 2022	36,611,240	$ 366	$ 108,551	$ (57,366)	$ (792)	$ 50,393
Share-based compensation expense	-	-	420	-	-	420
Issuance of common stock upon exercise of stock options, net	20,000	-	32	-	-	32
Issuance of common stock upon vesting of restricted stock units	12,667	-	-	-	-	-
Release of obligation to issue common stock	69,564	1	-	-		-
Accumulated other comprehensive loss	-	-	-	-	266	266
Net loss	-	-	-	(3,507)		(3,507)
Balance as of December 31, 2022	36,713,471	$ 367	$ 109,003	$ (60,873)	$ (526)	$ 47,604
Share-based compensation expense	-	$ -	$ 513	$ -	$ -	$ 513
Issuance of common stock upon exercise of stock options, net	33,765	1	54	-	-	54
Issuance of common stock upon cashless exercise of stock options, net	15,914	-	-	-	-	-

(in thousands, except per share and share amounts)

Issuance of common stock upon vesting of restricted stock units	232,761	2	(2)	-	-	(2)
Shares retained for payment of taxes in connection with settlement of restricted stock units	(11,616)	-	(45)	-	-	(45)
Accumulated other comprehensive loss	-	-	-	-	81	81
Net loss	-	-	-	(3,403)	-	(3,403)
Balance as of March 31, 2023	36,984,295	$ 370	$ 109,523	$ (64,276)	$ (445)	$ 44,802
Share-based compensation expense	-	-	396	-	-	396
Issuance of common stock upon exercise of stock options, net	1,000	-	1	-	-	1
Issuance of common stock upon cashless exercise of stock options, net	372,286	4	-	-	-	-
Issuance of common stock upon vesting of restricted stock units	7,584	-	-	-	-	-
Retirement of common stock	(109,488)	(1)	300	(300)		-
Shares retained for payment of taxes in connection with net share settlement upon exercise of stock options	(74,606)	(1)	(207)	-	-	(207)
Accumulated other comprehensive income	-	-	-	-	21	21
Net loss	-	-	-	(1,423)	-	(1,423)
Balance as of June 30, 2023	37,181,071	$ 372	$ 110,013	$ (65,999)	$ (424)	$ 43,590

Common stock activity

During the nine three months ended June 30, 2024 December 31, 2024, there were no 667 exercises of stock options were exercised and the Company issued 348,178 27,666 shares of common stock in connection with the vesting of RSUs. During the nine three months ended June 30, 2023 December 31, 2023, the Company issued 258,871 shares of common stock and received gross proceeds of $87 in connection with the exercise there were no exercises of stock options and the Company issued 253,012 10,000 shares of common stock in connection with the vesting of RSUs.

On October 4, 2023, the Company completed an underwritten public offering of 5,750,000 shares of its common stock at a public offering price of $2.00 $2.00 per share of common stock. The Company received gross proceeds of approximately $11,500 $11,500 from the offering, before underwriting discounts and commissions and offering expenses of $1,051. $1,051. The Company intends to use the net proceeds from this offering for general corporate purposes, including funding organic growth, working capital, capital expenditures, and continued research and development with respect to products and technologies, as well as costs related to post-closing integration with the Evertel business and research and development activities related to the integrated business.

In connection with the Evertel acquisition, the Company issued 986,486 shares of common stock to the former owners of Evertel. The fair value of the Company’s stock on the closing date was $1.95 $1.95 which resulted in the addition of $1,924 $1,924 to additional-paid-in-capital. The Company also issued 236,343 shares of common stock to the former owners of Evertel, in connection with the settlement of a portion of the contingent consideration liability. This resulted in the addition of $656 $656 to additional-paid-in-capital.

Under the terms of the Purchase Agreement, the Company recorded an obligation to issue 81,083 shares of common stock to the former owners of Evertel and three key employees during the three months ended June 30, 2024, resulting in an addition of $158 $158 to additional-paid-in-capital. Also, in connection with the Evertel acquisition, the Company agreed to issue 270,270 issued 270,271 shares of the Company’s common stock to the seller of Evertel twelve months from the closing date. The fair value of the Company’s common stock on the closing date was $1.95, $1.95, resulting in the addition of $527 $527 to additional paid-in-capital.

(in thousands, except per share and share amounts)

In connection with the Amika Mobile asset purchase, the Company agreed to issue 191,267 shares of the Company's common stock to the former owners of Amika Mobile on each of the first, second and third anniversaries of the closing date. The total number of shares of common stock the Company was obligated to issue was 573,801. The fair value of the Company's common stock on the closing date was $5.98, resulting in the addition of $3,431 to additional paid-in-capital. During the year ended September 30, 2021, the Company accelerated the issuance of 365,109 of such shares of common stock to a former owner of the Amika Mobile assets. The Company issued 69,564 shares to the former owners of the Amika Mobile assets during each of the years ended September 30, 2023 and 2022. During the three months ended December 31, 2023, the Company issued the final 69,564 shares to the former owners of the Amika Mobile assets. assets in connection with the Amika Mobile asset purchase.

Share buyback program

In December 2022, the Board of Directors extended the Company's share buyback program through December 31, 2024. Under the program, the Company was authorized to repurchase up to $5,000 $5,000 of its outstanding common shares. shares and expired on December 31, 2024.

There were no shares repurchased during the nine three months ended June 30, 2024 December 31, 2024 and 2023. All repurchased shares have been retired.

Dividends

Dividends

There were no dividends declared in the nine three months ended June 30, 2024 December 31, 2024 and 2023.

18. NET LOSS PER SHARE

The following table sets forth the computation of basic and diluted net loss per share:

	Three Months Ended June 30		Nine Months Ended June 30		**Three months ended December 31,**	
	2024	2023	2024	2023	**2024**	**2023**
Net loss	$ (6,682)	$ (1,423)	$ (20,344)	$ (8,334)	$ (4,078)	$ (6,724)
Basic and diluted loss per share	$ (0.15)	$ (0.04)	$ (0.46)	$ (0.23)	$ (0.09)	$ (0.15)
Weighted average shares outstanding - basic	44,598,393	37,053,196	44,216,602	36,855,014		
Weighted average shares outstanding – basic					44,912,206	43,729,240
Assumed exercise of dilutive options	-	-	-	-	—	—
Weighted average shares outstanding - diluted	44,598,393	37,053,196	44,216,602	36,855,014		
Weighted average shares outstanding – diluted					44,912,206	43,729,240
Potentially dilutive securities outstanding at period end excluded from diluted computation as the inclusion would have been antidilutive:						
Options	3,365,740	3,287,772	3,365,740	3,287,772	4,660,198	3,766,772
RSU	273,059	385,429	273,059	385,429	270,393	379,597
Obligation to issue common stock	270,270	69,564	270,270	69,564		
Warrants	3,068,182	-	3,068,182	-	3,068,182	—
Total	6,977,251	3,742,765	6,977,251	3,742,765	7,998,773	4,146,369

19. SEGMENT INFORMATION

The Company is engaged in the design, development and commercialization of directed and multidirectional sound technologies, voice broadcast products, and location-based mass messaging software for emergency warning and evacuation management. The Company operates in two business segments: Hardware and Software and its principal markets are North and South America, Europe, the Middle East and Asia. As reviewed by the Company's chief operating decision maker, the Company evaluates the performance of each segment based on sales and operating income. Cash and cash equivalents, marketable securities, accounts receivable, inventory, property and equipment, deferred tax assets, goodwill and intangible assets are primary assets identified by segment. The accounting policies for segment reporting are the same for the Company as a whole.

The following table presents the Company's segment disclosures:

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023
Revenue from external customers		
Hardware	$ 4,627	$ 2,946
Software	2,313	1,415
	$ 6,940	$ 4,361
Intersegment revenues		
Hardware	$ —	$ —
Software	1,594	1,488
	$ 1,594	$ 1,488
Segment operating loss		
Hardware	$ (3,151)	$ (3,115)
Software	(2,790)	(4,115)
	$ (5,941)	$ (7,230)
Other expenses:		
Depreciation and amortization expense		
Hardware	$ 97	$ 96
Software	640	633
	$ 737	$ 729
Income tax benefit		
Hardware	$ —	$ —
Software	—	(429)
	$ —	$ (429)

	December 31, 2024	September 30, 2024
Long-lived assets		
Hardware	$ 1,128	$ 1,203
Software	7,988	8,594
	$ 9,116	$ 9,797
Total assets		
Hardware	$ 32,260	$ 30,216
Software	22,380	23,720
	$ 54,640	$ 53,936

(in thousands, except per share and share amounts)

(Unaudited)

(Unaudited)

The following table presents the Company's segment disclosures:

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Nine Months Ended June 30, 2024	Nine Months Ended June 30, 2023
Revenue from external customers				
Hardware	$ 5,108	$ 13,324	$ 12,053	$ 33,269
Software	2,059	938	5,214	2,693
	$ 7,167	$ 14,262	$ 17,267	$ 35,962
Intersegment revenues				
Hardware	$ -	$ -	$ -	$ -
Software	1,022	1,423	4,047	4,005
	$ 1,022	$ 1,423	$ 4,047	$ 4,005
Segment operating loss				
Hardware	$ (1,920)	$ 2,302	$ (7,867)	$ 2,661
Software	(3,441)	(3,752)	(11,717)	(11,009
	$ (5,361)	$ (1,450)	$ (19,584)	$ (8,348
Other expenses:				
Depreciation and amortization expense				
Hardware	$ 114	$ 97	$ 338	$ 297
Software	633	539	1,900	1,621
	$ 747	$ 636	$ 2,238	$ 1,918
Income tax expense (benefit)				
Hardware	$ (8)	$ -	$ (13)	$ 8
Software	(34)	(26)	(463)	(26
	$ (42)	$ (26)	$ (476)	$ (18

	June 30, 2024	September 30, 2023
Long-lived assets		
Hardware	$ 1,274	$
Software	9,222	
	$ 10,496	$
Total assets		
Hardware	$ 35,227	$
Software	24,182	
	$ 59,409	$

20. MAJOR CUSTOMERS, SUPPLIERS AND RELATED INFORMATION

For the three months ended June 30, 2024December 31, 2024, revenues from onetwo customer customers accounted for 45% of total revenues with no other single customer accounting for more than 10% of revenues. For the nine months ended June 30, 2024, revenues from one12 customer accounted for 23%% and 11% of total revenues with no other single customer accounting for more than 10% of revenues. As of June 30, 2024December 31, 2024, accounts receivable from twothree customers accounted for 40%19%, 11% and 17%11% of total accounts receivable, with no other single customer accounting for more than 10% of the accounts receivable balance.

For the three months ended June 30, 2023December 31, 2023, revenues from onetwo customer customers accounted for 68% of total revenues with no other single customer accounting for more than 10% of revenues. For the nine months ended June 30, 2023, revenues from one14 customer accounted for 61%% and 13% of total revenues with no other single customer accounting for more than 10% of revenues. As of June 30, 2023December 31, 2023, accounts receivable from twothree customers accounted for 69%35%, 11% and 11%10% of total accounts receivable, with no other single customer accounting for more than 10% of the accounts receivable balance.

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Revenue from customers in the United States was $6,165$4,666 and $12,177$3,624 for the three months ended June 30, 2024December 31, 2024 and 2023, respectively. Revenue from customers in the United States was $12,389 and $29,526 for the nine months ended June 30, 2024 and 2023, respectively. The following table summarizes revenues by geographic region. Revenues are attributed to countries based on customer's delivery location.

The following table summarizes revenues by geographic region. region:

	Three months ended June 30,		Nine months ended June 30,		Three months ended December 31,	
	2024	2023	2024	2023	2024	2023
Americas	$ 6,220	$ 13,189	$ 12,837	$ 32,371	$ 4,862	$ 3,667
Asia Pacific	208	491	1,029	1,795	1,037	319
Europe, Middle East and Africa	739	582	3,401	1,796	1,041	375
Total Revenues	$ 7,167	$ 14,262	$ 17,267	$ 35,962	$ 6,940	$ 4,361

The following table summarizes long-lived assets by geographic region. region:

	June 30, 2024	September 30, 2023	December 31, 2024	September 30, 2024
United States	$ 10,291	$ 9,624	$ 8,992	$ 9,644
Americas (excluding the United States)	3	7		
Europe, Middle East and Africa	202	347	124	153
Total long lived assets	$ 10,496	$ 9,978	$ 9,116	$ 9,797

Item2. Management'sManagement's Discussion and Analysis of Financial Condition and Results of Operations

The discussion and analysis set forth below should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and the related notes included under Item 1 of this Quarterly Report on Form 10-Q, together with Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended September 30, 2023September 30, 2024.

Forward Looking Statements

This report contains certain statements of a forward-looking nature relating to future events or future performance. Words such as "expects,"expects,""*anticipates,* "anticipates,""*intends,* "intends,""*plans,* "plans,""*believes,* "believes,""*seeks,* "seeks,""*estimates*" *"estimates" and similar expressions or variations of such words are intended to identify forward-looking statements but are not the only means of identifying forward-looking statements. Prospective investors are cautioned that such statements are only predictions and actual events or results may differ materially. In evaluating such statements, prospective investors should specifically consider various factors identified in this report and any matters set forth under Part I, Item1A (Risk Factors) of our Annual Report on Form 10-K, which could cause actual results to differ materially from those indicated by such forward-looking statements.*

For purposes of this Quarterly Report, the terms "we,"we,""us, "us,""our""Genasys" "our" "Genasys" and the "Company""Company" refer to Genasys Inc. and its consolidated subsidiaries.

Overview

Overview

We are a global provider of Protective Communications Communications™ solutions, including our Genasys Protect Protect™ software platform and LRAD® Long Range Acoustic Devices. Device® ("LRAD®") products. Our unified software platform receives information from a wide variety of sensors and IoT Internet-of-Things ("IoT") inputs to collect real-time information on developing and active emergency situations. Genasys' customers use Genasys uses this information to create and disseminate alerts, warnings, notifications, and instructions through multiple channels before, during, and after public safety and enterprise threats, critical events, and other crisis situations.

Genasys Protect provides is a comprehensive portfolio of Protective Communications software and hardware systems serving federal governments and agencies, agencies; state and local governmental agencies, and education ("SLED"); and enterprise organizations in sectors including but not limited to oil and gas, utilities, manufacturing, automotive, and healthcare. Genasys Protect solutions have a diverse range of applications, including emergency warning and mass notification for public safety; critical event management for enterprise companies; de-escalation for defense and law enforcement; critical infrastructure protection; zone-based planning for accelerated, precise emergency response; secure and compliant cross-agency collaboration;and automated detection of real-time threats such as active shooters and severe weather.

Genasys' LRAD systems products broadcast audible directed voice messages with exceptional vocal clarity from close range out to 5,500 meters. We have a history of successfully delivering innovative products, systems, and solutions in for mission critical situations, pioneering the acoustic hailing device ("AHD") market with the introduction of our first LRAD AHD long-range communication systems in 2002 and creating the first multi-directional, voice-based public safety mass notification systems in 2012. Building on our proven, best in class, solutions and systems, reliable solutions, we offer the first and only unified, end-to-end Protective Communications platform – platform.

Software Products

The Genasys Protect. Protect Platform

The platform includes:

Software Products

Genasys Protect

The Complete Protective Communications Platform

The Genasys Protect combines the most comprehensive platform provides a full suite of solutions that facilitate Protective Communications tools for all hazards, designed to provide targeted emergency communication, data-driven decision making, secure inter-agency collaboration, and more. Genasys Protect help to enable preparedness, responsiveness, and analytics collaboration to keep people, operations assets, and assets operations protected against the impacts of natural disasters, terrorism, violent civil unrest, and other dangerous situations, as well as power failures, facility shutdowns, and other non-emergency operational disruptions.

1. **Proven Technology:** Genasys solutions have been on the front lines for more than 40 years, providing precision-targeted communications designed to ensure the right people get the right message - right away.

1. **Proven Technology:** Genasys solutions have been on the front lines for more than 40 years, providing targeted communications designed to ensure the right people get the right message - right away.
2. **Modular Suite:** Built on open standards, Genasys software and hardware systems are designed to easily integrate, whether using the full Genasys suite or complementing the critical event management platforms customers already have in place.
3. **Predictive Simulation:** Genasys Protect is designed to permit customers to test response plans preemptively with advanced simulation of evacuation-level events, including fires and floods, and their impact on infrastructure, including traffic patterns and perimeter establishment.
4. **Unified Viewpoint:** One common safety operating picture provides real-time visibility into our customers' people, assets, and environment by combining first-party data from asset / public safety-management platforms and IoT sensors with

third-party data sources, including the Federal Emergency Management Agency ("FEMA"), National Oceanic and Atmospheric Administration, Department of Homela Security, and more.

5. **Unmatched Precision:** Customized zone mapping enables targeting of mass notifications at the street level, making it easier to sequence response areas from most to least critical.
6. **Multichannel:** Genasys Protect is designed to allow operators to saturate their notification area by simultaneously alerting people across location-based SMS, CBC mobile push, text, email, social media, TV, radio, digital displays and acoustic devices.
7. **Network Effect:** Implementation in neighboring municipalities and across public and private-sector organizations within the same municipality extends coverage

and enables greater precision when notifying people of threats.

