

REFINITIV

# DELTA REPORT

## 10-Q

GNSS - GENASYS INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - DECEMBER 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	795
CHANGES	218
DELETIONS	256
ADDITIONS	321

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

(Mark one)

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

For the quarterly period ended **December 31, 2023** **March 31, 2024**

or

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

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

Commission File Number: 000-24248



**GENASYS INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

87-0361799  
(I.R.S. Employer  
Identification Number)

16262 West Bernardo Drive, San Diego,  
California  
(Address of principal executive offices)

92127  
(Zip Code)

(858) 676-1112

(Registrant's telephone number, including area code)

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

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

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

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

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

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

Emerging growth company ☐

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

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

The number of shares of Common Stock, \$0.00001 par value, outstanding on February 9, 2024 May 10, 2024 was 44,027,121 44,594,562.

PART I. FINANCIAL INFORMATION

Item1. Financial Statements

Genasys Inc.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands, except par value and share amounts)

	December 31, 2023 (Unaudited)	September 30, 2023	March 31, 2024 (Unaudited)	September 30, 2023
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,780	\$ 8,665	\$ 3,544	\$ 8,665
Short-term marketable securities	8,777	1,481	3,011	1,481
Restricted cash	-	758	-	758
Accounts receivable, net of allowance for credit losses of \$65	4,435	5,952	2,820	5,952
Inventories, net	6,890	6,501	6,564	6,501
Prepaid expenses and other	2,100	1,851	6,324	1,851
Total current assets	26,982	25,208	22,263	25,208
Long-term restricted cash	346	96	346	96
Property and equipment, net	1,587	1,551	1,483	1,551
Goodwill	13,151	10,282	13,251	10,282
Intangible assets, net	10,366	8,427	9,743	8,427
Operating lease right of use assets	3,712	3,886	3,507	3,886
Other assets	494	455	439	455
Total assets	\$ 56,638	\$ 49,905	\$ 51,032	\$ 49,905
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$ 1,897	\$ 2,785	\$ 2,597	\$ 2,785
Accrued liabilities	8,618	7,466	8,308	7,466
Operating lease liabilities, current portion	1,031	1,008	1,027	1,008
Total current liabilities	11,546	11,259	11,932	11,259
Other liabilities, noncurrent	509	551	445	551
Operating lease liabilities, noncurrent	4,030	4,283	3,773	4,283
Total liabilities	16,085	16,093	16,150	16,093

Stockholders' equity:				
Preferred stock, \$0.00001 par value; 5,000,000 shares authorized; none issued and outstanding	-	-	-	-
Common stock, \$0.00001 par value; 100,000,000 shares authorized; 44,027,121 and 37,211,071 shares issued and outstanding, respectively	-	-		
Common stock, \$0.00001 par value; 100,000,000 shares authorized; 44,485,851 and 37,211,071 shares issued and outstanding, respectively			-	-
Additional paid-in capital	123,725	110,379	125,051	110,379
Accumulated deficit	(82,786)	(76,062)	(89,724)	(76,062)
Accumulated other comprehensive loss	(386)	(505)	(445)	(505)
Total stockholders' equity	40,553	33,812	34,882	33,812
Total liabilities and stockholders' equity	\$ 56,638	\$ 49,905	\$ 51,032	\$ 49,905

See accompanying notes

Genasys Inc.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(in thousands, except per share and share amounts)  
(Unaudited)

	Three months ended December 31,		Three months ended March 31,		Six months ended March 31,	
	2023	2022	2024	2023	2024	2023
Revenues:						
Product sales	\$ 2,166	\$ 9,118	\$ 3,209	\$ 9,940	\$ 5,375	\$ 19,058
Contract and other	2,195	1,369	2,530	1,273	4,725	2,642
Total revenues	4,361	10,487	5,739	11,213	10,100	21,700
Cost of revenues	2,882	5,655	3,562	6,288	6,444	11,943
Gross profit	1,479	4,832	2,177	4,925	3,656	9,757
Operating expenses						
Selling, general and administrative	6,518	6,384	6,640	6,054	13,158	12,439
Research and development	2,191	1,935	2,531	2,281	4,722	4,216
Total operating expenses	8,709	8,319	9,171	8,335	17,880	16,655
Loss from operations	(7,230)	(3,487)	(6,994)	(3,410)	(14,224)	(6,898)
Other income (expense), net	77	(20)	51	15	128	(4)
Loss before income taxes	(7,153)	(3,507)	(6,943)	(3,395)	(14,096)	(6,902)
Income tax benefit	(429)	-				
Income tax (benefit) expense			(5)	8	(434)	8
Net loss	\$ (6,724)	\$ (3,507)	\$ (6,938)	\$ (3,403)	\$ (13,662)	\$ (6,910)
Net loss per common share - basic and diluted	\$ (0.15)	\$ (0.10)	\$ (0.16)	\$ (0.09)	\$ (0.31)	\$ (0.19)
Weighted average common shares outstanding:						
Basic and diluted	43,729,240	36,696,145	44,247,858	36,817,026	44,026,750	36,755,920

See accompanying notes

Genasys Inc.  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS  
(in thousands)  
(Unaudited)

	Three months ended		Three months ended		Six months ended	
	December 31,		March 31,		March 31,	
	2023	2022	2024	2023	2024	2023
Net loss	\$ (6,724)	\$ (3,507)	\$ (6,938)	\$ (3,403)	\$ (13,662)	(6,910)
Unrealized gain on marketable securities	10	21				
Unrealized foreign currency gain	109	245				
Unrealized (loss) gain on marketable securities			(3)	29	7	50
Unrealized foreign currency (loss) gain			(56)	52	53	\$ 297
Comprehensive loss	\$ (6,605)	\$ (3,241)	\$ (6,997)	\$ (3,322)	\$ (13,602)	\$ (6,563)

See accompanying notes

Genasys Inc.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)  
(Unaudited)

	Three Months Ended	
	December 31,	
	2023	2022
Operating Activities:		
Net loss	\$ (6,724 )	\$ (3,507 )
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	729	643
Amortization of debt issuance costs	-	5
Warranty provision	(22 )	24
Inventory obsolescence	39	46
Loss on disposition of fixed assets	2	-
Stock-based compensation	446	420
Partial release of valuation allowance	(517 )	-
Amortization of operating lease right of use asset	192	199
Accretion of acquisition holdback liability	5	12
Accretion of acquisition contingent consideration	46	-
Changes in operating assets and liabilities:		
Accounts receivable, net	1,666	3,482

Inventories, net	(429 )	(2,041 )
Prepaid expenses and other	(249 )	624
Accounts payable	(902 )	249
Accrued and other liabilities	(11 )	(5,006 )
Net cash used in operating activities	(5,729 )	(4,850 )
Investing Activities:		
Purchases of marketable securities	(7,532 )	(1,994 )
Proceeds from maturities of marketable securities	247	1,609
Cash paid for acquisitions	(923 )	-
Cash paid for asset purchase holdback liability	(764 )	-
Capital expenditures	(142 )	(98 )
Net cash used in investing activities	(9,114 )	(483 )
Financing Activities:		
Proceeds from exercise of stock options	-	32
Proceeds from offering of common stock, net of issuance costs	10,449	-
Net cash provided by financing activities	10,449	32
Effect of foreign exchange rate on cash	1	39
Net decrease in cash, cash equivalents, and restricted cash	(4,393 )	(5,262 )
Cash, cash equivalents and restricted cash, beginning of period	9,519	13,659
Cash, cash equivalents and restricted cash, end of period	\$ 5,126	\$ 8,397
	Six Months Ended	
	March 31,	
	2024	2023
Operating Activities:		
Net loss	\$ (13,662 )	\$ (6,910 )
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,460	1,282
Amortization of debt issuance costs	-	8
Warranty provision	(46)	52
Inventory obsolescence	65	90
Loss on disposition of fixed assets	2	-
Stock-based compensation	970	933
Partial release of valuation allowance	(525)	-
Amortization of operating lease right of use asset	387	385
Accretion of acquisition holdback liability	10	24
Remeasurement of acquisition contingent consideration	44	-
Changes in operating assets and liabilities:		
Accounts receivable, net	3,277	3,158
Inventories, net	(128)	(3,469)
Prepaid expenses and other	(4,425)	1,840
Accounts payable	(196)	1,145
Accrued and other liabilities	271	(6,004)
Net cash used in operating activities	(12,496)	(7,466)
Investing Activities:		
Purchases of marketable securities	(8,210)	(3,641)
Proceeds from maturities of marketable securities	6,688	4,716

Cash paid for acquisitions net of cash acquired	(908)	-
Cash paid for asset purchase holdback liability	(764)	-
Capital expenditures	(153)	(157)
Net cash (used in) provided by investing activities	(3,347)	918
Financing Activities:		
Proceeds from exercise of stock options	-	86
Proceeds from offering of common stock, net of issuance costs	10,449	-
Payment of contingent consideration	(219)	-
Shares retained for payment of taxes in connection with settlement of restricted stock units	(12)	(45)
Net cash provided by financing activities	10,218	41
Effect of foreign exchange rate on cash	(4)	54
Net decrease in cash, cash equivalents, and restricted cash	(5,629)	(6,453)
Cash, cash equivalents and restricted cash, beginning of period	9,519	13,659
Cash, cash equivalents and restricted cash, end of period	\$ 3,890	\$ 7,206
Reconciliation of cash, cash equivalents and restricted cash to the consolidated balance sheets:		
Cash and cash equivalents	\$ 4,780	\$ 7,563
Restricted cash, current portion	-	738
Long-term restricted cash	346	96
Total cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows	\$ 5,126	\$ 8,397

See accompanying notes

Genasys Inc.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)  
(in thousands)  
(Unaudited)

	Three Months Ended		Six Months Ended	
	December 31,		March 31,	
	2023	2022	2024	2023
Noncash investing and financing activities:				
Change in unrealized loss on marketable securities	\$ 10	\$ 21	\$ 7	\$ 50
Obligation to issue common stock in connection with the Amika Mobile asset purchase	\$ -	\$ (416)	\$ -	\$ (416)
Initial measurement of operating lease right of use assets			\$ -	\$ 79
Initial measurement of operating lease liabilities			\$ -	\$ 79
Obligation to issue common stock in connection with the Evertel acquisition	\$ (527)	\$ -	\$ (685)	\$ -
Shares issued in connection with the Evertel acquisition	\$ (1,924)	\$ -	\$ (1,924)	\$ -
Settlement of contingent consideration in shares of common stock			\$ (656)	\$ -
Contingent consideration payable in connection with the Evertel acquisition	\$ (890)	\$ -	\$ (60)	\$ -
Holdback liability payable in connection with the Evertel acquisition	\$ (230)	\$ -	\$ (240)	\$ -

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

## 1. 1. OPERATIONS

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

## 2. 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

### General

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

### Principles of consolidation

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

### Cash, cash equivalents and restricted cash

The Company considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents. As of December 31, 2023 March 31, 2024, the amount of cash and cash equivalents was \$4,780, \$3,544. As of September 30, 2023, the amount of cash and cash equivalents was \$8,665.

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

### Accounts receivable and allowance for credit losses

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

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



Genasys Inc.  
Notes to the Condensed Consolidated Financial Statements  
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The Company's allowance for credit losses was \$65 as of December 31, 2023, March 31, 2024 and September 30, 2023.

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

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

### Reclassifications

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

## 3. RECENT ACCOUNTING PRONOUNCEMENTS

### *Recently adopted pronouncements*

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

### *Accounting pronouncements not yet adopted*

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

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

## 4. BUSINESS COMBINATIONS

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

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

The Evertel acquisition was accounted for as a business combination using the acquisition method pursuant to **ASC Accounting Standards Codification ("ASC")** Topic 805. As the acquirer for accounting purposes, the Company has estimated the purchase consideration, assets acquired and liabilities assumed as of the acquisition date, with the excess of the purchase consideration over the fair value of net assets acquired recognized as goodwill. The estimated fair value of assets purchased, and liabilities assumed, in certain cases may be subject to revision based on the final determination of fair value.

