

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
  
**FORM 10-Q**

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

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

or

☐ Transition Report Pursuant Section 13 or 15(d) of the Securities Exchange Act of 1934

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

Commission file number 001-37659

**INTERLINK ELECTRONICS, INC.**  
(Exact name of registrant as specified in its charter)

**Nevada**  
(State or other jurisdiction of  
incorporation or organization)

**77-0056625**  
(I.R.S. Employer  
Identification No.)

**15707 Rockfield Boulevard, Suite 105**  
**Irvine, California 92618**  
(Address of principal executive offices, zip code)

**(805) 484-8855**  
(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 registered
<b>Common stock, \$0.001 par value per share</b>	<b>LINK</b>	<b>The Nasdaq Stock Market LLC</b>

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

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

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

As of November 7, 2024, the issuer had 9,864,214 shares of common stock issued and outstanding.

INTERLINK ELECTRONICS, INC.  
TABLE OF CONTENTS

	<u>Page No.</u>
<b><u>PART I -- FINANCIAL INFORMATION</u></b>	
<a href="#">Item 1. Financial Statements (unaudited)</a>	3
<a href="#">Condensed Consolidated Balance Sheets</a>	3
<a href="#">Condensed Consolidated Statements of Operations</a>	4
<a href="#">Condensed Consolidated Statements of Comprehensive Income (Loss)</a>	5
<a href="#">Condensed Consolidated Statements of Stockholders' Equity</a>	6
<a href="#">Condensed Consolidated Statements of Cash Flows</a>	7
<a href="#">Notes to Condensed Consolidated Financial Statements</a>	8
<a href="#">Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	23
<a href="#">Item 3. Quantitative and Qualitative Disclosures about Market Risk</a>	30
<a href="#">Item 4. Controls and Procedures</a>	30
<b><u>PART II -- OTHER INFORMATION</u></b>	
<a href="#">Item 1A. Risk Factors</a>	31
<a href="#">Item 5. Other Information</a>	31
<a href="#">Item 6. Exhibits</a>	32
<a href="#">Signatures</a>	33

**PART I: FINANCIAL INFORMATION**  
**Item 1. Financial Statements**

**INTERLINK ELECTRONICS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
*(unaudited)*

	September 30, 2024	December 31, 2023		
	(in thousands, except par value)			
ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,810	\$ 4,304		
Accounts receivable, net	1,174	2,167		
Inventories	2,494	2,476		
Prepaid expenses and other current assets	243	381		
Total current assets	7,721	9,328		
Property, plant and equipment, net	314	313		
Intangible assets, net	2,175	2,654		
Goodwill	2,565	2,461		
Right-of-use assets	1,155	143		
Deferred tax assets	87	83		
Other assets	104	80		
Total assets	\$ 14,121	\$ 15,062		
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Accounts payable	\$ 367	\$ 464		
Accrued liabilities	436	492		
Lease liabilities, current	351	126		
Accrued income taxes	100	293		
Total current liabilities	1,254	1,375		
Long-term liabilities				
Lease liabilities, long term	870	33		
Deferred tax liabilities	531	626		
Total long-term liabilities	1,401	659		
Total liabilities	2,655	2,034		
Commitments and contingencies (Note 9)			—	—
Stockholders' equity				
Preferred stock, \$0.01 par value: 1,000 shares authorized, 200 shares of Series A Convertible Preferred Stock issued and outstanding at both September 30, 2024 and December 31, 2023 (\$5.0 million liquidation preference)			2	2
Common stock, \$0.001 par value: 30,000 shares authorized, 9,864 shares issued and outstanding at September 30, 2024; 9,860 shares issued and outstanding at December 31, 2023			10	10
Additional paid-in-capital			62,306	62,279
Accumulated other comprehensive income			482	200
Accumulated deficit			(51,334)	(49,463)
Total stockholders' equity			11,466	13,028
Total liabilities and stockholders' equity			\$ 14,121	\$ 15,062

See accompanying notes to these unaudited condensed consolidated financial statements.

**INTERLINK ELECTRONICS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(unaudited)*

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>(in thousands, except per share data)</b>			
Revenue, net	\$ 2,671	\$ 3,075	\$ 8,693	\$ 10,402
Cost of revenue	1,566	1,616	5,030	5,295
Gross profit	1,105	1,459	3,663	5,107
Operating expenses:				
Engineering, research and development	486	588	1,572	1,765
Selling, general and administrative	1,095	963	3,631	3,201
Total operating expenses	1,581	1,551	5,203	4,966
Income (loss) from operations	(476)	(92)	(1,540)	141
Other income (expense), net	(19)	26	29	154
Income (loss) before income taxes	(495)	(66)	(1,511)	295
Income tax expense	28	59	60	230
Net income (loss)	\$ (523)	\$ (125)	\$ (1,571)	\$ 65
Net (loss) applicable to common stockholders	\$ (623)	\$ (225)	\$ (1,871)	\$ (235)
Earnings (loss) per common share – basic and diluted	\$ (0.06)	\$ (0.02)	\$ (0.19)	\$ (0.02)
Weighted average common shares outstanding – basic and diluted	9,862	9,873	9,861	9,896

See accompanying notes to these unaudited condensed consolidated financial statements.

**INTERLINK ELECTRONICS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
*(unaudited)*

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	(in thousands)			
Net income (loss)	\$ (523)	\$ (125)	\$ (1,571)	\$ 65
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	398	(194)	282	1
Comprehensive income (loss)	<u>\$ (125)</u>	<u>\$ (319)</u>	<u>\$ (1,289)</u>	<u>\$ 66</u>

See accompanying notes to these unaudited condensed consolidated financial statements.

**INTERLINK ELECTRONICS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
*(unaudited)*

Three Months Ended September 30, 2024  (in thousands)	Preferred Stock		Common Stock		Additional Paid-in- Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
	Balance at June 30, 2024	200	\$ 2	9,860	\$ 10	\$ 62,284	\$ 84	\$ (50,711)
Net (loss)	—	—	—	—	—	—	(523)	(523)
Stock-based compensation expense	—	—	4	—	22	—	—	22
Preferred stock dividends	—	—	—	—	—	—	(100)	(100)
Foreign currency translation adjustment	—	—	—	—	—	398	—	398
Balance at September 30, 2024	200	\$ 2	9,864	\$ 10	\$ 62,306	\$ 482	\$ (51,334)	\$ 11,466

Nine Months Ended September 30, 2024  (in thousands)	Preferred Stock		Common Stock		Additional Paid-in- Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
	Balance at December 31, 2023	200	\$ 2	9,860	\$ 10	\$ 62,279	\$ 200	\$ (49,463)
Net (loss)	—	—	—	—	—	—	(1,571)	(1,571)
Stock-based compensation expense	—	—	4	—	27	—	—	27
Preferred stock dividends	—	—	—	—	—	—	(300)	(300)
Foreign currency translation adjustment	—	—	—	—	—	282	—	282
Balance at September 30, 2024	200	\$ 2	9,864	\$ 10	\$ 62,306	\$ 482	\$ (51,334)	\$ 11,466

Three Months Ended September 30, 2023  (in thousands)	Preferred Stock		Common Stock		Additional Paid-in- Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at June 30, 2023	200	\$ 2	9,886	\$ 10	\$ 62,437	\$ 97	\$ (48,690)	\$ 13,856
Net (loss)	—	—	—	—	—	—	(125)	(125)
Preferred stock dividends	—	—	—	—	—	—	(100)	(100)
Foreign currency translation adjustment	—	—	—	—	—	(194)	—	(194)
Stock-based compensation expense	—	—	1	—	15	—	—	15
Repurchases of common stock	—	—	(27)	—	(173)	—	—	(173)
Balance at September 30, 2023	200	\$ 2	9,860	\$ 10	\$ 62,279	\$ (97)	\$ (48,915)	\$ 13,279

Nine Months Ended September 30, 2023  (in thousands)	Preferred Stock		Common Stock		Additional Paid-in- Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
	Balance at December 31, 2022	200	\$ 2	9,915	\$ 10	\$ 62,614	\$ (98)	\$ (48,680)
Net income	—	—	—	—	—	—	65	65
Preferred stock dividends	—	—	—	—	—	—	(300)	(300)
Foreign currency translation adjustment	—	—	—	—	—	1	—	1
Stock-based compensation expense	—	—	1	—	15	—	—	15
Repurchases of common stock	—	—	(56)	—	(350)	—	—	(350)
Balance at September 30, 2023	200	\$ 2	9,860	\$ 10	\$ 62,279	\$ (97)	\$ (48,915)	\$ 13,279

See accompanying notes to these unaudited condensed consolidated financial statements.

**INTERLINK ELECTRONICS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(unaudited)*

	<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>(in thousands)</b>	
Cash flows from operating activities:		
Net income (loss)	\$ (1,571)	\$ 65
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	686	266
Stock-based compensation expense	27	15
Adjustment to reconcile operating lease expense to cash paid	48	11
Deferred income taxes	(123)	—
Changes in operating assets and liabilities:		
Accounts receivable	1,013	229
Inventories	19	(158)
Prepaid expenses and other assets	115	103
Accounts payable	(99)	(72)
Accrued liabilities	(61)	(231)
Accrued income taxes	(198)	(73)
Net cash provided by (used in) operating activities	(144)	155
Cash flows from investing activities:		
Acquisition of Calman Technology Limited, net of cash acquired	—	(4,278)
Purchases of property, plant and equipment	(107)	(44)
Net cash (used in) investing activities	(107)	(4,322)
Cash flows from financing activities:		
Payment of dividends on preferred stock	(300)	(300)
Repurchases of common stock	—	(350)
Net cash (used in) financing activities	(300)	(650)
Effect of exchange rate changes on cash	57	(67)
Net (decrease) in cash and cash equivalents	(494)	(4,884)
Cash and cash equivalents, beginning of period	4,304	10,091
Cash and cash equivalents, end of period	<u>\$ 3,810</u>	<u>\$ 5,207</u>
Supplemental disclosure of cash flow information:		
Income taxes paid, net	\$ 367	\$ 331
Interest paid	—	—
Supplemental disclosure of non-cash investing and financing activities:		
Lease liabilities arising from obtaining right-of-use assets	\$ 1,186	\$ 55

See accompanying notes to these unaudited condensed consolidated financial statements.

