
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 September 30, 2024

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission file number: 001-37851

AIRGAIN, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

95-4523882

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

3611 Valley Centre Drive, Suite 150
San Diego, CA

(Address of Principal Executive Offices)

92130

(Zip Code)

(760) 579-0200

(Registrant's Telephone Number, Including Area Code)

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

Title of each class

Common stock, par value \$0.0001 per share

Trading Symbol(s)

AIRG

Name of each exchange on which registered

Nasdaq Capital Market

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of November 5, 2024, the registrant had 11,344,639 shares of common stock (par value \$0.0001) outstanding.

AIRGAIN, INC.
Form 10-Q
For the Quarter Ended September 30, 2024

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Airgain, Inc.
Condensed Consolidated Balance Sheets
 (In thousands, except par value)
 (Unaudited)

	September 30, 2024 (Unaudited)	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,346	\$ 7,881
Trade accounts receivable, net	11,800	7,375
Inventories	2,618	2,403
Prepaid expenses and other current assets	1,501	1,422
Total current assets	23,265	19,081
Property and equipment, net	2,128	2,507
Leased right-of-use assets	938	1,392
Goodwill	10,845	10,845
Intangible assets, net	6,009	8,234
Other assets	69	170
Total assets	<u>\$ 43,254</u>	<u>\$ 42,229</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 7,438	\$ 6,472
Accrued compensation	1,760	728
Accrued liabilities and other	2,053	1,926
Short-term lease liabilities	848	865
Total current liabilities	12,099	9,991
Deferred tax liability	163	151
Long-term lease liabilities	181	674
Total liabilities	12,443	10,816
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Common stock and additional paid-in capital, par value \$0.0001, 200,000 shares authorized; 11,881 shares issued and 11,340 shares outstanding at September 30, 2024; and 11,010 shares issued and 10,469 shares outstanding at December 31, 2023.	121,412	115,295
Treasury stock, at cost: 541 shares at September 30, 2024 and December 31, 2023.	(5,364)	(5,364)
Accumulated deficit	(85,246)	(78,521)
Accumulated other comprehensive income	9	3
Total stockholders' equity	30,811	31,413
Total liabilities and stockholders' equity	<u>\$ 43,254</u>	<u>\$ 42,229</u>

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

Airgain, Inc.
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three months ended September 30, 2024	2023	Nine months ended September 30, 2024	2023
Sales	\$ 16,101	\$ 13,696	\$ 45,516	\$ 45,970
Cost of goods sold	9,387	8,460	27,078	28,137
Gross profit	6,714	5,236	18,438	17,833
Operating expenses:				
Research and development	2,855	2,298	9,091	7,337
Sales and marketing	2,395	1,704	6,902	6,875
General and administrative	3,278	3,144	9,393	10,533
Total operating expenses	8,528	7,146	25,386	24,745
Loss from operations	(1,814)	(1,910)	(6,948)	(6,912)
Other (income) expense:				
Interest income, net	(29)	(34)	(82)	(68)
Other expense, net	11	1	4	16
Total other income, net	(18)	(33)	(78)	(52)
Loss before income taxes	(1,796)	(1,877)	(6,870)	(6,860)
Income tax (benefit) expense	(39)	4	(145)	84
Net loss	<u>\$ (1,757)</u>	<u>\$ (1,881)</u>	<u>\$ (6,725)</u>	<u>\$ (6,944)</u>
Net loss per share:				
Basic	<u>\$ (0.16)</u>	<u>\$ (0.18)</u>	<u>\$ (0.62)</u>	<u>\$ (0.67)</u>
Diluted	<u>\$ (0.16)</u>	<u>\$ (0.18)</u>	<u>\$ (0.62)</u>	<u>\$ (0.67)</u>
Weighted average shares used in calculating loss per share:				
Basic	<u>11,315</u>	<u>10,430</u>	<u>10,930</u>	<u>10,370</u>
Diluted	<u>11,315</u>	<u>10,430</u>	<u>10,930</u>	<u>10,370</u>

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

Airgain, Inc.
Condensed Consolidated Statements of Comprehensive Loss
(In thousands)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Net loss	\$ (1,757)	\$ (1,881)	\$ (6,725)	\$ (6,944)
Other comprehensive loss:				
Foreign currency translation adjustment	10	—	6	—
Comprehensive loss	<u>\$ (1,747)</u>	<u>\$ (1,881)</u>	<u>\$ (6,719)</u>	<u>\$ (6,944)</u>

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

Airgain, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(In thousands)
(Unaudited)

Fiscal Quarters Ended September 30, 2024

	Common Stock And Additional Paid-In Capital		Treasury Stock		Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance at December 31, 2023	11,010	\$ 115,295	(541)	\$ (5,364)	\$ 3	\$ (78,521)	\$ 31,413
Net loss	—	—	—	—	—	(2,455)	(2,455)
Stock-based compensation	—	1,087	—	—	—	—	1,087
Common stock issued through restricted stock awards	169	—	—	—	—	—	—
Common stock withheld related to net share settlement of equity awards	(24)	(94)	—	—	—	—	(94)
Common stock issued under ESPP	23	76	—	—	—	—	76
Foreign currency translation adjustments	—	—	—	—	(2)	—	(2)
Common stock issued in connection with at-the-market offerings, net	124	488	—	—	—	—	488
Balance at March 31, 2024	11,302	\$ 116,852	(541)	\$ (5,364)	\$ 1	\$ (80,976)	\$ 30,513
Net loss	—	—	—	—	—	(2,513)	(2,513)
Stock-based compensation	—	1,049	—	—	—	—	1,049
Common stock issued through restricted stock awards	27	—	—	—	—	—	—
Common stock issued through stock options	8	25	—	—	—	—	25
Foreign currency translation adjustments	—	—	—	—	(2)	—	(2)
Common stock issued in connection with at-the-market offerings, net	505	2,518	—	—	—	—	2,518
Balance at June 30, 2024	11,842	\$ 120,444	(541)	\$ (5,364)	\$ (1)	\$ (83,489)	\$ 31,590
Net loss	—	—	—	—	—	(1,757)	(1,757)
Stock-based compensation	—	882	—	—	—	—	882
Common stock issued through restricted stock awards	14	—	—	—	—	—	—
Common stock issued under ESPP	23	76	—	—	—	—	76
Common stock issued through stock options	2	10	—	—	—	—	10
Foreign currency translation adjustments	—	—	—	—	10	—	10
Balance at September 30, 2024	11,881	\$ 121,412	(541)	\$ (5,364)	\$ 9	\$ (85,246)	\$ 30,811