**The consideration consisted of the following:**

Cash paid	\$
Common stock issued	
Contingent consideration	
Acquisition holdback liability	
Common stock to be issued	
	\$

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

**The consideration consisted of the following:**

Cash paid	\$
Common stock issued	
Contingent consideration	
Acquisition holdback liability	
Common stock to be issued	
Working capital adjustment	
	\$

The Company funded the cash portion of the total consideration with available cash on hand. The Company also issued 986,486 shares of the Company's common stock to the former owners of Evertel. The fair value of the Company's stock on the closing date was \$1.95, resulting in the addition of \$1,924 to additional-paid-in-capital. The contingent consideration liability is a current liability and recorded in the current portion of accrued **liabilities as of December 31, 2023. liabilities**. Under the terms of the Purchase Agreement, the Company recorded an obligation to issue common stock to the former owners of Evertel and three key employees subsequent to March 31, 2024. This was recorded during the three months ended March 31, 2024, as a \$158 credit to additional-paid-in-capital and an addition to goodwill as this is consideration transferred to the former owners of Evertel. The Company also recorded a holdback liability and an obligation to issue common stock as security for potential indemnification claims against the seller. The holdback liability and the common stock will be released twelve months from the closing date, subject to amounts withheld for actual, pending or potential claims. The holdback liability was recorded as a current liability at \$230, which represented the fair value of the holdback liability as of the acquisition date. The fair value of the holdback liability has and will be adjusted each reporting period with the change in fair value recorded in the condensed consolidated statement of operations. The obligation to issue common stock was recorded as a credit to additional paid in capital for \$527 on the acquisition date. During the three months ended March 31, 2024, the Company and the former owners of Evertel, agreed on a working capital adjustment that resulted in a payment of \$15 to the Company.

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

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

Assets acquired		
Accounts receivable	\$ 142	\$ 142
Prepaid expenses	27	27
Intangible assets	2,550	2,550
Goodwill	2,772	2,923
Total Assets	\$ 5,491	\$ 5,642
Liabilities assumed		

Accrued commissions	\$	10	\$	10
Deferred revenue		470		470
Deferred tax liability		517		525
Total liabilities		997		1,005
Net assets acquired	\$	4,494	\$	4,637

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

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

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

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

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

As of March 31, 2024, \$874 of the contingent consideration was issued to the former owners of Evertel. The Company paid \$219 in cash and issued 236,343 shares of common stock. During the period since acquisition, the contingent consideration increased \$44 due to remeasurement adjustments. As of March 31, 2024, the contingent consideration liability was \$60 and will be settled during the third quarter of fiscal year 2024.

The Company has included the operating results of Evertel in continuing operations in its unaudited condensed consolidated financial statements since the acquisition date. \$209 \$205 in net revenues and \$195 \$220 in net loss of Evertel were included in the unaudited condensed consolidated financial statements for the three months ending March 31, 2024 and \$414 in net revenues and \$432 in net loss of Evertel were included in the unaudited condensed consolidated financial statements for the six months ended December 31, 2023 March 31, 2024.

## 5. REVENUE RECOGNITION

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

1. Identify the contract(s) with customers
2. Identify the performance obligations

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

3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognize revenue when the performance obligations have been satisfied

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

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

#### *Product revenue*

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

#### *Perpetual licensed software*

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

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#### *Time-based licensed software*

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

#### *Warranty, maintenance and services*

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

#### *Multiple element performance obligation arrangements*

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

Revenue is allocated to each deliverable performance obligation based on the fair value of each individual element performance obligation and is recognized when the revenue recognition criteria described above are met, except for time-based licenses which are not unbundled. When software development services are performed and are

considered essential to the functionality of the software, the Company recognizes revenue from the software development services on a stage of completion basis, and the revenue from the software when the related development services have been completed.

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The Company disaggregates revenue by reporting segment (Hardware and Software) and geographically to depict the nature of revenue in a manner consistent with its business operations and to be consistent with other communications and public filings. Refer to Note 18, Segment Information and Note 19, Major Customers, Suppliers and Related Information for additional details of revenues by reporting segment and disaggregation of revenue.

*Contract assets and liabilities*

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

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The Company's contract liabilities were as follows:

	Customer deposits	Deferred revenue	Total contract liabilities
Balance as of September 30, 2023	\$ 766	\$ 3,254	\$ 4,020
New performance obligations	819	1,583	2,402
Recognition of revenue as a result of satisfying performance obligations	(363 )	(1,342 )	(1,705 )
Effect of exchange rate on deferred revenue	-	5	5
Balance as of December 31, 2023	\$ 1,222	\$ 3,500	\$ 4,722
Less: non-current portion	-	(509 )	(509 )
Current portion as of December 31, 2023	\$ 1,222	\$ 2,991	\$ 4,213

  

	Customer deposits	Deferred revenue	Total contract liabilities
Balance as of September 30, 2023	\$ 766	\$ 3,254	\$ 4,020
New performance obligations	2,272	3,927	6,199
Recognition of revenue as a result of satisfying performance obligations	(2,116 )	(3,018 )	(5,134 )
Effect of exchange rate on deferred revenue	-	(2 )	(2 )
Balance as of March 31, 2024	\$ 922	\$ 4,161	\$ 5,083
Less: non-current portion	-	(445 )	(445 )
Current portion as of March 31, 2024	\$ 922	\$ 3,716	\$ 4,638

#### Remaining performance obligations

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

As of **December 31, 2023** **March 31, 2024**, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately **\$4,722**, **\$5,083**. The Company expects to recognize revenue on approximately **\$4,213** **\$4,638** or **89%** **91%** of the remaining performance obligations over the next 12 months, and the remainder is expected to be recognized thereafter.

#### Practical expedients

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

## 6. FAIR VALUE MEASUREMENTS

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

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

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

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

The fair value of the Company's cash equivalents and marketable securities were determined based on Level 1 and Level 2 inputs. The valuation techniques used to measure the fair value of the "Level 2" instruments were based on quoted market prices or model-driven valuations using significant inputs derived from or corroborated by observable market data. The Company believes that the recorded values of its other financial instruments approximate their current fair values because of their nature and respective relatively short maturity dates or durations. The Company did not have any marketable securities in the Level 3 category as of **December 31, 2023** **March 31, 2024** or September 30, 2023. There have been no changes in Level 1, Level 2, and Level 3 and no changes in valuation techniques for financial instruments measured at fair value on a recurring basis for the periods ended **December 31, 2023** **March 31, 2024** and September 30, 2023.

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#### Instruments measured at fair value on a recurring basis

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

		December 31, 2023							March 31, 2024						
		Cost Basis	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value	Cash Equivalents	Short-term Securities	Long-term Securities	Cost Basis	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value	Cash Equivalents	Short-term Securities	Long-term Securities
Level 1:															
	Money market funds	\$ 1,060	\$ -	\$ -	\$ 1,060	\$ 1,060	\$ -	\$ -	\$ 1,437	\$ -	\$ -	\$ 1,437	\$ 1,437	\$ -	\$ -
Level 2:															
	Certificates of deposit	302	-	-	302	-	302	-	552	-	-	552	-	552	-
	U.S. government agency bonds	1,161	-	-	1,161	-	1,161	-							
	Municipal securities	3,707	4	(3)	3,708	-	3,708	-	1,105	-	(1)	1,104	-	1,104	-
	Corporate bonds	3,607	1	(2)	3,606	-	3,606	-	1,357	-	(2)	1,355	-	1,355	-
	Subtotal	8,777	5	(5)	8,777	-	8,777	-	3,014	-	(3)	3,011	-	3,011	-
Total		\$ 9,837	\$ 5	\$ (5)	\$ 9,837	\$ 1,060	\$ 8,777	\$ -	\$ 4,451	\$ -	\$ (3)	\$ 4,448	\$ 1,437	\$ 3,011	\$ -

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

The Company manages debt investments as a single portfolio of highly marketable securities that is intended to be available to meet current cash requirements. Historically, the gross unrealized losses related to the Company's portfolio of available-for-sale debt securities were immaterial, and primarily due to normal market fluctuations and not due to increased credit risk or other valuation concerns. Gross unrealized losses on available-for-sale debt securities was **\$5 \$3** as of **December 31, 2023**, **March 31, 2024**, and historically, such gross unrealized losses have been temporary in nature. The Company believes that it is probable the principal and interest will be collected in accordance with the contractual terms. The debt investment portfolio is reviewed at least quarterly, or when there are changes in credit risks or other potential valuation concerns, to identify and evaluate whether an allowance for credit losses or impairment would be necessary. Factors considered in determining whether a loss is temporary include the magnitude of the decline in market value, the length of time the market value has been below cost (or adjusted cost), credit quality, and the Company's ability and intent to hold the securities for a period of time sufficient to allow for any anticipated recovery in market value.

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

	As of December 31, 2023					
	In loss position < 12 months		In loss position > 12 months		Total in loss position	
	Gross Unrealized		Gross Unrealized		Gross Unrealized	
	Fair Value	Loss	Fair Value	Loss	Fair Value	Loss
Certificates of deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. government agency bonds	-	-	-	-	-	-
Municipal securities	628	(1)	132	(2)	760	(3)
Corporate bonds	2,882	(2)	-	-	2,882	(2)
	<u>\$ 3,510</u>	<u>\$ (3)</u>	<u>\$ 132</u>	<u>\$ (2)</u>	<u>\$ 3,642</u>	<u>\$ (5)</u>
	As of March 31, 2024					
	In loss position < 12 months		In loss position > 12 months		Total in loss position	
	Gross Unrealized		Gross Unrealized		Gross Unrealized	
	Fair Value	Loss	Fair Value	Loss	Fair Value	Loss
Certificates of deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. government agency bonds	-	-	-	-	-	-
Municipal securities	243	(1)	-	-	243	(1)
Corporate bonds	993	(1)	362	(1)	1,355	(2)
	<u>\$ 1,236</u>	<u>\$ (2)</u>	<u>\$ 362</u>	<u>\$ (1)</u>	<u>\$ 1,598</u>	<u>\$ (3)</u>
	As of September 30, 2023					
	In loss position < 12 months		In loss position > 12 months		Total in loss position	
	Gross Unrealized		Gross Unrealized		Gross Unrealized	
	Fair Value	Loss	Fair Value	Loss	Fair Value	Loss
Certificates of deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. government agency bonds	-	-	-	-	-	-
Municipal securities	684	(2)	235	(5)	919	(7)
Corporate bonds	-	-	261	(3)	261	(3)
	<u>\$ 684</u>	<u>\$ (2)</u>	<u>\$ 496</u>	<u>\$ (8)</u>	<u>\$ 1,180</u>	<u>\$ (10)</u>

Instruments measured at fair value on a non-recurring basis

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

Goodwill and intangible assets are recognized at fair value during the period in which an acquisition is completed, from updated estimates during the measurement period, or when they are considered to be impaired. These non-recurring fair value measurements, primarily for intangible assets acquired, were based on Level 3 inputs. The Company



estimates the fair value of these long-lived assets on a non-recurring basis based on a market valuation approach, engaging independent valuation experts to assist in the determination of fair value.

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

	Carrying Value	Fair Value Measurements at December 31, 2023			Gain/(Loss)
		(Level 1)	(Level 2)	(Level 3)	
Intangible assets from Evertel acquisition	\$ 2,550	\$ -	\$ -	\$ 2,550	\$ -
Goodwill from Evertel acquisition	\$ 2,772	\$ -	\$ -	\$ 2,772	\$ -

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	Carrying Value	Fair Value Measurements at March 31, 2024			Gain/(Loss)
		(Level 1)	(Level 2)	(Level 3)	
Intangible assets from Evertel acquisition	\$ 2,550	\$ -	\$ -	\$ 2,550	\$ -
Goodwill from Evertel acquisition	\$ 2,923	\$ -	\$ -	\$ 2,923	\$ -

*Contingent consideration liability:* In connection with the Evertel acquisition, the Company recorded a liability related to future performance criteria. A payment of up to \$1,050 is payable based on future performance. The contingent consideration liability was recorded at the fair value of \$890 as of the acquisition date. The Company engaged independent valuation experts to assist in determining the fair value of the contingent consideration. During each reporting period, the Company will adjust the contingent consideration liability as performance criteria are achieved. The change in fair value is recorded in the accompanying consolidated statement of operations.

As of March 31, 2024, \$874 of the contingent consideration was issued to the former owners of Evertel. The Company paid \$219 in cash and issued 236,343 shares of common stock. During the period since acquisition, the contingent consideration increased \$44 due to remeasurement adjustments. As of March 31, 2024, the remaining contingent consideration liability was \$60 and will be settled during the third quarter of fiscal year 2024.