**INTERLINK ELECTRONICS, INC.**

**Notes to Condensed Consolidated Financial Statements**  
(unaudited)

**Note 1 – The Company and its Significant Accounting Policies**

**Description of Business**

Interlink Electronics, Inc. (“we,” “us,” “our,” “Interlink” or the “Company”) is a global sensor and printed electronics company operating in two principal sensor technology divisions: force/touch sensors, and gas and environmental sensors. We design, develop, manufacture and sell a range of force-sensing and gas-sensing technologies that incorporate our proprietary materials technology, firmware and software into a portfolio of standard sensor-based products and custom sensor system solutions. Our force-sensing products and solutions include sensor components, subassemblies, modules and products that support effective, efficient cursor control and novel three-dimensional user inputs. Our Human Machine Interface (“HMI”) technology platforms are deployed in a wide range of markets including consumer electronics, automotive, industrial, and medical. Our membrane keypads, graphic overlays, printed electronics and industrial label products are applicable for use in a wide range of fields, from industrial automation, process control and monitoring to medical and diagnostic devices and defense systems. Our electrochemical gas-sensing technology instruments, products and solutions are deployed in industry, community, health and home settings, with uses in fields such as carbon monoxide and ozone detection and air quality monitoring.

We serve our world-wide customer base from our corporate headquarters in Irvine, California; our Global Product Development and Materials Science Center and distribution and logistics center in Camarillo, California; our printed-electronics manufacturing facilities in Shenzhen, China, and Irvine, Scotland; our advanced and proprietary production and product development facility in Silicon Valley, California; our engineering, research and development center in Singapore; our technical sales office in Japan; and our distribution and logistics center in Hong Kong. Our principal executive office is located at 15707 Rockfield Boulevard, Suite 105, Irvine, California 92618 and our telephone number is (805) 484-8855. Our website address is [www.interlinkelectronics.com](http://www.interlinkelectronics.com).

**March 2024 Common Stock Dividend**

On March 1, 2024, the Board of Directors declared a 50% common stock dividend with a record date of March 11, 2024, that was paid on March 22, 2024. Settlement of fractional share interests was made by issuing one full share of common stock in lieu of a fractional share. The stock dividend increased the number of issued and outstanding shares of common stock from 6,573,570 to 9,860,368. Except as otherwise noted, all references to common stock, common stock issuable upon conversion of preferred stock, and corresponding per share information throughout this Quarterly Report on Form 10-Q have been retroactively adjusted to reflect the stock dividend, which is accounted for as a stock split effected in the form of a stock dividend.

**Fiscal Year**

Our fiscal year is the calendar year reporting cycle beginning January 1 and ending December 31.

**Basis of Presentation**

The accompanying unaudited interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intra-entity transactions and balances have been eliminated in consolidation.

The accompanying unaudited interim consolidated financial statements for the Company and its subsidiaries have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial reporting. Accordingly, certain information and footnote disclosures normally included in annual consolidated financial statements have been condensed or omitted in accordance with Rule 10-01 of Regulation S-X. In the opinion of management, the accompanying unaudited interim consolidated financial statements reflect all adjustments (consisting of only normal recurring adjustments and the elimination of intra-entity accounts) considered necessary for a fair presentation of all periods presented. The results of the Company's operations for any interim period are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year. These unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes included in our Annual Report on Form 10-K, which was filed the Securities and Exchange Commission on March 25, 2024.



## **Use of Estimates**

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and disclosures made in the accompanying notes to the consolidated financial statements. Management regularly evaluates estimates and assumptions related to revenue recognition, allowances for credit losses, warranty reserves, inventory valuation reserves, stock-based compensation, purchased intangible asset valuations and useful lives, asset retirement obligations, and deferred income tax asset valuation allowances. These estimates and assumptions are based on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The actual results we experience may differ materially and adversely from our original estimates. To the extent there are material differences between the estimates and the actual results, our future results of operations will be affected.

## **Revenue Recognition**

We recognize revenue in accordance with Accounting Standards Codification Topic 606, Revenue from Contracts with Customers ("ASC 606"), when our customer obtains control of promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for those goods or services. To determine revenue recognition for arrangements that are within the scope of ASC 606, we perform the following five steps; (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognize revenue when (or as) we satisfy a performance obligation. The five-step model is applied to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services transferred to the customer. At contract inception, once the contract is determined to be within the scope of ASC 606, we assess the goods or services promised within each contract and determine those that are performance obligations and assess whether each promised good or service is distinct. We then recognize revenue in the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. Delivery occurs when goods are shipped and title and risk of loss transfer to the customer, in accordance with the terms specified in the arrangement with the customer. Revenue recognition is deferred until the earnings process is complete.

We (i) input orders based upon receipt of a customer purchase order, (ii) confirm pricing through the customer purchase order record, (iii) validate creditworthiness through past payment history, credit agency reports and other financial data, and (iv) recognize revenue upon shipment of goods or when risk of loss and title transfer to the buyer. All customers have warranty rights, and some customers also have explicit or implicit rights of return. We establish reserves for potential customer returns or warranty repairs based on historical experience and other factors that enable us to reasonably estimate the obligation.

A portion of our product sales is made through distributors under agreements allowing for right of return. Our past history with these sell-through right of return provisions allows us to reasonably estimate the amount of inventory that could be returned pursuant to these agreements, and revenue is recognized accordingly.

## **Shipping and Handling Fees and Costs**

Amounts billed to customers for shipping and handling fees are included in revenues. Costs incurred for shipping and handling are included in cost of revenues.

## **Engineering, Research and Development Costs**

Engineering, research and development ("R&D") costs are expensed when incurred. R&D expenses consist primarily of compensation expenses for employees engaged in research, design and development activities. R&D expenses also include depreciation and amortization, and overhead, including facilities expenses.

## **Marketing and Advertising Costs**

All of the costs related to marketing and advertising our products are expensed as incurred or at the time the marketing or advertising takes place.

## **Stock-Based Compensation**

All stock-based payments to employees, including grants of employee stock options and employee stock purchase rights, are recognized in the financial statements based on their respective grant date (measurement date) fair values. We calculate the compensation cost of full-value awards, such as restricted stock units, based on the market value of the underlying stock at the date of the grant. We estimate the expected life of a stock award as the period of time that the award is expected to be outstanding. We are required to estimate the fair value of stock-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense ratably over the requisite service periods. We estimate the fair value of each option award as of the date of grant using the Black-Scholes option pricing model, which was developed for use in estimating the value of traded options that have no vesting restrictions and that are freely transferable. The Black-Scholes option pricing model considers, among other factors, the expected life of the award and the expected volatility of our stock price. Although the Black-Scholes option pricing model meets the accounting guidance requirements, the fair values generated by the Black-Scholes option pricing model may not be indicative of the actual fair values of our awards, as it does not consider other factors important to those stock-based payment awards, such as continued employment, periodic vesting requirements, and limited transferability.

We have elected to recognize compensation expense for all stock-based awards on a straight-line basis over the requisite service period for the entire award. The amount of compensation expense recognized through the end of each reporting period is equal to the portion of the grant-date value of the awards that have vested, or for partially vested awards, the value of the portion of the award that is ultimately expected to vest for which the requisite services have been provided. The benefits of tax deductions in excess of recognized compensation cost are reported as a financing cash flow.

## **Other Income (Expense)**

Other income (expense) consists of interest income, foreign currency exchange gains and losses, gains and losses on marketable securities, and other non-operating gains and losses.

## **Income Taxes**

We account for income taxes under the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. We assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe that recovery is not determinable beyond a “more likely than not” standard, we establish a valuation allowance. To the extent we establish a valuation allowance or increase or decrease this allowance in a period, we include an expense or benefit within the tax provision in the statement of operations. We also utilize a “more likely than not” recognition threshold and measurement analysis for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. We recognize potential accrued interest and penalties related to unrecognized tax benefits within the consolidated statements of operations as income tax expense.

We operate within multiple tax jurisdictions and are subject to audit in these jurisdictions. Our foreign subsidiaries are subject to foreign income taxes on earnings in their respective jurisdictions. Earnings of our foreign subsidiaries are included in our U.S. federal income tax return as they are earned.

## **Foreign Currency Translation**

The functional currency of our Chinese subsidiary is the Chinese renminbi. The functional currency of our United Kingdom subsidiaries is the British pound sterling. The functional currency for our Hong Kong and Singapore subsidiaries is the United States dollar. Assets and liabilities are translated into United States dollars at the exchange rate in effect on the balance sheet date. Revenues and expenses are translated at the average exchange rate prevailing during the respective periods.

## **Comprehensive Income/Loss**

Comprehensive income/loss includes all components of comprehensive income/loss, including net income/loss and any changes in equity during the period from transactions and other events and circumstances generated by non-owner sources.