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

Fiscal Quarters Ended September 30, 2023

	Common Stock And Additional Paid-In Capital		Treasury Stock		Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance at December 31, 2022	10,767	\$ 111,282	(541)	\$ (5,364)	\$ —	\$ (66,093)	\$ 39,825
Net loss	—	—	—	—	—	\$ (2,858)	\$ (2,858)
Stock-based compensation	—	1,874	—	—	—	—	1,874
Common stock issued through restricted stock awards	278	—	—	—	—	—	—
Common stock withheld related to net share settlement of equity awards	(118)	(678)	—	—	—	—	(678)
Common stock issued under ESPP	22	137	—	—	—	—	137
Balance at March 31, 2023	<u>10,949</u>	<u>\$ 112,615</u>	<u>(541)</u>	<u>\$ (5,364)</u>	<u>\$ —</u>	<u>\$ (68,951)</u>	<u>\$ 38,300</u>
Net loss	—	—	—	—	—	\$ (2,205)	\$ (2,205)
Stock-based compensation	—	968	—	—	—	—	968
Common stock issued through restricted stock awards	5	—	—	—	—	—	—
Common stock withheld related to net share settlement of equity awards	(2)	(12)	—	—	—	—	(12)
Common stock issued through stock options	12	28	—	—	—	—	28
Balance at June 30, 2023	<u>10,964</u>	<u>\$ 113,599</u>	<u>(541)</u>	<u>\$ (5,364)</u>	<u>\$ —</u>	<u>\$ (71,156)</u>	<u>\$ 37,079</u>
Net loss	—	—	—	—	—	\$ (1,881)	\$ (1,881)
Stock-based compensation	—	500	—	—	—	—	500
Common stock issued through restricted stock awards	4	—	—	—	—	—	—
Common stock issued under ESPP	17	67	—	—	—	—	67
Balance at September 30, 2023	<u>10,985</u>	<u>\$ 114,166</u>	<u>(541)</u>	<u>\$ (5,364)</u>	<u>\$ —</u>	<u>\$ (73,037)</u>	<u>\$ 35,765</u>

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

Airgain, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine months ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (6,725)	\$ (6,944)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	418	500
Amortization of intangible assets	2,233	2,227
Stock-based compensation	3,334	2,472
Deferred tax liability	12	7
Amortization of prepaid assets	132	—
Changes in operating assets and liabilities:		
Trade accounts receivable	(4,426)	2,469
Inventories	(214)	276
Prepaid expenses and other current assets	(119)	203
Other assets	101	6
Accounts payable	965	(1,100)
Accrued compensation	707	(1,338)
Accrued liabilities and other	138	(102)
Lease liabilities	(57)	(40)
Net cash used in operating activities	(3,501)	(1,364)
Cash flows from investing activities:		
Purchases of property and equipment	(177)	(172)
Net cash used in investing activities	(177)	(172)
Cash flows from financing activities:		
Proceeds from at-the-market common stock offering, net of offering costs	3,006	—
Payments for withholding taxes related to net share settlement of equity awards	(95)	(690)
Proceeds from employee stock purchase and option exercises	187	232
Net cash provided by (used in) financing activities	3,098	(458)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	5	—
Net decrease in cash, cash equivalents and restricted cash	(575)	(1,994)
Cash, cash equivalents, and restricted cash; beginning of period	7,976	12,078
Cash, cash equivalents, and restricted cash; end of period	<u>\$ 7,401</u>	<u>\$ 10,084</u>
Supplemental disclosure of cash flow information:		
Income taxes paid	\$ 42	\$ 78
Income taxes refunded	\$ 50	\$ —
Supplemental disclosure of non-cash investing and financing activities:		
Operating lease liabilities resulting from right-of-use assets	\$ 179	\$ 11
Accrual of property and equipment	\$ —	\$ 17
Cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 7,346	\$ 9,989
Restricted cash included in prepaid expenses and other current assets and other assets long term	\$ 55	\$ 95
Total cash, cash equivalents, and restricted cash	<u>\$ 7,401</u>	<u>\$ 10,084</u>

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

Airgain, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1. Description of Business and Basis of Presentation

Description of Business

Airgain, Inc. was incorporated in the State of California on March 20, 1995; and reincorporated in the State of Delaware on August 17, 2016. Airgain, Inc. together with its subsidiaries are herein referred to as the "Company," "we," or "our." The Company is a leading provider of connectivity solutions including embedded components, external antennas, and integrated systems that enable wireless networking in the consumer, enterprise, and automotive markets. The Company's headquarters is in San Diego, California.

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and applicable rules and regulations of the Securities and Exchange Commission (SEC) regarding interim financial reporting. Certain information and note disclosures normally included in the consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Interim financial results are not necessarily indicative of results anticipated for the full year. As such, the information included in this quarterly report on Form 10-Q should be read in conjunction with the financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, from which the balance sheet information herein was derived. The unaudited Condensed Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiary. All intercompany transactions and investments have been eliminated in consolidation.

Segment Information

The Company's operations are located primarily in the United States and most of its assets are located in San Diego, California and Plymouth, Minnesota.

The Company operates in one segment related to providing connectivity solutions – embedded components, external antennas, and integrated systems. The Company's chief operating decision-maker is our chief executive officer, who reviews operating results on an aggregate consolidated basis for purposes of regularly making operating decisions, allocation of resources and assessing performance as a single operating segment.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Summary of Significant Accounting Policies

During the nine months ended September 30, 2024, there have been no material changes to the Company's significant accounting policies as described in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Trade Accounts Receivable

We perform ongoing credit evaluations of our customers and assess each customer's credit worthiness. The policy for determining when receivables are past due or delinquent is based on the contractual terms agreed upon. We monitor collections and payments from our customers and analyze for an allowance for credit losses. The allowance for credit losses is based upon applying an expected credit loss rate to receivables based on the historical loss rate and is adjusted for current conditions, including any specific customer collection issues identified, and economic conditions forecast. Delinquent account balances are written off after management has determined that the likelihood of collection is remote.

An allowance for doubtful accounts is established when, in the opinion of management, collection of the account is doubtful.