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

Value at acquisition date	\$	890
Remeasurement estimate		46
Balance as of December 31, 2023	\$	936
Value as of acquisition date	\$	890
Remeasurement estimate		44
Settlement of contingent consideration liability		(874 )
Balance as of March 31, 2024	\$	60

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

Balance at acquisition date	\$	230
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Accretion		5
Balance as of December 31, 2023	\$	235
Balance as of acquisition date	\$	230
Accretion		10
Balance as of March 31, 2024	\$	240

## 7. INVENTORIES, NET

Inventories, net consisted of the following:

	December 31, 2023	September 30, 2023	March 31, 2024	September 30, 2023
Raw materials	\$ 4,268	\$ 5,086	\$ 4,619	\$ 5,086
Finished goods	1,865	1,029	1,380	1,029
Work in process	1,625	1,218	1,459	1,218
Inventories, gross	7,758	7,333	7,458	7,333
Reserve for obsolescence	(868)	(832)	(894)	(832)
Inventories, net	\$ 6,890	\$ 6,501	\$ 6,564	\$ 6,501

## 8. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	December 31, 2023	September 30, 2023
Office furniture and equipment	\$ 1,526	\$ 1,582
Machinery and equipment	1,480	1,441
Leasehold improvements	2,313	2,302
Construction in progress	53	-
Property and equipment, gross	5,372	5,325
Accumulated depreciation	(3,785)	(3,774)
Property and equipment, net	\$ 1,587	\$ 1,551
	March 31, 2024	September 30, 2023
Office furniture and equipment	\$ 1,622	\$ 1,582
Machinery and equipment	1,480	1,441
Leasehold improvements	2,294	2,302
Construction in progress	71	-
Property and equipment, gross	5,467	5,325
Accumulated depreciation	(3,984)	(3,774)
Property and equipment, net	\$ 1,483	\$ 1,551

Depreciation and amortization expense for property and equipment was \$110 \$112 and \$111 \$113 for the three months ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively. Depreciation and amortization expense for property and equipment was \$221 and \$224 for the six months ended March 31, 2024 and 2023, respectively.

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**9. GOODWILL AND INTANGIBLE ASSETS**

Goodwill is attributable to the acquisitions of Genasys Spain, Zonehaven, Evertel, and the Amika Mobile asset purchase and is due to combining the integrated emergency critical communications, mass messaging solutions and software development capabilities with existing hardware products for enhanced offerings and the skill level of the acquired workforces. The Company periodically reviews goodwill for impairment in accordance with relevant accounting standards. As of December 31, 2023 March 31, 2024 and September 30, 2023, goodwill was \$13,151 \$13,251 and \$10,282, respectively. During the three six months ended December 31, 2023 March 31, 2024, \$2,772 \$2,923 was added to goodwill as a result of the Evertel acquisition. There were no additions or impairments to goodwill during the twelve months ended September 30, 2023.

The changes in the carrying amount of goodwill by segment for the three months ended December 31, 2023 as of March 31, 2024, were as follows:

	Hardware	Software	Total	Hardware	Software	Total
Balance as of September 30, 2023	\$ -	\$ 10,282	\$ 10,282	\$ -	\$ 10,282	\$ 10,282
Acquisitions	-	2,772	2,772	-	2,923	2,923
Currency translation	-	97	97	-	46	46
Balance as of December 31, 2023	\$ -	\$ 13,151	\$ 13,151			
Balance as of March 31, 2024				\$ -	\$ 13,251	\$ 13,251

The changes in the carrying amount of intangible assets by segment for the three months ended December 31, 2023 as of March 31, 2024, were as follows:

	Hardware	Software	Total	Hardware	Software	Total
Balance as of September 30, 2023	\$ 17	\$ 8,410	\$ 8,427	\$ 17	\$ 8,410	\$ 8,427
Acquisitions	-	2,550	2,550	-	2,550	2,550
Amortization	(1)	(618)	(619)	(1)	(1,238)	(1,239)
Currency translation	-	8	8	-	5	5
Balance as of December 31, 2023	\$ 16	\$ 10,350	\$ 10,366			
Balance as of March 31, 2024				\$ 16	\$ 9,727	\$ 9,743

Intangible assets and goodwill related to Genasys Spain are translated from Euros to U.S. dollars at the balance sheet date. The net impact of foreign currency exchange differences arising during the period related to goodwill and intangible assets was an increase of \$105. \$51.

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

	December 31, 2023	September 30, 2023	March 31, 2024	September 30, 2023
Technology	\$ 14,246	\$ 11,930	\$ 14,232	\$ 11,930
Customer relationships	2,075	1,790	2,062	1,790
Trade name portfolio	614	605	610	605
Non-compete agreements	232	223	227	223
Patents	72	72	72	72
	17,239	14,620	17,203	14,620
Accumulated amortization	(6,873)	(6,193)	(7,460)	(6,193)
	\$ 10,366	\$ 8,427	\$ 9,743	\$ 8,427

As of December 31, 2023 March 31, 2024, future amortization expense is as follows:

Fiscal year ending September 30,		
2024 (remaining nine months)	1,861	
2024 (remaining six months)		1,238
2025	2,358	2,357
2026	2,222	2,222
2027	2,048	2,048
2028	1,220	1,220
Thereafter	657	658
Total estimated amortization expense	\$ 10,366	\$ 9,743

Amortization expense was \$619 and \$532 \$526 for the three months ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively. Amortization expense was \$1,239 and \$1,058 for the six months ended March 31, 2024 and 2023, respectively.

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**10. PREPAID EXPENSES AND OTHER**

Prepaid expenses and other current assets consisted of the following:

	December 31, 2023	September 30, 2023	March 31, 2024	September 30, 2023
Deposits for inventory	\$ 48	\$ 301	\$ 123	\$ 301
Prepaid insurance	261	264	477	264
Dues and subscriptions	363	261	661	261
Prepaid professional services	438	136	541	136
Prepaid commissions	441	417	544	417
Bid guarantee deposit			3,500	-
Trade shows and travel	93	150	156	150
Canadian goods and services and harmonized sales tax receivable	114	123	71	123
Other	342	199	251	199
	<u>\$ 2,100</u>	<u>\$ 1,851</u>	<u>\$ 6,324</u>	<u>\$ 1,851</u>

*Deposits for inventory*

Deposits for inventory consisted of cash payments to vendors for inventory to be delivered in the future.

*Prepaid insurance*

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

*Dues and subscriptions*

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

#### Prepaid professional services

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

#### Prepaid commissions

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

#### Bid guarantee deposit

The bid guarantee deposit is a contractually required security deposit to ensure the execution of contractual documents and construction commencement within the agreed upon timeline. The deposit is held by the Puerto Rico Electric Power Authority and will be returned to the Company when the final contract is signed.

#### Trade shows and travel

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

#### Canadian goods and services and harmonized sales tax receivable

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

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#### 11. ACCRUED AND OTHER LIABILITIES

Accrued liabilities consisted of the following:

	December 31, 2023	September 30, 2023
Payroll and related	\$ 2,104	\$ 2,237
Deferred revenue	2,991	2,703
Customer deposits	1,222	766
Accrued contract costs	897	825
Warranty reserve	110	132
Asset purchase holdback liability	-	736
Acquisition holdback liability	235	-
Acquisition contingent consideration liability	936	-
Other	123	67
Total	\$ 8,618	\$ 7,466

  

	March 31, 2024	September 30, 2023
Payroll and related	\$ 2,410	\$ 2,237
Deferred revenue	3,716	2,703
Customer deposits	922	766
Accrued contract costs	844	825

Warranty reserve	86	11
Asset purchase holdback liability	-	7
Acquisition holdback liability	240	
Acquisition contingent consideration liability	60	
Other	30	
Total	<u>\$ 8,308</u>	<u>\$ 7,4</u>

Other liabilities-noncurrent consisted of the following:

	December 31, 2023	September 30, 2023
Deferred revenue	<u>\$ 509</u>	<u>\$ 551</u>

	March 31, 2024	September 30, 2023
Deferred revenue	<u>\$ 445</u>	<u>\$ 551</u>

#### Payroll and related

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

#### Deferred revenue

Deferred revenue as of **December 31, 2023** **March 31, 2024**, included prepayments from customers for services, including extended warranty, scheduled to be performed in the twelve months ending **December 31, 2024** **March 31, 2025**.

#### Customer deposits

Customer deposits represent amounts paid by customers as a down payment on hardware orders to be delivered in the twelve months ending **December 31, 2024** **March 31, 2025**.

#### Accrued contract costs

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

#### Warranty reserve

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

	December 31, 2023	September 30, 2023	March 31, 2024	September 30, 2023
Beginning balance	<u>\$ 132</u>	<u>\$ 159</u>		
Balance as of September 30, 2023			<u>\$ 132</u>	<u>\$ 159</u>
Warranty provision	(22)	40	(46)	40
Warranty settlements	-	(67)	-	(67)
Ending balance	<u>\$ 110</u>	<u>\$ 132</u>		
Balance as of March 31, 2024			<u>\$ 86</u>	<u>\$ 132</u>

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

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*Asset purchase holdback liability*

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

*Acquisition holdback liability*

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

*Contingent consideration liability*

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

*Deferred extended warranty revenue*

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

**12. 12. LEASES**

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

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

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

	Operating lease ROU assets	Operating lease ROU assets
Operating lease ROU assets as of September 30, 2023	\$ 3,886	\$ 3,886
Additional operating lease ROU assets	-	
Less amortization of operating lease ROU assets	(192)	(387)
Effect of exchange rate on operating lease ROU assets	18	8
Operating lease ROU assets as of December 31, 2023	\$ 3,712	
Operating lease ROU assets as of March 31, 2024		\$ 3,507

  

	Operating lease liabilities
Operating lease liabilities as of September 30, 2023	\$ 5,291
Less lease principal payments on operating lease liabilities	(499 )
Effect of exchange rate on operating lease liabilities	8
Operating lease liabilities as of March 31, 2024	4,800
Less non-current portion	(3,773 )
Current portion as of March 31, 2024	\$ 1,027

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	Operating lease liabilities
Operating lease liabilities as of September 30, 2022	\$ 5,291
Additional operating lease liabilities	-
Less lease principal payments on operating lease liabilities	(248 )
Effect of exchange rate on operating lease liabilities	18
Operating lease liabilities as of December 31, 2023	5,061
Less non-current portion	(4,030 )
Current portion as of December 31, 2023	\$ 1,031

As of December 31, 2023 March 31, 2024, the Company's operating leases have a weighted-average remaining lease term of 4.5 4.3 years and a weighted-average discount incremental borrowing rate of 4.15%. The maturities of the operating lease liabilities are as follows:

Fiscal year ending September 30,		
2024 (remaining nine months)	\$ 909	
2024 (remaining six months)		\$ 605
2025	1,186	1,183
2026	1,200	1,197
2027	1,221	1,219
2028	1,047	1,047
Thereafter	-	-
Total undiscounted operating lease payments	5,563	5,251
Less imputed interest	(502)	(451)
Present value of operating lease liabilities	\$ 5,061	\$ 4,800



For the three months ended December 31, 2023 March 31, 2024 and 2022 2023, total lease expense under operating leases was approximately \$246 and \$245, respectively. For the six months ended March 31, 2024 and \$264, 2023, total lease expense under operating leases was approximately \$491 and \$503, respectively. The Company recorded \$5 \$7 in short-term lease expense during the three months ended December 31, 2023 March 31, 2024 and did not have any \$12 during the six months ended March 31, 2024. The Company recorded \$4 in short-term lease expense during the three and six months ended December 31, 2022 March 31, 2023.

### 13. 13. INCOME TAXES

The Company's effective tax rate for the three six months ended December 31, 2023 March 31, 2024 and 2022 2023 was negative 6.0% 3.1% and 0%, respectively.

The income tax benefit of \$429 \$434 for the three six months ended December 31, 2023 March 31, 2024 is primarily attributable to the partial release of \$517 \$525 of U.S. valuation allowance in conjunction with the acquisition of Evertel as the acquired net deferred tax liabilities will provide a source of income for the Company to realize a portion of its deferred tax assets, for which a valuation allowance is no longer needed, refer to Note 4, Business Combinations, for additional information. For the three six months ended December 31, 2022 March 31, 2023, the Company did not record an recorded discrete income tax benefit for the current period expense of \$8 related to a prior year foreign income tax loss as the benefits were not expected to be realized during the current or future periods. true-up.

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

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

### 14. 14. COMMITMENTS AND CONTINGENCIES

#### Litigation

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

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#### Bonus plan

The Company has a bonus plan for employees, in accordance with their terms of employment, whereby they can earn a percentage of their salary based on meeting targeted objectives for orders received, revenue, operating income and operating cash flow. In the three six months ended December 31, 2023 March 31, 2024, the Company recorded \$40 \$81 in bonus expense. In the three six months ended December 31, 2022 March 31, 2023, the Company recorded \$548 \$589 of bonus expense.