## Segment Reporting

We operate in one reportable segment: the manufacture and sale of force/touch sensors and gas sensors.

## Earnings Per Share

Basic earnings per share is computed by dividing net income/loss applicable to common stockholders (i.e., net income/loss adjusted for preferred stock dividends declared or accumulated) by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income/loss applicable to common stockholders by the weighted average number of diluted common shares, which includes common stock equivalents from, if applicable, and if dilutive, unexercised stock options, unvested restricted stock units, and shares issuable upon conversion of convertible preferred stock. Unexercised stock options and unvested restricted stock units are considered to be common stock equivalents if, using the treasury stock method, they are determined to be dilutive. Convertible preferred stock is considered to be common stock equivalents if, using the if-converted method, they are determined to be dilutive.

Under the two-class method of determining earnings for each class of stock, we consider the dividend rights and participating rights in undistributed earnings for each class of stock.

## Leases

We account for our leases under ASC 842. Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases and are recorded on the consolidated balance sheet as both a right of use asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or our incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right of use asset is amortized over the lease term. For finance leases, interest on the lease liability and the amortization of the right of use asset results in front-loaded expense over the lease term. Variable lease expenses are recorded when incurred.

In calculating the right of use and lease liability, we have elected to combine lease and non-lease components. We exclude short-term leases having an initial term of 12 months or less from the new guidance as an accounting policy election and recognize rent expense on a straight-line basis over the lease term.

## Risk and Uncertainties

Our future results of operations involve a number of risks and uncertainties. Factors that could affect our business or future results and cause actual results to vary materially from historical results include, but are not limited to, the rapid change in our industry; problems with the performance, reliability or quality of our products; loss of customers; impacts of doing business internationally, including foreign currency fluctuations, changes in the trade policies of countries in which we or our customers do business, and political instability; potential shortages of the supplies we use to manufacture our products; disruptions in our manufacturing facilities; changes in environmental directives impacting our manufacturing process or product lines; the development of new proprietary technology and the enforcement of intellectual property rights by or against us; our ability to attract and retain qualified employees; and our ability to raise additional capital.

Our operations and financial results may be adversely affected by outbreaks of viruses, widespread illness, infectious diseases, contagions and unforeseen epidemics (such as the COVID-19 coronavirus) in countries in which our products are manufactured and sold. We experienced delays in the receipt of certain goods and the supply of our products from international and domestic shipping origins as a result of the COVID-19 pandemic and more general global supply chain constraints in fiscal 2021, and to a lesser extent in fiscal 2022 and 2023, and so far in fiscal 2024. Depending on the continued extent and duration of these and similar constraints and disruptions, our supply chain, results of operations (including sales) or future business may be materially and adversely impacted. These and other issues affecting our international suppliers or internationally manufactured merchandise could have a material adverse effect on our business, results of operations and financial condition.

## Fair Value Measurements

We determine fair value measurements based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, we follow the following fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) our own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs):

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets;

Level 2: Other inputs observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborate inputs; and

Level 3: Unobservable inputs for which there is little or no market data and which requires the owner of the assets or liabilities to develop its own assumptions about how market participants would price these assets or liabilities.

Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy.

## Recently Issued Accounting Pronouncements

We reviewed all recently issued accounting pronouncements and concluded they are not applicable or not expected to be material to our financial statements.

## Subsequent Events

We have evaluated subsequent events through November 7, 2024, being the date these condensed consolidated financial statements were issued.

## Note 2 – Details of Certain Financial Statement Components

Inventories, stated at the lower of cost or net realizable value, consisted of the following:

	September 30, 2024	December 31, 2023
<b>Inventories</b>	<b>(in thousands)</b>	
Raw materials	\$ 1,923	\$ 1,986
Work-in-process	262	232
Finished goods	309	258
Total inventories	<u>\$ 2,494</u>	<u>\$ 2,476</u>

Property, plant and equipment, net, consisted of the following:

	September 30, 2024	December 31, 2023
<b>Property, plant and equipment, net</b>	<b>(in thousands)</b>	
Furniture, machinery and equipment	\$ 2,694	\$ 2,009
Leasehold improvements	451	412
	3,145	2,421
Less: accumulated depreciation	(2,831)	(2,108)
Total property, plant and equipment, net	<u>\$ 314</u>	<u>\$ 313</u>

Depreciation expense totaled \$36,000 and \$42,000 for the three months ended September 30, 2024 and 2023, respectively. Depreciation expense totaled \$112,000 and \$125,000 for the nine months ended September 30, 2024 and 2023, respectively.

Intangible assets, net, consisted of the following:

	Weighted Average Amortization Period	September 30, 2024	December 31, 2023
<b>Intangible assets, net</b>		<b>(in thousands)</b>	
Patents, tradenames, and trademarks	5 years	\$ 945	\$ 935
Developed technology	3.5 years	562	543
Customer relationships	6 years	1,512	1,449
Non-compete agreements	4 years	973	930
Order backlog	0.5 years	22	22
In-process research and development	Indefinite	29	29
		4,043	3,908
Less: accumulated amortization		(1,868)	(1,254)
<b>Total intangible assets, net</b>		<b>\$ 2,175</b>	<b>\$ 2,654</b>

Amortization expense totaled \$189,000 and \$36,000 for the three months ended September 30, 2024 and 2023, respectively. Amortization expense totaled \$571,000 and \$142,000 for the nine months ended September 30, 2024 and 2023, respectively. Future amortization expense on existing intangible assets is as follows:

<b>Years ending December 31,</b>	<b>(in thousands)</b>
2024 (remainder of year)	\$ 189
2025	704
2026	570
2027	351
2028	276
Thereafter	87
	<b>\$ 2,175</b>

The changes in the carrying amount of goodwill for the periods ended September 30, 2024 and 2023 are as follows:

	<b>(in thousands)</b>
Balance as of January 1, 2024	\$ 2,461
Adjustment to goodwill, foreign currency exchange rate changes	104
<b>Balance as of September 30, 2024</b>	<b>\$ 2,565</b>

	<b>(in thousands)</b>
Balance as of January 1, 2023	\$ 650
Goodwill acquired in acquisition of Calman (before December 2023 adjustment to allocation)	4,052
Adjustment to goodwill, acquisition price allocation of SPEC/KWJ	(404)
Adjustment to goodwill, foreign currency exchange rate changes	94
<b>Balance as of September 30, 2023</b>	<b>\$ 4,392</b>

Accrued liabilities consisted of the following:

	September 30, 2024	December 31, 2023
<b>Accrued liabilities</b>	<b>(in thousands)</b>	
Accrued wages and benefits	\$ 168	\$ 204
Accrued vacation	151	185
Other accrued liabilities	117	103
<b>Total accrued liabilities</b>	<b>\$ 436</b>	<b>\$ 492</b>

### Note 3 – Acquisition of Calman Technology Limited

On March 17, 2023, we acquired all of the outstanding shares in Calman Technology Limited (“Calman”), a Scotland-based designer and manufacturer of membrane keypads, graphic overlays and printed electronics, pursuant to a Share Purchase Agreement (the “Share Purchase Agreement”) by and among the Company's wholly owned United Kingdom subsidiary, Interlink Electronics Limited, and the shareholders of Calman. The Share Purchase Agreement contains customary representations, warranties and covenants, including non-competition covenants on the part of the sellers, who continue to be employed by Calman. Under the terms of the Share Purchase Agreement, the purchase price was GB£4,127,000 (approximately \$4,912,000), of which GB£3,627,000 (approximately \$4,317,000) was paid at closing and the remaining GB£ 500,000 (approximately \$595,000) was held back against potential claims for breaches of representations and warranties (subject to certain deductibles and caps) and was paid to the sellers in December 2023. The purchase price was subject to adjustment based on the extent, if any, to which Calman's net working capital at closing was more or less than GB£600,000 (approximately \$714,000), which resulted in additional purchase consideration of approximately GB£ 1,292,000 (approximately \$1,538,000).

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date, giving effect to the post-closing purchase price adjustment and the revised allocation based on the results of the valuation report (in thousands).

Cash	\$	1,577
Accounts receivable		656
Inventories		622
Prepaid expenses and other current assets		12
Property, plant, and equipment		146
Right-of-use assets		91
Accounts payable and accrued liabilities		(615)
Lease liabilities		(91)
Net identifiable tangible assets acquired		2,398
Developed technology		381
Tradenames and trademarks		214
Customer relationships		1,260
Non-compete agreements		843
Deferred tax liabilities		(710)
Goodwill		2,064
Net assets acquired	\$	6,450

The goodwill recognized is attributable primarily to expected synergies and the assembled workforce of Calman. The goodwill is not expected to be deductible for income tax purposes.

The following represents pro forma consolidated statement of operations information as if Calman had been included in our consolidated results for the full periods ended September 30, 2024 and 2023:

	Pro Forma		Pro Forma	
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands)		(in thousands)	
Revenue	\$ 2,671	\$ 3,075	\$ 8,693	\$ 11,163
Net income (loss)	\$ (523)	\$ (125)	\$ (1,571)	\$ 552

#### Note 4 – Earnings Per Share

Basic earnings per share is computed by dividing net income/loss applicable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income/loss by the weighted average number of common shares outstanding during the period, plus the dilutive effect of any dilutive securities.