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3. **Predictive Simulation:** Genasys Protect is designed to assist customers test response plans preemptively with advanced simulation of evacuation-level events, including fires and floods, and their impact on infrastructure, including traffic patterns and perimeter establishment.
4. **Unified Viewpoint:** One common safety operating picture provides real-time visibility into our customers' people, assets, and environment by combining first-party data from asset / people-management platforms and IoT sensors with vetted third-party data sources, including the Federal Emergency Management Agency ("FEMA"), National Oceanic and Atmospheric Administration, Department of Homeland Security, and more.
5. **Unmatched Precision:** Customized zone mapping enables targeting of mass notifications at the street level, making it easier to sequence response areas from most to least critical.
6. **Multi-channel:** Genasys Protect is designed to empower customers to saturate their notification area by simultaneously alerting people across SMS, voice calls, social media, TV, radio, digital signage, and outdoor acoustic devices to ensure the maximum number of people receive critical notifications.
7. **Network Effect:** Implementation in neighboring municipalities as well as across public and private-sector organizations within the same municipality extends coverage and provides greater precision when notifying people of threats.

Genasys ALERT

Genasys ALERT ("ALERT") is an interactive, cloud-based Software as a Service (SaaS) ("SaaS") solution that enables is designed to enable SLED and enterprise customers to send critical information to at-risk individuals or groups when an emergency occurs. ALERT acts as both a communications input and output, receiving information from state-of-the-art sensors and emergency services, and quickly relaying notifications, alerts, and instructions to at-risk populations and first responders. ALERT communications to the in public spaces can be enhanced via Genasys ACOUSTICS - connected, voice broadcast speakers - while ALERT communications among first responders and emergency personnel can be augmented and accelerated with Genasys CONNECT (formerly Evertel). CONNECT. ALERT customers clients can create and send critical, verified, and secure notifications and messages that are geographically specific and targeted using emails, voice calls, location-based SMS, CBC mobile push, text, messages, email, social media, TV, radio, digital displays and acoustic devices, panic buttons, desktop alerts, TV, social media, and more. Additionally, Genasys is a certified provider of Integrated Public Alert and Warning Systems System ("IPAWS") notifications. IPAWS is the federal public notification platform for the United States, which ALERT customers can use to deliver critical communications in multiple languages to specific populations.

Similarly, enterprise customers are able to send critical communications to employees, contractors, visitors, or groups based on geographic location or team status. Enterprises often use ALERT to distribute targeted notifications to customers, including billing updates, downtime notices, and more. Operated and controlled via a single dashboard that includes two-way polling, duress buttons, field check-ins and recipient locations, ALERT integrates with various data sources, including sensors, panic buttons, emergency services, active directories, human resources, visitor management, and building control systems to find and deliver safety alerts and notifications to residents, employees, staff, contractors, temporary workers, and visitors.

ALERT sends targeted messages based on geographic location, permitting relevant information and instructions to be sent to the appropriate populations. Emergency managers can prepare for natural or man-made disasters by developing evacuation plans that map routes, shelters, traffic control locations, and road closures using ALERT's extensive public safety resources and mapped zones. closures. This information is easily shared with the public and reduces the time it takes to execute emergency evacuations and conduct orderly repopulations. Auto-Discovery, an innovative feature of the platform, locates and connects with anyone on a wired or wireless network in a fixed area with no opt-in required. When discovered, ALERT anonymizes all recipient information and data. When an emergency occurs, these tools allow at-risk groups or individuals to be notified as quickly as possible without sacrificing their privacy.

In addition to disseminating alerts and notifications, ALERT uses two-way communication tools, including polls and check-ins to receive feedback from targeted populations and first responders. for enterprise clients. With direct feedback, operators can survey the safety and status of at-risk individuals, learn of developments, update notifications and/or instructions in response to new information, and more.

Similarly, enterprise customers are able to send critical communications to at-risk employees, contractors, visitors, or groups based on geographic location or team status. Operated and controlled via a single dashboard that includes two-way polling, duress buttons, field check-ins and recipient locations, ALERT integrates with various data sources, including sensors, emergency services, active directories, human resources, visitor management, and building control systems to find and deliver safety alerts and notifications to residents, employees, staff, contractors, temporary workers, and visitors.

Genasys EVAC

Genasys EVAC empowers ("EVAC") - enables responding agencies to react swiftly, make collaborative decisions, and communicate event status in real-time real time to other agencies, businesses, and the public. EVAC determines and communicates the proper scope of a response or evacuation by replacing guesswork with data-driven, zone-based intelligence. EVAC enhances safety levels for first responders, communities, and large campuses by providing:

- intelligent zones to improve evacuation planning and communication. EVAC users can build, edit, and act upon geographical location data, including shelters, facilities, and traffic;
- modeling behaviors to plan for effective responses and/or evacuation scenarios covering emergencies that include wildfires, floods, active shooters, hurricanes, and more;

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- Modeling behaviors to plan for effective responses and/or evacuation scenarios covering emergencies that include wildfires, floods, active shooters, hurricanes, and
- Actionable communication through the Genasys Protect mobile app to keep people informed before, during, and after a critical event;

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- A common operating picture across agencies to reduce response times as much as 90%; and
- Targeted notifications and updates to community members through a public website and free mobile app.

- actionable communication through the Genasys Protect mobile app to keep people informed before, during, and after a critical event;
- a common operating picture across agencies to reduce response times by 90%; and
- targeted alerting across multiple channels, including voice-based mass notification speaker system for timely, efficient evacuation and public safety notifications.

Genasys CONNECT

Genasys CONNECT ("CONNECT") is a leading cross-agency, Criminal Justice Information Services ("CJIS") compliant, collaboration platform that streamlines and secures team and one-on-one communications for first responders and public safety agencies. With real-time intelligence sharing that exceeds regulatory privacy requirements for public agencies, CONNECT's instant communication platform empowers first responders and public safety personnel to collaborate and share information in a single space with text, videos, images, and audio from any location. CONNECT provides a secure space where professionals can exchange information, make decisions, and collaborate with trust in data security. Record retention policies drive compliance that allows agencies and personnel to communicate in confidence.

Enabling public safety professionals to collaborate with other agencies throughout their region, state, and country, CONNECT provides real-time interoperability to address critical events and crisis situations more quickly through coordinated efforts. Compliant with all federal and state-level legal requirements for public safety communications, CONNECT data is protected and secured through high-level data encryption within a secure, U.S. based, government-only cloud environment.

Hardware Products

Hardware

Genasys ACOUSTICS

ACOUSTICS unites Genasys' next generation of mass notification speaker systems with Genasys Protect command-and-control software. Most legacy mass notification systems are sirens with limited, if any, voice broadcast capability. ACOUSTICS systems feature the mass notification industry's industry's highest Speech Transmission Index ("STI"), large directional and omni-directional broadcast coverage areas, and an array of options, including solar power, battery backup, and satellite connectivity that facilitate continual ACOUSTICS operation enable the systems to continue to operate when power and telecommunications infrastructure goes down.

ACOUSTICS gives operators the ability to send critical alerts and notifications from emergency operations centers, and authorized computers or smart phones. Emergency alerts ACOUSTICS provides highly audible, clear voice messaging thousands of meters away, staying on and connected even during broad power outages and network failures. ACOUSTICS are networked, remotely operated devices optimized with advanced driver and waveguide technology so that voice broadcasts are clearly heard and understood above loud background noise and over long distances. ACOUSTICS' reliability enables a constant stream of information, can be sent via individual, grouped, or networked ACOUSTICS installations, text messages, emails, IPAWS, desktop alerts, TV, voice calls, and social media. providing redundancy when key infrastructure fails during critical events.

Genasys Protect's layered redundancy helps to ensure the maximum number of people receive Protective Communications and critical notifications. LRAD

LRAD

LRAD is the world's leading acoustic hailing device (AHD), AHD, with the ability to project audible alert tones and audible voice messages with exceptional vocal clarity in a 30° beam from close range out to 5,500 meters. LRAD systems LRADs are used throughout the world in multiple applications and circumstances to safely hail, warn, inform, direct, prevent misunderstandings, determine intent, establish large safety zones, de-escalate resolve uncertain situations, alleviate the use of force, and save lives. LRADs have been deployed in numerous defense, law enforcement, public safety, fire rescue, critical infrastructure protection, maritime, oil & gas border, and critical infrastructure homeland security installations and applications where clear, and intelligible voice communications are essential.

Several LRAD product models are available in varying audio outputs, communication coverage areas, sizes, functionalities, and functionalities. mounting options. Several accessories and options and accessories (power pack, (cameras, searchlights, mounts, and more) are also available to enhance LRAD capabilities.

All LRAD systems products are defined by their unparalleled audio output and clarity. LRAD systems LRADs use Genasys' Genasys' proprietary XL driver technology, which generates higher audio output in a smaller, lighter form factors. factor. The technology also helps ensure enables voice messages and alert tones to cut through background noise and are be clearly heard and understood. These competitive advantages, and constant innovation, have made LRAD the de facto standard of the global AHD industry.

