

REFINITIV

# DELTA REPORT

## 10-Q

SKYWATER TECHNOLOGY, INC

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

The following comparison report has been automatically generated

TOTAL DELTAS 585

█ CHANGES 174

█ DELETIONS 186

█ ADDITIONS 225

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: **March 31, 2024** **June 30, 2024**

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

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

Commission file number: 001-40345



**SkyWater Technology, Inc.**

(Exact name of registrant as specified in its charter)

Delaware

37-1839853

(State or other jurisdiction of  
incorporation or organization)

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

2401 East 86th Street, Bloomington, Minnesota 55425  
(Address of registrant's principal executive offices and zip code)

Registrant's telephone number, including area code: (952) 851-5200

Securities registered under Section 12(b) of the Exchange Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common stock, par value \$0.01 per share	SKYT	The Nasdaq Stock Market LLC

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or 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 checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" 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 17(a)(2)(B) of the Securities Act.  Yes  No

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

On **May 8, 2024** **August 5, 2024**, the number of shares of common stock, \$0.01 par value, outstanding was **47,349,929**, **47,479,418**.

---

---

## SkyWater Technology, Inc.

### TABLE OF CONTENTS

		Page No.
<a href="#"><u>Forward-Looking Statements</u></a>		3
<b>PART I. FINANCIAL INFORMATION</b>		4
Item 1. <a href="#"><u>Condensed Consolidated Financial Statements (unaudited)</u></a>		4
<a href="#"><u>Condensed Consolidated Balance Sheets</u></a>		4
<a href="#"><u>Condensed Consolidated Statements of Operations</u></a>		5
<a href="#"><u>Condensed Consolidated Statements of Shareholders' Shareholders' Equity</u></a>		6
<a href="#"><u>Condensed Consolidated Statements of Cash Flows</u></a>		78
<a href="#"><u>Notes to Condensed Consolidated Financial Statements</u></a>		910
Item 2. <a href="#"><u>Management's Management's Discussion and Analysis of Financial Condition and Results of Operations</u></a>		2425
Item 3. <a href="#"><u>Quantitative and Qualitative Disclosures About Market Risk</u></a>		3436
Item 4. <a href="#"><u>Controls and Procedures</u></a>		3537
<b>PART II. OTHER INFORMATION</b>		3638
Item 1. <a href="#"><u>Legal Proceedings</u></a>		3638
Item 1A. <a href="#"><u>Risk Factors</u></a>		3638
Item 2. <a href="#"><u>Unregistered Sales of Equity Securities and Use of Proceeds</u></a>		3638
Item 3. <a href="#"><u>Defaults Upon Senior Securities</u></a>		3638
Item 4. <a href="#"><u>Mine Safety Disclosures</u></a>		3638
Item 5. <a href="#"><u>Other Information</u></a>		3638
Item 6. <a href="#"><u>Exhibits</u></a>		3739

### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains statements that SkyWater Technology, Inc. ("SkyWater," the "Company," "we," "us," or "our") believes to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q, including, without limitation, our expectations regarding our business, results of operations, financial condition and prospects, are forward-looking statements. When used in this Quarterly Report on Form 10-Q, words such as "may," "expect," "anticipate," "estimate," "intend," "plan," "target," "seek," "potential," "believe," "will," "could," "should," "would," and "project" or the negative thereof or variations thereon or similar words or expressions that convey the uncertainty of future events or outcomes are generally intended to identify forward-looking statements.

Our forward-looking statements are subject to a number of risks, uncertainties, and assumptions. Key factors that may affect our results include, among others, the following:

- our goals and strategies;
- our future business development, financial condition, and results of operations;
- our ability to continue operating our fabrication facilities at full capacity;
- our ability to appropriately respond to changing technologies on a timely and cost-effective basis;
- our customer relationships and our ability to retain and expand our customer relationships;
- our ability to accurately predict our future revenues for the purpose of appropriately budgeting and adjusting our expenses;
- our expectations regarding dependence on our largest customers;
- our ability to diversify our customer base and develop relationships in new markets;
- the performance and reliability of our third-party suppliers and manufacturers;
- our ability to procure tools, materials, and chemicals;
- our ability to control costs, including our operating and capital expenses;
- the size and growth potential of the markets for our solutions, and our ability to serve and expand our presence in those markets;
- the level of demand in our customers' end markets;
- our ability to attract, train, and retain key qualified personnel in a competitive labor market;
- adverse litigation judgments, settlements, or other litigation-related costs;
- changes in trade policies, including the imposition of tariffs;
- our ability to raise additional capital or financing;
- our ability to accurately forecast demand;
- changes in local, regional, national, and international economic or political conditions, including those resulting from rising inflation and interest rates, a recession, or intensified international hostilities;
- the level and timing of U.S. government program funding;
- our ability to maintain compliance with certain U.S. government contracting requirements;
- regulatory developments in the United States and foreign countries;
- our ability to protect our intellectual property rights; and
- other factors disclosed in the section entitled "Risk Factors" and elsewhere in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and this Quarterly Report on Form 10-Q.

Moreover, our business, results of operations, financial condition, and prospects may be affected by new risks that could emerge from time to time. In light of these risks, uncertainties and assumptions, the forward-looking events and outcomes discussed in this Quarterly Report on Form 10-Q may not occur and our actual results could differ materially and adversely from those expressed or implied in the forward-looking statements. No forward-looking statement is a guarantee of future performance. You should not rely on forward-looking statements as predictions of future events or outcomes. Although we believe that the expectations reflected in the forward-looking statements are reasonable, the results, levels of activity, performance, or events and circumstances reflected in the forward-looking statements may not be achieved or occur.

The forward-looking statements in this Quarterly Report on Form 10-Q represent our views only as of the date hereof. We anticipate that subsequent events and developments will cause our views to change. However, we undertake no obligation to update publicly any forward-looking statements to conform such statements to changes in expectations or to actual results, or for any other reason, except as required by law. You should therefore not rely on these forward-looking statements as representing our views as of any date subsequent to the date hereof.

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

**SKYWATER TECHNOLOGY, INC.**  
**Condensed Consolidated Balance Sheets**  
(Unaudited)

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
	(in thousands, except share data)	(in thousands, except share data)
	(in thousands, except share data)	(in thousands, except share data)
	(in thousands, except share data)	(in thousands, except share data)
<b>Assets</b>		
Current assets		

Current assets		
Current assets		
Cash and cash equivalents		
Cash and cash equivalents		
Cash and cash equivalents		
Accounts receivable (net of allowance for credit losses of \$96 and \$180, respectively)		
Contract assets (net of allowance for credit losses of \$62 and \$99, respectively)		
Accounts receivable (net of allowance for credit losses of \$433 and \$180, respectively)		
Contract assets (net of allowance for credit losses of \$49 and \$99, respectively)		
Inventory		
Prepaid expenses and other current assets		
Income tax receivable		
Total current assets		
Property and equipment, net		
Intangible assets, net		
Other assets		
Total assets		
<b>Liabilities and shareholders' equity</b>		
Current liabilities		
Current liabilities		
Current liabilities		
Current portion of long-term debt		
Current portion of long-term debt		
Current portion of long-term debt		
Accounts payable		
Accrued expenses		
Short-term financing, net of unamortized debt issuance costs		
Contract liabilities		
Total current liabilities		
Long-term liabilities		
Long-term debt, less current portion and net of unamortized debt issuance costs		
Long-term debt, less current portion and net of unamortized debt issuance costs		
Long-term debt, less current portion and net of unamortized debt issuance costs		
Long-term contract liabilities		
Long-term contract liabilities		
Long-term contract liabilities		
Deferred income tax liability, net		
Other long-term liabilities		
Total long-term liabilities		
Total liabilities		
Commitments and contingencies (Note 10)	Commitments and contingencies (Note 10)	Commitments and contingencies (Note 10)
Shareholders' equity		
Preferred stock, \$0.01 par value per share (80,000,000 shares authorized; zero shares issued and outstanding as of March 31, 2024 and December 31, 2023)		
Preferred stock, \$0.01 par value per share (80,000,000 shares authorized; zero shares issued and outstanding as of March 31, 2024 and December 31, 2023)		
Preferred stock, \$0.01 par value per share (80,000,000 shares authorized; zero shares issued and outstanding as of March 31, 2024 and December 31, 2023)		
Common stock, \$0.01 par value per share (200,000,000 shares authorized; 47,338,069 and 47,028,159 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively)		
Preferred stock, \$0.01 par value per share (80,000,000 shares authorized; zero shares issued and outstanding as of June 30, 2024 and December 31, 2023)		

Preferred stock, \$0.01 par value per share (80,000,000 shares authorized; zero shares issued and outstanding as of June 30, 2024 and December 31, 2023)
Preferred stock, \$0.01 par value per share (80,000,000 shares authorized; zero shares issued and outstanding as of June 30, 2024 and December 31, 2023)
Common stock, \$0.01 par value per share (200,000,000 shares authorized; 47,468,475 and 47,028,159 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively)
Additional paid-in capital
Accumulated deficit
Total shareholders' equity, SkyWater Technology, Inc.
Noncontrolling interests
Total shareholders' equity
Total liabilities and shareholders' equity

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

SKYWATER TECHNOLOGY, INC.		Condensed Consolidated Statements of Operations	
(Unaudited)		Three-Month Period Ended	Three-Month Period Ended
		March 31, 2024	March 31, 2024
		June 30, 2024	July 2, 2023
		June 30, 2024	July 2, 2023
Revenue			
Cost of revenue			
Cost of revenue			
Cost of revenue			
Gross profit			
Gross profit			
Gross profit			
Research and development expense			
Research and development expense			
Research and development expense			
Selling, general, and administrative expense			
Selling, general, and administrative expense			
Selling, general, and administrative expense			
Operating loss			
Operating loss			
Operating loss			
Operating income (loss)			
Operating income (loss)			

Operating income (loss)
Interest expense
Interest expense
Interest expense
Loss before income taxes
Loss before income taxes
Loss before income taxes
Income tax expense
Income tax expense
Income tax expense
Net loss
Net loss
Income tax (benefit) expense
Net loss
Less: net income attributable to noncontrolling interests
Less: net income attributable to noncontrolling interests
Less: net income attributable to noncontrolling interests
Net loss attributable to SkyWater Technology, Inc.
Net loss attributable to SkyWater Technology, Inc.
Net loss attributable to SkyWater Technology, Inc.
Net loss per share attributable to common shareholders, basic and diluted
Net loss per share attributable to common shareholders, basic and diluted
Net loss per share attributable to common shareholders, basic and diluted
Weighted average shares used in computing net loss per common share, basic and diluted
Weighted average shares used in computing net loss per common share, basic and diluted
Weighted average shares used in computing net loss per common share, basic and diluted

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

SKYWATER TECHNOLOGY, INC.										
Condensed Consolidated Statements of Shareholders' Equity										
For the Three-Month Periods Ended <b>March 31, 2024</b> <b>June 30, 2024</b> and <b>April 2, 2023</b> <b>July 2, 2023</b>										
(dollars and shares in thousands)										
(Unaudited)										
Preferred Stock	Preferred Stock	Common Stock		Additional Paid-in Capital		Accumulated Deficit		Total Shareholders' Equity, SkyWater Technology, Inc.		Total Shareholders' Equity
Preferred Stock										
Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity, SkyWater Technology, Inc.	Noncontrolling Interests	Total Shareholders' Equity				
Shares		Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity, SkyWater Technology, Inc.	Noncontrolling Interests	Total Shareholders' Equity				
Balance at January 1, 2023										
Balance at January 1, 2023										

Balance at January 1, 2023

Adoption of new  
accounting principle

Balance at April 2, 2023

Balance at April 2, 2023

Balance at April 2, 2023

Issuance of common stock  
under the ATM

Issuance of common stock  
under the ATM

Issuance of common  
stock under the ATM

Issuance of common  
stock pursuant to equity  
compensation plans

Equity-based  
compensation

Net distribution to VIE  
member

Contribution from VIE  
member

Net (loss) income

Balance at April 2, 2023

Balance at July 2, 2023

Balance at December 31,  
2023

Balance at December 31,  
2023

Balance at December 31,  
2023

Balance at March 31, 2024

Balance at March 31, 2024

Balance at March 31, 2024

Issuance of common stock  
pursuant to equity  
compensation plans

Issuance of common stock  
pursuant to equity  
compensation plans

Issuance of common stock  
pursuant to equity  
compensation plans

Equity-based  
compensation

Contribution from VIE  
member

Distribution to VIE  
member

Net (loss) income

Net (loss) income

Net (loss) income

Balance at March 31,  
2024

Balance at June 30,  
2024

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

**SKYWATER TECHNOLOGY, INC.**  
**Condensed Consolidated Statements of Shareholders' Equity**  
**For the Six-Month Periods Ended June 30, 2024 and July 2, 2023**  
(dollars and shares in thousands)