On March 1, 2024, the Board of Directors declared a 50% common stock dividend with a record date of March 11, 2024, that was paid on March 22, 2024. The effect of this stock dividend (which is accounted for as a stock split effected in the form of a stock dividend) has been applied retroactively to weighted average common shares outstanding, earnings per share, and the conversion rate and conversion price applicable for our Series A Convertible Preferred Stock, as if the 50% common stock dividend had occurred at the beginning of the earliest period presented.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands, except per share data)			
Net income (loss)	\$ (523)	\$ (125)	\$ (1,571)	\$ 65
Less: Preferred stock dividends	(100)	(100)	(300)	(300)
Net (loss) applicable to common stockholders	(623)	(225)	(1,871)	(235)
Weighted average common shares outstanding – basic	9,862	9,873	9,861	9,896
Dilutive potential common shares from convertible preferred stock and restricted stock units	—	—	—	—
Weighted average common shares outstanding – diluted	9,862	9,873	9,861	9,896
Earnings (loss) per common share, basic	\$ (0.06)	\$ (0.02)	\$ (0.19)	\$ (0.02)
Earnings (loss) per common share, diluted	\$ (0.06)	\$ (0.02)	\$ (0.19)	\$ (0.02)
Shares issuable upon conversion of Series A Convertible Preferred Stock excluded from calculation because their conversion would be anti-dilutive	600	600	600	600
Shares subject to restricted stock units excluded from calculation because their effect would be anti-dilutive	31	—	31	—

200,000 shares of Series A Convertible Preferred Stock convertible into 600,000 shares of common stock were outstanding but were not included in the computation of diluted earnings (loss) per share because the effect of their conversion would be anti-dilutive due to the net losses and/or due to the \$8.33 conversion price being higher than the average market price of the common stock. 31,250 restricted stock units (relating to the same number of shares of common stock) were outstanding for the periods in 2024 but were not included in the computation of diluted earnings (loss) per share for those periods because their effect would be anti-dilutive due to the net losses.

## Note 5 – Stockholders' Equity

### Restricted Stock Units

In May 2024, the Compensation Committee of the Company's Board of Directors approved the Company's grant of 31,250 restricted stock units to certain employees under the Interlink Electronics, Inc. 2016 Omnibus Incentive Plan. A summary of the status of the Company's nonvested restricted stock units as of and for the year-to-date period ended September 30, 2024, is as follows:

Nonvested Restricted Stock Units	Shares	Weighted-Average Grant-Date Fair Value (per share)
Nonvested at January 1, 2024	—	\$ —
Granted	31,250	4.35
Vested	—	—
Forfeited	—	—
Nonvested at September 30, 2024	31,250	\$ 4.35

As of September 30, 2024, there was approximately \$ 124,000 of total unrecognized compensation cost related to nonvested restricted stock units. That cost is expected to be recognized over a weighted-average period of 4.3 years.

### Stock Repurchase Transaction

In May 2023, the Company's Board of Directors approved the Company's repurchase of 8,250 shares of common stock that were previously issued and sold in a private transaction to an individual in December 2022. The Company repurchased the shares for \$50,050 (\$6.07 per share), which is the same price at which the Company issued and sold the shares in December 2022.

### Stock Repurchase Program

In May 2023, the Company's Board of Directors approved a Stock Repurchase Program to repurchase up to 100,000 shares of the Company's common stock. During the three and nine months ended September 30, 2024, the Company did not repurchase any shares. During the three and nine months ended September 30, 2023, the Company repurchased 27,326 shares and 48,180 shares, respectively, for an aggregate purchase prices of approximately \$173,000 and \$300,000, respectively. The Stock Repurchase Program expired in May 2024.

## Note 6 – Significant Customers, Concentrations of Credit Risk, and Geographic Information

We manage and operate our business through one operating segment.

Net revenues from customers equal to or greater than 10% of total net revenues are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Customer A	* %	11 %	14 %	22 %
Customer B	10 %	19 %	13 %	11 %
Customer C	* %	11 %	* %	* %

\* Less than 10% of total net revenues



Net revenues by geographic area are as follows:

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>(in thousands)</b>		<b>(in thousands)</b>	
United States	\$ 1,056	\$ 1,257	\$ 3,904	\$ 5,357
Asia and Middle East	775	816	1,982	2,770
Europe and other	840	1,002	2,807	2,275
Revenue, net	<u>\$ 2,671</u>	<u>\$ 3,075</u>	<u>\$ 8,693</u>	<u>\$ 10,402</u>

Revenues by geographic area are based on the country of shipment destination. The geographic location of distributors and third-party manufacturing service providers may be different from the geographic location of the purchasers and/or ultimate end users.

We provide credit only to creditworthy third parties who are subject to our credit verification procedures. Accounts receivable balances are monitored on an ongoing basis, and accounts deemed to have credit risk are fully reserved. At September 30, 2024, two customers accounted for 17% and 13% of total accounts receivable. At December 31, 2023, two customers accounted for 35% and 16% of total accounts receivable. Our allowance for credit losses was \$0 at both September 30, 2024 and December 31, 2023.

Our long-lived assets were geographically located as follows:

	<b>September 30,</b>	<b>December 31,</b>
	<b>2024</b>	<b>2023</b>
	<b>(in thousands)</b>	
United States	\$ 1,401	\$ 733
Europe	4,610	4,784
Asia	389	217
Total long-lived assets	<u>\$ 6,400</u>	<u>\$ 5,734</u>

## Note 7 – Related Party Transactions

### Qualstar Corporation (OTCMKTS:QBAK)

Qualstar Corporation (OTCMKTS:QBAK) ("Qualstar") is a related party. Steven N. Bronson, our Chairman of the Board, President and Chief Executive Officer, is also the President, Chief Executive Officer and a director of Qualstar. Ryan J. Hoffman, our Chief Financial Officer, is also the Acting Chief Financial Officer of Qualstar. Mr. Bronson, together with BKF Capital Group, Inc. (OTCMKTS:BKFG) which he controls, has a controlling interest in both Interlink and Qualstar. We have a facilities agreement with Qualstar to allow Qualstar to use a portion of our Irvine, California and Bellevue Washington office facilities, for which we have agreed to split substantially all rent and lease-related costs on an apportioned basis according to the approximate relative usage levels by each entity. Qualstar also has a facilities agreement with us to allow us to use of a portion of its Camarillo, California office and warehouse facility, for which we have agreed to split substantially all rent and lease-related costs on an apportioned basis according to the approximate relative usage levels by each entity. In addition, we have various consulting agreements with Qualstar for certain of our respective employees and/or independent contractors that provide certain operational, sales, marketing, general and administrative services to the other entity. Interlink and Qualstar also agree to reimburse, or be reimbursed by, one another for expenses paid by one company on behalf of the other. Transactions with Qualstar and its subsidiaries are as follows:

	Three months ended September 30,			
	2024		2023	
	Due from Qualstar	Due to Qualstar	Due from Qualstar	Due to Qualstar
	(in thousands)			
Balance at July 1,	\$ 16	\$ 11	\$ 86	\$ 9
Billed (or accrued) to Qualstar by Interlink	142	—	196	—
Paid by Qualstar to Interlink	(132)	—	(255)	—
Billed (or accrued) to Interlink by Qualstar	—	45	—	31
Paid by Interlink to Qualstar	—	(27)	—	(28)
Balance at September 30,	<u>\$ 26</u>	<u>\$ 29</u>	<u>\$ 27</u>	<u>\$ 12</u>

  

	Nine months ended September 30,			
	2024		2023	
	Due from Qualstar	Due to Qualstar	Due from Qualstar	Due to Qualstar
	(in thousands)			
Balance at January 1,	\$ 1	\$ 32	\$ 6	\$ —
Billed (or accrued) to Qualstar by Interlink	322	—	630	—
Paid by Qualstar to Interlink	(297)	—	(609)	—
Billed (or accrued) to Interlink by Qualstar	—	118	—	87
Paid by Interlink to Qualstar	—	(121)	—	(75)
Balance at September 30,	<u>\$ 26</u>	<u>\$ 29</u>	<u>\$ 27</u>	<u>\$ 12</u>

**BKF Capital Group, Inc. (OTCMKTS:BKFG)**

BKF Capital Group, Inc. (OTCMKTS:BKFG) ("BKF Capital") is a related party. Steven N. Bronson, our Chairman of the Board, President and Chief Executive Officer, is also the Chief Executive Officer and Chairman of BKF Capital. Ryan J. Hoffman, our Chief Financial Officer, is also the Chief Financial Officer of BKF Capital. Mr. Bronson, together with BKF Capital, has a controlling interest in Interlink. We have a facilities agreement with BKF Capital to allow BKF Capital to use a portion of our Irvine, California office facility, for which we have agreed to split substantially all rent and lease-related costs on an apportioned basis according to the approximate relative usage levels by each entity. In addition, we have consulting agreements with BKF Capital for certain of our respective employees and/or independent contractors that provide certain operational and general and administrative services to the other entity. In 2021, we entered into a M&A advisory consulting services agreement with Bronson Financial LLC ("BF"), a wholly owned subsidiary of BKF Capital, pursuant to which BF provided M&A advisory consulting services to us. This agreement was terminated in April 2024. Interlink and BKF Capital also agree to reimburse, or be reimbursed by, one another for expenses paid by one company on behalf of the other. Transactions with BKF Capital and its subsidiaries are as follows:

	Three months ended September 30,			
	2024		2023	
	Due from BKF Capital	Due to BKF Capital	Due from BKF Capital	Due to BKF Capital
	(in thousands)			
Balance at July 1,	\$ 1	\$ —	\$ 5	\$ —
Billed (or accrued) to BKF Capital by Interlink	1	—	8	—
Paid by BKF Capital to Interlink	(2)	—	(10)	—
Billed (or accrued) to Interlink by BKF Capital	—	—	—	56
Paid by Interlink to BKF Capital	—	—	—	(56)
Balance at September 30,	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3</u>	<u>\$ —</u>

  

	Nine months ended September 30,			
	2024		2023	
	Due from BKF Capital	Due to BKF Capital	Due from BKF Capital	Due to BKF Capital
	(in thousands)			
Balance at January 1,	\$ 2	\$ —	\$ 2	\$ —
Billed (or accrued) to BKF Capital by Interlink	6	—	41	—
Paid by BKF Capital to Interlink	(8)	—	(40)	—
Billed (or accrued) to Interlink by BKF Capital	—	75	—	136
Paid by Interlink to BKF Capital	—	(75)	—	(136)
Balance at September 30,	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3</u>	<u>\$ —</u>

**Note 8 – Income Taxes**

Income tax expense as a percentage of pre-tax income/loss was 5.7% for the three months ended September 30, 2024 versus 89.4% for the same quarter in the prior year, and was 4.0% for the nine months ended September 30, 2024 versus 78.0% for the nine months ended September 30, 2023. Our income tax expense is impacted by the mix of domestic and foreign pre-tax earnings and losses, permanent differences between book income/loss and taxable income/loss, and our ability to utilize net operating loss carryovers ("NOLs"). Accordingly, our effective tax rate typically will vary from the U.S. statutory tax rate of 21% from quarter to quarter. The effective tax rates for each of the three- and nine-month periods ended September 30, 2024 and 2023 were impacted by the amount of our foreign pre-tax income and the tax expense thereon while not realizing a benefit on our domestic pre-tax loss due to the valuation allowance on our domestic NOLs.

We experienced an ownership change under IRC Section 382 in 2010. In general, a Section 382 ownership change occurs if there is a cumulative change in our ownership by "5% shareholders" (as defined in the Internal Revenue Code of 1986, as amended) that exceeds 50 percentage points over a rolling three-year period. An ownership change generally affects the rate at which NOLs and potential other deferred tax assets are permitted to offset future taxable income. Certain state jurisdictions within which we operate contain similar provisions and limitations. As of September 30, 2024, all of the remaining federal and state NOLs are subject to annual limitations due to the 2010 ownership change.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize the existing deferred tax assets. We analyzed our need to record a valuation allowance against our otherwise recognizable net deferred tax assets in the federal, state and foreign jurisdictions, and we determined that a valuation allowance on federal and state deferred tax assets was necessary at both September 30, 2024 and December 31, 2023, while no valuation allowance on foreign deferred tax assets was necessary at both September 30, 2024 and December 31, 2023. The amount of deferred tax assets considered realizable could be adjusted in future periods if estimates of future taxable income during the carryforward period are reduced or increased, or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as our projections for future profitability.

The Internal Revenue Code includes a provision, referred to as Global Intangible Low-Taxed Income ("GILTI"), which provides for a 10.5% tax on certain income of controlled foreign corporations. We have elected to account for GILTI as a period cost if and when incurred, rather than recognizing deferred taxes for basis differences expected to reverse.

Of our \$3.8 million of cash at September 30, 2024, \$ 2.5 million was held by our foreign subsidiaries. If these funds are needed for our operations in the U.S. or for acquisitions, we have several methods to repatriate the funds without significant tax effects, including repayment of intercompany loans or distributions of previously taxed income. Other distributions may require us to incur U.S. or foreign taxes to repatriate these funds.

## **Note 9 – Commitments and Contingencies**

### ***Lease Agreements***

We lease facilities under non-cancellable operating leases. Our current leases expire at various dates through fiscal 2029 and frequently include renewal provisions for varying periods of time, provisions for taxes, insurance and maintenance costs, and provisions for minimum rent increases. Minimum leases payments, including scheduled rent increases are recognized as rent expenses on a straight-line basis over the term of the lease.

The rate implicit in each lease is not readily determinable, and we therefore use our incremental borrowing rate to determine the present value of the lease payments. The weighted average incremental borrowing rate used to determine the initial value of right-of-use ("ROU") assets and lease liabilities capitalized during the nine months ended September 30, 2024 was 9.5%, and during the nine months ended September 30, 2023 was 5.5%.

ROU assets for operating leases are periodically reduced by impairment losses. As of September 30, 2024, we have not recognized any impairment losses for our ROU assets.

We monitor for events or changes in circumstances that require a reassessment of our leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in profit or loss.

In June 2023, we entered into a lease agreement to lease 1,560 square feet of office space in Irvine, California for approximately \$4,000 per month for a term commencing June 2023 and ending May 2024. In March 2024 we extended the term of this lease through May 2025 for the same approximately \$4,000 per-month rental fee. Our Irvine, California office is used for executive offices, sales, finance and administration. We previously occupied a 4,351 square-foot office space in Irvine, California from June 2020 to May 2023 under a sublease agreement for approximately \$6,000 per month, plus common area maintenance costs.

In April 2024, we entered into a lease agreement to lease 2,480 square feet of office space in Bellevue, Washington for approximately \$9,000 per month for a term commencing July 2024 and ending October 2027. Our Bellevue, Washington office is used for executive offices, sales and administration.

We lease a 14,476 square-foot manufacturing facility and administrative office in Shenzhen, China. In May 2024, we renewed this lease for the period June 2024 through May 2026 for approximately \$8,000 per month. In May 2024, we also leased an additional 7,287 square-foot manufacturing facility in Shenzhen, China for the same June 2024 through May 2026 period for approximately \$3,000 per month.

We lease a 10,635 square-foot manufacturing facility and administrative offices in Newark, California. In February 2024, we renewed this lease for the period March 2024 through February 2025 for approximately \$19,000 per month. In March 2024, we entered into a new lease for a 5,183 square-foot facility in Fremont, California for a five - year and three - month period commencing May 1, 2024 for \$10,625 per month, escalating 3.5% annually, plus a share of common area operating expenses.

We lease an approximately 9,800 square-foot manufacturing facility and administrative offices in Irvine, Scotland for approximately \$5,000 per month. This lease term ends February 2028.

We lease a 275 square-foot engineering and administrative office in Singapore for approximately \$ 1,000 per month. This lease term ends June 2025.

We lease a 3,000 square-foot logistics and distribution facility in Hong Kong for approximately \$ 2,000 per month. This lease term ends April 2025.

We lease a 500 square-foot sales office in Tokyo, Japan for approximately \$ 1,000 per month. This lease term ends November 2024.

As of September 30, 2024, we had current and long-term lease liabilities of \$ 351,000 and \$870,000, respectively, and right-of-use assets of \$1,155,000. As of December 31, 2023, we had current and long-term lease liabilities of \$ 126,000 and \$33,000, respectively, and right of use assets of \$143,000. Future imputed interest as of September 30, 2024 totaled \$ 227,000. The weighted average remaining lease term of our leases as of September 30, 2024 is 2.4 years.

Future minimum lease payments under non-cancellable operating leases that have remaining non-cancellable lease terms in excess of one year are as follows:

<b>Years ending December 31,</b>	<b>(in thousands)</b>
2024 (remainder of year)	\$ 115
2025	443
2026	358
2027	286
2028	158
Thereafter	88
Total undiscounted future non-cancelable minimum lease payments	1,448
Less: imputed interest	(227)
Present value of lease liabilities	<u>\$ 1,221</u>

During the three months ended September 30, 2024, we incurred approximately \$ 186,000 in operating lease costs, of which \$91,000 are included in cost of revenue and \$95,000 are included in operating expenses in our condensed consolidated statements of operations. During the nine months ended September 30, 2024, we incurred approximately \$466,000 in operating lease costs, of which \$241,000 are included in cost of revenue and \$ 225,000 are included in operating expenses in our condensed consolidated statements of operations.

During the three months ended September 30, 2023, we incurred approximately \$ 129,000 in operating lease costs, of which \$54,000 is included in cost of revenue and \$75,000 is included in operating expenses in our condensed consolidated statements of operations. During the nine months ended September 30, 2023, we incurred approximately \$379,000 in operating lease costs, of which \$149,000 is included in cost of revenue and \$230,000 is included in operating expenses in our condensed consolidated statements of operations.

### ***Litigation***

We are not party to any legal proceedings as of September 30, 2024. We are occasionally involved in legal proceedings in the ordinary course of business, including actions against us which assert or may assert claims or seek to impose fines and penalties in substantial amounts. Related legal defense costs are expensed as incurred.

### **Warranties**

We establish reserves for future product warranty costs that are expected to be incurred pursuant to specific warranty provisions with our customers. We generally warrant our products against defects for one year from date of shipment, with certain exceptions in which the warranty period can extend to more than one year based on contractual agreements. Our warranty reserves are established at the time of sale and updated throughout the warranty period based upon numerous factors including historical warranty return rates and expenses over various warranty periods. Historically, our warranty returns have not been material.

### **Intellectual Property Indemnities**

We indemnify certain customers and our contract manufacturers against liability arising from third-party claims of intellectual property rights infringement related to our products. These indemnities appear in development and supply agreements with our customers as well as manufacturing service agreements with our contract manufacturers, are not limited in amount or duration and generally survive the expiration of the contract. Given that the amount of any potential liabilities related to such indemnities cannot be determined until an infringement claim has been made, we are unable to determine the maximum amount of losses that we could incur related to such indemnifications.