Recent Developments

Business developments since September 30, 2023 September 30, 2024:

- Awarded critical infrastructure project to engineer, procure and build a Genasys Protect for 37 dams in Puerto Rico
- Awarded a four-year contract by the Maui Emergency Management Agency (MEMA) to provide EVAC and TRAFFIC AI by Ladris for the island of Maui
- Received a four-year contract with Los Angeles County for ALERT mass notification software services
- Secured a three-year, $3.35 million follow-on maintenance agreement for LRAD systems deployed by the Indian Navy
- Announced LRAD integrated surveillance, security, and first response systems order from the U.S. Bureau of Reclamation for Hoover Dam

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- Expanded Board of Directors to include Bill Dodd, retiring California State Senator, Craig Fugate, former Administrator of the Federal Emergency Management Agency, and Mark Culhane, who served as the Chief Financial Officer of numerous public and private companies
- Awarded LRAD systems order from Damen Schelde Naval Shipbuilding B.V. (Damen) for the German Navy's new F-126 frigates, the largest shipbuilding project in the history of the German Navy
- Received $2.7 million LRAD systems contract from U.S. Navy as part of the Navy's ongoing replacement of first generation LRADs on surface vessels
- Entered into $15 million two-year term loan agreement (the "Term Loan")
- Partnered with 8 other companies in Project AWARE - a European Union-funded project to extend reception and processing of emergency warning messages from the Galileo Emergency Warning Satellite Service to display panels, indoor warning systems, and ACOUSTICS devices
- Expanded Genasys EVAC coverage to include all of Los Angeles County, CA under a five-year contract
- Awarded $2.7 million in initial and follow-on orders under a multi-phase program to deploy LRADs on naval ships and shore installations of a Middle Eastern country
- Partnered with Ladris Technologies, Inc., an artificial intelligence provider, to deliver comprehensive disaster evacuation modeling solutions across North America and Europe
- Received $1.0 million contract from the U.S. Army for Common Remotely Operated Weapon Station ("CROWS") LRAD integration prototypes
- Completed acquisition of Evertel Technologies, subsequently rebranded as Genasys CONNECT
- Closed $11.5 million underwritten public offering of common stock

Revenues for the Company's third first quarter of fiscal 2025, were $6,940, an increase from $4,361 in the first quarter of fiscal 2024 were $7,167, a decrease from $14,262 in the third quarter of fiscal 2023. Software revenue of $2,059 $2,313 increased $1,121 $898 over the prior year quarter, offset by a decrease of $8,216 in hardware revenue. Third quarter and hardware revenue in of $4,627, increased $1,681 over the prior year included $8,612 from a U.S. Army program quarter. The timing of record. Deliveries against this program budget cycles, government financial issues and military conflict in certain areas of record were completed the world, often delay contract awards, resulting in the fourth quarter of fiscal 2023. uneven quarterly revenue. Gross profit decreased, increased, compared to the same quarter in the prior year, as a result of lower higher hardware revenue and reduced overhead absorption, partially offset by an increased higher margin software revenue in this year's quarter. Operating expenses in the quarter ended June 30, 2024 December 31, 2024, increased 4.7% to $9,145, $9,119, compared with $8,145 $8,709 in the same period in the prior year. We reported a net loss of $6,682 $4,078 for the third first quarter of fiscal 2024, 2025, or $(0.15) $(0.09) per share, compared with a net loss of $1,423, $6,724, or $(0.04) $(0.15) per share, for the same quarter in the prior year.

In the last six For several years through fiscal 2023, the Company has recognized revenue under a $110,000 U.S. Army program of record for Long Range Acoustic Devices. Final deliveries under this program occurred in the fourth quarter of fiscal year 2023. A new, larger multiyear program was approved by Congress in late March 2024, as part of this year's Department of Defense budget. Due to the timing of the budget passage, and common hurdles in the initial procurement and purchase order process, revenues are not anticipated to begin until after the current fiscal year. Historically, hardware revenue has been characterized by large and inconsistent orders that in aggregate have been a generator of cash for the Company. We continue to be optimistic about our future with the fully funded award of a contract of up to $75,000 to engineer, procure and build an Early Warning System (EWS) ("EWS") for Puerto Rico. We anticipate a majority of revenue from this contract will be realized in our fiscal years 2025 and 2026. In addition, we continue to invest in our Genasys Protect software platform with a significant win this year in fiscal 2024 in Los Angeles County, in addition to wins in other counties in California, Colorado, Utah, and Oregon. The early-stage Software segment continues to generate operating losses; however, revenue continues to grow year over year and segment operating loss has improved incrementally from 2023. prior years. With the delay in hardware orders and continued investment in software, the Company's operating activities have Company used $21,012 $19,454 of cash in the first nine months of this fiscal year. 2024. To address the ongoing cash needs, the Company completed a follow-on equity offering for $11.5 million $11,500 in October of 2023, and signed a $15,000, two-year senior secured Term Loan agreement in May. May 2024. This capital activity is expected to enable the Company to continue operations and return to expected growth in annual revenue and generation of cash from operations through the emergency notification system EWS for Puerto Rico and the new CROWS Common Remotely Operated Weapon Station ("CROWS") program for the U.S. Department of Defense. For the three months ended December 31, 2024, the Company operating activities provided cash of $947.

Business Outlook

Our products, systems, and solutions continue to gain worldwide awareness and recognition through increased marketing efforts, product demonstrations, and word of mouth as a result of positive responses and increased acceptance. We believe we have a solid global brand, technology, and product foundation, which we continue to expand to serve new markets and customers for greater business growth. We believe we have strong market opportunities for our product offerings throughout the world in the defense, public safety, emergency warning, mass notification, critical event management, enterprise safety, and law enforcement sectors as a result of increasing threats to government, commerce, law enforcement, homeland security, and critical infrastructure. Our products, systems, and solutions also have many applications within the fire rescue, maritime, asset protection, and wildlife preservation business segments.

Genasys has developed a global market and an increased demand for LRADs and advanced mass notification speakers. We have a reputation for producing quality products that feature industry-leading broadcast area coverage, voice intelligibility, and product reliability. We intend to continue building on our AHD market leadership position by offering enhanced voice broadcast systems and accessories for an expanding range of applications. In executing our strategy, we use direct sales to governments, militaries, large end-users, system integrators, and prime vendors. We have built a worldwide distribution channel consisting of partners and resellers that have significant expertise and experience selling integrated communication solutions into our various target markets. As our primary AHD sales opportunities are with domestic and international governments, military branches, and law enforcement agencies, we are subject to each customer's unique budget cycle, which leads to long selling cycles and uneven revenue flow, complicating our product planning.

The proliferation of natural and man-made disasters, crisis situations, and civil unrest require technologically advanced, multi-channel multichannel solutions to deliver clear and timely protective communications to help keep people safe during critical events. Businesses are also incorporating protective communication and emergency management systems that locate and help safeguard employees and infrastructure when crises occur.

By providing the only SaaS platform that unifies sensors and IoT inputs with multi-channel, multichannel, multi-agency alerting and notifications, Genasys seeks to deliver reliable, fast, and intuitive solutions for creating and disseminating geolocation-targeted warnings, information, and instructions before, during, and after public safety and enterprise threats.

While the software and hardware mass notification markets are more mature with many established manufacturers and suppliers, we believe that our advanced technology and unified platform provide opportunities to succeed in the large and growing public safety, emergency warning, and critical communications markets.

We intend to continue pursuing domestic and international business opportunities with the support of key representatives and resellers. We plan to grow our revenues through increased direct sales to governments and agencies that desire to integrate our communication technologies into their homeland security and public safety systems. This includes continuing to pursue further U.S.

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military opportunities. We also plan to pursue domestic and international emergency warning, enterprise and critical event management, government, law enforcement, fire rescue, homeland and international security, private and commercial security, border security, maritime security, critical infrastructure protection, and wildlife preservation business opportunities. In addition to the matters above, we are authorized for the performance of services and provision of goods pursuant to Delaware General Corporation Law.

Our research and development strategy involves incorporating further innovations and capabilities into our Genasys Protect platform to meet the needs of our target markets.

Our Genasys Protect software solutions are more complex offerings. We are pursuing certain certifications, which are often required when bidding on government and mass notification opportunities. We intend to invest engineering resources to enhance our ALERT, EVAC, and CONNECT software solutions to compete for larger emergency warning and critical communications business opportunities. We are also configuring alternative solutions to achieve lower price points to meet the needs of certain customers or applications. We also engage in ongoing value engineering to reduce the cost and simplify the manufacturing of our products.

A large number of LRAD and ACOUSTICS components and sub-assemblies manufactured by outside suppliers within our supply chain are produced within 50 miles of our facility. We do not source component parts from suppliers in China. It is likely that some of our suppliers source parts in China. Negative impacts on our supply chain could have a material adverse effect on our business.

We have been affected by price increases from our suppliers and logistics as well as other inflationary factors such as increased salary, labor, and overhead costs. We regularly review and adjust the sales price of our finished goods to offset these inflationary factors. Although we do not believe that inflation has had a material impact on our financial results through June 30, 2024 December 31, 2024, sustained or increased inflation in the future may have a negative effect on our ability to achieve certain expectations in gross margin and operating expenses. If we are unable to offset the negative impacts of inflation with increased prices, our future results could be materially affected.