#### Amika Mobile asset purchase

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

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The Company also agreed to issue 191,267 shares of the Company's common stock to the seller of the Amika Mobile assets on each of the first, second and third anniversaries of the closing date. The total number of shares of common stock the Company is obligated to issue is 573,801. The fair value of the Company's common stock on the closing date was \$5.98, resulting in the addition of \$3,431 to additional paid-in-capital. During the year ended September 30, 2021, the Company accelerated the issuance of

365,109 of such shares of common stock to the seller of the Amika Mobile assets. During the year ended September 30, 2023, the Company issued 69,564 shares of common stock to the seller of the Amika Mobile assets. There were 69,564 remaining shares of the Company's common stock subject to issuance under this obligation as of September 30, 2023. These shares were issued on October 2, 2023.

Evertel Acquisition

In connection with the Evertel acquisition, the Company recorded a liability related to future performance criteria, criteria. A payment of up to \$1,050 is payable based on future performance. The contingent consideration liability was recorded at the fair value at as of the acquisition date. The Company engaged independent valuation experts to assist in determining the fair value of this contingent consideration. During each reporting period through March 31, 2023 As of March 31, 2024, the Company will adjust \$874 of the contingent consideration was issued to the former owners of Evertel. The Company paid \$219 in cash and issued 236,343 shares of common stock. During the period since acquisition, the contingent consideration increased \$44 due to remeasurement adjustments. As of March 31, 2024, the remaining contingent consideration liability as performance criteria are achieved. The fair value was \$926, as \$60 and will be settled during the third quarter of December 31, 2023, fiscal year 2024.

Also, in connection with the Evertel acquisition, the Company recorded a holdback liability related to potential misrepresentations and indemnifications against third-party claims. The holdback liability will be released twelve months from the closing date, subject to amounts withheld for actual, pending or potential claims. The holdback liability was recorded at the present value which was the fair value at the acquisition date. Accretion is recorded in each subsequent reporting period based on the discount factor used to arrive at the original fair fair value. This change in fair value is recorded in the accompanying condensed consolidated statement of operations. The fair value was \$235, \$240, as of December 31, 2023 March 31, 2024.

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

15. 15. SHARE-BASED COMPENSATION

Stock option plans

The Amended and Restated 2015 Equity Incentive Plan ("2015 Equity Plan") was adopted by the Company's Board of Directors on December 6, 2016 and approved by the Company's stockholders on March 14, 2017. The 2015 Equity Plan was amended by the Company's Board of Directors on December 8, 2020, to increase the number of shares authorized for issuance from 5,000,000 to 10,000,000. On March 16, 2021, the Company's stockholders approved the plan amendment. The 2015 Equity Plan authorizes the issuance of stock options, restricted stock, stock appreciation rights, restricted stock units ("RSUs") and performance awards, to an aggregate of 10,000,000 new shares of common stock to employees, directors, advisors or consultants. As of December 31, 2023 March 31, 2024, there were options and restricted stock units outstanding covering 4,146,369 3,749,366 shares of common stock under the 2015 Equity Plan, respectively, and 2,302,827 2,463,064 shares of common stock available for grant, for a total of 6,449,196 6,212,430 shares of common stock authorized and unissued under the equity plans.

Share-based compensation

The Company's employee stock options have various restrictions that reduce option value, including vesting provisions and restrictions on transfer and hedging, among others, and are often exercised prior to their contractual maturity.

There were 897,250 stock options granted during the six months ended March 31, 2024. There were 1,806,500 stock options granted during the six months ended March 31, 2023. The weighted average estimated fair value of employee stock options granted during the six months ended March 31, 2024 and 2023, was calculated using the Black-Scholes option-pricing model with the following weighted average assumptions (annualized percentages):

	Six months ended	
	March 31,	
	2024	2023
Volatility	57.8%	52.1%
Risk-free interest rate	4.3%	4.0%
Dividend yield	0.0%	0.0%
Expected term in years	4.2	5.8

(Unaudited)

There were 887,250 stock options granted during the three months ended December 31, 2023. There were 1,204,000 stock options granted during the three months ended December 31, 2022. The weighted average estimated fair value of employee stock options granted during the three months ended December 31, 2023 and 2022, was calculated using the Black-Scholes option-pricing model with the following weighted average assumptions (annualized percentages):

	Three months ended December 31, 2023
Volatility	57.8 %
Risk-free interest rate	4.3 %
Dividend yield	0.0 %
Expected term in years	4.2

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

As of December 31, 2023 March 31, 2024, there was approximately \$2.154 \$1,881 of total unrecognized compensation costs related to outstanding employee stock options. This amount is expected to be recognized over a weighted average period of 2.4 2.3 years. To the extent the forfeiture rate is different from what the Company anticipated, stock-based compensation related to these awards will be different from the Company's expectations.

#### Performance-based stock options

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

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

On March 20, 2023, the Company granted PVOs to purchase up to 450,000 shares of the Company's stock to a key member of management with a contractual term of seven years. Vesting is based upon the achievement of certain performance criteria for each of the first three twelve-month periods following the employee's start date, including targets related to growth in the institutional ownership of the Company's common stock and growth in the trading volume of the Company's common stock during such periods. Additionally, vesting is subject to the employee being employed by the Company on each of the first three anniversaries of the employee's start date. 225,000 of these options contain a market-based vesting condition and accounting principles do not require the market condition to be achieved in order for compensation expense to be recognized. The Company recorded \$62 \$124 of compensation expense related to these options during the three six months ended December 31, 2023 March 31, 2024.

The Company did not grant any PVO's during the three six months ended December 31, 2023 March 31, 2024.

#### Restricted stock units

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

On November 1, 2021, 10,000 RSUs were granted to a non-employee advisor that vested on the first anniversary of the grant date. These were issued at a market value of \$51, which were expensed on a straight-line basis though the November 1, 2022 vest date. On November 1, 2022, 10,000 RSUs were granted to a non-employee advisor that vested on the first anniversary of the grant date. These were issued at a market value of \$29, which were expensed on a straight-line basis though the November 1, 2023 vest date. On November 1, 2023, 10,000 RSUs were granted to a non-employee advisor that will vest vested on the first anniversary of the grant date. These were issued at a market value of \$17, which have and will be expensed on a straight-line basis though the November 1, 2024, vest date.

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On March 14, 2023, each non-employee member of the Board of Directors received a grant of 30,000 RSUs that vested on the first anniversary of the grant date. These RSUs were granted at a market value of \$417 and have been expensed on a straight-line basis through the March 14, 2024, vest date. On March 14, 2024, each non-employee member of the Board of Directors received a grant of 30,000 RSUs that will vest on the first anniversary of the grant date. These RSUs were granted at a market value of \$417 \$215 and have and will be expensed on a straight-line basis through the March 14, 2024 March 14, 2025, vest date. On February 14, 2023, 145,600 RSUs were granted to employees that will vest over three years on the anniversary date of the grant. These RSUs were issued at a market value of \$582, which have and will be expensed on a straight-line basis over the three-year life of the grants.

Compensation expense for RSUs was \$228 \$343 and \$198 \$350 for the three months ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively. Compensation expense for RSUs was \$571 and \$586 for the six months ended March 31, 2024 and 2023, respectively. As of December 31, 2023 March 31, 2024, there was approximately \$666 \$674 of total unrecognized compensation costs related to outstanding RSUs. This amount is expected to be recognized over a weighted average period of 1.1 1.0 years.

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A summary of the Company's RSUs as of December 31, 2023 March 31, 2024 is presented below:

Number of Shares	Weighted	
	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding September 30, 2023	379,597	\$
Granted	10,000 238,711	\$
Released	(10,000 239,233 )	\$
Forfeited/cancelled	(7,533 )	\$
Outstanding March 31, 2024	371,542	\$
Outstanding December 31, 2023	379,597	\$

*Stock option summary information*

A summary of the activity in options to purchase the capital stock of the Company as of December 31, 2023 March 31, 2024 is presented below:

	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding September 30, 2023	2,904,522	\$ 3.19	2,904,522	\$ 3
Granted	887,250	\$ 1.70	897,250	\$ 1
Forfeited/expired	(25,000 )	\$ 1.70	(423,948 )	\$ 2
Exercised	-	\$ -	-	\$ -
Outstanding December 31, 2023	3,766,772	\$ 2.85		
Exercisable December 31, 2023	992,981	\$ 3.48		
Outstanding March 31, 2024			3,377,824	\$ 2
Exercisable March 31, 2024			1,097,178	\$ 3

Options outstanding are exercisable at prices ranging from \$1.51 to \$8.03 per share and expire over the period from 2024 to 2030 with an average life of 5.5 5.1 years. The aggregate intrinsic value of options outstanding and exercisable as of December 31, 2023 March 31, 2024 was \$322 \$605 and \$29, respectively. The aggregate intrinsic value represents the difference between the Company's closing stock price on the last day of trading for the quarter, which

\$2.03 \$2.37 per share, and the exercise price multiplied by the number of applicable options. The total intrinsic value of stock options exercised during the three months ended December 31, 2023 March 31, 2024 was \$0 and proceeds from these exercises was \$0. The total intrinsic value of stock options exercised during the three six months ended December 31, 2022 March 31, 2023 was \$23 \$147 and proceeds from these exercises was \$32. \$86.

The following table summarized information about stock options outstanding as of December 31, 2023 March 31, 2024:

Range of Exercise Prices	Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Term	Weighted Average Exercise Price	Weighted Average Exercisable Price	Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Term	Weighted Average Exercise Price	Weighted Average Exercisable Price
\$1.51 - \$1.76		991,407	6.29	\$ 1.71	104,157	\$ 1.75	- \$1.76	910,375	6.00	\$ 1.71
\$2.64 - \$2.68		88,000	6.60	\$ 2.67	-	\$ -	- \$2.68	88,000	6.26	\$ 2.67
\$2.69 - \$2.69		1,100,000	5.77	\$ 2.69	125,000	\$ 2.69	- \$2.69	1,031,250	5.37	\$ 2.69
\$3.09 - \$8.03		1,587,365	4.75	\$ 3.69	763,824	\$ 3.84	- \$8.03	1,348,199	4.23	\$ 3.73
		<u>3,766,772</u>	<u>5.49</u>	<u>\$ 2.85</u>	<u>992,981</u>	<u>\$ 3.48</u>		<u>3,377,824</u>	<u>5.11</u>	<u>\$ 2.84</u>
										<u>1,097,178</u>
										<u>\$ 3</u>

The Company recorded \$181 and \$163 of stock option compensation expense for employees, directors and consultants for the three months ended March 2024 and 2023, respectively. The Company recorded \$399 and \$385 of stock option compensation expense for employees, directors and consultants for the months ended March 31, 2024 and 2023, respectively.

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The Company recorded \$218 and \$222 of stock option compensation expense for employees, directors and consultants for the three months ended December 31, 2023, and 2022, respectively.