### **Director and Officer Indemnities and Contractual Guarantees**

Pursuant to our bylaws, we will indemnify our directors and executive officers to the fullest extent permitted by Nevada law, without limitation as to amount or duration, in the event of any actual or threatened lawsuit or proceeding. Certain costs incurred in connection with such indemnifications may be recovered under certain circumstances under various insurance policies. Given that the amount of any potential liabilities related to such indemnities cannot be determined until a lawsuit or proceeding has been threatened or filed, we are unable to determine the maximum amount of losses that we could incur relating to such indemnities.

We have entered into an employment agreement with Steven N. Bronson, our Chairman of the Board, President and Chief Executive Officer. This agreement contains certain severance and change in control obligations. Under the agreement, if Mr. Bronson's employment is terminated due to his death or disability (as such terms are defined in the agreement), Mr. Bronson or his beneficiaries will be entitled to receive: (i) his base compensation to the end of the monthly pay period immediately following the date of termination; (ii) accrued bonus payments; and (iii) immediate and full vesting of all unvested equity and/or options issued by the Company. If Mr. Bronson's employment is terminated by him for good reason (as such term is defined in the agreement), or by us without cause, then Mr. Bronson will be entitled to receive: (i) his base compensation to the date of termination; (ii) a severance payment equal to twelve months of his base compensation; (iii) any earned bonus compensation; (iv) employee benefits for twelve months following the date of termination; (v) any vested company match 401(k) or other retirement contribution; and (vi) immediate and full vesting of all unvested equity and/or options issued by the Company.

In the event of a change in control of the Company (as such term is defined in the agreement), Mr. Bronson is entitled to receive: (i) a change in control payment in an amount equal to twelve months of his base compensation, payable as of the date the change in control occurs; and (ii) immediate and full vesting of all unvested equity and/or options issued by the Company.

### **Guarantees and Indemnities**

In the normal course of business, we are occasionally required to undertake indemnification for which we may be required to make future payments under specific circumstances. We review our exposure under such obligations no less than annually, or more frequently as required. The amount of any potential liabilities related to such obligations cannot be accurately determined until a formal claim is filed. Historically, any such amounts that become payable have not had a material negative effect on our business, financial condition or results of operations. We maintain general and product liability insurance which may provide a source of recovery to us in the event of an indemnification claim.

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

*This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "believe," "may," "will," "potentially," "estimate," "continue," "anticipate," "intend," "could," "would," "project," "plan," "expect" and similar expressions that convey uncertainty of future events or outcomes are intended to identify forward-looking statements. These forward-looking statements speak only as of the date of this Form 10-Q and are subject to uncertainties, assumptions and business and economic risks. As such, our actual results could differ materially from those set forth in the forward-looking statements as a result of the factors set forth below in Part II, Item 1A, "Risk Factors," and in our other reports filed with the Securities and Exchange Commission. You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances described in the forward-looking statements will be achieved or occur. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Form 10-Q to conform these statements to actual results or to changes in our expectations, except as required by law.*

*The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.*

### Overview

Interlink Electronics, Inc. is a global sensor and printed electronics company operating in two principal sensor technology divisions: force/touch sensors, and gas and environmental sensors. Our force/touch sensors, including our Force-Sensing Resistor ("FSR®") technology and related technologies, and our membrane keypads, graphic overlays and printed electronics are used extensively in Human-Machine Interface ("HMI") devices, while our gas and environmental sensors and instruments are used in environmental and air quality monitoring across a broad range of applications. We design, develop, manufacture and sell a range of technologies that incorporate our proprietary materials technology, firmware and software into a portfolio of standard products and custom solutions.

On March 1, 2024, the Board of Directors declared a 50% common stock dividend that was paid on March 22, 2024. For all years presented, all share and per share data have been retroactively adjusted for the effect of the 50% common stock dividend, which is accounted for as a stock split effected in the form of a stock dividend.

Our principal products are:

**Force/Touch Sensors.** We design, develop, manufacture and sell a range of force-sensing technologies that incorporate our proprietary materials technology, firmware and software into a portfolio of standard products and custom solutions. These include sensor components, subassemblies, modules and products that support effective, efficient cursor control and novel three-dimensional user inputs. Our HMI technology platforms are deployed in a wide range of markets, including consumer electronics, automotive, industrial and medical. The application of our HMI technology platforms includes vehicle entry, vehicle multi-media control interface, rugged touch controls, presence detection, collision detection, speed and torque controls, pressure mapping, biological monitoring and others. Additionally, through the Calman acquisition in March 2023, which brought us over 25 years of HMI design and manufacturing expertise as a leading provider of specialized printed electronics, we offer customized membrane keypads, graphic overlays, printed electronics and industrial label products for use in a wide range of fields, from industrial instrumentation, process control and monitoring to medical and diagnostic devices and defense systems.

**Gas and Environmental Sensors.** We entered the gas and environmental sensing market in 2022 through our acquisition of the business assets of SPEC Sensors, LLC ("SPEC") and KWJ Engineering, Inc. ("KWJ"), early pioneers in miniaturized, low-cost gas and environmental sensing technologies. Following our acquisition of these operations, we now offer electrochemical gas-sensing technology products and solutions for industry, community, health and home, with uses in fields such as safety, personal wellness and air quality monitoring.

We sell our products and solutions globally to a diverse array of customers that includes Fortune Global 500 companies with the world's most recognizable brands, as well as start-ups, design houses, original design and equipment manufacturers, and universities. Our technology has been deployed in the consumer electronics, automotive, industrial automation, medical, defense and environmental monitoring markets. Our global presence in the United States, China, United Kingdom, Hong Kong, Singapore and

Japan allows us to broadly provide sales and engineering support services to our existing and future worldwide customers. We manufacture our products in a state-of-the-art facility in Shenzhen, China, and in our advanced and proprietary facilities in Silicon Valley, California and Irvine, Scotland. We control 100% of the manufacturing and shipping process, which enables us to respond quickly to customer product demand and design requirements.

We have invested significantly in the expansion of our technology platforms through our own internal development to ensure we continue to provide the market with leading-edge solutions that are seamless to deploy and perform flawlessly. Having previously built an R&D organization in Singapore to develop new product offerings to meet the market's growing demand for touch technology and smart surfaces, in 2020 we relocated a majority of our R&D and product development efforts to Camarillo, California, where we have established a Global Product Development and Materials Science Center. Combined with the advanced and proprietary facilities in Silicon Valley and Scotland that were acquired in connection with the acquisitions of SPEC/KWJ and Calman, we believe this will allow us to grow our business and be more closely aligned with current and future top-tier customers. We also plan to explore potential strategic relationships with companies and technology institutes that will support our growth initiatives.

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

We prepare our consolidated financial statements in accordance with generally accepted accounting principles in the United States ("GAAP"). The preparation of consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by our management. To the extent that there are differences between our estimates and actual results, our future financial statements presentation, financial condition, results of operations, and cash flows will be affected.

A description of our critical accounting policies that represent the more significant judgments and estimates used in the preparation of our financial statements was provided in the Management's Discussion and Analysis of Financial Condition and Results of Operations section in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 25, 2024. There have been no changes to our critical accounting policies and estimates described in the Form 10-K that have had a material impact on our condensed consolidated financial statements and related notes.

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

We reviewed all recently issued accounting pronouncements and concluded they are all not applicable or not expected to be material to our financial statements.



## Results of Operations

The following table sets forth certain unaudited condensed consolidated statements of operations data for the periods indicated. The percentages in the table are based on net revenues.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
	\$	%	\$	%	\$	%	\$	%
	(in thousands, except percentages)							
Revenue, net	\$ 2,671	100.0 %	\$ 3,075	100.0 %	\$ 8,693	100.0 %	\$ 10,402	100.0 %
Cost of revenue	1,566	58.6 %	1,616	52.6 %	5,030	57.9 %	5,295	50.9 %
Gross profit	1,105	41.4 %	1,459	47.4 %	3,663	42.1 %	5,107	49.1 %
Operating expenses:								
Engineering, research and development	486	18.2 %	588	19.1 %	1,572	18.1 %	1,765	17.0 %
Selling, general and administrative	1,095	41.0 %	963	31.3 %	3,631	41.8 %	3,201	30.8 %
Total operating expenses	1,581	59.2 %	1,551	50.4 %	5,203	59.9 %	4,966	47.7 %
Income (loss) from operations	(476)	(17.8)%	(92)	(3.0)%	(1,540)	(17.7)%	141	1.4 %
Other income (expense), net	(19)	(0.7)%	26	0.8 %	29	0.3 %	154	1.5 %
Income (loss) before income taxes	(495)	(18.5)%	(66)	(2.1)%	(1,511)	(17.4)%	295	2.8 %
Income tax expense	28	1.0 %	59	1.9 %	60	0.7 %	230	2.2 %
Net income (loss)	\$ (523)	(19.6)%	\$ (125)	(4.1)%	\$ (1,571)	(18.1)%	\$ 65	0.6 %

### Comparison of Three Months Ended September 30, 2024 and 2023

Revenue, net, by the markets we serve is as follows:

	Three Months Ended September 30,					
	2024			2023		
	Amount	% of Revenue		Amount	% of Revenue	
	(in thousands, except percentages)					
Medical	\$ 572	21.4 %	\$ 831	27.0 %	\$ (259)	(31.2)%
Industrial	833	31.2 %	988	32.1 %	(155)	(15.7)%
Consumer	80	3.0 %	56	1.8 %	24	42.9 %
Standard	1,186	44.4 %	1,200	39.0 %	(14)	(1.2)%
Revenue, net	\$ 2,671	100.0 %	\$ 3,075	100.0 %	\$ (404)	(13.1)%

We sell our custom products into the medical, industrial, and consumer markets. We sell our standard products to customers in many markets through various distribution networks. The ultimate customer for our products may come from different markets that are often unknown to us at the time of sale. Each market has different product design cycles. Products with longer design cycles often have much longer product life cycles. Medical, industrial, and environmental monitoring products generally have longer design and life cycles than consumer products. We currently have products with life cycles that have exceeded 20 years and are ongoing.