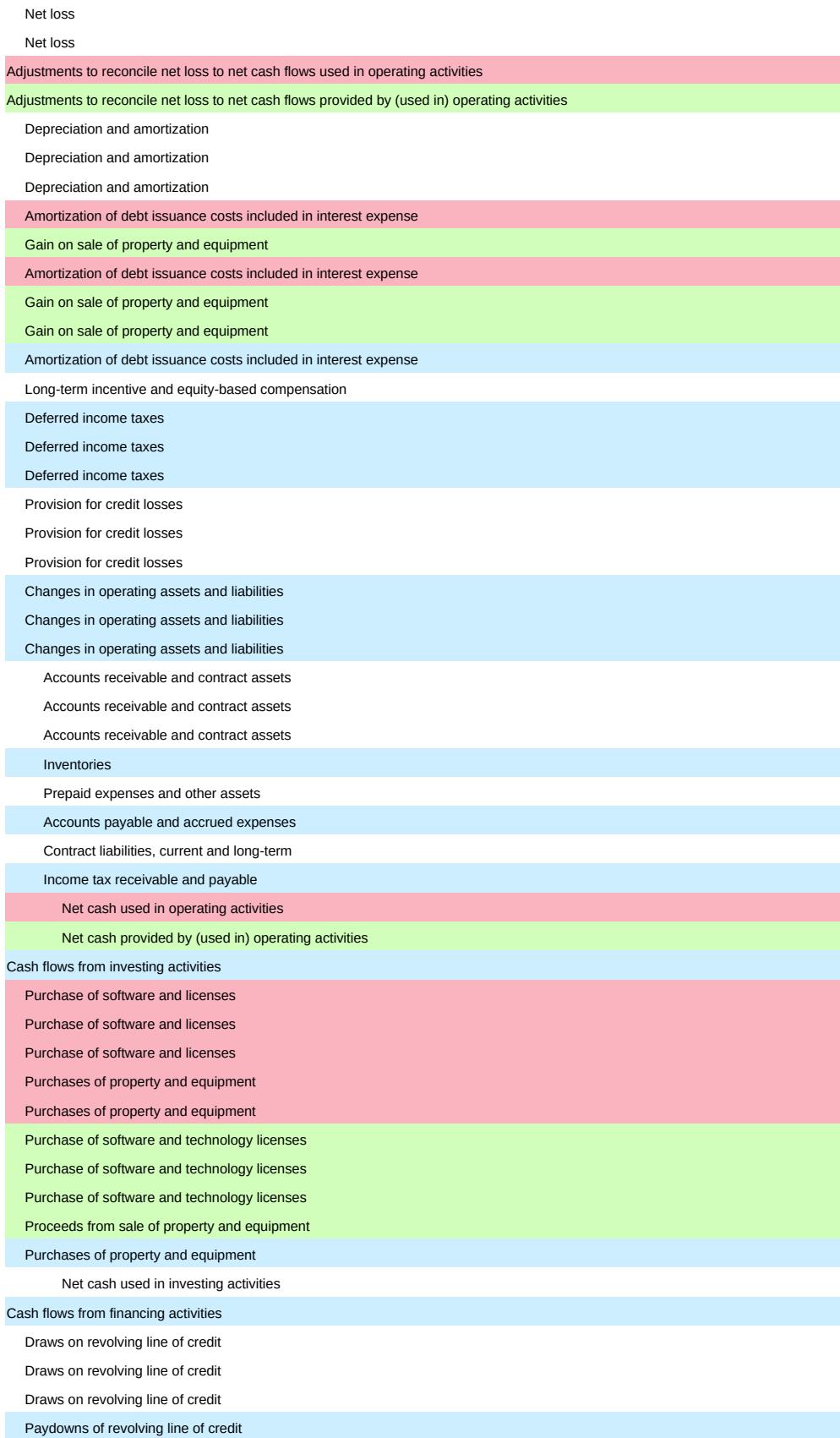
(Unaudited)

							Total Shareholders' Equity, SkyWater Technology, Inc.			Total Shareholders' Equity	
	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Technology, Inc.	Noncontrolling Interests			
	Shares	Amount	Shares	Amount							
Balance at January 1, 2023	—	\$ —	43,705	\$ 437	\$ 147,304	\$ (94,072)	\$ 53,669	\$ 308	\$	53,977	
Adoption of new accounting principle	—	—	—	—	—	(375)	(375)	—	—	(375)	
Issuance of common stock under the ATM	—	—	1,156	12	12,141	—	12,153	—	—	12,153	
Issuance of common stock pursuant to equity compensation plans	—	—	539	5	2,914	—	2,919	—	—	2,919	
Equity-based compensation	—	—	—	—	3,820	—	3,820	—	—	3,820	
Contribution from VIE member	—	—	—	—	—	—	—	478	478		
Net (loss) income	—	—	—	—	—	(12,863)	(12,863)	2,773	—	(10,090)	
Balance at July 2, 2023	—	\$ —	45,400	\$ 454	\$ 166,179	\$ (107,310)	\$ 59,323	\$ 3,559	\$	62,882	
Balance at December 31, 2023	—	\$ —	47,028	\$ 470	\$ 178,473	\$ (125,203)	\$ 53,740	\$ 6,961	\$	60,701	
Issuance of common stock pursuant to equity compensation plans	—	—	440	4	1,256	—	1,260	—	—	1,260	
Equity-based compensation	—	—	—	—	4,088	—	4,088	—	—	4,088	
Contribution from VIE member	—	—	—	—	—	—	—	323	323		
Distribution to VIE member	—	—	—	—	—	—	—	(3,965)	(3,965)		
Net (loss) income	—	—	—	—	—	(7,626)	(7,626)	2,039	—	(5,587)	
Balance at June 30, 2024	—	\$ —	47,468	\$ 474	\$ 183,817	\$ (132,829)	\$ 51,462	\$ 5,358	\$	56,820	

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

**SKYWATER TECHNOLOGY, INC.**  
**Condensed Consolidated Statements of Cash Flows**  
(Uaudited)

	Three-Month Period Ended	
	March 31, 2024	April 2, 2023
	Six-Month Period Ended	
Cash flows from operating activities	June 30, 2024 (in thousands)	July 2, 2023 (in thousands)
Net loss	—	—



Proceeds from tool financings
Proceeds from tool financings
Proceeds from tool financings
Repayment of tool financings
Principal payments on long-term debt
Cash paid for principal on finance leases
Cash paid for principal on finance leases
Cash paid for principal on finance leases
Proceeds from the issuance of common stock pursuant to equity compensation plans
Proceeds from the issuance of common stock pursuant to equity compensation plans
Proceeds from the issuance of common stock pursuant to equity compensation plans
Proceeds from the issuance of common stock under the ATM
Cash paid on licensed technology obligations
Cash paid on licensed technology obligations
Cash paid on licensed technology obligations
Net distributions to noncontrolling interest
Contributions from noncontrolling interest
Net distributions to noncontrolling interest
Contributions from noncontrolling interest
Net distributions to noncontrolling interest
Net cash provided by (used in) financing activities
Net increase (decrease) in cash and cash equivalents
Contributions from noncontrolling interest
Distributions to noncontrolling interest
Net cash (used in) provided by financing activities
Net decrease in cash and cash equivalents
Cash and cash equivalents - beginning of period
Cash and cash equivalents - end of period

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

**SKYWATER TECHNOLOGY, INC.**  
**Condensed Consolidated Statements of Cash Flows**  
(Uaudited)

**Three-Month Period Ended**

March 31, 2024

April 2, 2023

**Six-Month Period Ended**

June 30, 2024

July 2, 2023

(in thousands)

(in thousands)

(in thousands)

**Supplemental disclosure of cash flow information:**

Cash paid during the period for

Cash paid during the period for

Cash paid during the period for

Interest

Interest

Interest

Income taxes

## Noncash investing and financing activity

Capital expenditures incurred, not yet paid

Capital expenditures incurred, not yet paid

Capital expenditures incurred, not yet paid

Equipment acquired through capital lease obligations

Equipment acquired through capital lease obligations

Equipment acquired through capital lease obligations

Equipment acquired through finance lease obligations

Equipment acquired through finance lease obligations

Equipment acquired through finance lease obligations

Intangible assets acquired, not yet paid

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

## SKYWATER TECHNOLOGY, INC.

### Notes to Condensed Consolidated Financial Statements

(unaudited in thousands, except share and per share data)

#### Note 1 Nature of Business

SkyWater Technology, Inc., together with its consolidated subsidiaries (collectively, "SkyWater," the "Company," "it," or "its"), is a U.S.-based, independent, pure-play technology foundry that offers advanced semiconductor development and manufacturing services from its fabrication facility, or fab, in Minnesota and advanced packaging services from its Florida facility. SkyWater's technology-as-a-service model leverages a foundation of proprietary technology to co-develop process technology intellectual property with its customers that enables disruptive concepts through its Advanced Technology Services ("ATS") for diverse microelectronics (integrated circuits ("ICs")) and related micro and nanotechnology applications. In addition to these differentiated technology development services, SkyWater supports customers with volume production of ICs for high-growth markets through its Wafer Services.

SkyWater is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act").

#### Note 2 Basis of Presentation and Principles of Consolidation

The unaudited interim condensed consolidated financial statements as of **March 31, 2024** **June 30, 2024**, and for the **three-month** **three- and six-month** periods ended **March 31, 2024** **June 30, 2024** and **April 2, 2023** **July 2, 2023**, are presented in thousands of U.S. dollars (except share and per share information), are unaudited, and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all financial information and disclosures required by U.S. GAAP for annual consolidated financial statements. These interim condensed consolidated financial statements should be read in conjunction with SkyWater's annual consolidated financial statements and the related notes thereto as of December 31, 2023 and for the fiscal year then ended. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, including normal and recurring adjustments, necessary for the fair presentation of the Company's consolidated financial position as of **March 31, 2024** **June 30, 2024** and its consolidated results of operations, shareholders' equity, and cash flows for the **three-month** **three- and six-month** periods ended **March 31, 2024** **June 30, 2024** and **April 2, 2023** **July 2, 2023**.

The consolidated results of operations for the **three-month** **three- and six-month** period ended **March 31, 2024** **June 30, 2024** are not necessarily indicative of the results of operations to be expected for the fiscal year ending December 29, 2024, or for any other interim period, or for any other future fiscal year.

#### *Principles of Consolidation*

The interim condensed consolidated financial statements include the Company's assets, liabilities, revenues, and expenses, as well as the assets, liabilities, revenues, and expenses of subsidiaries in which it has a controlling financial interest, SkyWater Technology Foundry, Inc. ("SkyWater Technology Foundry"), SkyWater Federal, LLC ("SkyWater Federal"), SkyWater Florida, Inc. ("SkyWater Florida"), and Oxbow Realty Partners, LLC ("Oxbow Realty"), a variable interest entity ("VIE") for which SkyWater is the primary beneficiary and an affiliate of the Company's principal shareholder. All intercompany accounts and transactions have been eliminated in consolidation.

#### *Liquidity and Cash Requirements*

The accompanying interim condensed consolidated financial statements have been prepared on the basis of the realization of assets and the satisfaction of liabilities and commitments in the normal course of business and do not include any adjustments to the recoverability and classifications of recorded assets and liabilities as a result of uncertainties.

For the **three-month** **three- and six-month** periods ended **March 31, 2024** and **April 2, 2023** **June 30, 2024**, the Company incurred net losses attributable to SkyWater Technology, Inc. of **\$5,729** **\$1,897** and **\$4,273** **\$7,626**, respectively. For the **three- and six-month** periods ended **July 2, 2023**, the Company incurred net losses attributable to SkyWater Technology, Inc. of **\$8,590** and **\$12,863**, respectively. As of **March 31, 2024** **June 30, 2024** and **December 31, 2023**, the Company had cash and cash equivalents of **\$20,002** **\$18,362** and **\$18,382**, respectively.

## SKYWATER TECHNOLOGY, INC.

**Notes to Condensed Consolidated Financial Statements**  
(unaudited in thousands, except share and per share data)

SkyWater's ability to execute its operating strategy is dependent on its ability to maintain liquidity and continue to access capital through the Revolver (as defined in Note 6 – **Debt**) and other sources of financing. The current business plans indicate that the Company may require additional liquidity to continue its operations and maintain compliance with financial covenants for the next twelve months from the date these interim condensed consolidated financial statements are issued. The Company has identified specific actions it could take to reduce operating costs to improve cash flow, including reductions in spending and delays in hiring personnel. If such actions are taken, it may require the Company to decrease its level of investment in new products and technologies, or discontinue further expansion of its business. The Company has also obtained a support letter from Oxbow Industries, LLC ("Oxbow Industries"), an affiliate of the Company's principal stockholder, to provide funding in an amount up to \$12,500, if necessary, to enable the Company to meet its obligations as they become due. The support letter expires March 18, 2026. Based upon SkyWater's operating forecasts, its cash and cash equivalents on hand, available borrowings on the Revolver, and potential cost reduction measures it could undertake, and the support letter from Oxbow Industries, as needed, management believes SkyWater will have sufficient liquidity to fund its operations for the next twelve months from the date these interim condensed consolidated financial statements are issued.

Additionally, the Company could seek additional equity or debt financing, including a refinancing and/or expansion of the Revolver, however it cannot provide any assurance that additional funds will be available when needed or, if available, will be available on terms that are acceptable to the Company. The Company's ability to access additional funds depends on prevailing economic conditions and other factors, many of which are beyond SkyWater's control.

SkyWater has based this estimate on assumptions that may prove to be wrong, and its operating plan may change as a result of many factors currently unknown to it.

**Use of Estimates**

The preparation of the interim condensed consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the interim condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods then ended. Management evaluates these estimates and judgments on an ongoing basis and bases its estimates on experience, current and expected future conditions, third-party evaluations, and various other assumptions that management believes are reasonable under the circumstances. Actual results could differ from those estimates.