*Share-based compensation*

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

	Three Months Ended		Three Months Ended		Six Months Ended	
	December 31,		March 31,		March 31,	
	2023	2022	2024	2023	2024	2023
Cost of revenues	\$ 39	\$ 28	\$ 28	\$ 19	\$ 42	\$ 28
Selling, general and administrative	380	373	439	453	827	827
Research and development	27	19	57	41	101	101
	<u>\$ 446</u>	<u>\$ 420</u>	<u>\$ 524</u>	<u>\$ 513</u>	<u>\$ 970</u>	<u>\$ 956</u>

## 16. STOCKHOLDERS' EQUITY

*Summary*

The following table summarizes changes in the components of stockholders' equity during the three six months ended December 31, 2023 March 31, 2024 the three six months ended December 31, 2022 March 31, 2023 (amounts in thousands, except par value and share amounts):

Common Stock	Additional	Accumulated	Accumulated	Total
Par Value	Paid-in		Other Comprehensive	Stockholders

	Shares	Amount	Capital	Deficit	Loss	Equity
Balance as of September 30, 2023	37,211,071	\$ 372	\$ 110,379	\$ (76,062 )	\$ (505 )	\$ 33,8
Share-based compensation expense	-	-	446	-	-	44
Issuance of common stock upon offering, net of issuance costs	5,750,000	57	10,449	-	-	10,4
Issuance of common stock upon vesting of restricted stock units	10,000	-	-	-	-	-
Issuance of common stock in business combination	986,486	10	1,924	-	-	1,9
Obligation to issue common stock	-	-	527	-	-	52
Release of obligation to issue common stock	69,564	1	-	-	-	-
Accumulated other comprehensive loss	-	-	-	-	119	11
Net loss	-	-	-	(6,724 )	-	(6,7
Balance as of December 31, 2023	<u>44,027,121</u>	<u>\$ 440</u>	<u>\$ 123,725</u>	<u>\$ (82,786 )</u>	<u>\$ (386 )</u>	<u>\$ 40,5</u>

	Common Stock		Additional	Accumulated	Other	Total
	Shares	Par Value Amount	Paid-in Capital	Deficit	Comprehensive Loss	Stockholders Equity
Balance as of September 30, 2022	36,611,240	366	108,551	(57,366 )	(792 )	50,3
Share-based compensation expense	-	-	420	-	-	42
Issuance of common stock upon exercise of stock options, net	20,000	-	32	-	-	3
Issuance of common stock upon vesting of restricted stock units	12,667	-	-	-	-	-
Release of obligation to issue common stock	69,564	1	-	-	-	-
Accumulated other comprehensive loss	-	-	-	-	266	26
Net loss	-	-	-	(3,507 )	-	(3,5
Balance as of December 31, 2022	<u>36,713,471</u>	<u>367</u>	<u>109,003</u>	<u>(60,873 )</u>	<u>(526 )</u>	<u>47,6</u>

*Common stock activity*

During the three months ended December 31, 2023, there were no exercises of stock options and the Company issued 10,000 shares of common stock in connection with the vesting of RSUs. During the three months ended December 31, 2022, the Company issued 20,000 shares of common stock and received proceeds of \$32 in connection with the exercise of stock options and the Company issued 12,667 shares of common stock in connection with the vesting of RSUs.

	Common Stock		Additional	Accumulated	Other	Total
	Shares	Par Value Amount	Paid-in Capital	Deficit	Comprehensive Loss	Stockholders Equity
Balance as of September 30, 2023	37,211,071	\$ 372	\$ 110,379	\$ (76,062 )	\$ (505 )	\$ 33,8
Share-based compensation expense	-	-	446	-	-	44
Issuance of common stock upon offering, net of issuance costs	5,750,000	57	10,449	-	-	10,4
Issuance of common stock upon vesting of restricted stock units	10,000	-	-	-	-	-
Issuance of common stock in business combination	986,486	10	1,924	-	-	1,9
Obligation to issue common stock	-	-	527	-	-	52
Release of obligation to issue common stock	69,564	1	-	-	-	-
Accumulated other comprehensive loss	-	-	-	-	119	11

Net loss	-	-	-	(6,724 )	-	(6,724 )
Balance as of December 31, 2023	<u>44,027,121</u>	<u>\$ 440</u>	<u>\$ 123,725</u>	<u>\$ (82,786 )</u>	<u>\$ (386 )</u>	<u>\$ 40,551</u>
Share-based compensation expense	-	\$ -	\$ 524	\$ -	\$ -	\$ 524
Issuance of common stock upon vesting of restricted stock units	229,233	2	-	-	-	-
Shares retained for payment of taxes in connection with settlement of restricted stock units	(6,846 )	-	(12 )	-	-	(6,858 )
Settlement of contingent consideration in shares of common stock	236,343	3	656	-	-	659
Obligation to issue common stock	-	-	158	-	-	158
Accumulated other comprehensive loss	-	-	-	-	(59 )	(59 )
Net loss	-	-	-	(6,938 )	-	(6,938 )
Balance as of March 31, 2024	<u>44,485,851</u>	<u>\$ 445</u>	<u>\$ 125,051</u>	<u>\$ (89,724 )</u>	<u>\$ (445 )</u>	<u>\$ 34,881</u>

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

	Common Stock		Additional		Accumulated	
	Shares	Par Value Amount	Paid-in Capital	Accumulated Deficit	Other Comprehensive Loss	Total Stockholders Equity
Balance as of September 30, 2022	36,611,240	\$ 366	\$ 108,551	\$ (57,366 )	\$ (792 )	\$ 50,350
Share-based compensation expense	-	-	420	-	-	420
Issuance of common stock upon exercise of stock options, net	20,000	-	32	-	-	20,032
Issuance of common stock upon vesting of restricted stock units	12,667	-	-	-	-	12,667
Release of obligation to issue common stock	69,564	1	-	-	-	69,565
Accumulated other comprehensive loss	-	-	-	-	266	266
Net loss	-	-	-	(3,507 )	-	(3,507 )
Balance as of December 31, 2022	<u>36,713,471</u>	<u>\$ 367</u>	<u>\$ 109,003</u>	<u>\$ (60,873 )</u>	<u>\$ (526 )</u>	<u>\$ 47,661</u>
Share-based compensation expense	-	\$ -	\$ 513	\$ -	\$ -	\$ 513
Issuance of common stock upon exercise of stock options, net	33,765	1	54	-	-	33,820
Issuance of common stock upon cashless exercise of stock options, net	15,914	-	-	-	-	15,914
Issuance of common stock upon vesting of restricted stock units	232,761	2	(2 )	-	-	232,761
Shares retained for payment of taxes in connection with settlement of restricted stock units	(11,616 )	-	(45 )	-	-	(11,661 )
Accumulated other comprehensive loss	-	-	-	-	81	81
Net loss	-	-	-	(3,403 )	-	(3,403 )
Balance as of March 31, 2023	<u>36,984,295</u>	<u>\$ 370</u>	<u>\$ 109,523</u>	<u>\$ (64,276 )</u>	<u>\$ (445 )</u>	<u>\$ 44,872</u>

#### Common stock activity

During the six months ended March 31, 2024, there were no exercises of stock options and the Company issued 232,387 shares of common stock in connection with the vesting of RSUs. During the six months ended March 31, 2023, the Company issued 69,679 shares of common stock and received gross proceeds of \$86 in connection with the exercise of stock options and the Company issued 233,812 shares of common stock in connection with the vesting of RSUs.

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

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

Under the terms of the Purchase Agreement, the Company recorded an obligation to issue 81,083 shares of common stock to the former owners of Evertel and three key employees subsequent to March 31, 2024, resulting in an addition of \$158 to additional-paid-in-capital. Also, in connection with the Evertel acquisition, the Company agreed to issue 270,270 shares of the Company's common stock to the seller of Evertel twelve months from the closing date. The fair value of the Company's common stock on the closing date was \$1.95, resulting in the addition of \$527 to additional paid-in-capital.

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

#### Genasys Inc.

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

#### Share buyback program

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

There were no shares repurchased during the three six months ended December 31, 2023, March 31, 2024 and 2022, 2023. All repurchased shares have been retired.

#### Dividends

There were no dividends declared in the three six months ended December 31, 2023, March 31, 2024 and 2022, 2023.

#### Genasys Inc.

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

### 17. 17. NET LOSS PER SHARE

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

Three months ended

Three months ended

Six months ended



	December 31,		March 31		March 31	
	2023	2022	2024	2023	2024	2023
Net loss	\$ (6,724 )	\$ (3,507 )	\$ (6,938 )	\$ (3,403 )	\$ (13,662 )	\$ (6,938 )
Basic and diluted loss per share	\$ (0.15 )	\$ (0.10 )	\$ (0.16 )	\$ (0.09 )	\$ (0.31 )	\$ (0.16 )
Weighted average shares outstanding - basic	43,729,240	36,696,145	44,247,858	36,817,026	44,026,750	36,755,845
Assumed exercise of dilutive options	-	-	-	-	-	-
Weighted average shares outstanding - diluted	43,729,240	36,696,145	44,247,858	36,817,026	44,026,750	36,755,845
Potentially dilutive securities outstanding at period end excluded from diluted computation as the inclusion would have been antidilutive:						
Options	3,766,772	4,814,537	3,377,824	4,187,022	3,377,824	4,187,022
RSU	379,597	340,174	292,831	393,013	292,831	393,013
Obligation to issue common stock	-	69,564	270,270	69,564	270,270	69,564
Total	4,146,369	5,224,275	3,940,925	4,649,599	3,940,925	4,649,599

## 18. 18. SEGMENT INFORMATION

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

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

The following table presents the Company's segment disclosures:

	Three months ended		Three months ended		Six months ended	
	December 31,		March 31,		March 31,	
	2023	2022	2024	2023	2024	2023
Revenue from external customers						
Hardware	\$ 2,946	\$ 9,584	\$ 3,999	\$ 10,360	\$ 6,945	\$ 19,945
Software	1,415	903	1,740	853	3,155	1,740
	<u>\$ 4,361</u>	<u>\$ 10,487</u>	<u>\$ 5,739</u>	<u>\$ 11,213</u>	<u>\$ 10,100</u>	<u>\$ 21,685</u>
Intersegment revenues						
Hardware	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Software	1,488	1,222	1,536	1,386	3,024	2,558
	<u>\$ 1,488</u>	<u>\$ 1,222</u>	<u>\$ 1,536</u>	<u>\$ 1,386</u>	<u>\$ 3,024</u>	<u>\$ 2,558</u>
Segment operating loss						
Hardware	\$ (3,115 )	\$ (28 )	\$ (2,771 )	\$ 387	\$ (5,886 )	\$ (3,115 )

Software	(4,115)	(3,459)	(4,223)	(3,797)	(8,338)	(7,2
	<u>\$ (7,230)</u>	<u>\$ (3,487)</u>	<u>\$ (6,994)</u>	<u>\$ (3,410)</u>	<u>\$ (14,224)</u>	<u>\$ (6,8</u>
Other expenses:						
Depreciation and amortization expense						
Hardware	\$ 96	\$ 99	\$ 98	\$ 100	\$ 194	\$ 1
Software	633	544	633	539	1,266	1,0
	<u>\$ 729</u>	<u>\$ 643</u>	<u>\$ 731</u>	<u>\$ 639</u>	<u>\$ 1,460</u>	<u>\$ 1,2</u>
Income tax benefit						
Hardware	\$ -	\$ -	\$ (5)	\$ 8	\$ (5)	\$
Software	(429)	-	-		(429)	
	<u>\$ (429)</u>	<u>\$ -</u>	<u>\$ (5)</u>	<u>\$ 8</u>	<u>\$ (434)</u>	<u>\$</u>
	December 31,	September 30,		March	Septemb	
	2023	2023		31,	30,	
Long-lived assets				2024	2023	
Hardware	\$ 1,467	\$ 1,427	\$ 1,369	\$ 1,4		
Software	10,486	8,551	9,857	8,5		
	<u>\$ 11,953</u>	<u>\$ 9,978</u>	<u>\$ 11,226</u>	<u>\$ 9,9</u>		
Total assets						
Hardware	\$ 31,341	\$ 28,878	\$ 25,925	\$ 28,8		
Software	25,297	21,027	25,107	21,0		
	<u>\$ 56,638</u>	<u>\$ 49,905</u>	<u>\$ 51,032</u>	<u>\$ 49,9</u>		

## 19. MAJOR CUSTOMERS, SUPPLIERS AND RELATED INFORMATION

For the three months ended December 31, 2023 March 31, 2024, revenues from two one customers customer accounted for 14% and 13% 19% of revenues with no other single customer accounting for more than 10% of revenues. For the six months ended March 31, 2024, revenues from one customer accounted for 11% of total revenues with no other single customer accounting for more than 10% of revenues. As of December 31, 2023 March 31, 2024, accounts receivable from three two customers accounted for 35%, 11% 30% and 10% 12% of total accounts receivable, with no other single customer accounting for more than 10% of the accounts receivable balance.

For the three months ended December 31, 2022 March 31, 2023, revenues from two customers accounted for 54% and 12% of total revenues with no single customer accounting for more than 10% of revenues. For the six months ended March 31, 2023, revenues from one customer accounted for 60% 57% of revenues with no other single customer accounting for more than 10% of revenues. As of December 31, 2022 March 31, 2023, accounts receivable from customers accounted for 41% 26% and 18% 23% of total accounts receivable, with no other single customer accounting for more than 10% of the accounts receivable balance.

Genasys Inc.  
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Revenue from customers in the United States was \$3,624 \$2,600 and \$8,938 \$8,411 for the three months ended December 31, 2023 March 31, 2024 2022, 2023, respectively. Revenue from customers in the United States was \$6,224 and \$17,349 for the six months ended March 31, 2024 and 2023, respectively. The following table summarizes revenues by geographic region. Revenues are attributed to countries based on customer's delivery location. The following table summarizes revenues by geographic region.