Revenues were down in the three months ended September 30, 2024 as compared to the three months ended September 30, 2023 for sales to customers in the medical and industrial markets into which we sell our custom products, and also for our standard products, while revenues for sales of our custom products to customers in the consumer market were up marginally. Fluctuations in our revenue result from variations in the trends and timing of shipments of our products which are impacted by fluctuations in customer demand. In the third quarter of 2024, we experienced lower demand from certain of our larger force-sensor customers in the medical and industrial markets compared to the third quarter of 2023, and we also experienced delays in fulfillment of orders from one of our larger customers of our membrane printed electronics products made in our Calman subsidiary. In all markets, the timing of orders from our customers is not always predictable and can be concentrated in varying periods to coincide with our customers' project and building plans.

	Three Months Ended September 30,					
	2024		2023		\$ Change	% Change
	Amount	% of	Amount	% of		
		Revenue		Revenue		
		(in thousands, except percentages)				
Gross profit	\$ 1,105	41.4 %	\$ 1,459	47.4 %	\$ (354)	(24.3)%

Our gross profit and gross margin percentage are impacted by various factors including product mix, customer mix, sales volume, and fluctuations in our cost of revenues, which are comprised of material costs, direct and indirect production labor costs, warehousing and logistics costs, facilities costs, and other costs related to production activities. Gross profit and gross margin percentage were down during the three months ended September 30, 2024 compared to the three months ended September 30, 2023 due primarily to lower revenues and also in part to changes in product and customer mix.

	Three Months Ended September 30,					
	2024		2023		\$ Change	% Change
	Amount	% of	Amount	% of		
		Revenue		Revenue		
	(in thousands, except percentages)					
Engineering, research and development	\$ 486	18.2 %	\$ 588	19.1 %	\$ (102)	(17.3)%

Engineering and R&D expenses consist primarily of compensation expenses for employees engaged in research, design and development activities, plus the cost of those employees' indirect supplies and allocation of facilities expenses. Our R&D team focuses both on internal design development in order to develop our products and solutions, and on custom design development aimed at addressing our customers' unique design challenges. Engineering and R&D costs for the three months ended September 30, 2024 were down compared to the three months ended September 30, 2023 due to decreased engineering employee and consultant compensation costs.

	Three Months Ended September 30,					
	2024		2023		\$ Change	% Change
	Amount	% of	Amount	% of		
		Revenue		Revenue		
(in thousands, except percentages)						
Selling, general and administrative	\$ 1,095	41.0 %	\$ 963	31.3 %	\$ 132	13.7 %

Selling, general and administrative expenses consist primarily of compensation expenses for sales and administrative employees, legal and other professional fees, facilities expenses, communication expenses, and intangible asset amortization expense. Selling, general and administrative costs for the three months ended September 30, 2024 were up compared to the three months ended September 30, 2023 attributable to increased intangible asset amortization expense due to the Calman acquisition, partly offset by lower sales and administrative compensation expense on lower headcount and lower professional services expenses.

	Three Months Ended September 30,					
	2024		2023		\$ Change	% Change
	Amount	% of	Amount	% of		
		Revenue		Revenue		
	(in thousands, except percentages)					
Other income (expense), net	\$ (19)	(0.7)%	\$ 26	0.8 %	\$ (45)	(173.1)%

Other income (expense) consists of non-operating income and expenses, such as gains and losses on marketable securities, foreign currency transaction gains and losses, interest income and expense, and other non-operating income and expenses. Other income (expense) for the three months ended September 30, 2024 was comprised of \$14,000 of interest income, offset by \$33,000 of foreign currency transaction losses, while other income (expense) for the three months ended September 30, 2023 was comprised of \$31,000 of interest income, offset by \$5,000 of foreign currency transaction losses.

Income tax expense as a percentage of pre-tax income/loss was 5.7% for the three months ended September 30, 2024 versus 89.4% for the comparable period in the prior year. Our income tax expense is impacted by the mix of domestic and foreign pre-tax earnings and losses, permanent differences between book income/loss and taxable income/loss, and our ability to utilize net operating loss carryovers ("NOLs"). Accordingly, our effective tax rate typically will vary from the U.S. statutory tax rate of 21% from quarter to quarter. The effective tax rates for both of the three-month periods ended September 30, 2024 and 2023 were impacted by the amount of our foreign pre-tax income and the tax expense thereon while not realizing a benefit on our domestic pre-tax loss due to the valuation allowance on our domestic NOLs.

Discrete tax events may cause our effective rate to fluctuate on a quarterly basis. Certain events, including, for example, acquisitions and other business changes, which are difficult to predict, may also cause our effective tax rate to fluctuate. We are subject to changing tax laws, regulations, and interpretations in multiple jurisdictions. Corporate tax reform continues to be a priority in the U.S. and other jurisdictions. Additional changes to the tax system in the U.S. could have significant effects, positive and negative, on our effective tax rate and on our deferred tax assets and liabilities.

#### **Comparison of Nine Months Ended September 30, 2024 and 2023**

Revenue, net, by the markets we serve is as follows:

	Nine Months Ended September 30,					
	2024			2023		
	Amount	% of Revenue	Amount	% of Revenue	\$ Change	% Change
	(in thousands, except percentages)					
Medical	\$ 3,035	34.9 %	\$ 3,871	37.2 %	\$ (836)	(21.6)%
Industrial	2,019	23.2 %	3,173	30.5 %	(1,154)	(36.4)%
Consumer	217	2.5 %	350	3.4 %	(133)	(38.0)%
Standard	3,422	39.4 %	3,008	28.9 %	414	13.8 %
Revenue, net	\$ 8,693	100.0 %	\$ 10,402	100.0 %	\$ (1,709)	(16.4)%

Revenues were down in the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023 for sales to customers in the medical, industrial, and consumer markets into which we sell our custom products, while revenues for sales of our standard products were up in the 2024 period compared to the prior year. Fluctuations in our revenue result from variations in the trends and timing of shipments of our products which are impacted by fluctuations in customer demand. During the first nine months of 2024, we experienced lower demand from certain of our larger force-sensor customers in the medical, industrial, and consumer markets compared to the first nine months of 2023, and we also experienced delays in fulfillment of orders from one of our larger customers of our membrane printed electronics products made in our Calman subsidiary. In all markets, the timing of orders from our customers is not always predictable and can be concentrated in varying periods to coincide with our customers' project and building plans.

	Nine Months Ended September 30,					
	2024			2023		
	Amount	% of Revenue	Amount	% of Revenue	\$ Change	% Change
	(in thousands, except percentages)					
Gross profit	\$ 3,633	42.1 %	\$ 5,107	49.1 %	\$ (1,474)	(28.9)%

Gross profit and gross margin percentage were down during the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 due primarily to lower revenues and also in part to changes in product and customer mix.

	Nine Months Ended September 30,					
	2024		2023		\$ Change	% Change
	Amount	% of	Amount	% of		
		Revenue		Revenue		
	(in thousands, except percentages)					
Engineering, research and development	\$ 1,572	18.1 %	\$ 1,765	17.0 %	\$ (193)	(10.9)%

Engineering and R&D costs for the nine months ended September 30, 2024 were down compared to the nine months ended September 30, 2023 due to decreased engineering employee and consultant compensation costs.

	Nine Months Ended September 30,					
	2024		2023		\$ Change	% Change
	Amount	% of	Amount	% of		
		Revenue		Revenue		
	(in thousands, except percentages)					
Selling, general and administrative	\$ 3,631	41.8 %	\$ 3,201	30.8 %	\$ 430	13.4 %

Selling, general and administrative costs for the nine months ended September 30, 2024 were up compared to the nine months ended September 30, 2023 attributable to increased intangible asset amortization expense due to the Calman acquisition, partly offset by lower sales and administrative compensation expense on lower headcount and lower professional services expenses.

	Nine Months Ended September 30,					
	2024		2023			
	Amount	% of Revenue	Amount	% of Revenue	\$ Change	% Change
	(in thousands, except percentages)					
Other income (expense), net	\$ 29	0.3 %	\$ 154	1.5 %	\$ (125)	(81.2)%

Other income (expense) for the nine months ended September 30, 2024 was comprised of \$46,000 of interest income, offset by \$17,000 of foreign currency transaction losses, while other income (expense) for the nine months ended September 30, 2023 was comprised of \$129,000 of interest income, and \$25,000 of foreign currency transaction gains.

Income tax expense as a percentage of pre-tax income/loss was 4.0% for the nine months ended September 30, 2024 versus 78.0% for the comparable period in the prior year. Our income tax expense is impacted by the mix of domestic and foreign pre-tax earnings and losses, permanent differences between book income/loss and taxable income/loss, and our ability to utilize net operating loss carryovers ("NOLs"). The effective tax rates for both of the nine-month periods ended September 30, 2024 and 2023 were impacted by the amount of our foreign pre-tax income and the tax expense thereon while not realizing a benefit on our domestic pre-tax loss due to the valuation allowance on our domestic NOLs.