**Net Loss Per Share**

Basic net loss per common share is calculated by dividing the net loss attributable to SkyWater Technology, Inc. by the weighted-average number of shares outstanding during the reporting periods, without consideration for potentially dilutive securities. Diluted net loss per common share is computed by dividing the net loss attributable to SkyWater Technology, Inc. by the weighted-average number of shares and potentially dilutive securities outstanding during the reporting periods determined using the treasury-stock method. Because the Company reported a net loss attributable to SkyWater Technology, Inc. for the three-month three- and six-month periods ended March 31, 2024 June 30, 2024 and April 2, 2023 July 2, 2023, the number of shares used to calculate diluted net loss per common share is the same as the number of shares used to calculate basic net loss per common share because the potentially dilutive shares would have been anti-dilutive if included in the calculation. At March 31, 2024 For the three- and April 2, 2023 six-month periods ended June 30, 2024, there were restricted stock units and stock options totaling 996,726 1,577,809 and 2,949,000 1,246,440, respectively, excluded from the computation of diluted weighted-average shares outstanding because their inclusion would have been anti-dilutive.

The following table sets forth For each of the three- and six-month periods ended July 2, 2023, there were restricted stock units and stock options totaling 2,483,000 excluded from the computation of basic and diluted net loss per common share for the three-month periods ended March 31, 2024 and April 2, 2023:

	Three-Month Period Ended	
	March 31, 2024	April 2, 2023
	(in thousands, except per share data)	
Numerator: net loss attributable to SkyWater Technology, Inc.	\$ (5,729)	\$ (4,273)
Denominator: weighted-average common shares outstanding, basic and diluted	47,099	43,817
Net loss per common share, basic and diluted	\$ (0.12)	\$ (0.10)

weighted-average shares outstanding because their inclusion would have been anti-dilutive.

**SKYWATER TECHNOLOGY, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(unaudited in thousands, except share and per share data)

The following table sets forth the computation of basic and diluted net loss per common share for the three- and six-month periods ended June 30, 2024 and July 2, 2023:

	Three-Month Period Ended		Six-Month Period Ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
	(in thousands, except per share data)			
Numerator: net loss attributable to SkyWater Technology, Inc.	\$ (1,897)	\$ (8,590)	\$ (7,626)	\$ (12,863)

Denominator: weighted-average common shares outstanding, basic and diluted	47,395	44,743	47,247	44,280
Net loss per common share, basic and diluted	\$ (0.04)	\$ (0.19)	\$ (0.16)	\$ (0.29)

#### Reportable Segment Information

Operating segments are identified as components of an enterprise about which separate financial information is available for evaluation by the chief operating decision maker when making decisions regarding resource allocation and assessing performance. SkyWater operates and manages its business as one reportable segment.

#### Note 3 Summary of Significant Accounting Policies

##### Recently Adopted Accounting Standards

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, "Measurement of Credit Losses on Financial Instruments," later codified in Topic 326, "Financial Instruments – Credit Losses" ("Topic 326"). Topic 326 replaces the preexisting U.S. GAAP guidance that only required the recognition of credit losses when losses were probable and estimable. Topic 326 now requires recognition of credit losses based on SkyWater's expectation of losses to be incurred while the financial instrument is held. Topic 326 was effective for most public business entities for fiscal years beginning after December 15, 2019. As an emerging growth company, SkyWater adopted Topic 326 on January 2, 2023 using the modified retrospective approach. Upon adoption, the Company increased its accumulated deficit by \$375 for the effects of increasing its allowance for credit losses as of January 2, 2023. All other impacts to SkyWater's consolidated financial position, results of operations, and cash flows were immaterial.

##### Recently Issued Accounting Standards Not Yet Adopted

In November 2023, the FASB issued ASU No. 2023-07, "Segment Reporting." The amendments in this update improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses and are effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. SkyWater will reflect the amended disclosure requirements of this update in its annual consolidated financial statements for its fiscal year ending December 29, 2024 and for the interim periods in its fiscal year ending December 28, 2025. Given that the Company reports as a single reportable segment, the impacts of adopting the provisions of this update will not be significant.

In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes." The amendments in this update improve existing income tax disclosures, notably with respect to the income tax rate reconciliation and income taxes paid disclosures, and are effective for annual periods beginning after December 15, 2025. As an emerging growth company, SkyWater currently anticipates that it will adopt the amendments in this update for its fiscal year ending January 3, 2027. If the Company ceases to qualify as an emerging growth company before the end of its fiscal year ending December 29, 2024, the Company will adopt this ASU at an earlier date. The Company is evaluating the impacts of the amendments on its consolidated financial statements and the accompanying notes to the financial statements.

##### Significant Accounting Policies

The annual consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 include discussion of the significant accounting policies and estimates used in the preparation of the interim condensed consolidated financial statements. The Company did not make any significant changes to its accounting policies and estimates during the three-month three- and six-month periods ended **March 31, 2024** **June 30, 2024**.

**SKYWATER TECHNOLOGY, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
 (unaudited in thousands, except share and per share data)

#### Note 4 Revenue

##### Disaggregated Revenue

The Company recognizes ATS development, tools, and Wafer Services revenues pursuant to our revenue recognition policies as described in Note 3 – *Summary of Significant Accounting Policies* to the annual consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023. The following tables disclose revenue by product type and the timing of recognition of revenue for transfer of goods and services to customers:

	Three-Month Period Ended March 31, 2024			Three-Month Period Ended June 30, 2024			
	Topic 606 Revenue			Topic 606 Revenue			
	Point-in-Time			Point-in-Time			
	Point-in-Time	Over Time	Lease Revenue Per Topic 842	Total Revenue	Over Time	Lease Revenue Per Topic 842	Total Revenue
ATS development							
ATS development							
ATS development							
Time and materials contracts							
Time and materials contracts							

Time and materials contracts

Fixed price contracts

Other

Total ATS development

Tools

Wafer Services

Total

Three-Month Period Ended April 2, 2023

Three-Month Period Ended July 2, 2023

Topic 606 Revenue			Topic 606 Revenue		
Point-in-Time	Over Time	Lease Revenue Per Topic 842	Total Revenue	Over Time	Lease Revenue Per Topic 842
Point-in-Time	Over Time	Lease Revenue Per Topic 842	Total Revenue	Over Time	Lease Revenue Per Topic 842

ATS development

ATS development

ATS development

Time and materials contracts

Time and materials contracts

Time and materials contracts

Fixed price contracts

Other

Total ATS development

Tools

Wafer Services

Total

The following table discloses revenue for the three-month periods ended March 31, 2024 and April 2, 2023 by country as determined based on customer address:

	Three-Month Period Ended	
	March 31, 2024	April 2, 2023
United States	\$ 76,224	\$ 58,202
Canada	2,233	2,388
Hong Kong	47	3,019
United Kingdom	285	104
All others	847	2,381
Total	\$ 79,636	\$ 66,094

Three customers each accounted for 10% or more of revenue, and in aggregate accounted for 58% and 54% of revenue for the three-month periods ended March 31, 2024 and April 2, 2023, respectively. The loss of a major customer could adversely affect the Company's operating results and financial condition.

	Six-Month Period Ended June 30, 2024					
	Topic 606 Revenue			Lease Revenue Per Topic 842		
	Point-in-Time	Over Time	842	Point-in-Time	Over Time	Total Revenue
ATS development						
Time and materials contracts	\$ —	\$ 82,859	\$ —	\$ —	\$ —	\$ 82,859
Fixed price contracts		1,590	36,070			37,660
Other	—	—	2,334			2,334
Total ATS development	1,590	118,929	2,334			122,853
Tools		34,339	—			34,339
Wafer Services	1,503	14,270	—			15,773
Total	\$ 37,432	\$ 133,199	\$ 2,334	\$ —	\$ —	\$ 172,965

SKYWATER TECHNOLOGY, INC.

REFINITIV CORPORATE DISCLOSURES | www.refinitiv.com | Contact Us

©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

15/42

REFINITIV 

**Notes to Condensed Consolidated Financial Statements**  
(unaudited in thousands, except share and per share data)

	Six-Month Period Ended July 2, 2023					
	Topic 606 Revenue			Lease Revenue Per Topic		
	Point-in-Time	Over Time	842	Total Revenue		
ATS development						
Time and materials contracts	\$ —	\$ 55,210	\$ —	\$ —	\$ 55,210	
Fixed price contracts	—	42,300	—	—	42,300	
Other	—	—	2,334	—	2,334	
Total ATS development	—	97,510	2,334	—	99,844	
Tools	1,472	—	—	—	—	1,472
Wafer Services	7,188	27,401	—	—	—	34,589
Total	\$ 8,660	\$ 124,911	\$ 2,334	\$ —	\$ 135,905	

The following table discloses revenue for the three- and six-month periods ended June 30, 2024 and July 2, 2023 by country determined based on customer address:

	Three-Month Period Ended		Six-Month Period Ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
United States	\$ 90,598	\$ 59,920	\$ 166,822	\$ 118,122
Canada	1,647	2,117	3,880	4,506
Hong Kong	32	2,983	79	3,874
United Kingdom	352	3,770	637	6,002
All others	700	1,021	1,547	3,401
Total	\$ 93,329	\$ 69,811	\$ 172,965	\$ 135,905

Three customers each accounted for 10% or more of revenue, and in aggregate accounted for 72% and 66% of revenue for the three- and six-month periods ended June 30, 2024, respectively, and in aggregate accounted for 52% and 53% of revenue for the three- and six-month periods ended July 2, 2023, respectively. The loss of a major customer could adversely affect the Company's operating results and financial condition.

**Deferred Contract Costs**

The Company recognizes an asset for the incremental cost of obtaining a contract with a customer (i.e., deferred contract costs) when costs are considered recoverable and the duration of the contract is in excess of one year. Deferred contract costs are amortized as the related revenue is recognized. The Company recognized amortization of deferred contract costs totaling \$172 and \$746 for the three-month period ended June 30, 2024 and recognized accretion of deferred contract costs of \$32 for the three-month period ended July 2, 2023. The Company recognized amortization of deferred contract costs totaling \$172 and \$715 for the six-month periods ended March 31, 2024 June 30, 2024 and April 2, 2023 July 2, 2023, respectively.

**Contract Assets**

Contract assets represent SkyWater's rights to payments for services it has transferred to its customers, but has not yet billed to its customers. Contract assets were \$24,922 \$18,467 and \$29,666 at March 31, 2024 June 30, 2024 and December 31, 2023, respectively, and are presented net of allowances for expected credit losses of \$62 \$49 and \$99, respectively, and net of accrued contract liabilities arising from certain contracts expected to generate losses over the remaining period of performance. As of March 31, 2024 June 30, 2024 and April 2, 2023 December 31, 2023, the Company maintained liabilities of \$8,004 \$6,292 and \$0, respectively, arising from contracts expected to generate losses.

**SKYWATER TECHNOLOGY, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(unaudited in thousands, except share and per share data)

**Contract Liabilities**

The Company's contract liabilities principally consist of deferred revenue on customer contracts and deferred lease revenue representing customer prepayments on a leasing arrangement in which the Company serves as lessor. Deferred revenue on customer contracts represents payments from customers for which performance obligations have not yet been satisfied. In some instances, cash may be received, or payment may be contractually due by a customer before the related revenue is recognized. The contract liabilities and other significant components of contract liabilities at March 31, 2024 June 30, 2024 and December 31, 2023 are as follows:

March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023

Contract Deferred Revenue (1)	Contract Deferred Revenue (1)	Lease Deferred Revenue	Total Contract Liabilities	Contract Deferred Revenue (1)	Lease Deferred Revenue	Total Contract Liabilities	Contract Deferred Revenue (1)	Lease Deferred Revenue	Total Contract Liabilities	Contract Deferred Revenue (1)	Lease Deferred Revenue	Total Contract Liabilities
Current												
Current												
Current												
Long-term												
<b>Total</b>												

(1) Contract deferred revenue includes \$56,542 \$53,761 and \$59,323 at March 31, 2024 June 30, 2024 and December 31, 2023, respectively, related to material rights provided to a significant customer in exchange for funding additional manufacturing capacity. Of these amounts, \$11,123 and \$11,123 were classified as current in the interim condensed consolidated balance sheets as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively.

The change in contract liabilities during the three-month three- and six-month periods ended March 31, 2024 June 30, 2024 and April 2, 2023 July 2, 2023 are as follows:

	Three-Month Period Ended		
	March 31, 2024	April 2, 2023	
Balance at beginning of period	\$ 115,305	\$ 96,153	
Revenue recognized included in the balance at the beginning of the period	(12,686)	(6,020)	
Increase due to payments received, excluding amounts recognized as revenue	12,095	775	
<b>Balance at end of period</b>	<b>\$ 114,714</b>	<b>\$ 90,908</b>	

**SKYWATER TECHNOLOGY, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(unaudited in thousands, except share and per share data)

	Three-Month Period Ended		Six-Month Period Ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
Balance at beginning of period	\$ 114,714	\$ 90,908	\$ 115,305	\$ 96,153
Revenue recognized included in the balance at the beginning of the period	(21,960)	(5,541)	(34,647)	(11,562)
Increase due to payments received, excluding amounts recognized as revenue	13,123	2,415	25,219	3,191
<b>Balance at end of period</b>	<b>\$ 105,877</b>	<b>\$ 87,782</b>	<b>\$ 105,877</b>	<b>\$ 87,782</b>

*Remaining Performance Obligations*

At March 31, 2024 June 30, 2024, the Company had \$144,892 \$131,695 of remaining performance obligations that had not been fully satisfied on contracts with original expected durations of one year or more, which were primarily related to ATS development and tools revenue contracts. The Company expects to recognize those revenues as it satisfies its performance obligations which is not expected to exceed within the next 6.5 years.