Critical Accounting Policies

We have identified a number of accounting policies as critical to our business operations and the understanding of our results of operations. These are described in our consolidated financial statements located in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended September 30, 2023September 30, 2024. The impact and any associated risks related to these policies on our business operations is discussed below and throughout Management's Discussion and Analysis of Financial Condition and Results of Operations when such policies affect our reported and expected financial results.

The methods, estimates and judgments we use in applying our accounting policies, in conformity with U.S. generally accepted accounting principles, have a significant impact on the results we report in our financial statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. The estimates affect the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

The following critical accounting policy was not included in our consolidated financial statements located in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended September 30, 2023.

Business Combinations

We apply the provisions of ASC Topic 805*, Business Combinations,* in accounting for our acquisitions. The acquired assets and assumed liabilities are recorded at their estimated fair values at the date of acquisition. Goodwill represents the excess of the purchase price over the fair value of net identifiable assets. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the date of acquisition, as well as any contingent consideration, our estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed with a corresponding offset to goodwill. Upon conclusion of the measurement period, or the final determination of values for assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments will be recorded in our consolidated statements of operations.

Accounting for business combinations requires significant judgment, estimates and assumptions at the acquisition date. In developing estimates of fair values at the acquisition date, we utilize a variety of factors including market data, independent experts, historical and future expected cash flows, growth rates and discount rates. The subjective nature of our assumptions increases the risk associated with estimates surrounding the projected performance of the acquired entity.

Comparison of Results of Operations for the Three Months Ended June 30, 2024December 31, 2024 and 2023 (in thousands)

	Three Months Ended					
	June 30, 2024		June 30, 2023		Fav(Unfav)	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	%
Revenues:						
Product sales	$ 4,576	63.8%	$ 12,593	88.3%	$ (8,017)	(63.7%)
Contract and other	2,591	36.2%	1,669	11.7%	922	55.2%
Total revenues	7,167	100.0%	14,262	100.0%	(7,095)	(49.7%)
Cost of revenues	3,383	47.2%	7,567	53.1%	4,184	55.3%
Gross Profit	3,784	52.8%	6,695	46.9%	(2,911)	(43.5%)
Operating expenses						
Selling, general and administrative	6,649	92.8%	6,004	42.1%	(645)	(10.7%)
Research and development	2,496	34.8%	2,141	15.0%	(355)	(16.6%)
Total operating expenses	9,145	127.6%	8,145	57.1%	(1,000)	(12.3%)
Loss from operations	(5,361)	(74.8%)	(1,450)	(10.2%)	(3,911)	269.7%
Other income (expense), net	(1,363)	(19.0%)	1	0.0%	(1,364)	N/A

	Three Months Ended					
	December 31, 2024		**December 31, 2023**		**Fav (Unfav)**	
	Amount	**% of Total Revenue**	**Amount**	**% of Total Revenue**	**Amount**	**%**
Revenues:						
Product sales	$ 4,144	59.7 %	$ 2,166	49.7 %	$ 1,978	91.3 %
Contract and other	2,796	40.3 %	2,195	50.3 %	601	27.4 %
Total revenues	6,940	100.0 %	4,361	100.0 %	2,579	59.1 %
Cost of revenues	3,762	54.2 %	2,882	66.1 %	880	30.5 %
Gross Profit	3,178	45.8 %	1,479	33.9 %	1,699	114.9 %
Operating expenses						
Selling, general and administrative	6,834	98.5 %	6,518	149.5 %	316	4.8 %
Research and development	2,285	32.9 %	2,191	50.2 %	94	4.3 %
Total operating expenses	9,119	131.4 %	8,709	199.7 %	410	4.7 %
Loss from operations	(5,941)	(85.6 %)	(7,230)	(165.8 %)	1,289	(17.8)%
Other income, net	1,863	26.8 %	77	1.8 %	1,786	N/A

Loss before income taxes	(6,724)	(93.8%)	(1,449)	(10.2%)	(5,275)	364.0%	(4,078)	(58.8 %)	(7,153)	(164.0 %)	3,075	(43.0)%
Income tax benefit	(42)	(0.6%)	(26)	(0.2%)	16	(61.5%)	—	0.0 %	(429)	(9.8 %)	429	(100.0)%
Net loss	$ (6,682)	(93.2%)	$ (1,423)	(10.0%)	$ (5,259)	369.6%	$ (4,078)	(58.8 %)	$ (6,724)	(154.2 %)	$ 2,646	(39.4)%
Net revenue												
Hardware	$ 5,108	71.3%	$ 13,324	93.4%	(8,216)	(61.7%)	$ 4,627	66.7 %	$ 2,946	67.6 %	1,681	57.1 %
Software	2,059	28.7%	938	6.6%	1,121	119.5%	2,313	33.3 %	1,415	32.4 %	898	63.5 %
Total net revenue	$ 7,167	100.0%	$ 14,262	100.0%	$ (7,095)	(49.7%)	$ 6,940	100.0 %	$ 4,361	100.0 %	$ 2,579	59.1 %
US v International Revenue												
US Revenue	$ 6,220	86.8%	$ 13,189	92.5%	$ (6,969)	(52.8%)	$ 4,661	67.2 %	$ 3,624	83.1 %	$ 1,037	28.6 %
International Revenue	947	13.2%	1,073	7.5%	(126)	(11.7%)	2,279	32.8 %	737	16.9 %	1,542	209.2 %
Total	$ 7,167	100.0%	$ 14,262	100.0%	$ (7,095)	(49.7%)	$ 6,940	100.0 %	$ 4,361	100.0 %	$ 2,579	59.1 %

The table above sets forth for the periods indicated certain items of our condensed consolidated statements of operations expressed in dollars and as a percentage of net revenues. The financial information and the discussion below should be read in conjunction with the condensed consolidated financial statements and notes contained in this report.

Revenues

Revenues

Revenues decreased $7,095, increased $2,579, or 50% 59%, compared with the third first fiscal quarter of the prior year. Hardware revenue decreased $8,216, partially offset by and software revenue which increased $1,121, $1,681 and $898, respectively, compared with the prior year quarter. The lower hardware higher revenue in the third first quarter of fiscal 2024 2025 was largely due to the lower higher backlog at the start of the fiscal year compared with from increased orders received in fiscal year 2024. Backlog is a measure of purchase orders received that are scheduled to ship in the prior year amount. Third quarter hardware next 12 months. The higher software revenue in the prior year included $8,612 from a U.S. Army program of record. Deliveries against this program of record were completed in the fourth first quarter of fiscal 2023. A new, similar sized program has been included as part of the Department of Defense fiscal year 2024 authorization. The higher software revenue was primarily due to a 138% 69% increase in recurring revenue resulting from new customer contracts that were signed and then went live during fiscal year 2024, which generated recurring revenue in addition to the 2024 revenue.

The receipt of orders and signing of contracts is often uneven due to the timing of budget cycles, government financial issues, and military conflict. As of June 30, 2024 December 31, 2024, we had aggregate deferred revenue of $343 $3,192 for extended warranty obligations and software support agreements.

Gross Profit

Gross profit decreased $2,911, increased $1,699, or 44% 115%, compared with the same quarter in the prior year. The decrease in gross profit was last year, due to increased hardware and software revenue. In addition, a current fiscal year hardware order was sold through a more profitable sales channel. Prior year quarterly revenue included a hardware shipment, representing 12% of total revenue, which realized a lower hardware than normal gross profit. As

recurring software revenue and related reduced overhead absorption, partially offset by grows, the growth rate of direct costs slows, leading to higher margin software in the current year's third quarter. Gross gross margins. Consequently, gross profit as a percentage of sales was higher in the first quarter of fiscal 2025, compared with the same period in the prior year, period primarily due to a better favorable mix of higher hardware revenue as and increased higher margin software was 29% of total revenue in the third quarter of fiscal 2024. revenue.

As our products have varying gross margins, product mix may affect gross profits. In addition, our margins vary based on the sales channels through which our products are sold in a given period. We continue to implement product updates and changes, including raw material and component changes, that may impact product costs. We have limited warranty cost experience with product updates and changes and estimated future warranty costs can impact our gross margins. We do not believe that historical gross profit margins should be relied upon as an indicator of future gross profit margins.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $645, $316, or 11% 5%, over the prior year quarter. The increase was largely due to $753 of higher a $413 increase in professional services expense, and an plus $72 increase of $95 of amortization expense from the Evertel acquisition, in insurance expenses, offset by a $108 $206 decrease in non-cash share-based compensation expense. compensation-related expenses and $120 decrease in sales marketing and travel expenses.

We incurred non-cash share-based compensation expenses allocated to selling, general and administrative expenses in the three months ended June 30, 2024 December 31, 2024 and 2023 of $243 $326 and $351, $380, respectively.

We may expend additional resources on the marketing and selling of our products in future periods as we identify ways to optimize potential opportunities. Commission expenses will fluctuate based on the nature of our sales.