	Three months ended December 31,		Three months ended March 31,		Six months ended March 31,	
	2023	2022	2024	2023	2024	2023
Americas	\$ 3,667	\$ 9,163	\$ 2,950	\$ 10,019	\$ 6,617	\$ 19,137
Asia Pacific	319	759	502	545	821	1,376
Europe, Middle East and Africa	375	565	2,287	649	2,662	1,441
Total Revenues	\$ 4,361	\$ 10,487	\$ 5,739	\$ 11,213	\$ 10,100	\$ 21,954

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

	December 31,	September 30,	March 31,	September 30,
	2023	2023	2024	2023
United States	\$ 11,637	\$ 9,624	\$ 10,963	\$ 9,624
Americas (excluding the United States)	6	7	4	7
Europe, Middle East and Africa	310	347	259	347
Total long lived assets	\$ 11,953	\$ 9,978	\$ 11,226	\$ 9,978

## 20. SUBSEQUENT EVENT

On May 13, 2024, the Company entered into a two-year, \$15,000 senior secured term loan agreement ("Term Loan"), which matures on May 13, 2026.

The Company is required to make non-amortizing quarterly interest payments. The Company may elect to pay quarterly interest on the Term Loan based on the three-month Secured Overnight Financing Rate ("SOFR") plus five percent (5%) in cash or the Company may elect to pay interest based on the three-month SOFR plus six percent (6%) with 50% paid in cash and the remainder paid by issuing shares of common stock.

The Company may redeem the Term Loan within one year at 101% of the principal amount and after one year at par value. The Term Loan includes financial covenants and contains other customary affirmative and negative covenants and events of default. All obligations under the Term Loan are secured by substantially all of the Company's assets.

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

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

### Forward Looking Statements

*This report contains certain statements of a forward-looking nature relating to future events or future performance. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements but are not the only means of identifying forward-looking statements. Prospective investors are cautioned that such statements are only predictions and actual events or results may differ materially. In evaluating such statements, prospective investors should specifically consider various factors identified in this report and any matters disclosed forth under Part I, Item 1A (Risk Factors) of our Annual Report on Form 10-K, which could cause actual results to differ materially from those indicated by such forward-looking statements.*

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

### Overview

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

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

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

The platform includes:

#### Software Products

#### Genasys Protect

##### *The Complete Protective Communications Platform*

Genasys Protect combines the most comprehensive suite of solutions enabling preparedness, responsiveness, and analytics to keep people, assets, and operations protected against the impacts of natural disasters, terrorism, violent civil unrest, and other dangerous situations, as well as power failures, facility shutdowns, and other non-emergency operational disruptions.

1. **Proven Technology:** Genasys solutions have been on the front lines for more than 40 years, providing precision-targeted communications designed to ensure the right people get the right message - right away.
2. **Modular Suite:** Built on open standards, Genasys software and hardware systems are designed to easily integrate, whether using the full Genasys suite or complementing the notification platforms customers already have in place.
3. **Predictive Simulation:** Genasys Protect is designed to enable customers to test response plans preemptively with advanced simulation of evacuation level events, including fires and floods, and their impact on infrastructure, including traffic patterns and perimeter establishment.
4. **Unified Viewpoint:** One common safety operating picture provides real-time visibility into our customers' people, assets, and environment by combining first-party data from asset / people-management platforms and IoT sensors with vetted third-party data sources, including the Federal Emergency Management Agency ("FEMA"), National Oceanic and Atmospheric Administration, Department of Homeland Security, and more.
5. **Unmatched Precision:** Customized zone mapping enables targeting of mass notifications at the street level, making it easier to sequence response areas from most to least critical.
6. **Multi-channel:** Genasys Protect is designed to allow customers to saturate their notification area by simultaneously alerting people across SMS, voice calls, social media, TV, radio, digital signage, and outdoor acoustic devices.
7. **Network Effect:** Implementation in neighboring municipalities as well as across public- and private-sector organizations within the same municipality extends coverage and enables greater precision when notifying people of threats.

#### Genasys Protect ALERT

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

Similarly, enterprise customers are able to send critical communications to at-risk employees, contractors, visitors, or groups based on geographic location and team status. Operated and controlled via a single dashboard that includes two-way polling, duress buttons, field check-ins and recipient locations, ALERT integrates

with various data sources, including sensors, emergency services, active directories, human resources, visitor management, and building control systems to find and deliver safety alerts and notifications to residents, employees, staff, contractors, temporary workers, and visitors.

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

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

#### Genasys Protect EVAC

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

- intelligent zones to improve evacuation planning and communication. EVAC users can build, edit, and act upon geographical location data, including shelters, facilities, and traffic;
- modeling behaviors to plan for effective responses and/or evacuation scenarios covering emergencies that include wildfires, floods, active shooter incidents, hurricanes, and more;
- actionable communication through the Genasys Protect mobile app to keep people informed before, during, and after a critical event;
- a common operating picture across agencies to reduce response times by 90%; and
- targeted alerting across multiple channels, including intelligible, outdoor speakers for timely, efficient evacuation and public safety notifications.

#### Genasys Protect CONNECT

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

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

#### Hardware

##### Genasys Protect ACOUSTICS

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

ACOUSTICS gives operators the ability to send critical alerts and notifications from emergency operations centers, and authorized computers or smart phones. Emergency alerts and information can be sent via individual, grouped, or networked ACOUSTICS installations, text messages, emails, IPAWS, desktop alerts, voice calls, and social media. Genasys Protect's layered redundancy helps to ensure the maximum number of people receive Protective Communications and critical notifications.

#### Genasys LRAD

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

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

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

#### Recent Developments

Business developments since September 30, 2023:

- Awarded critical infrastructure project to engineer, procure and build a Genasys Protect early warning Warning system for 37 dams in Puerto Rico. The project is backed by \$194.3 million in FEMA funding.
- Expanded Genasys Protect EVAC coverage to include all of Los Angeles County, CA under a five year contract
- Completed acquisition of Evertel Technologies, subsequently rebranded as Genasys Protect CONNECT
- Selected by the State of Utah's Utah's Department of Corrections to provide secure communications
- Closed \$10.4 million \$11.5 million underwritten public offering of common stock
- Received \$1.0 million contract from the U.S. Army for Common Remotely Operated Weapon Stations ("CROWS") LRAD integration prototypes
- Awarded \$2.0 million contract under a multi-phase program to deploy LRADs on naval ships and shore installations of a Middle Eastern country
- Announced new critical infrastructure protection orders from three companies in the U.S. Energy sector
- Partnered with Ladris Technologies, Inc., an artificial intelligence provider, to deliver comprehensive disaster evacuation modeling solutions across North America and Europe
- Awarded \$2.7 million LRAD systems contract from U.S. Navy as part of the Navy's ongoing replacement of first generation LRADs on surface vessels
- Achieved Silver Status in Esri's Distinguished Partners Program
- Partnered with 8 other companies in Project AWARE - a European Union-funded project to extend reception and processing of emergency warning messages from the Galileo Emergency Warning Satellite Service to display panels, indoor warning systems, and ACOUSTICS devices

Revenues for the Company's first second quarter of fiscal 2024, were \$4,361, \$5,739, a decrease from \$10,487 \$11,213 in the first second quarter of fiscal 2023. Software revenue of \$1,415 \$1,740, increased \$512, \$887, offset by a decrease of \$6,638 \$6,361 in hardware revenue (\$2,946). First revenue. Second quarter hardware revenue in the prior year included \$5,400 \$5,700 from a U.S. Army program of record. Deliveries against this program of record were completed in the fourth quarter of fiscal 2023. A similar sized new program is pending as part of the Department of Defense fiscal year 2024 authorization. The timing of budget cycle

government financial issues and military conflict in certain areas of the world, often delay contract awards, resulting in uneven quarterly revenue. Gross profit decreased compared to the same quarter in the prior year as a result of lower hardware revenue and reduced overhead absorption, partially offset by higher mass notification software revenue in this year's quarter. Operating expenses in the quarter ended December 31, 2023 March 31, 2024, increased 5%10% to \$8,709,\$9,335 compared with \$8,319\$8,335 in the same period in the prior year. We reported a net loss of \$6,724\$6,938 for the firstsecond quarter of fiscal 2024 or \$(0.15)\$(0.16) per share, compared with a net loss of \$3,507,\$3,403, or \$(0.10)\$(0.09) per share, for the same quarter in the prior year.

In the last six years, the Company has recognized revenue under a \$110,000 U.S. Army program of record for long range acoustical devices. Final delivery under this program occurred in the fourth quarter of fiscal year 2023. A new, similar sized multi-year program was approved by Congress, however, funding for the program must be annually appropriated by Congress. In late March 2024, Congress approved this year's Defense budget, however, the procurement and purchase order process may take several months. Due to the timing of the budget passage, orders from the US Government have been delayed and will affect current Company revenue. Historically, hardware revenue has been characterized by large and inconsistent orders that in aggregate have been a generator of cash for the Company. We continue to be optimistic about our future with the fully funded award of a contract of up to \$75,000 to engineer, procure and build an emergency notification system for Puerto Rico. We anticipate revenue from this contract will be realized beginning in our fiscal year 2025. In addition, we continue to invest in our Genasys Protect software platform with a significant win this year in Los Angeles County, in addition to wins in other counties in California, Colorado, Utah, and Oregon. The early-stage Software segment continues to generate operating losses, however, revenue continues to grow year over year. With the delay in hardware orders and continued investment in software, the Company's operating activities have used \$12,500 of cash in the first six months of this fiscal year. To address ongoing cash needs, the Company signed a \$15,000, two-year senior secured term loan agreement in May. This will enable the Company to continue operations and return to expected growth in annual revenue and generation of cash from operations through the emergency notification system for Puerto Rico and the CRC program for the US Department of Defense.

#### Business Outlook

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

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

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

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

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

In fiscal 2024, we intend to continue pursuing domestic and international business opportunities with the support of business development consultants, representatives, and resellers. We plan to grow our revenues through increased direct sales to governments and agencies that desire to integrate our communication technologies into their homeland security and public safety systems. This includes building on fiscal 2023 domestic defense sales by pursuing continuing to pursue further U.S. military opportunities. We also plan to pursue domestic and international emergency warning, enterprise and critical event management, government enforcement, fire rescue, homeland and international security, private and commercial security, border security, maritime security, and wildlife preservation business opportunities. In addition to the matters above, we are authorized for the performance of services and provision of goods pursuant to Delaware General Corporation Law.

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

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

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

We have been affected by price increases from our suppliers and logistics as well as other inflationary factors such as increased salary, labor, and overhead costs. We regularly review and adjust the sales price of our finished goods to offset these inflationary factors. Although we do not believe that inflation has had a material impact on our financial results through December 31, 2023 March 31, 2024, sustained or increased inflation in the future may have a negative effect on our ability to achieve certain expectations in gross margin and operating expenses. If we are unable to offset the negative impacts of inflation with increased prices, our future results could be materially affected.