The Company does not disclose the value of remaining performance obligations for contracts with an original expected duration of one year or less. Further, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between when it transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

**SKYWATER TECHNOLOGY, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(unaudited in thousands, except share and per share data)

**Note 5 Balance Sheet Information**

Certain significant amounts included in the Company's interim condensed consolidated balance sheets are summarized in the following tables:

Three-Month Period Ended

		Three-Month Period Ended				Six-Month Period Ended	
		Three-Month Period Ended		Three-Month Period Ended		Six-Month Period Ended	
Allowance for credit losses - Accounts receivable		Allowance for credit losses - Accounts receivable		Allowance for credit losses - Accounts receivable		Allowance for credit losses - Accounts receivable	
		March 31, 2024	April 2, 2023	Allowance for credit losses - Accounts receivable	June 30, 2024	July 2, 2023	June 30, 2024
Balance at beginning of period							
Balance at beginning of period							
Balance at beginning of period							
Add							
Adoption of Credit Loss Standard (Topic 326)							
Adoption of Credit Loss Standard (Topic 326)							
Adoption of Credit Loss Standard (Topic 326)							
Provision for credit losses							
Deduct							
Accounts written-off							
Accounts written-off							
Accounts written-off							
Less recoveries of accounts charged-off							
Net account charge-offs (recoveries)							
Balance at end of period							
		Three-Month Period Ended				Six-Month Period Ended	
		Three-Month Period Ended		Three-Month Period Ended		Six-Month Period Ended	
Allowance for credit losses - Contract assets		Allowance for credit losses - Contract assets		Allowance for credit losses - Contract assets		Allowance for credit losses - Contract assets	
		March 31, 2024	April 2, 2023	Allowance for credit losses - Contract assets	June 30, 2024	July 2, 2023	June 30, 2024
Balance at beginning of period							
Balance at beginning of period							
Balance at beginning of period							
Add							
Adoption of Credit Loss Standard (Topic 326)							
Adoption of Credit Loss Standard (Topic 326)							
Adoption of Credit Loss Standard (Topic 326)							
Provision for credit losses							
Deduct							
Accounts written-off							
Accounts written-off							
Accounts written-off							
Less recoveries of accounts charged-off							
Net account charge-offs (recoveries)							
Balance at end of period							
Inventory	Inventory	March 31, 2024		December 31, 2023	Inventory	June 30, 2024	December 31, 2023
Raw materials							
Raw materials							

Raw materials
Work-in-process
Supplies and spare parts
Total inventories, current
Inventory, non-current (1)
Total inventory

(1) Inventory, non-current consists of spare parts that will not be used within twelve months following the date of the interim condensed consolidated balance sheets.

**SKYWATER TECHNOLOGY, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
 (unaudited in thousands, except share and per share data)

Prepaid expenses and other current assets	Prepaid expenses and other current assets	March 31, 2024	December 31, 2023	Prepaid expenses and other current assets	June 30, 2024	December 31, 2023
Prepaid expenses						
Prepaid expenses						
Prepaid expenses						
Equipment purchased for customers (1)						
Equipment purchased for customers (1)						
Equipment purchased for customers (1)						
Deferred contract costs						
Total prepaid assets and other current assets						
Total prepaid assets and other current assets						
Total prepaid assets and other current assets						

(1) The Company acquires equipment for its customers that, while owned by our customers, will be installed and calibrated qualified in SkyWater's SkyWater facility. Prior to the customer obtaining ownership and control of the equipment, the Company records costs, including equipment acquisition costs, incurred to date within prepaid expenses and other current assets. These deferred costs will be recognized as a cost of revenue when control of the equipment transfers to the customer, customer and associated tool revenue is recognized.

Property and equipment, net	Property and equipment, net March 31, 2024	December 31, 2023	Property and equipment, net June 30, 2024	December 31, 2023
Land				
Land				
Land				
Buildings and improvements				
Machinery and equipment				
Property and equipment placed in service, at cost (1)				
Less: accumulated depreciation (1)				
Property and equipment placed in service, net (1)				
Property and equipment not yet in service				
Total property and equipment, net				

(1) Includes \$13,332 \$10,805 and \$13,332 of cost and \$4,137 \$1,947 and \$3,976 of accumulated depreciation associated with capital assets subject to financing leases at March 31, 2024 June 30, 2024 and December 31, 2023, respectively.

Depreciation expense was \$4,690 and \$6,856 For the three-month periods ended March 31, 2024 June 30, 2024 and April 2, 2023 July 2, 2023, depreciation expense was \$3,704 and \$6,700, respectively, and \$8,394 and \$13,556 for the six-month periods ended June 30, 2024 and July 2, 2023, respectively, substantially all of which was classified as cost of revenue.

Intangible assets consist of (1) purchased software and license costs from the Company's acquisition of the business in 2017; and (2) payments made under software and technology licensing agreements with third parties. During the three-month period three- and six-month periods ended March 31, 2024 June 30, 2024, the Company acquired third-party software and licensed technology placed in service of \$399 and \$797, respectively, which will be amortized over a weighted average estimated life of 8.0 years. 7.8 years and 7.9 years, respectively.

Intangible assets are summarized as follows:

Intangible assets, net	March 31, 2024	December 31, 2023
Software and licensed technology	\$ 12,546	\$ 12,148
Less: accumulated amortization	(6,851)	(6,476)
Intangible assets placed in service, net	5,695	5,672
Intangible assets not yet in service	625	—
Total intangible assets, net	\$ 6,320	\$ 5,672

Intangible assets, net	June 30, 2024	December 31, 2023
Software and licensed technology	\$ 12,945	\$ 12,148
Less: accumulated amortization	(7,211)	(6,476)
Intangible assets placed in service, net	5,734	5,672
Intangible assets not yet in service	1,064	—
Total intangible assets, net	\$ 6,798	\$ 5,672

For the three-month periods ended **March 31, 2024** **June 30, 2024** and **April 2, 2023** **July 2, 2023**, amortization of software and licenses was **\$375** **\$360** and **\$496**, **\$507**, respectively, and **\$735** and **\$1,003** for the six-month periods ended June 30, 2024 and July 2, 2023, respectively.

**SKYWATER TECHNOLOGY, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
 (unaudited in thousands, except share and per share data)

Remaining estimated aggregate annual amortization expense for intangible assets placed in service is as follows for future fiscal years:

	Amortization Expense
Remainder of 2024	
Remainder of 2024	
Remainder of 2024	
2025	
2026	
2027	
2028	
Thereafter	
Total	
<b>Other assets</b>	<b>Other assets</b>
	March 31, 2024
	December 31, 2023
	<b>Other assets</b>
	June 30, 2024
	December 31, 2023
Inventory, non-current (1)	
Inventory, non-current (1)	
Inventory, non-current (1)	
Operating lease right-of-use assets	
Operating lease right-of-use assets	
Operating lease right-of-use assets	
Other assets	
Total other assets	

(1) Inventory, non-current consists of spare parts that will not be used within twelve months following the date of the interim condensed consolidated balance sheets.

Accrued expenses	Accrued expenses	March 31, 2024	December 31, 2023	Accrued expenses	June 30, 2024	December 31, 2023
Accrued compensation						
Accrued compensation						

Accrued compensation
Accrued commissions
Accrued commissions
Accrued commissions
Accrued royalties
Accrued royalties
Accrued royalties
Current portion of operating lease liabilities
Current portion of finance lease liabilities
Accrued inventory
Accrued consulting fees
Accrued restructuring costs (1)
Accrued warranty (2)
Accrued vendor purchase commitments (3)
Other accrued expenses
Total accrued expenses

(1) The Company incurred restructuring costs of \$1,921 during the fiscal year ended December 31, 2023. The Company paid \$602 during the fiscal year ended December 31, 2023, and the remainder was paid in the three-month period ended March 31, 2024.

Other long-term liabilities	March 31, 2024	December 31, 2023
Finance lease obligations	\$ 9,165	\$ 9,275
Operating lease liability	39	52
Total other long-term liabilities	\$ 9,204	\$ 9,327

(2) The Company accrued provisions for warranties of \$1,623 and \$(15) during the three-month periods ended June 30, 2024 and July 2, 2023, respectively, and \$1,125 and \$(9) for the six-month periods ended June 30, 2024 and July 2, 2023, respectively.

(3) The Company accrues what it believes to be its outstanding obligations on vendor purchase orders for goods or services provided to the Company for which bills have not yet been received.

**SKYWATER TECHNOLOGY, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
 (unaudited in thousands, except share and per share data)

Other long-term liabilities	June 30, 2024	December 31, 2023
Finance lease liabilities	\$ 8,880	\$ 9,275
Operating lease liabilities	26	52
Total other long-term liabilities	\$ 8,906	\$ 9,327

**Note 6 Debt**

The components of debt outstanding at **March 31, 2024** **June 30, 2024** and December 31, 2023 are as follows:

Short-term financing	March 31, 2024	December 31, 2023
Short-term financing	June 30, 2024	December 31, 2023
Short-term financing		
Revolver		
Revolver		

Revolver	
Tool financing advance payments (1)	
Unamortized debt issuance costs	
Total short-term financing, net of unamortized debt issuance costs	
<b>Long-term debt</b>	
VIE Financing	
VIE Financing	
VIE Financing	
Tool financing loans (1)	
Unamortized debt issuance costs	
Total long-term debt, including current maturities	
Less: Current portion of long-term debt	
Total long-term debt, excluding current portion	

(1) Tool financing advance payments represent payments made to tool vendors by a lender on the Company's behalf prior to placing the underlying financed tool into service. When the underlying tool is placed into service, a financing agreement is executed to repay the lender the outstanding financial liability over a period of time, and the advance payment is converted to a Tool financing loan and classified as long-term debt in the Company's condensed consolidated balance sheets.

#### Revolver

The outstanding balance of the revolving line of credit under the Company's Loan and Security Agreement (the "Loan Agreement") with Siena Lending Group LLC (the "Revolver") was \$30,365 \$26,017 as of March 31, 2024 June 30, 2024 at an interest rate of 10.7% due in December 2025. The Borrowing under the Revolver is limited by a borrowing base of specified advance rates applicable to billed accounts receivable, contract assets, inventory and equipment, subject to various conditions and limits as provided in the Loan Agreement. As the borrowing base was above the borrowing limit of \$100,000, the remaining availability under the Revolver was \$62,708 \$73,983 as of March 31, 2024 June 30, 2024. As of March 31, 2024 June 30, 2024, the Company was in compliance with applicable financial covenants of the Revolver.

**SKYWATER TECHNOLOGY, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
 (unaudited in thousands, except share and per share data)

#### VIE Financing

On September 30, 2020, Oxbow Realty, the Company's consolidated VIE (see Note 11 – Related Party Transactions and Note 12 – Variable Interest Entity), entered into a loan agreement for \$39,000 (the "VIE Financing") to finance the acquisition of the land and building of the SkyWater Minnesota facility. The VIE Financing is repayable in equal monthly installments of \$194 over 10 years, with the remaining balance payable at the maturity date of October 6, 2030. The interest rate under the VIE Financing is fixed at 3.44%. The VIE Financing is guaranteed by Oxbow Industries, who is also the sole equity holder of Oxbow Realty. The VIE financing is not subject to financial covenants.

The terms of the VIE Financing include provisions that grant the lender several protective rights when certain triggering events defined in the loan agreement occur, including events tied to the Company's occupancy of the SkyWater Minnesota facility and SkyWater's financial performance. The triggering events are not financial covenants and the occurrence of these triggering events do not represent events of default, nor do they result in the VIE Financing becoming callable, rather the protective rights become enforceable by the lender. Based on the level of SkyWater's earnings before interest, taxes, depreciation, amortization, restructuring, and rent costs relative to gross rents paid from SkyWater to Oxbow Realty, as defined in the loan agreement, a trigger triggering event exists and occurred beginning in the lender's protective rights are currently enforceable, three-month period ended January 1, 2023. Pursuant to its protective rights, the lender has retained in a restricted account amounts paid by SkyWater to Oxbow Realty pursuant to the Company's related party lease agreement that are were in excess of the scheduled debt payments paid by Oxbow Realty to the lender. The triggering event was cured during the three-month period ended June 30, 2024 and the funds held in the restricted accounts become remittable account were remitted back to Oxbow Realty once the trigger event is cured. As of March 31, 2024, Oxbow Realty maintained a \$9,559 receivable for the cumulative amount of excess payments held by the lender defined in the restricted account.

**SKYWATER TECHNOLOGY, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
 (unaudited in thousands, except share and per share data)

loan agreement, no triggering events existed as of June 30, 2024.

#### Tool Financing Loans

The Company, from time to time, enters into financing arrangements with lenders to finance the purchase of manufacturing tools and other equipment. These agreements include bargain purchase options at the end of the lease terms which the Company intends to exercise. These transactions represent failed sale leasebacks with

the associated equipment recorded in property and equipment, net and the proceeds received, net of scheduled repayments of the financings, recorded as debt on the Company's interim condensed consolidated balance sheets. Additionally, advance payments made to tool vendors by financing lenders on the Company's behalf totaled \$4,742 \$0 and \$3,822 as of **March 31, 2024** **June 30, 2024** and December 31, 2023, respectively. When the financed tools are placed into service, the Company anticipates financing agreements will be executed to repay the lender the outstanding financial liability over a period of time. The advance payments are recorded as short-term financing on the Company's interim condensed consolidated balance sheets.