Research and Development Expenses

Research and development expenses increased $355, $94, or 17% 4%, in the fiscal third first quarter due to an increase in engineers over the prior year period, including the addition of Evertel software development activities. period.

Included in research and development expenses for the three months ended June 30, 2024 December 31, 2024 and 2023, were $29 $48 and $26, $27, respectively, of non-cash share-based compensation costs.

Research and development costs vary period to period due to the timing of projects, and the timing and extent of using outside consulting, design, and development firms. We seek to continually improve our product offerings, and we expect to continue to expand our product line with new products, customizations, and enhancements. Based on current plans, we may expend additional resources on research and development in the current fiscal year compared to the prior fiscal year.

Other Income, Net

Other (Expense) Income , Net

Other expense, income, net was $1,363 $1,863 in the third first quarter this fiscal year, compared to other income, net of $1 $77 in the prior fiscal year quarter. The expense income in the current fiscal period was primarily due to $1,121 year included $2,470 non-cash income from the change in fair value of professional expenses related to the $15,000 secured Term Loan agreement, $197 warrants and $62 of interest expense from the Term Loan and $103 from the net income offset by expenses including $370 change in the fair value of the Term Loan and related warrants, partially offset by $52 of $368 in interest income. expense.

Net Loss

Net loss in the third quarter of fiscal year 2024 was $6,682, compared with a net loss of $1,423 in the third quarter of fiscal year 2023. The increase in net loss was primarily due to the lower revenue in the current year fiscal third quarter. The income tax benefit in the current year period is primarily due to a prior year foreign income tax true-up.

Comparison of Results of Operations for the Nine Months Ended June 30, 2024 and 2023 (in thousands)

	Nine Months Ended					
	June 30, 2024		June 30, 2023		Fav(Unfav)	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	%
Revenues:						
Product sales	$ 9,951	57.6%	$ 31,651	88.0%	$ (21,700)	(68.6%)
Contract and other	7,316	42.4%	4,311	12.0%	3,005	69.7%
Total revenues	17,267	100.0%	35,962	100.0%	(18,695)	(52.0%)
Cost of revenues	9,827	56.9%	19,510	54.3%	9,683	49.6%
Gross Profit	7,440	43.1%	16,452	45.7%	(9,012)	(54.8%)
Operating expenses						
Selling, general and administrative	19,806	114.7%	18,443	51.3%	(1,363)	(7.4%)
Research and development	7,218	41.8%	6,357	17.7%	(861)	(13.5%)
Total operating expenses	27,024	156.5%	24,800	69.0%	(2,224)	(9.0%)
Loss from operations	(19,584)	(113.4%)	(8,348)	(23.2%)	(11,236)	134.6%
Other expense, net	(1,236)	(7.2%)	(4)	(0.0%)	(1,232)	N/A
Loss before income taxes	(20,820)	(120.6%)	(8,352)	(23.2%)	(12,468)	149.3%
Income tax benefit	(476)	(2.8%)	(18)	(0.1%)	458	(2,544.4%)
Net loss	$ (20,344)	(117.8%)	$ (8,334)	(23.2%)	$ (12,010)	144.1%

Net revenue							
Hardware	$ 12,053	69.8%	$ 33,269	92.5%		(21,216)	(63.8%)
Software	5,214	30.2%	2,693	7.5%		2,521	93.6%
Total net revenue	$ 17,267	100.0%	$ 35,962	100.0%	$	(18,695)	(52.0%)
US v International Revenue							
US Revenue	$ 12,837	74.3%	$ 32,371	90.0%		(19,534)	(60.3%)
International Revenue	4,430	25.7%	3,591	10.0%		839	23.4%
Total	$ 17,267	100.0%	$ 35,962	100.0%	$	(18,695)	(52.0%)

The table above sets forth for the periods indicated certain items of our condensed consolidated statements of operations expressed in dollars and as a percentage of net revenues. The financial information and the discussion below should be read in conjunction with the condensed consolidated financial statements and notes contained in this report.

Revenues

Revenues decreased $18,695, or 52%, for the nine months ended June 30, 2024, compared with the same prior year period, primarily due to the lower backlog as of September 30, 2023, compared with September 30, 2022. Hardware revenue decreased $21,216, partially offset by the $2,521 increase in software revenue. Nine months year to date hardware revenue in the prior year included $19,712 from a U.S. Army program of record. Deliveries against this program of record were completed in the fourth quarter of fiscal 2023. A new, similar sized program has been included as part of the Department of Defense fiscal year 2024 authorization. The higher software revenue was primarily due to a 117% increase in recurring revenue, partially offset by lower professional services performed in the current year nine-month period. The receipt of orders will often be uneven due to the timing of approvals or budgets. As of June 30, 2024, we had aggregate deferred revenue of $343 for extended warranty obligations and software support agreements.

Gross Profit

The $9,012 decrease in gross profit in the nine months ended June 30, 2024, was primarily due to the lower hardware revenue and related reduced overhead absorption, partially offset by higher margin software revenue compared to the prior year period.

Our products have varying gross margins, so product mix may affect gross profits. In addition, our margins vary based on the sales channels through which our products are sold in a given period. We continue to implement product updates and changes, including raw material and component changes that may impact product costs. With such product updates and changes we have limited warranty cost experience and estimated future warranty costs can impact our gross margins. We do not believe that historical gross profit margins should be relied upon as an indicator of future gross profit margins.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $1,363 in the nine months ended June 30, 2024, compared with the prior year period. The increase in selling, general and administrative expenses was largely due to an $819 increase in professional services expenses, a $307 increase in commission expense, and an additional $284 of amortization expenses for the Evertel acquisition, partially offset by a $100 decrease in non-cash share-based compensation expense, compared with the prior year to date period.

We incurred non-cash share-based compensation expenses allocated to selling, general and administrative expenses in the nine months ended June 30, 2024 and 2023 of $1,071 and $1,171, respectively.

We may expend additional resources on the marketing and selling of our products in future periods as we identify ways to optimize potential opportunities. Commission expenses will fluctuate based on the nature of our sales.

Research and Development Expenses

Research and development expenses increased $861, primarily due to increased compensation-related costs associated with an increase in engineers compared with the prior year period, including the addition of Evertel software development activities.

We incurred non-cash share-based compensation expenses allocated to research and development in the nine months ended June 30, 2024 and 2023 of $129 and $78, respectively.

Research and development costs vary period to period due to the timing of projects, amount of support provided on customer projects, and the timing and use of outside consulting, design, and development firms. We continually improve our product offerings, and we expect to continue to expand our product line with new products, customizations, and enhancements. Based on current plans, we may expend additional resources on research and development in the current year compared to the prior year.

Other Expenses, Net

Other expense, net was $1,236 for the nine months ended June 30, 2024, compared to $4 in the prior fiscal year period. The expense in the current fiscal period was primarily due to $1,121 of professional expenses related to the $15,000 secured Term Loan agreement, $197 of interest expense from the Term Loan, and $103 from the net change in fair value of the Term Loan and related warrants, partially offset by $166 of interest income.

Net Loss

Net loss for the first nine months of fiscal 2024 was $20,344, compared with the prior year period net loss of $8,334. The increase in net loss was primarily attributable to the lower revenue and higher operating expenses in the current year.

Other Metrics

We monitor a number of financial and operating metrics, including adjusted EBITDA, to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions. Our business metrics may be calculated in a manner different than similar other business metrics used by other companies.

Adjusted EBITDA

Adjusted EBITDA represents our net income before other income, net income tax expense (benefit), depreciation and amortization expense, and stock-based compensation. We do not consider these items to be indicative of our core operating performance. The items that are non-cash include depreciation and amortization expense and stock-based compensation. Adjusted EBITDA is a measure used by management to understand and evaluate our core operating performance and trends, and to generate future operating plans, make strategic decisions regarding allocation of capital, and invest in initiatives focused on cultivating new markets for our solutions. In particular, the exclusion of certain expenses in calculating adjusted EBITDA facilitates comparisons of our operating performance on a period-to-period basis. Adjusted EBITDA is not a measure calculated in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). We believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. Nevertheless, use of adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under U.S. GAAP. Some of these limitations are: (1) although depreciation and amortization are non-cash charges, the intangible assets that are amortized and property and equipment that is depreciated, will need to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacement or for new capital expenditure requirements; (2) adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs; (3) adjusted EBITDA does not reflect the potentially dilutive impact of equity-based compensation; (4) adjusted EBITDA does not reflect tax payments or receipts that may represent a reduction or increase in cash available to us; and (5) other companies, including companies in our industry, may calculate adjusted EBITDA or similarly titled measures differently, which reduces the usefulness of the metric as a comparative measure. Because of these and other limitations, you should consider adjusted EBITDA alongside our other U.S. GAAP-based financial performance measures, net income and our other U.S. GAAP financial results.