Inventories

As of April 2022, all of the Company's products are manufactured by third parties that retain ownership of the inventory until title is transferred to the customer at the shipping point. In some situations, the Company retains ownership of consigned inventories at third-party contract manufacturer (CM) locations due to actual or pending customers' orders. The Company recognized the consigned inventory as an asset in its financial statements. In certain instances, shipping terms are delivery-at-place and the Company is responsible for arranging transportation and delivery of goods ready for unloading at the named place. In those instances, the Company bears all risk involved in bringing the goods to the named place and records the related inventory in transit to the customer as inventory on the accompanying consolidated balance sheets.

Inventory is stated at the lower of cost or net realizable value. For items manufactured by our CMs, cost is determined using the weighted average cost method. For items manufactured by third parties, cost is determined using the first-in, first-out method (FIFO). Any adjustments to reduce the cost of inventories to their net realizable value are recognized in earnings in the current period. Write downs for excess and obsolete inventories are estimated based on product life cycles, quality issues, and historical experience.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, generally three to ten years. The estimated useful lives for leasehold improvements are determined as either the estimated useful life of the asset or the lease term, whichever is shorter. Repairs and maintenance are expensed as incurred. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. When assets are disposed of (or otherwise sold), the cost and related accumulated depreciation are removed from the accounts and any gain or loss on the disposal of property and equipment is classified as other expense (income) in the Company's consolidated statement of operations.

Goodwill

We account for our goodwill under the authoritative guidance ASC 250 for goodwill and other intangible assets and the provisions of ASU 2017-04, Simplifying the Test for Goodwill Impairment, which we early adopted in fiscal year 2020. Goodwill is not amortized but is tested for impairment annually as of December 31 or more frequently if events or changes in circumstances indicate that our goodwill might be impaired. Such circumstances may include, but not limited to (1) a decline in macro-economic conditions, (2) a significant decline in our financial performance or (3) a significant decline in the price of our common stock for a sustained period of time. We consider the aggregation of the relevant qualitative factors, and conclude whether it is more likely than not that the fair value of our reporting unit is less than the carrying value.

If we conclude that it is more likely than not that the fair value of our reporting unit is less than the carrying value, we perform a quantitative impairment test. The quantitative impairment test compares the fair value of the reporting unit to its carrying amount, including goodwill. If the fair value of the reporting unit exceeds the carrying amount of the net assets assigned to that reporting unit, goodwill is not considered impaired. However, if the fair value of the reporting unit is lower than the carrying amount of the net assets assigned to the reporting unit, an impairment charge is recognized equal to the excess of the carrying amount over the fair value. The impairment charge is limited to the goodwill amount of the reporting unit.

Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. For the market approach of valuation, we may use the guideline public company method. Under this method we utilize information from comparable publicly traded companies with similar operating and investment characteristics as the reporting unit to derive an indication of value. For the income approach of valuation, we use a discounted cash flow methodology to derive an indication of value, which required management to make estimates and assumptions related to forecasted revenues, gross profit margins, operating income margins, working capital cash flow, income tax rates, EBITDA, perpetual growth rates, and long-term discount rates, among others. In addition, we make certain judgments and assumptions in determining our reporting unit. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates.

Intangibles

The Company's identifiable finite-lived intangible assets are comprised of acquired intangibles, developed technologies, customer relationships and non-compete agreements. The cost of the market-related intangible assets with finite lives is amortized on a straight-line basis over the assets' respective estimated useful lives.

We assess potential impairments to our intangible assets in accordance with the authoritative guidance for impairment or disposal of long-lived assets (ASC 360) when events or changes in circumstances indicate that the carrying value may not be recoverable. We assess the impairment of long-lived and intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. As a first step, we consider factors, which may include the following, but are not limited to: (1) significant underperformance relative to historical or projected future operating results; (2) significant negative industry or economic trends; or (3) a significant decline in our stock price for a sustained period.

If this assessment indicates that the carrying value of the assets may not be recoverable, the Company is required to perform the second step to test the asset group for recoverability. This recoverability test compares the future undiscounted cash flows expected from the use of the asset group to its carrying value. If the carrying value is more than the undiscounted future cash flows, the Company is required to perform a third step to determine the fair value of the asset group and compare fair value against the carrying value. Any excess carrying value over the fair value needs to be recognized as an impairment loss.

Determining the recoverability of long-lived or intangible assets is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows and the future market value of our asset group. In addition, we make certain judgments and assumptions in determining our asset group. We base our recoverability estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates.

Revenue Recognition

Under ASC Topic 606 "Revenue from Contracts with Customers", the Company recognize revenue when, or as the control of the promised goods or services is transferred to the customers in an amount that reflects the consideration the Company expects to be entitled in exchange for those goods or services. In applying this core principle, the Company performs the following five-steps only when it is probable that substantially all of the consideration that it will be entitled in exchange for the goods or services that will be transferred to the customer:

- (i) identify the contract(s) with the customer,
- (ii) identify the performance obligations in the contract,
- (iii) determine the transaction price,
- (iv) allocate the transaction price to the performance obligation(s) in the contract and
- (v) recognize revenue when or as the entity satisfies performance obligations. A performance obligation is at a point in time, except if it meets any of the three criteria, which will require recognition of revenue over time:
 - the customer simultaneously receives and consumes the benefit provided by the entity's performance as the entity performs,
 - the entity's performance creates or enhances an asset (for example, work in process) that the customer controls as the asset is created or enhanced, and
 - the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Most of the Company's revenue is generated from product sales and the revenue is recognized at a point-in-time when control is transferred to the customer. Each purchase order, along with existing customer agreements, when applicable, represents a contract from a customer and each product sold represents a distinct performance obligation. Revenue is recognized when control is transferred to the customer at a point in time either when the product is shipped to or received by the customer, based on the terms of the specific agreement with the customer, and the Company has an enforceable right to payment for the product. The Company allocates the transaction price, which is generally the quoted price per terms of the contract and the consideration the Company expects to receive, to each performance obligation. The Company offers return rights and/or pricing credits under certain circumstances. We estimate product returns based on historical sales and return trends and record against revenue and corresponding refund liability.

A portion of the Company's revenue is recognized over time, including: data subscription, test services or custom design services. Revenue from data subscription plans relate to purchased asset trackers with activated data lines, through a third-party service provider. Data subscription plan revenues are recognized monthly based on the fee stated in the contract, as the customer is simultaneously receiving and consuming the benefits provided throughout the Company's monthly performance obligation. Test service revenues are recognized monthly based on the fee stated in the contract for obligations over time on assets that the customer controls. Design service fees are paid in advance; the prepayments are deferred revenues and are recorded as contract liabilities. Most of the design service fees are recognized based on the Company's achievement of milestones. The Company's performance for the design services does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. We recognize from the contract liabilities as milestones are achieved over service periods ranging from three (3) to eighteen (18) months.