#### Maturities

Future principal payments of the Company's long-term debt, excluding unamortized debt issuance costs, are as follows:

Remainder of 2024	
2025	
2026	
2027	
2028	
Thereafter	
Total	

## SKYWATER TECHNOLOGY, INC.

### Notes to Condensed Consolidated Financial Statements (unaudited in thousands, except share and per share data)

#### Note 7 Income Taxes

The Company's effective tax rates for the three-month three- and six-month periods ended **March 31, 2024** **June 30, 2024** and **April 2, 2023** **July 2, 2023** differ from its 21% U.S. statutory corporate tax rate due to the impact of state income taxes, permanent tax differences, the tax impact of the vesting of restricted stock units, and changes in the Company's deferred tax asset valuation allowance. The effective tax rate in any quarter can be affected positively or negatively by adjustments that are required to be reported in the specific quarter of resolution. The effective income tax rates were 11.7% and (0.4)% for the three-month periods ended **March 31, 2024** **June 30, 2024** and **April 2, 2023** were (0.9) **July 2, 2023**, respectively, and 1.5% and (0.2)% for the six-month periods ended **June 30, 2024** and **0.0% July 2, 2023**, respectively.

Management regularly evaluates the future realization of deferred tax assets and provides a valuation allowance, if considered necessary, based on such evaluation. As part of the evaluation, management has evaluated taxable income in carryback years, future reversals of taxable temporary differences, feasible tax planning strategies, and future expectations of income. Based upon this analysis, a valuation allowance of \$29,012 \$26,396 and \$26,111 was recorded at **March 31, 2024** **June 30, 2024** and December 31, 2023, respectively, to reduce the net deferred tax assets to the amount that is more likely than not to be realized.

No liability has been recorded for uncertain tax positions. If applicable, the Company would accrue income tax related interest and penalties in income tax expense in its interim condensed consolidated statement statements of operations. There were no interest or penalties incurred during the three-month three- and six-month periods ended **March 31, 2024** **June 30, 2024** and **April 2, 2023** **July 2, 2023**.

In August 2022, the U.S. enacted the Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022 (the "CHIPS Act"). The CHIPS Act provides incentives to semiconductor chip manufacturers in the U.S., including providing a 25% manufacturing investment credit for investments in semiconductor manufacturing property placed in service after December 31, 2022, for which construction begins before January 1, 2027. Property investments qualify for the 25% credit if, among other requirements, the property is integral to the operation of an advanced manufacturing facility, defined as having a primary purpose of manufacturing semiconductors or semiconductor manufacturing equipment. Currently, management is evaluating the impact of the CHIPS Act on its business.

## SKYWATER TECHNOLOGY, INC.

### Notes to Condensed Consolidated Financial Statements (unaudited in thousands, except share and per share data)

#### Note 8 Shareholders' Equity

On September 2, 2022, SkyWater entered into an Open Market Sale Agreement with Jefferies LLC with respect to an at the market offering program (the "ATM Program"). Pursuant to the agreement, the Company may, from time to time, offer and sell up to \$100,000 in shares of the Company's common stock. During the three-month six-month period ended **March 31, 2024** **June 30, 2024**, the Company did not sell shares under the ATM Program. During the three-month period three and six-month periods ended **April 2, 2023** **July 2, 2023**, the Company sold 245,289 1,056,181 and 1,301,470 shares under the ATM Program, respectively. From the date of the ATM program through **March 31, 2024** **June 30, 2024**, the Company has cumulatively sold 2,516,586 shares at an average sale price of \$9.96 per share, resulting in gross proceeds of approximately \$25,070 before deducting sales commissions and fees of approximately \$1,212. The Company used the net proceeds to pay down the Revolver and fund its operations.

As of **March 31, 2024** **June 30, 2024**, the Company was authorized to sell an additional \$74,930 in shares under the ATM Program.

## Note 9 Equity-Based Compensation

Equity-based compensation expense was recorded in the interim condensed consolidated statements of operations as follows:

	Three-Month Period Ended	Three-Month Period Ended	Three-Month Period Ended	Six-Month Period Ended
	March 31, 2024	March 31, 2024	March 31, 2024	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
Cost of revenue				
Cost of revenue				
Cost of revenue				
Research and development expense				
Research and development expense				
Research and development expense				
Selling, general and administrative expense				
Selling, general and administrative expense				
Selling, general and administrative expense				
	\$	\$	\$	\$

**SKYWATER TECHNOLOGY, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
 (unaudited in thousands, except share and per share data)

## Note 10 Commitments and Contingencies

### *Litigation*

From time to time, the Company is involved in legal proceedings and subject to claims arising in the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, the resolution of these ordinary-course matters are not expected to have a material adverse effect on its business, consolidated operating results, financial condition, or cash flows. Even if any particular litigation is resolved in a manner that is favorable to the Company, such litigation can have a negative impact on the Company because of defense and settlement costs, diversion of management resources from its business, and other factors.

### *Capital Expenditures*

The Company has various contracts outstanding with third parties, primarily related to the purchase of tools. The Company had ~~\$8,370~~ \$7,589 and \$7,910 of contractual commitments outstanding as of **March 31, 2024** **June 30, 2024** and December 31, 2023, respectively, that it expects to pay in the next twelve months using cash on hand and operating cash flows.

### *Center for NeoVation*

On January 25, 2021, the Company entered into a technology and economic development agreement (the "TED Agreement"), and a lease agreement (the "CfN Lease") with the government of Osceola County, Florida ("Osceola") and ICAMR, Inc., a Florida non-profit corporation (also known as "BRIDG"), to lease and operate the Center for NeoVation (the "CfN"), a semiconductor research and development and manufacturing facility in Florida. Under the CfN Lease, the Company agrees to bring the plant to full production capacity within five years, and then to operate the plant at full capacity for an additional 15 years. At the end of the lease, SkyWater will take ownership of the facility. The Company is responsible for taxes, utilities, insurance, maintenance, operation of the assets, and making capital investments in the facility to bring the facility to its full production capacity. Investments and costs required to bring the facility to its full capacity will be substantial. The Company may terminate the TED Agreement and CfN Lease with 18 months' notice. In the event the Company terminates the agreements, the Company must continue to operate the CfN until either a replacement operator for the CfN is identified, or the 18-month termination notice period expires. The Company may be required to make a payment of up to \$15,000 to Osceola upon termination.

### *Build Back Better Grant*

In third quarter 2022, the U.S. Department of Commerce Economic Development Administration granted funds to Osceola and BRIDG for continued development of Central Florida's Semiconductor Cluster for Broad-Based Prosperity through the Build Back Better Regional Challenge, a portion of which is committed to the expansion of the CfN and purchase, installation, and qualification of equipment in the CfN. In February 2023, SkyWater committed to a 20% matching share contribution of the project costs to

Osceola totaling approximately \$9,100. SkyWater's commitment to fund this matching contribution is limited to \$1,000 in any single calendar quarter. As of **March 31, 2024** **June 30, 2024**, SkyWater has not been obligated to pay any portion of the matching contribution to which it has committed.

**SKYWATER TECHNOLOGY, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(unaudited in thousands, except share and per share data)

**Note 11 Related Party Transactions**

In August 2022, SkyWater entered into an agreement with Oxbow Industries to provide funding in an amount up to \$12,500, if necessary, to enable the Company to meet its obligations as they become due. In March 2024, the agreement was amended to extend the term through March 18, 2026. No amounts have been provided to the Company under this agreement.

**Oxbow Realty, the Company's consolidated VIE, maintains arrangements with other Oxbow affiliated entities that it recognizes in its financial statements. The Company's interim condensed consolidated financial statements include \$1,204 of accounts payable in relation to these arrangements.**

**Sale-Leaseback Transaction**

On September 29, 2020, SkyWater entered into an agreement to sell the land and building of its Minnesota facility to Oxbow Realty. In the fourth quarter of 2020, SkyWater entered into an agreement to lease the land and building back from Oxbow Realty for initial lease payments of \$394 per month over 20 years. The monthly payments are subject to a 2% increase each year during the term of the lease. In the most recent month, the rental payment to Oxbow Realty was \$418. The Company is also required to make certain customary payments constituting "additional rent," including certain monthly reserve, insurance, and tax payments, in accordance with the terms of the lease agreement. Future minimum lease commitments to Oxbow Realty as of **March 31, 2024** **June 30, 2024** were as follows (such amounts are eliminated from the Company's interim condensed consolidated financial statements due to the consolidation of Oxbow Realty, see Note 12 – *Variable Interest Entity*):

Remainder of 2024

2025

2026

2027

2028

Thereafter

Total lease payments

Less: imputed interest

Total

**SKYWATER TECHNOLOGY, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(unaudited in thousands, except share and per share data)

**Note 12 Variable Interest Entity**

Oxbow Realty was established for the purpose of holding real estate and facilitating real estate transactions on behalf of Oxbow Industries. This included facilitating the purchase of the land and building of SkyWater's Minnesota facility with proceeds from a bank loan (see Note 6 – *Debt*) and managing the leaseback of the land and building to SkyWater (see Note 11 – *Related Party Transactions*). Management determined that Oxbow Realty meets the definition of a VIE under Accounting Standards Codification Topic 810, "Consolidations" ("Topic 810"), because it lacks sufficient equity to finance its activities. Furthermore, the Company is the primary beneficiary of Oxbow Realty as it has the power over those activities that most significantly affect Oxbow Realty's economic performance, mainly activities focused on the operation and maintenance of the Minnesota facility. As the primary beneficiary, the Company consolidates the assets, liabilities, and results of operations of Oxbow Realty pursuant to Topic 810, eliminating any transactions between the Company and Oxbow Realty, and recording a noncontrolling interest for the economic interest in Oxbow Realty attributable to parties other than the Company's common stock shareholders. In addition, the assets of Oxbow Realty can only be used to settle its liabilities, and the creditors of Oxbow Realty do not have recourse to the general credit of SkyWater.

The following table shows the carrying amounts of assets and liabilities of Oxbow Realty that are consolidated by the Company as of **March 31, 2024** **June 30, 2024** and December 31, 2023. The assets and liabilities are presented prior to the elimination of intercompany balances.

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Cash and cash equivalents		
Cash and cash equivalents		

Cash and cash equivalents	
Accounts receivable	
Finance receivable	
Finance receivable	
Finance receivable	
Other assets	
Total assets	
Accounts payable	
Accounts payable	
Accounts payable	
Accrued expenses	
Contract liabilities	
Debt	
Total liabilities	

The following table shows the revenue and expenses of Oxbow Realty for the three-month three- and six-month periods ended **March 31, 2024** **June 30, 2024** and **April 2, 2023** **July 2, 2023**. These results of Oxbow Realty are presented prior to the elimination of intercompany transactions.

	Three-Month Period Ended March 31, 2024	Three-Month Period Ended March 31, 2024	Three-Month Period Ended March 31, 2024	Six-Month Period Ended June 30, 2024	June 30, 2024	July 2, 2023	July 2, 2023
Revenue							
Revenue							
Revenue							
General and administrative expenses							
General and administrative expenses							
General and administrative expenses							
Interest expense							
Interest expense							
Interest expense							
Total expenses							
Total expenses							
Total expenses							
Net income							
Net income							
Net income							

#### Note 13 Leases

##### *SkyWater as the Lessor*

In March 2020, SkyWater executed a contract with a customer that includes an operating lease for the right to use a specified portion of the Company's Minnesota facility to produce wafers using the customer's equipment. The contractual amount that relates to revenue from an operating lease was \$21,000, and is being recognized over the estimated lease term of 4.5 years. The total amount was prepaid by the customer and recorded as deferred revenue. See Note 4 – Revenue for additional information on revenue recognition and deferred revenue of the operating lease.

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

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the interim condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q and the Company's audited annual consolidated financial statements and related notes, included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2023. In addition to historical financial information, the following discussion contains forward-looking statements that reflect the Company's current expectations, estimates and assumptions concerning events and financial trends that may affect the Company's future operating results or financial position. Actual results and the timing of events may differ materially from those discussed or implied in the Company's forward-looking statements due to a number of factors, including those described in the sections entitled "Risk Factors" and "Forward-Looking Statements" herein and elsewhere in its Annual Report on Form 10-K.

SkyWater refers to the three-month periods ended **March 31, 2024**, **June 30, 2024** and **April 2, 2023**, **July 2, 2023** as the **first** second quarter of 2024 and **first** second quarter of 2023, respectively. Each of these three-month periods includes 13 weeks. The six-month periods ended **June 30, 2024** and **July 2, 2023** are referred to as the **first** six months of 2024 and the **first** six months of 2023, respectively. Each of these six-month periods includes 26 weeks. All percentage amounts and ratios presented in this management's discussion and analysis were calculated using the underlying data in thousands. Unless otherwise indicated, all changes identified for the current period results represent comparisons to results for the prior corresponding period.

For purposes of this section, the terms "we," "us," "our," and "SkyWater" refer to SkyWater Technology, Inc. and its subsidiaries collectively.

## Overview

We are a U.S.-based, independent, pure-play technology foundry that offers advanced semiconductor development and manufacturing services from our fabrication facility, or fab, in Minnesota and advanced packaging services from our Florida facility. Our Technology-as-a-Service model leverages a foundation of proprietary technology, engineering know-how capabilities, and microelectronics manufacturing capacity to co-develop process technology intellectual property ("IP") with our customers that enables disruptive concepts through our Advanced Technology Services ("ATS") for diverse microelectronics (integrated circuits ("ICs")) and related micro- and nanotechnology applications. In addition to differentiated technology development services, we support customers with volume production of ICs for high-growth markets through our Wafer Services.