The following table presents a reconciliation of adjusted EBITDA to net income, the most directly comparable U.S. GAAP measure, for each of the periods indicated (in thousands):

	Three Months Ended June 30,		Nine Months Ended June 30,		**Three Months Ended December 31,**	
	2024	2023	2024	2023	**2024**	**2023**
Net loss	$ (6,682)	$ (1,423)	$ (20,344)	$ (8,334)	$ (4,078)	$ (6,724)
Other (income) expense, net	1,363	(1)	1,236	4		
Other income, net					(1,863)	(77)
Income tax benefit	(42)	(26)	(476)	(18)	—	(429)
Depreciation and amortization	733	636	2,193	1,918	737	729
Stock-based compensation	299	396	1,269	1,329	391	446
Adjusted EBITDA	$ (4,329)	$ (418)	$ (16,122)	$ (5,101)	$ (4,813)	$ (6,055)

Segment Results

Segment results include net sales and operating income by segment. Corporate expenses, including various administrative expenses and costs of a publicly traded company, are included in the Hardware segment as per historical financial reporting.

Comparison of Segment Adjusted EBITDA for the Three Months Ended June 30, 2024 December 31, 2024 and 2023 (in thousands)

	Software				Hardware			
	Three Months Ended June 30,		Fav (Unfav)		Three Months Ended June 30,		Fav (Unfav)	
	2024	2023	$	%	2024	2023	$	%
Revenue	$ 2,059	$ 938	$ 1,121	119.5 %	$ 5,108	$ 13,324	$ (8,216)	(61.7 %)
Operating loss	(3,441)	(3,752)	311	(8.3 %)	(1,920)	2,302	(4,222)	(183.4 %)

	Software				**Hardware**			
	Three Months Ended December 31,		**Fav (Unfav)**		**Three Months Ended December 31,**		**Fav (Unfav)**	
	2024	**2023**	**$**	**%**	**2024**	**2023**	**$**	**%**
Revenue	$ 2,313	$ 1,415	$ 898	63.5 %	$ 4,627	$ 2,946	$ 1,681	57.1 %
Operating loss	(2,790)	(4,115)	1,325	(32.2)%	(3,151)	(3,115)	(36)	1.2 %

Reconciliation of GAAP to Non-GAAP																
Depreciation and amortization	634	539	95	17.6 %	99	97	2	2.1 %	640	633	7	1.1 %	97	96	1	1.0 %
Stock-based compensation	150	99	51	51.5 %	149	297	(148)	(49.8 %)	81	99	(18)	(18.2)%	310	347	(37)	(10.7)%
Adjusted EBITDA	$ (2,657)	$ (3,114)	$ 457	(14.7 %)	$ (1,672)	$ 2,696	$ (4,368)	(162.0 %)	$ (2,069)	$ (3,383)	$ 1,314	(38.8)%	$ (2,744)	$ (2,672)	$ (72)	2.7 %

Software Segment

Software segment revenue increased 1,121, $898, or 120% 63%, over the prior fiscal year. This primarily reflects a 138% 69% increase in recurring revenue compared with the prior fiscal year.

Operating loss decreased $311 $1,325 in the fiscal third first quarter of the current year due to increased gross profit generated from higher revenue offset by increased and lower operating expenses including amortization in selling, general and administrative due to higher personnel and marketing related expense from in the Evertel acquisition. prior year.

Hardware Segment

Hardware segment revenue decreased $8,216, increased $1,681, or 62% 57%, over the prior fiscal year. The decrease increase was largely due to the lower higher backlog at the start of this fiscal year compared with to the prior year amount. Fiscal third quarter hardware revenue in the prior year included $8,612 from a U.S. Army program of record. Deliveries against this program of record were completed in the fourth quarter of fiscal 2023. A new, similar sized program has been included as part of the Department of Defense fiscal year 2024 authorization. year.

Operating income decreased $4,222 loss increased $36 in the current fiscal year period due to the lower higher revenue and resultant gross profit and increased due to a current fiscal year hardware order sold through a more profitable sales channel, offset by higher professional services expenses.

Comparison of Segment Adjusted EBITDA for the Nine Months Ended June 30, 2024 and 2023 (in thousands)

	Software				Hardware			
	Nine Months Ended June 30,		Fav (Unfav)		Nine Months Ended June 30,		Fav (Unfav)	
	2024	2023	$	%	2024	2023	$	%
Revenue	$ 5,214	$ 2,693	$ 2,521	93.6 %	$ 12,053	$ 33,269	$ (21,216)	(63.8%)
Operating (loss) Income	(11,778)	(11,009)	(769)	7.0 %	(7,806)	2,661	(10,467)	(393.3%)
Reconciliation of GAAP to Non-GAAP								
Depreciation and amortization	1,900	1,622	278	17.1 %	293	296	(3)	(1.0%)
Stock-based compensation	409	321	88	27.4 %	860	1,008	(148)	(14.7%)
Adjusted EBITDA	$ (9,469)	$ (9,066)	$ (403)	4.4 %	$ (6,653)	$ 3,965	$ (10,618)	(267.8%)

Software Segment

Software segment revenue increased 94% over the prior fiscal year nine-month period. This primarily reflects a 117% increase in recurring revenue compared with the first nine months of the prior fiscal year. Excluding revenue from this year's acquisition of Evertel, recurring revenue increased 85% over the same prior year nine-month period.

Operating loss increased $769 in the nine-month period of this fiscal year due to increases from the addition of Evertel operating expenses, including amortization expense and higher commission expense from increased revenues.

Hardware Segment

Hardware segment revenue decreased $21,216, or 64%, over the prior year. The decrease was largely due to the lower backlog at the start of this fiscal year compared with the prior year amount. Nine months year to date hardware revenue in the prior year included $19,712 from a U.S. Army program of record. Deliveries against this program of record were completed in the fourth quarter of fiscal 2023. A new, similar sized program has been included as part of the Department of Defense fiscal year 2024 authorization.

Operating income decreased $10,467 compared with the prior fiscal year due to lower revenue and resulting lower gross profit and increased professional services expense.

Liquidity and Capital Resources

Cash and cash equivalents as of June 30, 2024 December 31, 2024 were $8,672, $8,469, compared with $8,665 $4,945 as of September 30, 2023 September 30, 2024. We had short-term marketable securities of $4,046 5,146 as of June 30, 2024 December 31, 2024, compared with $1,481 $7,945 as of September 30, 2023.Other September 30, 2024.

Other than cash and cash equivalents, short term marketable securities, other working capital and expected future cash flows from operating activities in subsequent periods, we have no unused sources of liquidity at this time.

We continue to manage all aspects of our business including, but not limited to, monitoring the financial health of our customers, suppliers and other third-party relationships and developing new opportunities for growth.

Principal factors that could affect the availability of our internally generated funds include:

- ability to meet sales projections;
- government spending levels;
- introduction of competing technologies;
- product mix and effect on margins;

- ability to meet sales projections;

- government spending levels;
- ability to reduce and manage current inventory levels; and
- product acceptance in new markets;
- introduction of competing technologies;
- product mix and effect on margins;
- release of bid bond associated with Puerto Rico award;
- ability to reduce and manage current inventory levels; and
- product acceptance in new markets;

Principal factors that could affect our ability to obtain cash from external sources include:

- volatility in the capital markets; and
- market price and trading volume of our common stock.
- volatility in the capital markets; and
- market price and trading volume of our common stock.

Based on our current cash position, and assuming currently planned expenditures and level of operations, we believe we have sufficient capital to fund operations for the twelve-month period subsequent to the issuance of the interim financial information. However, we operate in a rapidly evolving and unpredictable business environment that may change the timing or amount of expected future cash receipts and expenditures. Accordingly, there can be no assurance that we may not be required to raise additional funds through the sale of equity or debt securities or from credit facilities. Additional capital, if needed, may not be available on satisfactory terms, or at all.

Cash Flows

Our cash flows from operating, investing and financing activities, as reflected in the condensed consolidated statements of cash flows, are summarized in the table below:

	Nine Months Ended		**Three Months Ended**	
	June 30, 2024	June 30, 2023	**December 31, 2024**	**December 31, 2023**
Cash provided by (used in):				
Operating activities	$ (20,010)	$ (12,822)	$ 947	$ (5,729)
Investing activities	$ (4,389)	$ 3,079	$ 2,633	$ (9,114)
Financing activities	$ 23,916	$ (165)	$ 1	$ 10,449

Operating Activities

NetDuring the three months ended December 31, 2024, net cash provided by operating activities was $947, resulting from a net cash increase from changes in our operating assets and liabilities of $5,705, offset by net loss of $20,344$4,078 and non-cash expenses of $680. Net cash increase from changes in our operating assets and liabilities, consisted primarily of a $6,290 increase in accrued liabilities resulting from receipt of $8,313 deposit from the Puerto Rico project, $500 increase in accounts payable related to procurement for increased fiscal 2025 sales projection, $259 decrease in accounts receivable, partially offset by a $1,084 increase in prepaid expenses and other, mostly driven by the prepayment made for hardware for the nine months ended June 30, 2024 was decreased by $3,713Puerto Rico project, and a $260 increase in inventory. Non-cash expense adjustments of non-cash items that included depreciation and amortization, share-based compensation, warranty provision, change in$680, consisted primarily of $2,470 gain on fair value of warrants and driven mostly by our stock price, offset by loss on fair value of Term Loan, amortization expenses of operating lease ROU assets, accretion of acquisition related liabilities and inventory obsolescence. Cash used by operating activities in the current year reflected an increase in prepaids and other assets of $3,996, an increase in inventory of $952, and a decrease in accrued liabilities of $641. This was offset by an increase in accounts payable of $1,776 and a decrease in accounts receivable of $434.