#### Critical Accounting Policies

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

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

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

#### Business Combinations

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

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

Comparison of Results of Operations for the Three Months Ended December 31, 2023 March 31, 2024 and 2022 2023 (in thousands)



	Three Months Ended						Three Months Ended					
	December 31, 2023			December 31, 2022			March 31, 2024			March 31, 2023		
	% of		% of		Fav(Unfav)		% of		% of		Fav(Unfav)	
	Amount	Revenue	Amount	Revenue	Amount	%	Amount	Revenue	Amount	Revenue	Amount	%
Revenues:												
Product sales	\$ 2,166	49.7 %	\$ 9,118	86.9 %	\$ (6,952 )	(76.2 %)	\$ 3,209	55.9 %	\$ 9,940	88.6 %	\$ (6,731 )	(67.3 %)
Contract and other	2,195	50.3 %	1,369	13.1 %	826	60.3 %	2,530	44.1 %	1,273	11.4 %	1,257	98.6 %
Total revenues	4,361	100.0 %	10,487	100.0 %	(6,126 )	(58.4 %)	5,739	100.0 %	11,213	100.0 %	(5,474 )	(48.8 %)
Cost of revenues	2,882	66.1 %	5,655	53.9 %	2,773	49.0 %	3,562	62.1 %	6,288	56.1 %	2,726	43.3 %
Gross Profit	1,479	33.9 %	4,832	46.1 %	(3,353 )	(69.4 %)	2,177	37.9 %	4,925	43.9 %	(2,748 )	(55.5 %)
Operating expenses												
Selling, general and administrative	6,518	149.5 %	6,384	60.9 %	(134 )	(2.1 %)	6,640	115.7 %	6,054	54.0 %	(586 )	(9.3 %)
Research and development	2,191	50.2 %	1,935	18.5 %	(256 )	(13.2 %)	2,531	44.1 %	2,281	20.3 %	(250 )	(11.0 %)
Total operating expenses	8,709	199.7 %	8,319	79.3 %	(390 )	(4.7 %)	9,171	159.8 %	8,335	74.3 %	(836 )	(10.0 %)
Loss from operations	(7,230 )	(165.8 %)	(3,487 )	(33.3 %)	(3,743 )	107.3 %	(6,994 )	(121.9 %)	(3,410 )	(30.4 %)	(3,584 )	105.0 %
Other income (expense), net	77	1.8 %	(20 )	(0.2 %)	97	(485.0 %)	51	0.9 %	15	0.1 %	36	240.0 %
Loss before income taxes	(7,153 )	(164.0 %)	(3,507 )	(33.4 %)	(3,646 )	104.0 %	(6,943 )	(121.0 %)	(3,395 )	(30.3 %)	(3,548 )	104.1 %
Income tax benefit	(429 )	(9.8 %)	-	0.0 %	429	100.0 %	(5 )	(0.1 %)	8	0.1 %	13	162.5 %
Net loss	<u><u>\$ (6,724 )</u></u>	<u>(154.2 %)</u>	<u><u>\$ (3,507 )</u></u>	<u>(33.4 %)</u>	<u><u>\$ (3,217 )</u></u>	<u>91.7 %</u>	<u><u>\$ (6,938 )</u></u>	<u>(120.9 %)</u>	<u><u>\$ (3,403 )</u></u>	<u>(30.3 %)</u>	<u><u>\$ (3,535 )</u></u>	<u>103.9 %</u>
Net revenue												
Hardware	\$ 2,946	67.6 %	\$ 9,584	91.4 %	(6,638 )	(69.3 %)	\$ 3,999	69.7 %	\$ 10,360	92.4 %	(6,361 )	(61.4 %)
Software	1,415	32.4 %	903	8.6 %	512	56.7 %	1,740	30.3 %	853	7.6 %	887	104.1 %
Total net revenue	<u><u>\$ 4,361</u></u>	<u>100.0 %</u>	<u><u>\$ 10,487</u></u>	<u>100.0 %</u>	<u><u>\$ (6,126 )</u></u>	<u>(58.4 %)</u>	<u><u>\$ 5,739</u></u>	<u>100.0 %</u>	<u><u>\$ 11,213</u></u>	<u>100.0 %</u>	<u><u>\$ (5,474 )</u></u>	<u>(48.8 %)</u>

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

#### Revenues

Revenues decreased \$6,126, [\\$5,474](#), or [58%](#) [49%](#), compared with the [first](#) [second](#) fiscal quarter in the prior year. Hardware revenue decreased \$6,638, [\\$6,638](#), partially offset by software revenue, (\$1,415) which increased \$512, [\\$887](#), compared with the prior year quarter. The lower hardware revenue in the [first](#) [second](#) quarter of fiscal 2024 was largely due to the lower backlog at the start of the fiscal year compared with the prior year amount. First [Second](#) quarter hardware revenue in the prior year included [\\$5,400](#) [\\$5,700](#) from a U.S. Army program of record. Deliveries against this program of record were completed in the fourth quarter of fiscal 2023. A [new](#), similar sized new program is pending [has been included](#) as part of the Department of Defense fiscal year 2024 authorization. The higher software revenue was primarily due to a [85%](#) [123%](#) increase in recurring revenue, partially offset by lower professional services performed in the current quarter. The revenue

of orders is often uneven due to the timing of budget cycles, government financial issues and military conflict. As of December 31, 2023 March 31, 2024, we aggregate deferred revenue of \$4,722 \$5,083 for extended warranty obligations and software support agreements.

### Gross Profit

Gross profit decreased \$3,353, \$2,748, or 69% 56%, compared with the same quarter in the prior year. The decrease was due to lower hardware revenue. decrease in gross profit was due to lower hardware revenue and related reduced overhead absorption, partially offset by higher margin software in the current year first second quarter. Gross profit as a percentage of sales was lower compared with the prior year period primarily due to reduced overhead absorption as a result of lower hardware revenue in the first second quarter of fiscal 2024.

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

### Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$134, \$586, or 2% 10%, over the prior year quarter. The increase was largely due to \$231 \$24 higher compensation expenses from additional sales and related personnel, increase of \$215 in commission expense, increase of \$190 for professional services an additional \$95 of amortization expense from the Evertel acquisition, offset by a \$194 \$135 decrease in total professional services sales and marketing and other related expenses.

We incurred non-cash share-based compensation expenses allocated to selling, general and administrative expenses in the three months ended December 31, 2023 March 31, 2024 and 2022 2023 of \$380 \$439 and \$373, \$453, respectively.

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

### Research and Development Expenses

Research and development expenses increased \$256, \$250, or 13% 11%, in the fiscal first second quarter due to an increase in engineers over the prior period, including the addition of Evertel software development activities.

Included in research and development expenses for the three months ended December 31, 2023 March 31, 2024 and 2022 2023, were \$27 \$57 and \$19, respectively, of non-cash share-based compensation costs.

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

### Net Loss

Net loss in the first second quarter of fiscal year 2024 was \$6,724, \$6,938, compared with a net loss of \$3,507 \$3,403 in the first second quarter of fiscal year 2023. The increase in net loss was primarily due to the lower revenue in the fiscal first second quarter. The income tax benefit in the current year period is primarily due to acquisition related accounting leading to a prior year foreign income tax true-up.

### Comparison of Results of Operations for the release Six Months Ended March 31, 2024 and 2023 (in thousands)

Six Months Ended					
March 31, 2024		March 31, 2023			
% of		% of			
Total		Total		Fav(Unfav)	
Amount	Revenue	Amount	Revenue	Amount	%

Revenues:						
Product sales	\$ 5,375	53.2 %	\$ 19,058	87.8 %	\$ (13,683 )	(71.8 )
Contract and other	4,725	46.8 %	2,642	12.2 %	2,083	78.8
Total revenues	10,100	100.0 %	21,700	100.0 %	(11,600 )	(53.5 )
Cost of revenues	6,444	63.8 %	11,943	55.0 %	5,499	46.0
Gross Profit	3,656	36.2 %	9,757	45.0 %	(6,101 )	(62.5 )
Operating expenses						
Selling, general and administrative	13,158	130.3 %	12,439	57.3 %	(719 )	(5.8 )
Research and development	4,722	46.8 %	4,216	19.4 %	(506 )	(12.0 )
Total operating expenses	17,880	177.0 %	16,655	76.8 %	(1,225 )	(7.4 )
Loss from operations	(14,224 )	(140.8 %)	(6,898 )	(31.8 %)	(7,326 )	106.2
Other income, net	128	1.3 %	(4 )	(0.0 %)	132	(3300.0 )
Loss before income taxes	(14,096 )	(139.6 %)	(6,902 )	(31.8 %)	(7,194 )	104.2
Income tax benefit	(434 )	(4.3 %)	8	0.0 %	442	5,525.0
Net loss	\$ (13,662 )	(135.3 %)	\$ (6,910 )	(31.8 %)	\$ (6,752 )	97.7
Net revenue						
Hardware	\$ 6,945	68.8 %	\$ 19,945	91.9 %	(13,000 )	(65.2 )
Software	3,155	31.2 %	1,755	8.1 %	1,400	79.8
Total net revenue	\$ 10,100	100.0 %	\$ 21,700	100.0 %	\$ (11,600 )	(53.5 )

The table above sets forth for the periods indicated certain items of our condensed consolidated statements of operations expressed in dollars and in percentage of net revenues. The financial information and the non-cash valuation allowance against deferred taxes discussion below should be read in conjunction with the condensed consolidated financial statements and notes contained in this report.

#### Revenues

Revenues decreased \$11,600, or 54%, for the six months ended March 31, 2024, compared with the same prior year period, primarily due to the lower backlog as of September 30, 2023, compared with September 30, 2022. Hardware revenue decreased \$13,000, partially offset by the \$1,400 increase in software revenue. Six months year to date hardware revenue in the prior year included \$11,100 from a U.S. Army program of record. Deliveries against this program of record were completed in the fourth quarter of fiscal 2023. A new, similar sized program has been included as part of the Department of Defense fiscal year 2024 authorization. The higher software revenue was primarily due to a 105% increase in recurring revenue, partially offset by lower professional services performed in the current six-month period. The receipt of orders will often be uneven due to the timing of approvals or budgets. As of March 31, 2024, we had aggregate deferred revenue of \$5,083 for extended warranty obligations and software support agreements.

#### Gross Profit

The \$6,101 decrease in gross profit in the six months ended March 31, 2024, was primarily due to the lower hardware revenue and related reduced overhead absorption, partially offset by higher margin software compared to the prior year period.

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

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$719 in the six months ended March 31, 2024, compared with the prior year period. The increase in selling, general and administrative expenses was largely due to a \$375 increase in compensation related costs, \$248 increase in commission expense, and additional \$190 of amortization expenses for the Evertel acquisition, partially offset by a \$235 decrease in sales and marketing and travel related expense, compared with the prior year to date period.

We incurred non-cash share-based compensation expenses allocated to selling, general and administrative expenses in the six months ended March 31, 2024 and 2023 of \$827 and \$831, respectively.

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

#### Research and Development Expenses

Research and development expenses increased \$506, primarily due to increased compensation-related costs associated with an increase in engineering compared with the prior year period, including the addition of Evertel software development activities.

We incurred non-cash share-based compensation expenses allocated to research and development in the six months ended March 31, 2024 and 2023 of \$100 and \$73, respectively.

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

#### Net Loss

Net loss for the first six months of fiscal 2024 was \$13,662, compared with the prior year period net loss of \$6,910. The increase in net loss was primarily attributable to the lower revenue and higher operating expenses in the current year.

#### Other Metrics

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

#### Adjusted EBITDA

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

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

	Three months ended		Three months ended		Six months ended	
	December 31,		March 31,		March 31,	
	2023	2022	2024	2023	2024	2023
Net loss	\$ (6,724 )	\$ (3,507 )	\$ (6,938 )	\$ (3,403 )	\$ (13,662 )	\$ (6,910 )
Other (income) loss, net	(77 )	20	(51 )	(15 )	(128 )	10
Income tax benefit	(429 )	-	(5 )	8	(434 )	10
Depreciation and amortization	729	643	731	639	1,460	1,272
Stock-based compensation	446	420	524	513	970	900
Adjusted EBITDA	<u>\$ (6,055 )</u>	<u>\$ (2,424 )</u>	<u>\$ (5,739 )</u>	<u>\$ (2,258 )</u>	<u>\$ (11,794 )</u>	<u>\$ (4,638 )</u>

## Segment Results

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

	Software				Hardware			
	Three months ended		Fav (Unfav)		Three months ended		Fav (Unfav)	
	December 31,				December 31,			
	2023	2022	\$	%	2023	2022	\$	%
Revenue	\$ 1,415	\$ 903	\$ 512	56.7 %	\$ 2,946	\$ 9,584	\$ (6,638 )	(69.1 %)
Operating loss	(4,115 )	(3,459 )	(656 )	19.0 %	(3,115 )	(28 )	(3,087 )	11025.0 %

### Reconciliation of GAAP to Non- GAAP

Depreciation and amortization	633	544	89	16.4 %	96	99	(3 )	(3.0 %)
Stock-based compensation	99	100	(1 )	(1.0 %)	347	320	27	8.4 %
Adjusted EBITDA	\$ (3,383 )	\$ (2,815 )	\$ (568 )	20.2 %	\$ (2,672 )	\$ 391	\$ (3,063 )	(783.0 %)

### Comparison of Segment Adjusted EBITDA for the Three Months Ended March 31, 2024 and 2023 (in thousands)

	Software				Hardware			
	Three months ended		Fav (Unfav)		Three months ended		Fav (Unfav)	
	March 31,				March 31,			
	2024	2023	\$	%	2024	2023	\$	%
Revenue	\$ 1,740	\$ 853	\$ 887	104.0 %	\$ 3,999	\$ 10,360	\$ (6,361 )	(61.4 %)
Operating loss	(4,223 )	(3,797 )	(426 )	11.2 %	(2,771 )	387	(3,158 )	(816.0 %)

### Reconciliation of GAAP to Non-GAAP

Depreciation and amortization	633	539	94	17.4 %	98	100	(2 )	(2.0 %)
Stock-based compensation	160	122	38	31.1 %	364	391	(27 )	(6.9 %)
Adjusted EBITDA	\$ (3,430 )	\$ (3,136 )	\$ (294 )	9.4 %	\$ (2,309 )	\$ 878	\$ (3,187 )	(363.0 %)

## Software Segment

Software segment revenue increased **57%** **104%** over the prior fiscal year. This primarily reflects a **85%** **123%** increase in recurring revenue compared to the prior fiscal year.