The Company's contracts with customers do not typically include extended payment terms. Payment terms may vary by contract and type of customer and generally range from 30 to 90 days from delivery.

The Company provides assurance-type warranties on all product sales ranging from one to two years. The estimated warranty costs are accrued for at the time of sale based on historical warranty experience plus any known or expected changes in warranty exposure.

The Company has opted to not disclose the portion of revenues allocated to partially unsatisfied performance obligations, which represent products to be shipped within 12 months under open customer purchase orders, at the end of the current reporting period as allowed under ASC 606. The Company has also elected to record sales commissions when incurred, pursuant to the practical expedient under ASC 340, Other Assets and Deferred Costs, as the period over which the sales commission asset that would have been recognized is less than one year.

Shipping and Transportation Costs

Shipping and other transportation costs expensed as incurred were \$0.1 million for each of the three months ended September 30, 2024 and 2023. These costs are included in sales and marketing expenses in the accompanying consolidated statements of operations.

Research and Development Costs

Research and development costs are expensed as incurred.

Advertising Costs

Advertising costs are expensed as incurred. These costs are included in sales and marketing expenses in the accompanying consolidated statements of operations.

Income Taxes

The Company records income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. When applicable a valuation allowance is established to reduce any deferred tax asset when we determine that it is more likely than not that some portion of the deferred tax asset will not be realized.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest related to unrecognized tax benefits in interest expense and penalties in general and administrative expenses.

Stock-Based Compensation

We recognize compensation costs related to stock options and restricted stock units granted to employees and directors based on the estimated fair value of the awards on the date of grant. We estimate the option grant fair values, and the resulting stock-based compensation expense, using the Black-Scholes option-pricing model. The grant date fair value of

stock-based awards are expensed on a straight-line basis over the requisite service period of the entire reward. The Company recognizes forfeitures when incurred.

The assumptions used in the Black-Scholes option-pricing model are as follows:

- Fair value of our common stock. The Company's common stock is valued by reference to the publicly traded price of our common stock.
- Expected term. The expected term represents the period of time stock-based awards are expected to be outstanding.
- Expected weighted average volatility. Beginning 2022, we estimated expected volatility using solely our historical share price volatilities.
- Risk-free interest rate. The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant for zero coupon U.S. Treasury notes with maturities approximately equal to the expected term.
- Expected dividend. The expected dividend is assumed to be zero as the Company has never paid dividends and have no current plans to pay any dividends.

Fair Value Measurements

The carrying values of the Company's financial instruments, including cash, trade accounts receivable, accounts payable, and accrued liabilities approximate their fair values due to the short maturity of these instruments.

Fair value measurements are market-based measurements, not entity-specific measurements. Therefore, fair value measurements are determined based on the assumptions that market participants would use in pricing the asset or liability. The Company follows a three-level hierarchy to prioritize the inputs used in the valuation techniques to derive fair values. The basis for fair value measurements for each level within the hierarchy is described below:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.
- Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable in active markets.

Recently Adopted Accounting Pronouncements

None.

Recently Issued Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." ASU No. 2023-07 require that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to an entity's chief operating decision maker (CODM), amounts and descriptions of other reportable segments, and any additional measures of a segment's profit or loss used by the CODM when deciding how to allocate resources. The ASU is applicable to entities with a single reportable segment. This ASU is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The ASU should be applied retrospectively to all prior periods presented in the financial statements. The Company will evaluate the ASU to determine its impact on the Company's disclosures. The Company does not expect adoption to have a material impact on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures.". ASU No. 2023-09 requires expanded disaggregated information about a reporting entity's effective tax rate reconciliation as well as disclosure of income taxes paid by jurisdiction. The amendments in ASU are effective for fiscal years beginning after December 15, 2024 with early adoption permitted. Retrospective application of the amendments are permitted. The Company will evaluate the ASU to determine its impact on the Company's disclosures. As the amendments apply to income tax disclosures only, the Company does not expect adoption to have a material impact on its consolidated financial statements.

In March 2024, the FASB issued ASU 2024-02, "Codification Improvements—Amendments to Remove References to the Concepts Statements." ASU No. 2024-02 removes various references to concepts statements from the FASB Accounting Standards Codification. The ASU indicates that the goal of the amendments is to simplify the Codification and distinguish

between non-authoritative and authoritative guidance since, unlike the Codification, the concepts statements are non-authoritative. The amendments in ASU are effective for fiscal years beginning after December 15, 2024 with early adoption permitted. Retrospective application of the amendments are permitted. The Company will evaluate the ASU to determine its impact on the Company's disclosures. The Company does not expect adoption to have a material impact on its consolidated financial statements.

We have assessed all other ASUs issued but not yet adopted and concluded that those not disclosed are not relevant to the Company or are not expected to have a material impact.

Note 3. Net Loss Per Share

Basic net loss per share is calculated by dividing net loss available to common stockholders by the weighted average shares of common stock outstanding for the period. Diluted net loss per share is calculated by dividing net loss by the weighted average shares of common stock outstanding for the period plus amounts representing the dilutive effect of securities that are convertible into common stock. The Company calculates diluted loss per common share using the treasury stock method.