The combination of semiconductor development and manufacturing services we provide our customers is not available to them from a conventional fab. In addition, we believe our status as a publicly-traded, U.S.-based, U.S. headquartered pure-play technology foundry with Defense Microelectronics Activity Category 1A Trusted Accreditation from the U.S. Department of Defense positions us well to provide distinct, competitive advantages to our customers. These advantages include the benefits of enhanced IP security and secure access to a U.S. domestic supply chain.

We primarily focus on serving diversified, high-growth end users in numerous vertical markets, including (1) advanced compute, (2) aerospace and defense, (3) automotive, (4) bio-health, and (5) industrial. By housing both development and manufacturing in a single operation, we rapidly and efficiently transition newly-developed processes to high-yielding volume production, eliminating the time it would otherwise take to transfer production to a third-party fab. Through our ATS model, we specialize in co-creating advanced solutions with our customers that directly serve our end markets, such as infrared imaging, superconducting ICs for quantum computing and sensing, Rad-hard complementary metal oxide semiconductor ("CMOS"), integrated photonics, microelectromechanical systems ("MEMS"), technologies for biomedical and imaging applications, and advanced packaging. Our Wafer Services include the manufacture of silicon-based analog and mixed-signal ICs for our end markets. Our focus on the differentiated analog and CMOS markets supports long product life-cycles and requirements that value performance over cost-efficiencies, and leverages our portfolio IP.

Before we began independent operations, our Minnesota fab was owned and operated by Cypress Semiconductor Corporation ("Cypress") as a captive manufacturing facility for 26 years. We have leveraged Cypress systems, manufacturing technology, and process development capabilities to advance our product offerings. We became an independent company in 2017 when we were acquired by an affiliate of Oxbow Industries, LLC ("Oxbow Industries") as part of a divestiture from Cypress. Our multi-year foundry services agreement with Cypress, which ended in 2020, created a runway for us to operate the foundry at a high utilization rate while continuing to expand and diversify the customer base transferred by Cypress. Cypress was acquired in 2020 by Infineon Technologies AG.

## Factors and Trends Affecting our Business and Results of Operations

The following trends and uncertainties either affected our financial performance during the first **quarters** **six** months of 2024 and 2023 or are reasonably likely to impact our results in the future.

- Macroeconomic and competitive conditions, including cyclical and consolidation, as well as government funding in semiconductor technology and manufacturing, create unique challenges and opportunities for the semiconductor industry and SkyWater.
- In August 2022, the U.S. enacted the Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022 (the "CHIPS Act") pursuant to which the United States has committed to a renewed focus on providing incentives and funding for onshore companies to develop and advance the latest semiconductor technologies, supporting onshore manufacturing capabilities, and on strengthening key onshore supply chains. The CHIPS Act authorizes the U.S. Department of Commerce to enable execution of awards under the CHIPS Act and provides \$52.7 billion for American semiconductor research, development, manufacturing, and workforce development, including \$39 billion in financial assistance to build, expand, or modernize domestic facilities and equipment for semiconductor fabrication, assembly, testing, advanced packaging, or research and development. In December 2023, we submitted an application to the CHIPS Program Office of the U.S. Department of Commerce for funding through the CHIPS and Science Act for modernization and equipment upgrades to enhance production at our Minnesota facility.
- We project customer-funded capital investment to be a significant driver of the success of our business model, as we expect customers to invest in our capabilities and enable us to develop technology platforms that will drive our future growth.
- Our overall level of indebtedness from our revolving credit agreement, which we refer to as the Revolver (as defined below and in Note 6 – *Debt*), financing arising from the sale and leaseback of the land and building of our Minnesota facility, which we refer to as the VIE Financing, financing arrangements with lenders to

finance the purchase of manufacturing tools and other equipment, which we refer to as the Tool Financing Loans, and the corresponding interest rates charged to us by our lenders, are key components of maintaining capital funding that allow us to continue to grow our business.

## Financial Performance Metrics

Our senior management team regularly reviews certain key financial performance metrics within our business, including:

- Revenue and gross profit; and
- Earnings before interest, taxes, depreciation and amortization, as adjusted ("adjusted EBITDA"), which is a financial measure not prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), that excludes certain items that may not be indicative of our core operating results, as well as items that can vary widely across different industries or among companies within the same industry. For information regarding our non-GAAP financial measure, see the section entitled "—Non-GAAP Financial Measure" below.

## Results of Operations

First Second Quarter of 2024 Compared to the First Second Quarter of 2023

The following table summarizes certain financial information relating to our operating results for the **first** **second** quarter of 2024 and 2023.

Interest expense												
Interest expense	(2,390)	(2,471)	(2,471)	(3)	(3)	(2,482)	(2,950)	(2,950)	16	16	16	%
Loss before income taxes												
Loss before income taxes												
Loss before income taxes	(4,591)	(3,566)	(3,566)	29	29	(1,082)	(6,499)	(6,499)	83	83	83	%
Income tax expense	41	—	—	100 %								
Income tax (benefit) expense	(127)	25	25	NM								
Net loss	Net loss	(4,632)	(3,566)	(3,566)	30	30	Net loss	(955)	(6,524)	(6,524)	85	85 %
Less: net income attributable to noncontrolling interests	Less: net income attributable to noncontrolling interests	1,097	707	707	55	55 %	Less: net income attributable to noncontrolling interests	942	2,066	2,066	(54)	(54) %
Net loss attributable to SkyWater Technology, Inc.	Net loss attributable to SkyWater Technology, Inc.	\$ (5,729)	\$ (4,273)	34	34	34 %	Net loss attributable to SkyWater Technology, Inc.	\$ (1,897)	\$ (8,590)	78	78	78 %

NM - Not meaningful

#### First Six Months of 2024 Compared to the First Six Months of 2023

The following table summarizes certain financial information relating to the Company's operating results for the first six months of 2024 and 2023.

	First Six Months Ended		Percentage Change	
	June 30, 2024	July 2, 2023		
(in thousands)				
Consolidated statements of operations data:				
Revenue	\$ 172,965	\$ 135,905	27 %	
Cost of revenue	142,871	102,770	(39) %	
Gross profit	30,094	33,135	(9) %	
Research and development expense	7,394	5,063	(46) %	
Selling, general, and administrative expense	23,502	32,716	28 %	
Operating loss	(802)	(4,644)	83 %	
Interest expense	(4,871)	(5,421)	10 %	
Loss before income taxes	(5,673)	(10,065)	44 %	
Income tax (benefit) expense	(86)	25	NM	
Net loss	(5,587)	(10,090)	45 %	
Less: net income attributable to noncontrolling interests	2,039	2,773	(26) %	
Net loss attributable to SkyWater Technology, Inc.	\$ (7,626)	\$ (12,863)	41 %	

NM - Not meaningful

#### Revenue

Revenue was \$79.6 million \$93.3 million for the first second quarter of 2024 compared to \$66.1 million \$69.8 million for the first second quarter of 2023, an increase of \$13.5 million \$23.5 million, or 20% 34%. Revenue was \$173.0 million for the first six months of 2024 compared to \$135.9 million for the first six months of 2023, an increase of \$37.1 million, or 27%. The increase increases in revenue was were driven by an increase increases in ATS development revenue and tools revenue, partially offset by a decrease in wafer services revenue.

The following table shows revenue by service type for the second quarter and the first quarter six months of 2024 and 2023:

	First Quarter Ended	First Quarter Ended	First Quarter Ended	
	March 31, 2024	March 31, 2024	March 31, 2024	
	Second Quarter Ended			First Six Months Ended
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
ATS development				
ATS development				
ATS development				
Tools				
Tools				
Tools				
Wafer Services				
Wafer Services				
Wafer Services				
Total				
Total				
Total				

ATS development revenue increased \$13.4 million \$9.6 million, or 28% 18%, from the first second quarter of 2023 to the first second quarter of 2024. The increase was primarily due to continued Continued momentum in U.S. government programs to bolster the domestic semiconductor supply chain and strengthen the defense industrial base as well as drove an increase in activity revenue of \$16.5 million. This increase was partially offset by decreases of \$3.8 million and \$2.9 million in the cloud advanced compute and computing end market industrial end-markets, respectively, due to cyclical of the stages of our customers' development programs.

ATS development revenue increased \$23.0 million, or 23%, from the first six months of 2023 to the first six months of 2024. Continued momentum in U.S. government programs to bolster the domestic semiconductor supply chain and strengthen the defense industrial base drove an increase in revenue of \$29.8 million. This increase was partially offset by decreases of \$3.7 million, \$2.0 million, and \$1.6 million in the industrial, advanced compute, and bio-health end-markets, respectively, due to cyclical of the stages of our customers' development programs.

Tools revenue increased \$7.9 million \$24.9 million from the first second quarter of 2023 to the second quarter of 2024, and increased \$32.9 million from the first quarter six months of 2023 to the first six months of 2024, driven by increased investment by our customers to acquire tools that advance our capabilities for their ATS development programs.

The decrease decreases in Wafer Services revenue of \$7.8 million \$11.0 million, or 44% 66%, from the first second quarter of 2023 to the first second quarter of 2024 was and \$18.8 million, or 54%, from the first six months of 2023 to the first six months of 2024 were primarily driven by decreased activity for automotive broad industrial and bio-health customers as a result of higher inventory levels and softening in demand in the end markets of our customers.

#### Cost of revenue

Cost of revenue increased \$17.0 million \$23.1 million to \$66.7 million \$76.2 million for the first second quarter of 2024 from \$49.6 million \$53.1 million for the first second quarter of 2023. The increase was primarily driven by increased a \$24.6 million increase in the cost to procure tools on behalf of our customers to advance our capabilities for their ATS development programs and a \$7.2 million increase in costs related to facility expansion and other services provided to our customers as their programs grow. In addition, there was a \$1.6 million increase in warranty expense. Partially offsetting these increases was a decrease in labor of \$1.4 million due to \$8.0 million incurred during variable compensation. We also benefited from a reduction in depreciation of \$3.1 million. Certain Company assets received a step up in their fair value as a result of the purchase accounting treatment of the Company's formation in March 2017 when we were acquired by Oxbow Industries, LLC as part of a divestiture from Cypress Semiconductor Corporation. These assets were fully depreciated in the first quarter of 2024.

For the first six months of 2024, reflecting cost of revenue increased \$40.1 million to \$142.9 million from \$102.8 million for the first six months of 2023. The increase was primarily driven by a \$32.4 million increase in the cost to procure tools on behalf of our customers to advance our capabilities for their ATS development programs. Additionally, we recognized \$6.3 million during the first six months of 2024 to account for anticipated additional costs for us to complete certain development milestones for a significant aerospace and defense program that we expect will generate a loss on the contract. We also recognized a \$1.1 million increase in warranty expense. Partially offsetting these increases was a decrease in labor of \$1.8 million due to variable compensation.

#### Research and development expense

Research and development expense increased **\$1.3 million** **\$1.0 million** to **\$4.0 million** **\$3.4 million** for the second quarter of 2024. For the first six months of 2024, research and development expense increased **\$2.3 million** to **\$7.4 million** from **\$5.1 million** for the first quarter six months of 2024. The increase was primarily due to increased spending on platform development.

#### Selling, general and administrative expense

Selling, general and administrative expense decreased to **\$11.2 million** **\$12.3 million** for the first second quarter of 2024, from **\$14.9 million** **\$17.8 million** for the first second quarter of 2023. The decrease of **\$3.7 million** **\$5.5 million** was primarily attributable to **\$2.2 million** of a **\$4.1 million** decrease in external management and operations consulting services, and a **\$1.2 million** reduction in bad debt expense recorded in expense.

For the first quarter six months of 2023 that did not occur in 2024, selling, general and administrative expense decreased to **\$23.5 million** from **\$32.7 million** for the first quarter six months of 2024. The decrease of **\$9.2 million** was primarily attributable to a **\$4.2 million** decrease in external management and operations consulting services and a **\$3.2 million** reduction in bad debt expense.

#### Interest expense

Interest expense decreased to **\$2.4 million** **\$2.5 million** for the first second quarter of 2024 from **\$2.5 million** **\$3.0 million** for the first second quarter of 2023. The decrease of **\$0.1 million** **\$0.5 million** was primarily the result of decreased amounts outstanding under the Revolver and a lower average interest rate in the first second quarter of 2024 as compared to the first second quarter of 2023, partially offset by increased 2023.

For the first six months of 2024, interest expense on tool financing loans, decreased to **\$4.9 million** from **\$5.4 million** for the first six months of 2023. The decrease of **\$0.6 million** was primarily the result of decreased amounts outstanding under the Revolver in the first six months of 2024 as compared to the first six months of 2023.

#### Income tax (benefit) expense

Income tax expense benefit was **\$0.0 million** **\$0.1 million** for the first second quarter of 2024 compared to income less than **\$0.1 million** of tax expense of **\$0.0 million** for the first second quarter of 2023. The effective income tax rate for the first second quarter of 2024 was **(0.9)%** **11.7%**, compared to an effective income tax rate of **0.0%** **(0.4)%** for the second quarter of 2023. Income tax benefit was **\$0.1 million** for the first six months of 2024 compared to less than **\$0.1 million** of tax expense for the first six months of 2023. The effective income tax rate for the first six months of 2024 was **1.5%**, compared to an effective income tax rate of **(0.2)%** for the first six months of 2023. Our effective tax rates for the second quarter of 2023, 2024 and 2023 and for the first six months of 2024 and 2023 differ from the U.S. statutory tax rate of **21%** primarily due to application of a valuation allowance against our net deferred tax assets resulting from our assessment of our ability to utilize those deferred tax assets in future periods.