Operating loss increased **\$656** **\$426** in the fiscal **first** **second** quarter of the current year due to increases in payroll and benefits **compensation** related to from increased hiring, to support software development and sales, increased sales and marketing and related expenses, higher professional services expenses and the addition of Evertel, higher commission expense resulting from increased revenues and amortization expenses from the increased revenues. Evertel acquisition.

## Hardware Segment

Hardware segment revenue decreased \$6,638, **\$6,361**, or **69%** **61%**, over the prior year. The decrease was largely due to the lower backlog at the start of this fiscal year compared to with the prior year amount. First **Fiscal second** quarter hardware revenue in the prior year included **\$5,400** **\$5,700** from a U.S. Army program of record. Deliveries against this program of record were completed in the fourth quarter of fiscal 2023. A **new**, similar sized **program has been included as part of Department of Defense fiscal year 2024 authorization**.

Operating income decreased \$3,158 in the current fiscal year period due to the lower revenue and resultant gross profit.

Comparison of Segment Adjusted EBITDA for the Six Months Ended March 31, 2024 and 2023 (in thousands)

	Software				Hardware			
	Six months ended				Six months ended			
	September 30,		Fav (Unfav)		September 30,		Fav (Unfav)	
	2024	2023	\$	%	2024	2023	\$	%
Revenue	\$ 3,155	\$ 1,755	\$ 1,400	79.8 %	\$ 6,945	\$ 19,945	\$ (13,000 )	(65.2 %)
Operating (loss) Income	(8,338 )	(7,257 )	(1,081 )	14.9 %	(5,886 )	359	(6,245 )	(1739.6 %)
<b>Reconciliation of GAAP to Non-GAAP</b>								
Depreciation and amortization	1,266	1,083	183	16.9 %	194	199	(5 )	(2.5 %)
Stock-based compensation	259	222	37	16.7 %	711	711	-	0.0 %
Adjusted EBITDA	\$ (6,813 )	\$ (5,952 )	\$ (861 )	14.5 %	\$ (4,981 )	\$ 1,269	\$ (6,250 )	(492.5 %)

**Software Segment**

Software segment revenue increased 80% over the prior fiscal year six-month period. This primarily reflects a 105% increase in recurring revenue compared with the first six months of the prior fiscal year. Excluding revenue from this year's acquisition of Evertel, recurring revenue increased 95% over the same prior six-month period.

Operating loss increased \$1,081 in the six-month period of this fiscal year due to increases in compensation related costs from increased hiring, the addition of Evertel, higher commission expense from increased revenues and amortization expenses from the Evertel acquisition.

**Hardware Segment**

Hardware segment revenue decreased \$13,000, or 65%, over the prior year. The decrease was largely due to the lower backlog at the start of this fiscal year compared with the prior year amount. Six months year to date hardware revenue in the prior year included \$11,100 from a U.S. Army program of record. Deliverables against this program of record were completed in the fourth quarter of fiscal 2023. A new, similar sized program is pending has been included as part of Department of Defense fiscal year 2024 authorization.

Operating income decreased \$3,087 in 2024 compared with the current prior fiscal year period due to the lower revenue and resultant resulting lower gross profit.

**Liquidity and Capital Resources**

Cash and cash equivalents as of December 31, 2023 March 31, 2024 were \$4,780, \$3,544, compared with \$8,665 as of September 30, 2023. We had short term marketable securities of \$8,777 \$3,011 as of December 31, 2023 March 31, 2024, compared with \$1,481 as of September 30, 2023. In addition to cash and cash equivalents, short term marketable securities, other working capital and expected future cash flows from operating activities in subsequent periods, we have other unused sources of liquidity at this time. signed a two-year, \$15 million senior secured term loan agreement on May 13, 2024. This term loan matures on May 2026.

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

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

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

- product acceptance in new markets;

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

- volatility in the capital markets; and

- market price and trading volume of our common stock.

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

### Cash Flows

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

	Three months ended		Six months ended	
	December 31, 2023	December 31, 2022	March 31, 2024	March 31, 2023
Cash provided by (used in):				
Operating activities	\$ (5,729 )	\$ (4,850 )	\$ (12,496 )	\$ (7,400 )
Investing activities	(9,114 )	(483 )	\$ (3,347 )	\$ 9,114
Financing activities	10,449	32	\$ 10,218	\$ 10,218

### Operating Activities

Net loss of \$6,724 \$13,662 for the three six months ended December 31, 2023 March 31, 2024 was decreased by \$920 \$2,367 of non-cash items that include share-based compensation, warranty provision, depreciation and amortization, amortization of operating lease ROU assets, accretion of acquisition related liabilities and inventory obsolescence. Cash used by operating activities in the fiscal first quarter current year reflected an increase in inventory of \$429, \$128, an increase in prepaids and other assets of \$249 \$4,425 and a decrease in accounts payable of \$902 and accrued liabilities of \$11. \$196. This was offset by a decrease in accounts receivable of \$1,666. \$3,277 and an increase in accrued liabilities of \$271.

Net loss of \$3,507 \$6,910 for the three six months ended December 31, 2022 March 31, 2023 was decreased by \$1,349 \$2,774 of non-cash items that include share-based compensation, warranty provision, depreciation and amortization, amortization of operating lease ROU assets, accretion of acquisition holdback liabilities and inventory obsolescence. Cash used by operating activities in the period reflected an increase in inventory of \$2,041, \$3,469, and a decrease in accrued liabilities and other liabilities of \$5,006, \$6,004, comprised of a decrease in the balances of customer deposits received, payment of the Canadian GST/HST and payment of incentive compensation earned in fiscal year 2022. This was offset by a \$3,482 \$3,158 decrease in accounts receivable, a \$624 \$1,840 decrease in prepaids and other assets, and a \$249 \$1,145 increase in accounts payable payable.

We had accounts receivable of \$4,435 \$2,820 as of December 31, 2023 March 31, 2024, compared with \$5,952 as of September 30, 2023. Terms of individual customers vary greatly. We regularly provide thirty-day terms to our customers if credit is approved. Our receivables can vary dramatically due to overall sales volume, quarterly variations in sales, timing of shipments to and receipts from large customers, payment terms, and the timing of contract payments.

As of December 31, 2023 March 31, 2024 and September 30, 2023, our working capital was \$15,436 \$10,331 and \$13,949, respectively. The decrease in working capital was primarily due to the net loss this period and decrease in accounts receivable.

The decrease in working capital was primarily due to cash raised through financing activities, offset by Evertel acquisition related expenses, acquired liabilities and the fiscal first quarter year to date net loss.

### Investing Activities

Our net cash used in investing activities was \$9,114 \$3,347 for the three six months ended December 31, 2023 March 31, 2024, compared with net cash provided by investing activities of \$483 \$918 for the three six months ended December 31, 2022 March 31, 2023. In the first three six months of fiscal 2024 increased our holdings in marketable securities by \$7,285, \$1,522, compared with an increase a decrease of \$385 \$1,075 for the three six months ended December 31, 2022 March 31, 2023. Cash used in investing activities for acquisition of Evertel was \$923 \$908 and cash used to pay the Amika holdback liability was \$764. Company also used \$142 \$153 and \$98 \$157 for the purchase of property and equipment for during the three six months ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively. We anticipate additional expenditures for tooling and equipment during the balance of fiscal year 2024.

#### Financing Activities

In the three six months ended December 31, 2023 March 31, 2024, we received \$10,449 \$10,318 through financing activities, compared with \$32 \$41 provided by financing activities for the three six months ended December 31, 2022 March 31, 2023. In the first three six months of fiscal 2024, we received \$10,449 in proceeds from an offering of the Company's common stock. stock and used \$12 to settle statutory tax withholding requirements upon vesting of restricted stock units. We also used \$219 to pay contingent consideration in connection with the Evertel acquisition. In the first three six months of fiscal year 2023, we received \$32 from the exercise of stock options. options and used \$45 to settle statutory tax withholding requirements upon vesting of restricted stock units.

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

There were no shares repurchased during the three six months ended December 31, 2023 March 31, 2024 and December 31, 2022 March 31, 2023. repurchased shares have been retired and as of December 31, 2023 March 31, 2024 and \$3,000 \$3.0 million was available for share repurchase under this program.

#### Recent Accounting Pronouncements

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

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

#### Foreign Currency Risk

We consider our direct exposure to foreign exchange rate fluctuations to be minimal. The transactions of our Spanish subsidiary are denominated primarily in Euros and the transactions of our Canadian subsidiary are denominated primarily in Canadian dollars, which is a natural hedge against foreign currency fluctuations. All other sales to customers and all arrangements with third-party manufacturers, with one exception, provide for pricing and payment in U.S. dollars, and, therefore, are not subject to exchange rate fluctuations. Increases in the value of the U.S. dollar relative to other currencies could make our products more expensive, which could negatively impact our ability to compete. Conversely, decreases in the value of the U.S. dollar relative to other currencies could result in our suppliers raising their prices to continue doing business with us. Fluctuations in currency exchange rates could affect our business in the future.

### Item 4. Controls and Procedures.

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

#### Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, we conducted an evaluation of our disclosure controls and procedures as such term is defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934.



1934. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of **December 31, 2023** **March 31, 2024**.

#### Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our fiscal quarter ended **December 31, 2023** **March 31, 2024**, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Our process for evaluating controls and procedures is continuous and encompasses constant improvement of the design and effectiveness of established controls and procedures and the remediation of any deficiencies which may be identified during this process.

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

## PART II. OTHER INFORMATION

### **Item 1. Legal Proceedings.**

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

### **Item 1A. Risk Factors.**

There have been no material changes to the risk factors described under Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 2023, filed with the SEC on December 7, 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 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

#### **Item 5. Other Information.**

None.

#### **Item 3. Defaults Upon Senior Securities.**

None.

#### **Item 4. Mine Safety Disclosures.**

Not Applicable.

#### **Item 5. Other Information.**

During the quarter ended **December 31, 2023** **March 31, 2024**, none of our directors or executive officers adopted, modified or terminated a contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative disclosure conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement," "arrangement" as that term is used in SEC regulations.

### **Item 6. Exhibits.**

#### **Item 6. Exhibits.**

31.1	<a href="#">Certification of Richard S. Danforth, Principal Executive Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</a>
31.2	<a href="#">Certification of Dennis D. Klahn, Principal Financial Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</a>
32.1	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Richard S. Danforth, Principal Executive Officer and Dennis D. Klahn, Principal Financial Officer.*</a>
101.INS	Inline XBRL Instance Document*
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*
104	Cover Page Interactive Data File (embedded within the Inline XBRL and contained in Exhibit 101)

\* Filed concurrently herewith.

## SIGNATURES

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

GENASYS INC.

Date: February 14, 2024 May 15, 2024

By: /s/ Dennis D. Klahn

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

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Exhibit

## CERTIFICATIONS

I, Richard S. Danforth, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Genasys Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's independent registered public accounting firm and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely 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: February 14, 2024 May 15, 2024

/s/ Richard S. Danforth

Richard S. Danforth

(Principal Executive Officer)

Exhibit

#### CERTIFICATIONS

I, Dennis D. Klahn, certify that:

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

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

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

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

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

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

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

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely 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: February 14, 2024 May 15, 2024

/s/ Dennis D. Klahn

Dennis D. Klahn

(Principal Financial Officer)

Exhibit

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

The undersigned hereby certifies, in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his or her capacity as an officer of Genasys Inc. (the "Company"), that, to his or her knowledge, the Quarterly Report of the Company on Form 10-Q for the quarter ended December 31, 2023 March 31, 2024 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operation of the Company as of the dates and for the periods presented in the financial statements included in such report.

Dated: February 14, 2024 May 15, 2024

/s/ Richard S. Danforth

Richard S. Danforth

President and Chief Executive Officer

(Principal Executive Officer)

/s/ Dennis D. Klahn

Dennis D. Klahn

Chief Financial Officer

(Principal Financial Officer)

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

#### DISCLAIMER

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