The following table presents the computation of net loss per share (in thousands except per share data):

	Three months ended September 30, 2024		Nine months ended September 30, 2024	
	2024	2023	2024	2023
Numerator:				
Net loss	\$ (1,757)	\$ (1,881)	\$ (6,725)	\$ (6,944)
Denominator:				
Basic weighted average common shares outstanding	11,315	10,430	10,930	10,370
Plus dilutive effect of potential common shares	—	—	—	—
Diluted weighted average common shares outstanding	<u>11,315</u>	<u>10,430</u>	<u>10,930</u>	<u>10,370</u>
Net loss per share:				
Basic	\$ (0.16)	\$ (0.18)	\$ (0.62)	\$ (0.67)
Diluted	\$ (0.16)	\$ (0.18)	\$ (0.62)	\$ (0.67)

Potentially dilutive securities (in common stock equivalent shares) not included in the calculation of diluted net loss per share because to do so would be anti-dilutive are as follows (in thousands):

	Three months ended September 30, 2024		Nine months ended September 30, 2024	
	2024	2023	2024	2023
Stock options, restricted stock and performance stock	1,933	2,211	2,262	2,290
Common stock equivalent shares	<u>1,933</u>	<u>2,211</u>	<u>2,262</u>	<u>2,290</u>

Note 4. Cash and Cash Equivalents

The following tables show the Company's cash and cash equivalents by significant investment category (in thousands):

	September 30, 2024		December 31, 2023	
Cash	\$	7,262	\$	7,581
Level 1:				
Money market funds		84		300
Total	\$	<u>7,346</u>	\$	<u>7,881</u>

Restricted Cash

As of September 30, 2024, the Company had \$55,000 in cash on deposit to secure certain lease commitments, which is restricted for more than twelve months and recorded in other assets in the Company's consolidated balance sheet. As of

December 31, 2023, the Company had \$95,000 in cash on deposit to secure certain lease commitments; \$40,000 of which is short-term in nature and recorded in prepaid expenses and other current assets and \$55,000 of which is restricted for more than twelve months and recorded in other assets in the Company's consolidated balance sheet.

Note 5. Inventory

Inventories are comprised of the following (in thousands):

	September 30, 2024	December 31, 2023
Raw materials	\$ 865	\$ 661
Finished goods	1,753	1,742
Total Inventory	\$ 2,618	\$ 2,403

Consigned inventories, which are included in total inventories, are comprised of the following (in thousands):

	September 30, 2024	December 31, 2023
Raw materials	\$ 674	\$ 558
Finished goods	1,001	598
Total Consigned Inventory	\$ 1,675	\$ 1,156

Note 6. Property and Equipment

Depreciation and amortization of property and equipment is calculated on the straight-line method based on the shorter of the estimated useful life or the term of the lease for tenant improvements and three to ten years for all other property and equipment. Property and equipment consist of the following (in thousands):

	September 30, 2024	December 31, 2023
Manufacturing and testing equipment	\$ 5,507	\$ 5,371
Leasehold improvements	848	848
Computers and software	557	811
Furniture, fixtures, and equipment	427	427
Vehicles	55	55
Software Development – Internal Use	66	—
Construction in process	6	45
Property and equipment, gross	7,466	7,557
Less accumulated depreciation	(5,338)	(5,050)
Property and equipment, net	\$ 2,128	\$ 2,507

Depreciation expense was \$0.1 million and \$0.2 million for the three months ended September 30, 2024 and 2023, respectively. Depreciation expense was \$0.4 million and \$0.5 million for the nine months ended September 30, 2024 and 2023, respectively.

Note 7. Intangible Assets and Goodwill

Other Intangible Assets

The following is a summary of the Company's acquired other intangible assets (dollars in thousands):

	Weighted average amortization period (in years)	Gross carrying amount	Accumulated amortization	Net carrying amount
Market related intangibles	5	\$ 1,820	\$ 1,389	\$ 431
Customer relationships	7	13,780	10,698	3,082
Developed technologies	11	4,380	1,884	2,496
Covenants to non-compete	2	115	115	—
Total intangible assets, net		\$ 20,095	\$ 14,086	\$ 6,009

December 31, 2023

	Weighted average amortization period (in years)	Gross carrying amount	Accumulated amortization	Net carrying amount
Market related intangibles	5	\$ 1,820	\$ 1,135	\$ 685
Customer relationships	7	13,780	8,993	4,787
Developed technologies	11	4,380	1,618	2,762
Covenants to non-compete	2	115	115	—
Total intangible assets, net		\$ 20,095	\$ 11,861	\$ 8,234

Amortization expense was \$0.7 million for each of the three months ended September 30, 2024 and 2023. Amortization expense was \$2.2 million for each of the nine months ended September 30, 2024 and 2023.

Estimated annual amortization of intangible assets for the next five years and thereafter is shown in the following table (in thousands):

	Estimated future amortization
2024 (remaining three months)	\$ 742
2025	2,958
2026	557
2027	356
Thereafter	1,396
Total	\$ 6,009

Actual amortization expense to be reported in future periods could differ from these estimates as a result of acquisitions, divestitures, and asset impairments, among other factors.

No impairment losses were recorded against the other intangibles during each of the three months ended September 30, 2024 and 2023.

During the fourth quarter of 2023 and the nine months ended September 30, 2024, the Company determined that there were no triggering events or circumstances to indicate that the carrying value of the finite-lived asset group may not be recoverable. Based on the assessment performed, we concluded that an impairment charge to finite-lived intangible assets was not required as of December 31, 2023 and September 30, 2024 and the useful lives remain appropriate.

Goodwill

No impairment losses were recorded against the goodwill during the three months ended September 30, 2024 and 2023.

During the fourth quarter of 2023, the Company determined that there were no events or circumstances that indicated that the fair value of a reporting unit is more likely than not less than its carrying amount. During the nine months ended September 30, 2024, the Company's current and expected cash flows, and the macro-economic and industry conditions have not significantly changed, while the Company's market capitalization materially increased since December 31, 2023. After assessing the totality of events or circumstances, the Company determined that there were no events or circumstances in the fourth quarter of 2023 and third quarter of 2024 that indicated that the fair value of a reporting unit is more likely than not less than its carrying amount. Therefore, an impairment charge to goodwill was not required as of December 31, 2023 and September 30, 2024.

Certain future events and circumstances could result in changes to our assumptions and judgments used in the impairment tests. A downward revision of these assumptions could cause the total fair value of our goodwill and intangible assets to fall below carrying values and a non-cash impairment charge would be required. Such a charge may have a material effect on the consolidated financial statements.

Note 8. Accrued Liabilities and Other

Accrued liabilities and other is comprised of the following (in thousands):

	September 30, 2024	December 31, 2023
Accrued expenses	\$ 824	\$ 1,031
VAT payable	—	339
Accrued income taxes	4	145
Advanced payments from contract manufacturers	4	—
Contract liabilities	29	17
Goods received not invoiced	899	185
Other current liabilities	293	209
Accrued liabilities and other	<u>\$ 2,053</u>	<u>\$ 1,926</u>

Note 9. Leases

Operating Leases

The Company made certain assumptions and judgments when applying ASC 842 and it elected not to recognize right-of-use assets and lease liabilities for short-term leases (lease terms of twelve months or less).