Net loss of $8,334 for the nine months ended June 30, 2023 was decreased by $4,080 of non-cash items that included share-based compensation, warranty provision, depreciation and amortization, amortization of operating lease ROU assets, accretion of acquisition holdback liability, related liabilities and inventory obsolescence. Cash used by operating activities in the current year reflected an increase in inventory of $2,127 and accounts receivable of $3,570, and a decrease in accrued and other liabilities of $5,581, comprised of a decrease in the balances of customer deposits received, payment of the Canadian GST/HST, and payment of incentive compensation earned in fiscal year 2022. This was offset by a $1,755 decrease in prepaid expenses and a $955 increase in accounts payable.

We had accounts receivable of $5,661 $3,017 as of June 30, 2024, compared with $5,952 as of September 30, 2023 December 31, 2024. Terms with individual customers vary greatly. We regularly provide thirty-day terms to our customers if credit is approved. Our receivables receivable balance can vary dramatically due to overall sales volume and quarterly variations in sales and timing of shipments to and receipts from large customers. Terms with individual customers payment vary greatly. We often offer net thirty-day terms and the timing of contract payments. to our customers.

As of June 30, 2024 and September 30, 2023, our working capital was $19,350 and $13,949, respectively. The increase in working capital was primarily due to cash raised through financing activities, offset by Evertel acquisition-related expenses, acquired liabilities and the fiscal year to date net loss.

Investing Activities

Our net cash used in investing activities was $4,389 forDuring the nine three months ended June 30, 2024 December 31, 2024, compared with net cash provided by investing activities was $2,633, primarily due to the maturities of $3,079 for the nine months ended June 30, 2023. In the first nine months of fiscal 2024, we increased investments in our holdings in marketable securities by $2,556, compared with a decrease of $3,308 for the nine months ended June 30, 2023. Cash used in investing activities for acquisition of Evertel was $908 and cash used to pay the Amika holdback liability was $764. The Company also used $161 and $229 for $2,702, offset by the purchase of property and equipment during the nine months ended June 30, 2024, and 2023, respectively. of $69. We anticipate additional expenditures for tooling and equipment during the balance of fiscal year 2024. 2025.

Financing Activities

In the nine three months ended June 30, 2024 December 31, 2024, we received $23,916 $1 through financing activities, compared with $165 used by financing activities for the nine months ended June 30, 2023. In the first nine months of fiscal 2024, we received $13,698 in net proceeds from the Term Loan, and $10,449 in net proceeds from an offering of the Company's common due to minimal stock and used $12 to settle statutory tax withholding requirements upon vesting of restricted stock units and 219 used to pay contingent consideration. In the first nine months of fiscal 2023, we received $87 from the exercise of stock options and used $45 to settle statutory tax withholding requirements upon vesting of restricted stock units and used $207 to settle statutory tax withholding requirements upon the exercise of stock options. option exercises.

In December 2018, the Board of Directors approved a share buyback program beginning January 1, 2019 and expiring on December 31, 2020, under which the Company was authorized to repurchase up to $5,000 of its outstanding common shares. In December 2022, the Board of Directors extended the Company's share buyback program through December 31, 2024. The previous program expired on December 31, 2018.

There were no shares repurchased during the nine months ended June 30, 2024 and June 30, 2023. All repurchased shares have been retired and as of June 30, 2024 and $3.0 million was available for share repurchase under this program.

Recent Accounting Pronouncements

New pronouncements issued for future implementation are discussed in Note 3, Recent Accounting Pronouncements, to our condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Foreign Currency Risk

We consider our direct exposure to foreign exchange rate fluctuations to be minimal. The transactions of our Spanish subsidiary are denominated primarily in Euros and the transactions of our Canadian subsidiary are denominated primarily in Canadian dollars, which is a natural hedge against foreign currency fluctuations. All other sales to customers and all arrangements with third-party manufacturers, with one exception, provide for pricing and payment in U.S. dollars, and, therefore, are not subject to exchange rate

fluctuations. Increases in the value of the U.S. dollar relative to other currencies could make our products more expensive, which could negatively impact our ability to compete. Conversely, decreases in the value of the U.S. dollar relative to other currencies could result in our suppliers raising their prices to continue doing business with us. Fluctuations in currency exchange rates could affect our business in the future.

Item 4. Controls and Procedures.

Item 4. Controls and Procedures.

We are required to maintain disclosure controls and procedures designed to ensure that material information related to us, including our consolidated subsidiaries, is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, we conducted an evaluation of our disclosure controls and procedures as such term is defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2024 December 31, 2024.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our fiscal quarter ended June 30, 2024 December 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Our process for evaluating controls and procedures is continuous and encompasses constant improvement of the design and effectiveness of established controls and procedures and the remediation of any deficiencies, which may be identified during this process.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Item 1. Legal Proceedings.

We may at times be involved in litigation in the ordinary course of business. We will also, from time to time, when appropriate in management's estimation, record adequate reserves in our consolidated financial statements for pending litigation. Currently, there are no pending material legal proceedings to which the Company is a party or to which any of its property is subject.

Item 1A. Risk Factors.

Item 1A. Risk Factors.

There have been no material changes to the risk factors described under Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2023 September 30, 2024, filed with the SEC on December 7, 2023 December 13, 2024.

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

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

None.

Item 3. Defaults Upon Senior Securities.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

Item 5. Other Information.

During the quarter ended June 30, 2024 December 31, 2024, none of our directors or executive officers adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of the Company's securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement" as that term is used in SEC regulations. regulations.

Item 6. Exhibits.

4.1	Warrant Agreement, dated May 13, 2024, between Genasys Inc. and Issuer Direct Corporation, as warrant agent. Incorporated by reference to Exhibit 4.1 on Form 8-K filed May 14, 2024
10.1	Term Loan and Security Agreement, dated May 13, 2024, among Genasys Inc., the guarantors named therein, the lenders party thereto from time to time and Cantor Fitzgerald Securities, as agent. Incorporated by reference to Exhibit 10.1 on Form 8-K filed May 14, 2024.
10.2	Right of First Refusal Agreement, dated May 13, 2024, between Genasys Inc. and the lenders party thereto. Incorporated by reference to Exhibit 10.2 on Form 8-K filed May 14, 2024.
31.1	Certification of Richard S. Danforth, Principal Executive Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Dennis D. Klahn, Principal Financial Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Richard S. Danforth, Principal Executive Officer and Dennis D. Klahn, Principal Financial Officer.*
101.INS	Inline XBRL Instance Document* Document-the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document* With Embedded Linkbase Documents
101.CAL104	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*
104	Cover Page Interactive Data File (formatted page formatted as Inline XBRL and contained in Exhibit 101)* 101

* Filed concurrently herewith.

SIGNATURES

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.

GENASYS INC.

Date: August 6, 2024 By:

Date: February 11, 2025 By: /s/ Dennis D. Klahn

Dennis D. Klahn, Chief Financial Officer

(Principal Financial Officer)

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Exhibit 31.1

CERTIFICATIONS

CERTIFICATIONS

I, Richard S. Danforth, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Genasys 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 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 officers 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 officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's independent registered public accounting firm and the audit committee of 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 affe 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 reportin

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 officers 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 officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's independent registered public accounting firm and the audit committee of 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: August 6, 2024 February 11, 2025

/s/ Richard S. Danforth

Richard S. Danforth

(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

CERTIFICATIONS

I, Dennis D. Klahn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Genasys 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 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 o operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(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 whic 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 reaso assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted acco 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 disclosu 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 regis 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 financia reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's independent registered public accounting firm and the audit committee of 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 affe 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 reportin

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 officers 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 officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's independent registered public accounting firm and the audit committee of 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: August 6, 2024 February 11, 2025

/s/ Dennis D. Klahn

Dennis D. Klahn

(Principal Financial Officer)

Exhibit 32.1

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

The undersigned hereby certifies, in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his or her capacity as an officer of Genasys Inc. (the "Company"), that, to his or her knowledge, the Quarterly Report of the Company on Form 10-Q for the quarter ended June 30, 2024 December 31, 2024 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operation of the Company as of the dates and for the periods presented in the financial statements included in such report.

Dated: August 6, 2024 February 11, 2025

/s/ Richard S. Danforth

Richard S. Danforth
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Dennis D. Klahn

Dennis D. Klahn
Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and

Exchange Commission or
its staff upon request.

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