#### Net income attributable to noncontrolling interests

Net income attributable to noncontrolling interests increased decreased to **\$1.1 million** **\$0.9 million** for the first second quarter of 2024 from **\$0.7 million** **\$2.1 million** for the second quarter of 2023, and decreased to **\$2.0 million** for the first quarter six months of 2024 from **\$2.8 million** for the first six months of 2023. Net income attributable to noncontrolling interests reflects the net income of Oxbow Realty, LLC ("Oxbow Realty"), the variable interest entity ("VIE"), that we consolidate and represents the economic interest in the profits and losses of the VIE that our common stock shareholders do not legally have rights or obligations to. The increase decreases in the net income attributable to noncontrolling interests primarily relates to increased decreased interest income from Oxbow Realty's failed sale leaseback transaction with SkyWater.

## Liquidity and Capital Resources

#### General

Our ability to execute our operating strategy is dependent on our ability to maintain liquidity and continue to access capital through our Revolver (as defined in Note 6 – Debt to the interim condensed consolidated financial statements) and other sources of financing. Our current business plans indicate that we may require additional liquidity to continue our operations and maintain compliance with financial covenants for the next twelve months from the date the interim condensed consolidated financial statements are issued. We have identified specific actions that we could take to reduce operating costs and improve cash flows, including reductions in spending and delays in hiring personnel. If such actions are taken, it may require us to decrease our level of planned investment in new products and technologies, or discontinue further expansion of our business. We have also obtained a support letter from Oxbow Industries, an affiliate of our principal stockholder, to provide funding in an amount up to **\$12.5 million**, if necessary, to enable us to meet our obligations as they become due. The support letter expires March 18, 2026. Based upon our operational forecasts, our cash and cash equivalents on hand, our available borrowings on the Revolver, and potential cost reduction measures we could take, and the support letter from Oxbow Industries, as needed, we believe we will have sufficient liquidity to fund our operations for the next twelve months from the date the interim condensed consolidated financial statements are issued.

Additionally, we could seek additional equity or debt financing, including a refinancing and/or expansion of the Revolver. However, we cannot provide any assurance that additional funds will be available when needed, or, if available, will be available on terms that are acceptable to us. Our ability to access additional funds depend on prevailing economic conditions and other factors, many of which are beyond our control.

We have based this estimate on assumptions that may prove to be wrong, and our operating plan may change as a result of many factors currently unknown to us.

We had **\$19.8 million** **\$17.7 million** in cash and cash equivalents, not including cash held by a VIE that we consolidate, and availability under our Revolver of **\$62.7 million** **\$74.0 million** at March 31, 2024 June 30, 2024. We are subject to certain liquidity and EBITDA covenants under our Loan Agreement, as outlined in the section below entitled "Indebtedness."

#### ATM Program

For the first quarter six months of 2024, SkyWater did not sell shares under the ATM Program (as defined in Note 8 – *Shareholders' Equity*). From the date of the ATM Program through the first second quarter of 2024, the Company has cumulatively sold 2.5 million shares under the ATM Program at an average sale price of \$9.96 per share, resulting in gross proceeds of approximately \$25.1 million before deducting sales commissions and fees of approximately \$1.2 million. SkyWater used the net proceeds to fund its operations.

#### Capital Expenditures

For the first second quarters of 2024 and 2023, we spent approximately \$4.1 \$5.2 million and \$4.9 \$5.6 million, respectively, on capital expenditures, including purchases of property, equipment and software. The majority of these capital expenditures relate to improvements at our Minnesota facility and the development of our advanced packaging capabilities at our Center for NeoVation in Florida. We anticipate our cash on hand and the availability under the Revolver will provide the funds needed to meet our customer demand and anticipated capital expenditures for the remainder of fiscal 2024.

We have approximately \$8.4 million \$7.6 million of contractual commitments relating to various anticipated capital expenditures outstanding at March 31, 2024 June 30, 2024 that we expect to pay during the remainder of 2024 through cash on hand and operating cash flows.

#### Working Capital

Historically, we have depended on cash on hand, funds available under our Revolver and, in the future, we may need to depend on additional debt and equity financings to fund our growth strategy, working capital needs, and capital expenditures. We believe that these sources of funds will be adequate to provide cash, as required, to support our strategy, ongoing operations, capital expenditures, lease obligations, and working capital for at least the next twelve months. However, we cannot be certain that we will be able to obtain future debt or equity financings on commercially reasonable terms sufficient to meet our cash requirements.

At March 31, 2024 June 30, 2024, the outstanding balance of our Revolver was \$30.4 million \$26.0 million, and our remaining availability under the Revolver was \$62.7 million \$74.0 million. As of March 31, 2024 June 30, 2024, we were in compliance with applicable financial covenants of the Revolver and expect to be in compliance with applicable financial covenants over the next twelve months.

The following table sets forth general information derived from our interim condensed consolidated statement statements of cash flows for the first quarter six months of 2024 and 2023:

	First Three Months Ended	
	March 31, 2024	April 2, 2023
(in thousands)		
Net cash used in operating activities	\$ (3,924)	\$ (11,086)
Net cash used in investing activities	\$ (2,070)	\$ (3,064)
Net cash provided by (used in) financing activities	\$ 7,614	\$ (2,035)

	First Six Months Ended	
	June 30, 2024	July 2, 2023
(in thousands)		
Net cash provided by (used in) operating activities	\$ 5,423	\$ (18,008)
Net cash used in investing activities	\$ (3,218)	\$ (3,220)
Net cash (used in) provided by financing activities	\$ (2,225)	\$ 7,381

#### Cash and Cash Equivalents

At March 31, 2024 June 30, 2024 and December 31, 2023, we had \$20.0 million \$18.4 million and \$18.4 million of cash and cash equivalents, respectively. A discussion of the change in cash and cash equivalents can be found below.

#### Operating Activities

Cash flow from operations is driven by changes in the working capital needs associated with the various goods and services we provide, and expenses related to the infrastructure in place to support revenue generation. Working capital is primarily affected by changes in accounts receivable, contract assets, accounts payable, accrued expenses, and contract liabilities, all of which are partially correlated to and impacted by changes in the timing and volume of activities performed in our facilities. Net cash used in provided by operating activities was \$3.9 million \$5.4 million during the first quarter six months of 2024, a decrease an increase of \$7.2 million \$23.4 million from \$11.1 million \$18.0 million of cash used in operating activities during the first quarter six months of 2023. The decrease increase in cash used in provided by operating activities during the first quarter six months of 2024 was driven primarily by a decrease \$42.2 million increase in the change in accounts receivable and contract assets from a net use of \$12.9 million cash of \$17.4 million to a net cash inflow of \$24.8 million. The increase is due to improved cash collection efforts as a result of the timing of cash receipts from customers against revenue earned on a higher quality customer contracts mix. This increase was partially offset by a decrease in our the change in accrued expenses and accounts payable of \$10.9 million \$16.8 million during the period due to the timing of the payment of amounts owed to our vendors and an increase large accruals for consulting services

and accrued compensation in prepaid expenses and other assets of \$8.0 million, the prior year, in addition to a decrease in depreciation expense as fair value step-ups from our 2017 purchase accounting were fully depreciated in the first quarter 2024.

#### Investing Activities

Our investments in capital expenditures are intended to enable revenue growth in new and expanding markets, help us meet product demand, and increase our manufacturing efficiencies and capacity. Net cash used in investing activities was \$2.1 million \$3.2 million during the first quarter six months of 2024 a decrease of \$1.0 million from \$3.1 million compared to \$3.2 million during the first quarter six months of 2023. The decrease 2023 as we continue to invest in cash used our development and manufacturing capabilities. Customers continue to invest heavily in investing activities during the first quarter of 2024 reflects decreased our development and production capabilities, reducing our required capital spending on property and equipment compared investment in order to the same period in 2023. achieve our future growth plans.

#### Financing Activities

Net cash used in financing activities was \$2.2 million during the first six months of 2024 from net cash provided by financing activities was \$7.6 million of \$7.4 million during the first quarter six months of 2024 from 2023. The net cash used in financing activities of \$2.0 million during the first quarter six months of 2023. The increase in 2024 compared to net cash provided by financing activities during in the first quarter six months of 2024 2023 was primarily driven by proceeds from the issuance of common stock under our ATM program of \$12.1 million in the first six months of 2023, partially offset by an increase in net draws on our Revolver the revolving line of \$8.6 million, credit of \$7.1 million in the first six months of 2024.

#### Indebtedness

##### Sale Leaseback Transaction

In 2020, we entered into an agreement to sell the land and building of our Minnesota facility to Oxbow Realty, an affiliate of our principal stockholder, for \$39.0 million, less applicable transaction costs of \$1.5 million and transaction services fees paid to Oxbow Realty of \$2.0 million, and paid a guarantee fee to our principal stockholder of \$2.0 million. We subsequently entered into an agreement to leaseback the land and building from Oxbow Realty for initial payments of \$0.4 million per month over 20 years. The monthly payments are subject to a 2% increase each year during the term of the lease. We are also required to make certain customary payments constituting "additional rent," including certain monthly reserve, insurance, and tax payments, in accordance with the terms of the lease. Due to our continuing involvement in the property, we are accounting for the transactions as a failed sale leaseback. Under failed sale leaseback accounting, we are deemed the owner of the land and building with the proceeds received recorded as a financial obligation.

##### Revolving Credit Agreement

On December 28, 2022, we entered into a Loan and Security Agreement (the "Loan Agreement") with Siena Lending Group LLC ("Siena"). The Loan Agreement provides for a revolving line of credit of up to \$100.0 million with a scheduled maturity date of December 28, 2025 (the "Revolver"). The Company incurred \$4.3 million of debt issuance costs, which will be amortized as additional interest expense over the term of the Revolver. As of March 31, 2024 June 30, 2024, we had borrowings of \$30.4 million \$26.0 million under the Revolver.

Borrowing under the Loan Agreement is limited by a borrowing base of specified advance rates applicable to billed accounts receivable, contract assets, inventory and equipment, subject to various conditions limits and any availability block limits as provided in the Loan Agreement. The Loan Agreement also provides for borrowing base sublimits applicable to each of contract assets and equipment. Under certain circumstances, Siena may from time to time establish and revise reserves against the borrowing base and/or the maximum revolving facility amount. As of June 30, 2024, the borrowing base was above the Loan Agreement's \$100.0 million limit.

Borrowings under the Loan Agreement bear interest at a rate that depends upon the type of borrowing, whether a term secured overnight financing rate ("SOFR") loan or base rate loan, plus the applicable margin. The term SOFR loan rate is a forward-looking term rate based on SOFR for a tenor of one month on the applicable day, subject to a minimum of 2.5% per annum. The base rate is the greatest of the prime rate, the Federal funds rate plus 0.5% and 7.0% per annum. The applicable margin is an applicable percentage based on the fix charged coverage ratio that ranges from 5.25% to 6.25% per annum for term SOFR loans and ranges from 4.25% to 5.25% per annum for base rate loans.

The Loan Agreement contains customary representations and warranties and financial and other covenants and conditions. Subject to certain cure rights, the Loan Agreement requires \$10.0 million in minimum EBITDA (as defined in the Loan Agreement) calculated as of the last day of each calendar month commencing April 30, 2023 for the preceding twelve calendar months, prohibits unfunded capital expenditures in excess of \$15.0 million calculated as of the last day of each calendar month commencing April 30, 2023 for the preceding twelve calendar months, and requires a minimum fixed charge coverage ratio, measured on a trailing twelve month basis, of not less than 1.00 to 1.00 if our liquidity is less than \$15.0 million. In addition, the Loan Agreement places certain restrictions on our ability to incur additional indebtedness (other than permitted indebtedness), to create liens or other encumbrances (other than liens relating to permitted indebtedness), to sell or otherwise dispose of assets, to merge or consolidate with other entities, and to make certain restricted payments, including payments of dividends to our stockholders. As of March 31, 2024 June 30, 2024, we were in compliance with applicable covenants of the Loan Agreement and expect to continue to be in compliance with applicable financial covenants over the next twelve months.

Due to a lockbox clause in the Loan Agreement, the outstanding loan balance is required to be serviced with working capital, and the debt is classified as short-term on the interim condensed consolidated balance sheets in accordance with U.S. GAAP.

#### Tool Financing Loans

We, from time to time, enter into financing arrangements with lenders to finance the purchase of manufacturing tools and other equipment. These agreements include bargain purchase options at the end of the lease terms which the Company intends to exercise. These transactions represent failed sale leasebacks with the associated equipment recorded in property and equipment, net and the proceeds received, net of scheduled repayments of the financings, recorded as debt on the Company's interim condensed consolidated balance sheets. **Advance** Additionally, **advance** payments made to tool vendors by financing lenders on the Company's behalf totaled **\$4.7 million** **zero** and \$3.8 million as of **March 31, 2024** **June 30, 2024** and December 31, 2023, respectively. When the financed tools are placed into service, **the Company anticipates** financing agreements **will be** **are** executed to repay the lender the outstanding financial liability over a period of time. The advance payments are recorded as short-term financing on the Company's interim condensed consolidated balance sheets.

#### *Contractual Obligations*

There were no significant changes outside the ordinary course of business in our contractual obligations from those disclosed in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Material Cash Requirements" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

#### **Emerging Growth Company and Smaller Reporting Company Status**

We qualify as an "emerging growth company" pursuant to the provisions of the JOBS Act. For as long as we are an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements of holding advisory "say-on-pay" votes on executive compensation, and shareholder advisory votes on golden parachute compensation.