### Liquidity and Capital Resources

Cash requirements for working capital and capital expenditures have historically been funded from cash balances on hand, cash generated from operations, and sales of equity securities. As of September 30, 2024, we had cash and cash equivalents of \$3.8 million, working capital of \$6.5 million and no indebtedness. Cash and cash equivalents consist of cash and money market funds. Of our \$3.8 million of cash, \$2.5 million was held by foreign subsidiaries. If these funds are needed for our operations in the U.S. or for acquisitions, we have several methods to repatriate without significant tax effects, including repayment of intercompany loans or distributions of previously taxed income. Other distributions may require us to incur U.S. or foreign taxes to repatriate these funds.

We have outstanding 200,000 shares of our 8.0% Series A Convertible Preferred Stock (the "Preferred Stock") that have an aggregate liquidation preference of \$5.0 million. We pay, when, as and if declared by our Board of Directors, monthly cumulative cash dividends on the Preferred Stock at an annual rate of 8.0%; this is equivalent to \$0.16667 per month and \$2.00 per annum per share, based on a per share liquidation preference of \$25.00. Dividends on the Preferred Stock are payable monthly in arrears on the 15th day of each calendar month. Our Board of Directors has declared, and we have paid, cash dividends on the Preferred Stock each month since the Preferred Stock was issued in October 2021, and we expect that the Board will continue to declare, and we will continue to pay, such cash dividends each month while the Preferred Stock is outstanding, subject to applicable limitations under Nevada law.

We believe that our existing cash and cash equivalents balance will be sufficient to maintain our current operations considering our current financial condition, obligations, and other expected cash flows. If our circumstances change, however, we may require additional cash. If we require additional cash, we may attempt to raise additional capital through equity, equity-linked or debt financing arrangements. If we raise additional funds by issuing equity or equity-linked securities, the ownership of our existing stockholders will be diluted. If we raise additional financing by the incurrence of indebtedness, we could be subject to fixed payment obligations and could also be subject to restrictive covenants, such as limitations on our ability to incur additional debt, and other operating restrictions that could adversely impact our ability to conduct our business. If we are unable to raise additional needed funds, we may also take measures to reduce expenses to offset any shortfall.

### Cash Flow Analysis

Our cash flows from operating, investing and financing activities are summarized as follows:

	Nine Months Ended September 30,	
	2024	2023
	(in thousands)	
Net cash provided by (used in) operating activities	\$ (144)	\$ 155
Net cash (used in) investing activities	(107)	(4,322)
Net cash (used in) financing activities	(300)	(650)

#### Net Cash Provided By (Used In) Operating Activities

For the nine months ended September 30, 2024, the \$144,000 of cash used in operating activities was attributable to net loss of \$1,571,000, adjusted for non-cash charges of \$638,000 and cash provided by changes in operating assets and liabilities of \$789,000. For the nine months ended September 30, 2023, the \$155,000 of cash provided by operating activities was attributable to net income of \$65,000, adjusted for non-cash charges of \$292,000 and offset by cash used in changes in operating assets and liabilities of \$202,000.

Accounts receivable decreased from \$2.2 million at December 31, 2023 to \$1.2 million at September 30, 2024 due to lower shipments during the third quarter of 2024 compared to the fourth quarter of 2023. Many of our customers pay promptly and the accounts receivable balance is generally related to the most recent shipments. Inventories were unchanged from December 31, 2023 to September 30, 2024 at \$2.5 million. Inventory balances fluctuate depending on the timing of materials purchases and product shipments. Prepaid expenses and other current assets decreased from \$381,000 at December 31, 2023 to \$243,000 at September 30, 2024 due primarily to the timing of making prepayments versus when the benefits of those prepayments are consumed. Accounts payable, accrued liabilities, and accrued income taxes decreased from \$1.2 million at December 31, 2023 to \$903,000 at September 30, 2024; the balances of these working capital liabilities fluctuate due to the timing of purchases and payments on inventories and other accruals of employee compensation and outside services.

#### Net Cash (Used In) Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2024 consisted of \$107,000 of purchases of property, plant, and equipment. Net cash used in investing activities of \$4.3 million for the nine months ended September 30, 2023 consisted of \$4.3 million used to acquire the equity interests of Calman (which is net of \$1.6 million of cash acquired), and \$44,000 of purchases of property, plant, and equipment.

#### Net Cash (Used In) Financing Activities

Net cash used in financing activities of \$300,000 for the nine months ended September 30, 2024 consisted of payment of dividends on our Preferred Stock. Net cash used in financing activities of \$650,000 for the nine months ended September 30, 2023 consisted of \$350,000 used for repurchases of 56,430 shares of common stock and \$300,000 used for payments of dividends on our Preferred Stock.

## **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

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

Not Applicable.

## **Item 4. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

The phrase “disclosure controls and procedures” refers to controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended, or the Exchange Act, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the U.S. Securities and Exchange Commission, or SEC. Disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to our management, including our chief executive officer, or CEO, and chief financial officer, or CFO, as appropriate to allow timely decision regarding required disclosure.

Our management, with the participation of our CEO and CFO, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of September 30, 2024, the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our CEO and CFO had concluded that as of September 30, 2024, our disclosure controls and procedures were designed at a reasonable assurance level and were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

### **Changes in Internal Controls over Financial Reporting**

There was no change in our internal control over financial reporting during the quarter ended September 30, 2024 that materially affected, or is reasonable likely to materially affect, our internal control over financial reporting.

### **Limitations on Effectiveness of Controls and Procedures**

The Company's internal control over financial reporting includes policies and procedures that (1) pertain to maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Our management, including our CEO and CFO, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. In addition, the design of any system of controls is based in part on certain assumptions about the likelihood of future events, and controls may become inadequate if conditions change. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

**PART II: OTHER INFORMATION**

**Item 1A. Risk Factors**

This Quarterly Report on Form 10-Q contains forward-looking statements, which are subject to a variety of risks and uncertainties. Other actual results could differ materially from those anticipated in those forward-looking statements as a result of various factors, including those set forth in the risk factors relating to our business and common stock contained in Item 1A of our Annual Report on Form 10-K filed with the SEC on March 25, 2024. There have been no material changes to such risk factors during the nine months ended September 30, 2024.

**Item 5. Other Information**

**Insider Trading Arrangements**

None.

**Item 6. Exhibits**

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File Number	Exhibit	Filing Date	
3.1	<a href="#">Articles of Incorporation of the Registrant</a>	10	000-21858	3.1	February 17, 2016	
3.2	<a href="#">Certificate of Designations of Series A Preferred Stock</a>	8-K	001-37659	3.1	October 25, 2021	
3.2.1	<a href="#">Certificate of Amendment of Certificate of Designations of Series A preferred Stock</a>	8-K	001-37659	3.1	November 23, 2021	
3.3	<a href="#">Bylaws of the Registrant</a>	10	000-21858	3.2	February 17, 2016	
3.4	<a href="#">Amendment to Bylaws of the Registrant</a>	10	000-21858	3.3	February 17, 2016	
4.1	<a href="#">Form of the Registrant's common stock certificate</a>	10	000-21858	4.1	February 17, 2016	
31.1	<a href="#">Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>					X
31.2	<a href="#">Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>					X
32.1*	<a href="#">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</a>					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X
104	The cover page from Interlink Electronics, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted in iXBRL (Inline eXtensible Business Reporting Language) and contained in Exhibit 101.					X

\* The information in this exhibit is furnished and deemed not filed with the Securities and Exchange Commission for purposes of section 18 of the Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of Interlink Electronics, Inc. under the Securities Act of 1933, as amended, or the Exchange Act of 1934, as amended, whether made before or after the date hereof, regardless of any general incorporation language in such filing.



**SIGNATURES**

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

Date: November 7, 2024

**Interlink Electronics, Inc.**  
**(Registrant)**

By: /s/ Ryan J. Hoffman  
Ryan J. Hoffman  
Chief Financial Officer  
*(Principal Financial and Accounting Officer)*

**Certification of Principal Executive Officer  
Pursuant To Exchange Act Rules 13a-14(a) and 15d-14(a),  
As Adopted Pursuant To  
Section 302 of Sarbanes-Oxley Act of 2002**

I, Steven N. Bronson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Interlink Electronics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2024

/s/ Steven N. Bronson  
Steven N. Bronson, Chief Executive Officer  
(Principal Executive Officer)

---

**Certification of Principal Financial Officer  
Pursuant To Exchange Act Rules 13a-14(a) and 15d-14(a),  
As Adopted Pursuant To  
Section 302 of Sarbanes-Oxley Act of 2002**

I, Ryan J. Hoffman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Interlink Electronics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2024

/s/ Ryan J. Hoffman

Ryan J. Hoffman, Chief Financial Officer  
(Principal Financial and Accounting Officer)

---

**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**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), Steven N. Bronson, Chief Executive Officer (Principal Executive Officer) and Ryan J. Hoffman, Chief Financial Officer (Principal Financial and Accounting Officer) of Interlink Electronics, Inc. (the "Company"), hereby certifies that, to the best of his knowledge:

1. Our Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, to which this Certification is attached as Exhibit 32.1 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2024

/s/ Steven N. Bronson  
Steven N. Bronson  
Chief Executive Officer  
(Principal Executive Officer)

Date: November 7, 2024

/s/ Ryan J. Hoffman  
Ryan J. Hoffman  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

---