Operating lease arrangements primarily consist of office, warehouse and test house leases expiring during different years through 2026. The facility leases have original terms of approximately two to five years and may contain options to extend up to five years and/or terminate early. Options to extend are included in leased right-of-use assets and lease liabilities in the consolidated balance sheet when we are reasonably certain to renew a lease. Since the implicit rate of such leases is unknown and we may not be reasonably certain to renew leases, the Company elected to apply a collateralized incremental borrowing rate to facility leases on the original lease term in calculating the present value of future lease payments. As of September 30, 2024 and December 31, 2023, the weighted average discount rate for operating leases were 4.5% and 3.8%, respectively. As of September 30, 2024 and December 31, 2023, the weighted average remaining lease term for operating leases was 1.4 years and 1.8 years, respectively.

The Company has entered into various short-term operating leases, primarily for test houses and office equipment with initial terms of 12 months or less. These short-term leases are not recorded on the Company's consolidated balance sheet, and the related short-term lease expense was \$57,700 and \$23,000, for the three months ended September 30, 2024 and 2023, respectively. Total operating lease cost was \$0.3 million for each of the three months ended September 30, 2024 and 2023.

The table below presents aggregate future minimum payments due under leases, reconciled to lease liabilities included in the consolidated balance sheet as of September 30, 2024 (in thousands):

	Estimated future lease obligation
2024 (remaining three months)	\$ 243
2025	786
2026	36
Total minimum payments	1,065
Less imputed interest	(26)
Less unrealized translation gain	(10)
Total lease liabilities	1,029
Less short-term lease liabilities	(848)
Long-term lease liability	<u>\$ 181</u>

Note 10. Income Taxes

The Company's effective income tax rate was 2.1% and -1.2% for the nine months ended September 30, 2024 and 2023, respectively. The variance from the U.S. federal statutory rate of 21.0% for the nine months ended September 30, 2024 was primarily attributable to the utilization of deferred tax attributes that had a full valuation allowance.

Management assesses its deferred tax assets quarterly to determine whether all or any portion of the asset is more likely than not unrealizable under Accounting Standards Codification (ASC) Topic 740. The Company is required to establish a valuation allowance for any portion of the asset that management concludes is more likely than not to be unrealizable.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company's assessment considers all evidence, both positive and negative, including the nature, frequency and severity of any current and cumulative losses, taxable income in carryback years, the scheduled reversal of deferred tax liabilities, tax planning strategies, and projected future taxable income in making this assessment.

As of December 31, 2023, the Company had a valuation allowance against net deferred tax assets of \$14.6 million, however, the exclusion of a deferred tax liability generated by goodwill (an indefinite lived intangible) may not be considered a future source of taxable income in evaluating the need for a valuation allowance.

Note 11. Stockholders' Equity

In August 2016, the Company's Board adopted the 2016 Equity Incentive Plan (the 2016 Plan) for employees, directors and consultants. In February 2021, the Board adopted the 2021 Employment Inducement Incentive Award Plan (Inducement Plan), which provides for grants of equity-based awards.

The following table presents common stock reserved for future issuance⁽¹⁾ (in thousands):

	September 30, 2024	December 31, 2023
Stock options issued and outstanding	2,455	2,104
Stock awards issued and outstanding	1,000	817
Authorized for grants under the 2016 Plan ⁽²⁾	109	448
Authorized for grants under the Inducement Plan ⁽³⁾	192	174
Authorized for grants under the 2016 Employee Stock Purchase Plan ⁽⁴⁾	494	540
	<u>4,250</u>	<u>4,083</u>

⁽¹⁾ The table above excludes 541,000 treasury stock shares as of September 30, 2024 and December 31, 2023.

⁽²⁾ On January 1, 2024, the number of authorized shares in the 2016 Plan increased by 440,000 shares pursuant to the evergreen provisions of the 2016 Plan.

⁽³⁾ On February 5, 2021, 300,000 shares were authorized pursuant to the terms of the Inducement Plan.

⁽⁴⁾ On January 1, 2024, the number of authorized shares in the 2016 Employee Stock Purchase Plan increased by 100,000 shares pursuant to the evergreen provisions of the 2016 Employee Stock Purchase Plan.

Issuance of Common Stock

In March 2024, we established an at-the-market (ATM) offering program to sell up to \$5.0 million of the Company's common stock. As of September 30, 2024, we have \$1.7 million available under the offering program for future sales of our common stock.

The Company recorded the ATM gross sales proceeds and offering costs in additional paid-in capital of the consolidated balance sheet. The following table summarizes the Company's ATM sales activity during the period indicated (in thousands):

	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2024
Shares issued	—	629
Gross proceeds	\$ —	\$ 3,309
Net proceeds after offering costs	\$ —	\$ 3,006

Note 12. Stock Based Compensation

Stock-Based Compensation Expense

Stock-based compensation is recorded in the consolidated statements of operations as follows (in thousands):

	Three months ended September 30,			Nine months ended September 30,		
	2024	2023		2024	2023	
Cost of goods sold	\$ 97	\$ 29		\$ 220	\$ 73	
Research and development	260	230		988	747	
Sales and marketing	88	(223)		243	53	
General and administrative	636	487		1,883	1,599	
Total stock-based compensation expense	\$ 1,081	\$ 523		\$ 3,334	\$ 2,472	

Stock Options

The following table summarizes the outstanding stock option activity during the period indicated (shares in thousands):

	Weighted average			Aggregate intrinsic value (in thousands)
	Number of stock options	Exercise price	Remaining contractual term (in years)	
Balance at December 31, 2023	2,104	\$ 10.20	6.2	\$ 329
Granted	407	\$ 5.07		
Exercised	(10)	\$ 3.36		\$ 18
Expired/Forfeited	(46)	\$ 11.87		
Balance at September 30, 2024	2,455	\$ 9.35	6.0	\$ 2,900
Vested and exercisable at September 30, 2024	1,677	\$ 11.09	4.6	\$ 1,026
Vested and expected to vest at September 30, 2024	2,455	\$ 9.35	6.0	\$ 2,900

The weighted average grant date fair value of options granted during the nine months ended September 30, 2024 was \$2.82. The grant-date fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option-pricing model. For stock options vested and expected to vest, the aggregate intrinsic value as of September 30, 2024 was \$2.9 million.

At September 30, 2024, there was \$2.0 million of unrecognized compensation cost related to unvested stock options granted under the Company's equity plans that is expected to be recognized over the next 2.3 years.