The JOBS Act also permits an emerging growth company like us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have elected to use the extended transition period for complying with new or revised accounting standards and therefore, we will not be subject to the same new or revised accounting standards as other public companies that comply with such new or revised accounting standards on a non-delayed basis.

We are also a "smaller reporting company." If we are a smaller reporting company at the time we cease to be an emerging growth company, we may continue to rely on exemptions from certain disclosure requirements that are available to smaller reporting companies. Specifically, as a smaller reporting company we may choose to present only the two most recent fiscal years of audited financial statements in our Annual Report on Form 10-K and, similar to emerging growth companies, smaller reporting companies have reduced disclosure obligations regarding executive compensation.

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

In connection with preparing our interim condensed consolidated financial statements in accordance with U.S. GAAP, we are required to make assumptions and estimates about future events and apply judgments that affect the reported amounts of assets, liabilities, revenue and expense, and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends, and other factors that management believes are relevant at the time we prepared our interim condensed consolidated financial statements. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our interim condensed consolidated financial statements are presented fairly and in accordance with U.S. GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ materially from our assumptions and estimates.

On an ongoing basis, management evaluates its estimates, including those related to revenue recognition, valuation of long-lived assets, valuation of inventory, equity-based compensation, and income taxes. We base our estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may materially differ from these estimates under different assumptions or conditions.

There have been no changes to our critical accounting policies and estimates disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

#### **Recent Accounting Pronouncements**

For a description of our recently adopted accounting pronouncements, see Note 3 — *Summary of Significant Accounting Policies* to the interim condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

#### **Non-GAAP Financial Measure**

Our interim condensed consolidated financial statements are prepared in accordance with U.S. GAAP. To supplement our interim condensed consolidated financial statements presented in accordance with U.S. GAAP, an additional non-GAAP financial measure is provided and reconciled in the table below.

We provide supplemental non-GAAP financial information that our management regularly evaluates to provide additional insight to investors as supplemental information to our U.S. GAAP results. Our management uses adjusted EBITDA to make informed operating decisions, complete strategic planning, prepare annual budgets, and evaluate the Company's and our management's performance. We believe that adjusted EBITDA is a useful performance measure to our investors because it provides a baseline for analyzing trends in our business and excludes certain items that may not be indicative of our core operating results. The use of non-GAAP financial information should not be considered as an alternative to, or more meaningful than, the comparable U.S. GAAP measure. In addition, because this non-GAAP financial measure is not determined in accordance with U.S. GAAP, other companies, including our peers, may calculate their non-GAAP financial measures differently than we do. As a result, the non-GAAP financial measure presented in this Quarterly Report on Form 10-Q may not be directly comparable to similarly titled measures presented by other companies.

#### Adjusted EBITDA

Adjusted EBITDA is not a financial measure determined in accordance with U.S. GAAP. We define adjusted EBITDA as net (loss) income before interest expense, income tax (benefit) expense, depreciation and amortization, equity-based compensation, and certain other items that we do not view as indicative of our ongoing performance, including net income attributable to noncontrolling interests, business transformation costs, management transition expense, and CHIPS Act specialist fees.

We believe adjusted EBITDA is a useful performance measure to our investors because it allows for an effective evaluation of our operating performance when compared to other companies, including our peers, without regard to financing methods or capital structures. We exclude the items listed above from net income or loss in arriving at adjusted EBITDA because these amounts can vary substantially within our industry depending on the accounting methods and policies used, book values of assets, capital structures, and the methods by which assets were acquired. Adjusted EBITDA should not be considered as an alternative to, or more meaningful than, net (loss) income determined in accordance with U.S. GAAP. Certain items excluded from adjusted EBITDA are significant components in understanding and assessing a company's financial performance, such as a company's cost of capital and tax structure, as well as the historic costs of depreciable assets, none of which are reflected in adjusted EBITDA. Our presentation of adjusted EBITDA should not be construed as an indication that our results will be unaffected by the items excluded from adjusted EBITDA. In future fiscal periods, we may exclude such items and may incur income and expenses similar to these excluded items. Accordingly, the exclusion of these items and other similar items in our non-GAAP presentation should not be interpreted as implying that these items are non-recurring, infrequent or unusual, unless otherwise expressly indicated.

The following table presents a reconciliation of net loss to adjusted EBITDA, our most directly comparable financial measure calculated and presented in accordance with U.S. GAAP.

	First Quarter Ended	First Quarter Ended	First Quarter Ended	
	March 31, 2024	March 31, 2024	March 31, 2024	
	Second Quarter Ended		First Six Months Ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
Net loss attributable to SkyWater Technology, Inc.				
Interest expense				
Interest expense				
Interest expense				
Income tax expense				
Income tax expense				
Income tax expense				
Depreciation and amortization				
Depreciation and amortization				
Income tax (benefit) expense				
Depreciation and amortization				
EBITDA				
EBITDA				
EBITDA				
Equity-based compensation (1)				
Equity-based compensation (1)				
Equity-based compensation (1)				
Management transition expense (2)				
Net income attributable to noncontrolling interests (2)				
Net income attributable to noncontrolling interests (2)				
Net income attributable to noncontrolling interests (2)				
Business transformation costs (3)				
Business transformation costs (3)				
Business transformation costs (3)				

CHIPS Act specialist fees (4)
Net income attributable to noncontrolling interests (5)

Adjusted EBITDA

Adjusted EBITDA

Adjusted EBITDA

---

(1) Represents non-cash equity-based compensation expense.

(2) Represents severance, separation, and other costs related to the reorganization of the manufacturing, sales, marketing, and operations leadership team.

(3) Represents expenses related to long-term transformation activities focused on improvement in automation and operational efficiency and includes project-based management consulting fees.

(4) Represents project-based specialist fees related to our CHIPS Act application process.

(5) Represents net income attributable to our VIE, which was formed for the purpose of purchasing the land and building of our operating facility in Bloomington, Minnesota headquarters. Since depreciation and interest expense are excluded from net loss in our adjusted EBITDA financial measure, we also exclude the net income attributable to the VIE.

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

Market risk is the risk of loss arising from adverse changes in market rates and prices. Currently, our market risks relate to potential changes in the fair value of our debt due to fluctuations in applicable market interest rates. In the future, our market risk exposure generally will be limited to those risks that arise in the normal course of business, as we do not engage in speculative, non-operating transactions, nor do we utilize financial instruments or derivative instruments for trading purposes.

#### Credit Risk

Financial instruments that potentially subject us to credit risk are cash and cash equivalents, accounts receivable, and contract assets. Cash balances are maintained in financial institutions, which at times exceed federally insured limits. We monitor the financial condition of the financial institutions in which our accounts are maintained and have not experienced any losses in such accounts. We perform ongoing credit evaluations as to the financial condition of our customers with respect to trade receivables and contract assets. Generally, no collateral is required as a condition of sale. Our consideration of the need for an allowance for credit losses is based upon current market conditions and other factors.

#### Interest Rate Risk

At **March 31, 2024** **June 30, 2024**, the outstanding balance of our Revolver was **\$30.4 million** **\$26.0 million**, which bears interest at a variable rate. At **March 31, 2024** **June 30, 2024**, the rate in effect was **10.70%** **10.7%**. Based on the outstanding balance of our Revolver at **March 31, 2024** **June 30, 2024**, a 100 basis point increase in the interest rate would increase interest expense by \$0.3 million annually.

### Item 4. Controls and Procedures

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

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports that we file or submit under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial and accounting officer) as appropriate, to allow for timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, our principal executive officer and principal financial officer, respectively, have 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 **March 31, 2024** **June 30, 2024**). Based on the evaluation of our disclosure controls and procedures, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of **March 31, 2024** **June 30, 2024** due to the material weaknesses in our internal control over financial reporting described below.

In light of this fact, our management has performed additional analyses, reconciliations, and other post-closing procedures and, notwithstanding the material weaknesses in internal control over financial reporting, has concluded that our condensed consolidated balance sheets as of **March 31, 2024** **June 30, 2024** and December 31, 2023, the related condensed consolidated statements of operations, stockholders' equity, and cash flows for the **three-month** **three- and six-month** periods ended **March 31, 2024** **June 30, 2024** and **April 2, 2023** **July 2, 2023**, present fairly, in all material respects, our financial position, results of our operations and our cash flows for the periods presented in this Quarterly Report on Form 10-Q, in conformity with GAAP.

#### *Previously Reported Material Weaknesses*

As disclosed in Item 9A. "Controls and Procedures" in our Annual Report on Form 10-K for the year ended December 31, 2023, we identified material weaknesses in our internal control over financial reporting. As of March 31, 2024, we have material weaknesses in reporting related to the **Control Activities** **Controls Activity** component of the

COSO framework Framework and in our revenue accounting process, process that were not remediated as of June 30, 2024. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

#### Remediation Plans

Remediation of As disclosed in Item 9A. "Controls and Procedures" in our Annual Report on Form 10-K for the year ended December 31, 2023, actions were undertaken in fiscal year 2023 to implement new controls and enhance existing controls to remediate the material weaknesses in the Control Activities component of the COSO framework Framework and in our revenue accounting process. These actions were completed on a timeframe that did not demonstrate sustained execution of those controls throughout fiscal year 2023. Remediation of the Control Activities component of the COSO Framework and our revenue accounting process material weaknesses will require further validation and testing of the design and operating effectiveness of internal controls over a sustained period of time. time in fiscal year 2024. To remediate these material weaknesses, management plans to sustain the execution of the process-level and information technology controls implemented or enhanced in fiscal year 2023 throughout fiscal year 2024. We will not be able to conclude whether the actions we are taking will remediate these material weaknesses until we have completed our remediation plans and perform testing to validate the effectiveness of these controls.

As we continue to evaluate and work to remediate the control deficiencies that gave rise to the material weaknesses in the Control Activities components of the COSO framework Framework and our revenue accounting process, we may determine that additional measures or time are required to address the control deficiencies or that we need to modify or otherwise adjust the remediation actions described above. The material weaknesses in the Control Activities component of the COSO framework Framework and our revenue accounting process cannot be considered remediated until the controls we implemented or enhanced in fiscal year 2023 have operated for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

#### Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three-month period three- or six-month periods ended March 31, 2024 June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

#### Item 1. Legal Proceedings

We are not presently a party to any litigation the outcome of which, we believe, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, cash flows or financial condition.

#### Item 1A. Risk Factors

This Quarterly Report on Form 10-Q should be read in conjunction with the risk factors included in Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023. There have been no material changes to the risk factors disclosed under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023.

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

None.

#### Item 3. Defaults Upon Senior Securities

None.

#### Item 4. Mine Safety Disclosures

Not applicable.

#### Item 5. Other Information

(c) During the three-month period ended March 31, 2024 June 30, 2024, no director or Section 16 officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

#### Item 6. Exhibits

The following is a list of all exhibits filed or furnished as part of this report:

Exhibit Number	Description
3.1	<a href="#">Certificate of Incorporation of SkyWater Technology, Inc. (incorporated by reference to the Company's Company's Registration Statement on Form S-1 filed with the SEC on April 12, 2021)</a>
3.2	<a href="#">Bylaws of SkyWater Technology, Inc. (incorporated by reference to the Company's Company's Registration Statement on Form S-1 filed with the SEC on April 12, 2021)</a>
31.1	<a href="#">Certification of the Chief Executive Officer pursuant to Exchange Act Rules Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	<a href="#">Certification of the Chief Financial Officer pursuant to Exchange Act Rules Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1*	<a href="#">Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350</a>
32.2*	<a href="#">Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350</a>
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* The certifications furnished in Exhibit 32.1 and Exhibit 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

#### 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.

#### SkyWater Technology, Inc.

Date: **May 10, 2024** August 7, 2024

By: /s/ Thomas Sonderman

Thomas Sonderman  
Chief Executive Officer  
(Principal Executive Officer)

By: /s/ Steve Manko

Steve Manko  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

**3840**

**Exhibit 31.1**

**Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002**

I, Thomas Sonderman, certify that:

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

Date: **May 10, 2024** **August 7, 2024**

*/s/ Thomas Sonderman*

Thomas Sonderman  
Chief Executive Officer  
(Principal Executive Officer)

**Exhibit 31.2**

**Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002**

I, Steve Manko, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SkyWater Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

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

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

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **May 10, 2024** **August 7, 2024**

/s/ Steve Manko

Steve Manko  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

**Exhibit 32.1**

**Certification of the Chief Executive Officer**

**Pursuant to Rule 18 U.S.C. Section 1350**

In connection with the Quarterly Report on Form 10-Q of SkyWater Technology, Inc. (the "Company") for the period ended **March 31, 2024** **June 30, 2024**, as filed with the U.S. Securities and Exchange Commission (the "Report"), I, Thomas Sonderman, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Date: **May 10, 2024** **August 7, 2024**

/s/ Thomas Sonderman

Thomas Sonderman  
Chief Executive Officer  
(Principal Executive Officer)

**Certification of the Chief Financial Officer****Pursuant to Rule 18 U.S.C. Section 1350**

In connection with the Quarterly Report on Form 10-Q of SkyWater Technology, Inc. (the "Company") for the period ended **March 31, 2024** **June 30, 2024**, as filed with the U.S. Securities and Exchange Commission (the "Report"), I, Steve Manko, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Date: **May 10, 2024** **August 7, 2024**

/s/ Steve Manko

Steve Manko

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

#### DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.