Restricted Stock

The following table summarizes the Company's restricted stock unit (RSU) activity during the period indicated (shares in thousands):

	Restricted stock units	Weighted average grant date fair value
Balance at December 31, 2023	706	\$ 6.97
Grants	494	\$ 5.19
Vested and released	(210)	\$ 7.80
Forfeited	(100)	\$ 6.47
Balance at September 30, 2024	<u>890</u>	<u>\$ 5.84</u>

As of September 30, 2024, there was \$3.5 million of total unrecognized compensation cost related to unvested RSUs having a weighted average remaining contractual term of 2.5 years.

Performance Stock Units

The following table summarizes the Company's performance stock unit (PSU) activity during the period indicated (shares in thousands):

	Performance stock units	Weighted average grant date fair value
Balance at December 31, 2023	110	\$ 1.79
Grants	—	\$ —
Vested and released	—	\$ —
Forfeited	—	\$ —
Balance at September 30, 2024	<u>110</u>	<u>\$ 1.79</u>

Service as well as market and performance conditions determine the number of PSUs that the holder will earn from 0% to 150% of the target number of shares. The percentage received is based on the Company common stock price targets over a three-year service period. Additionally, the Company must achieve or exceed 75% of the year to date revenue target measured at the end of the quarter in which the price target is achieved. As of September 30, 2024, there was \$5,730 of total unrecognized compensation cost related to unvested PSUs, having a weighted average remaining contractual term of 0.6 years.

We estimate the fair value of PSUs with a market condition using a Monte Carlo simulation model as of the date of grant using historical volatility.

Share-Settled Obligations

When incurred, share-settled obligations to non-employees that will be paid in restricted stock units are recorded as accrued expense liability and stock-based compensation expense.

The following table summarizes the Company's share-settled obligation RSU grants, which immediately vested during the period indicated:

RSU grants that settled obligations (in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Grant date fair value	\$ 31.7	\$ —	\$ 227.1	\$ 949.2
RSU shares granted and vested	4	—	49	187

Employee Stock Purchase Plan (ESPP)

The Company maintains the 2016 Employee Stock Purchase Plan (ESPP) that provides employees an opportunity to purchase common stock through payroll deductions. The ESPP is implemented through consecutive 6-month offering periods commencing on March 1 and September 1 of each year. The purchase price is set at 85% of the fair market value of the Company's common stock on either the first or last trading day of the offering period, whichever is lower. Annual

contributions are limited to the lower of 20% of an employee's eligible compensation or such other limits as apply under Section 423 of the Internal Revenue Code. The ESPP is intended to qualify as an employee stock purchase plan for purposes of Section 423 of the Internal Revenue Code.

Based on the 15% discount and the fair value of the option feature of the ESPP, it is considered compensatory. Compensation expense is calculated using the fair value of the employees' purchase rights under the Black-Scholes model. The Company currently uses authorized and unissued shares to satisfy share award exercises.

During the three months ended September 30, 2024, the Company received \$0.1 million from the issuance of 22,957 shares under the ESPP. During the nine months ended September 30, 2024, the Company received \$0.2 million from the issuance of 45,809 shares under the ESPP.

Note 13. Commitments and Contingencies

Potential Product Warranty Claims

The Company had a general warranty accrual of approximately \$0.1 million as of September 30, 2024 and December 31, 2023.

Indemnification

In some agreements to which the Company is a party, the Company has agreed to indemnify the other party for certain matters, including, but not limited to, product liability and intellectual property. To date, we have not recorded any material liabilities in the accompanying consolidated financial statements.

Note 14. Concentrations

Concentration of Sales and Accounts Receivable

The following represents customers that accounted for 10% or more of total revenue:

	Three months ended September 30, 2024	2023	Nine months ended September 30, 2024	2023
Customer A	31%	22%	24%	15%
Customer B	21%	8%	12%	16%
Customer C	12%	8%	15%	8%

The following represents customers that accounted for 10% or more of total trade accounts receivable:

	September 30, 2024	December 31, 2023
Customer A	28%	17%
Customer B	26%	7%

The allowance for credit losses as of September 30, 2024 and December 31, 2023 were not material.

Concentration of Purchases

During the nine months ended September 30, 2024, the Company's products were manufactured by eight CMs with locations in China, Taiwan, Vietnam, Mexico, and the United States.

Concentration of Cash

The Company's cash deposits exceeded the Federal Deposit Insurance Corporation's insured limits. The Company has not experienced losses on these accounts. Most of the Company's deposits are in several accounts at a large institutional bank.

Concentration of Property and Equipment

The Company's property and equipment, net by geographic region, are as follows (in thousands):

	September 30, 2024	December 31, 2023
North America	\$ 1,961	\$ 2,295
Asia Pacific (APAC)	64	86
Europe, Middle East and Africa (EMEA)	103	126
Property and equipment, net	<u>2,128</u>	<u>2,507</u>

Note 15. Revenue

Disaggregated revenues are as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
By Market Group:				
Enterprise	\$ 6,665	\$ 6,791	\$ 24,159	\$ 22,594
Consumer	6,854	4,404	15,192	15,725
Automotive	2,582	2,501	6,165	7,651
Total sales	<u>\$ 16,101</u>	<u>\$ 13,696</u>	<u>\$ 45,516</u>	<u>\$ 45,970</u>
By Geography:				
North America	\$ 8,755	\$ 8,261	\$ 28,116	\$ 27,867
China (including Hong Kong and Taiwan)	6,845	4,961	15,545	16,989
Rest of the world	501	474	1,855	1,114
Total sales	<u>\$ 16,101</u>	<u>\$ 13,696</u>	<u>\$ 45,516</u>	<u>\$ 45,970</u>
Timing of revenue recognition:				
Products and services transferred at a point in time	\$ 15,353	\$ 12,904	\$ 43,385	\$ 43,543
Products and services transferred over time	748	792	2,131	2,427
Total sales	<u>\$ 16,101</u>	<u>\$ 13,696</u>	<u>\$ 45,516</u>	<u>\$ 45,970</u>

Revenue generated from the United States was \$8.8 million and \$8.2 million for the three months ended September 30, 2024 and 2023, respectively, and \$28.1 million and \$27.6 million for the nine months ended September 30, 2024 and 2023, respectively.

Liability for potential rights of return was approximately \$0.2 million and \$0.1 million as of September 30, 2024 and December 31, 2023, respectively and is included within accrued liabilities in the accompanying unaudited condensed consolidated balance sheets.

Contract liabilities are deferred revenues that were recorded when advance payment were received for remaining performance obligations that are recognized over time. The contract liabilities were \$29,000 and \$17,000 as of September 30, 2024 and December 31, 2023, respectively.

The remaining non-cancellable revenue, that will be recognized over time on a series of distinct performance obligations, amounts to \$0.1 million as of September 30, 2024.

Note 16. Subsequent Events

None.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis and the interim unaudited condensed consolidated financial statements included in this quarterly report on Form 10-Q should be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2023 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K for the year ended December 31, 2023.

Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). All statements other than statements of historical fact contained in this quarterly report, including statements regarding our future operating results, financial position and cash flows, our business strategy and plans, and our objectives for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "would," "could," "should," "expect," "plan," "anticipate," "intend," "target," "project," "contemplate," "believe," "estimate," "predict," "potential" or "continue" or the negative of these terms or other similar expressions. The forward-looking statements in this quarterly report are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, operating results, business strategy, short-term and long-term business operations and objectives. These forward-looking statements speak only as of the date of this quarterly report and are subject to a number of risks, uncertainties and assumptions, including those described in Part II, Item 1A, "Risk Factors." The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

Overview

Airgain is a premier provider of wireless connectivity solutions, offering a range of embedded components, external antennas, and integrated systems worldwide. We streamline wireless connectivity across devices and markets, with a focus on solving complex connectivity challenges, expediting time to market, and optimizing wireless signals. Our mission is to connect the world through optimized, integrated wireless solutions. Our product portfolio focuses on three key markets: enterprise, consumer, and automotive.

Our current enterprise products include embedded cellular modems, antennas for access points and Internet of Things (IoT) applications, asset trackers, and fixed wireless access (FWA) devices. We expect to expand our product offering with Smart Network Controlled Cellular Repeaters (Smart NCRs). Our consumer products include embedded antennas for consumer access points, wireless gateways, smart home devices and FWA devices. Our current automotive products include aftermarket antennas that are typically connected to third-party cellular and Wi-Fi-enabled routers, digital video evidence devices, and telematics gateways. In the third quarter 2024, we expanded our product offering with a second generation AirgainConnect® Fleet system solution – a low profile, roof-mounted, all-in-one 5G vehicle gateway that provides 5G cellular connectivity with built-in GPS and Wi-Fi hotspot functionalities.

We have a rich history of providing radio frequency (RF) expertise, services, and solutions to mobile operators and major original equipment manufacturers (OEMs). We expanded our capabilities to include embedded cellular modems, asset trackers and custom IoT systems with our NimbeLink products. We are leveraging our RF and systems experience, and our Mobile Network Operator (MNO) and Multiple Service Operator (MSO) relationships to deliver new and differentiated products.

We use an outsource manufacturing model for our products while maintaining oversight for quality, testing, and delivery timeline. We also maintain an intellectual property strategy that includes patent and trademark filings in multiple jurisdictions.

Core Markets

Airgain's core business primarily focuses on the following three key markets:

- The enterprise market requires reliable wireless access across various settings, including smart cities, utilities, factories, buildings, campuses, transportation hubs, stadiums, and suburban developments. Our NimbeLink embedded modems serve numerous enterprise sectors requiring cellular connectivity such as packaging, logistics, EV charging, smart cities, smart buildings, agriculture, asset tracking, and self-service innovations. These NimbeLink cellular modems, which are both patented and end-device certified, minimize the need for additional carrier certifications. Our asset trackers are deployed globally across transportation, supply chain, and other specialized applications. In addition to hardware, our asset tracking offering includes a recurring revenue component, our subscription-based NLink cloud-based device enablement platform, which allows for deployment and integration with enterprise systems via open application programming interfaces. Our custom products feature joint engineering collaboration with strategic customers to develop industrial IoT products (IIoT) for specific applications while helping them reduce their time to market. Our enterprise IoT and machine-to-machine (M2M) antennas are extensively deployed in diverse systems, devices, and applications, including access points, gateways, FWA devices and utility meters. In the second quarter of 2024, we started shipping our new line of FWA products designed to address 5G connectivity challenges, reduce deployment costs and enhance customer experiences. In 2024, we continue to advance with our Lighthouse™ customer trials -smart repeaters platform designed to reduce an operator's capital expenses for extending range, while enhancing 5G coverage.
- The consumer market represents a vast audience utilizing wireless-enabled devices. Our embedded antennas are deployed in various consumer applications including access points, wireless gateways, FWA devices, Wi-Fi routers and extenders, smart TVs, smart home devices, and set-top boxes. These consumer products support a variety of technologies, products and services, including LTE, 5G, Wi-Fi, Bluetooth, LPWAN and GNSS (Global Navigation Satellite System). We continue to grow our relationships with MSOs and MNOs as the market evolves with both wired and wireless broadband internet offerings. We currently ship a tier-one MNO embedded antenna system and a tier-one MSO Wi-Fi 7 router antenna system.
- In the automotive market, our products are deployed in a wide range of vehicles in the fleet and aftermarket applications, supporting a variety of technologies that include Wi-Fi, LTE, 5G, LPWAN, GNSS, and Bluetooth. Fleet and aftermarket products in the automotive market typically consist of applications where vehicular wireless routers are paired with external antenna systems to provide connectivity to mobile assets. We offer a full line of external fleet antennas that are designed to be rugged, reliable, and flexible to meet almost any need. We design our products for performance, quality, and long product life, and our antennas connect to almost any vehicular router or modem. These antennas include high-performance and low-profile versions that mount on the roof, trunk, windshield, or dashboard and are optimized for 5G, 4G, Wi-Fi, and GNSS. In the third quarter 2024, we expanded our product offering with a second generation AirgainConnect® Fleet system solution – a low profile, roof-mounted, all-in-one 5G vehicle gateway that provides 5G cellular connectivity with built-in GPS and Wi-Fi hotspot functionalities.

Macro-economic Conditions

Macroeconomic conditions continue to create demand softness in certain markets. This demand softness combined with excess inventories, drove a sequential decline in our enterprise market sales. While we experience a market recovery with our consumer customers, we anticipate the inventory surplus some of our enterprise and automotive customers have may extend into the first half of 2025. We believe the previously broad demand softness that we experienced last year has become more product and customer specific, as the industry re-calibrates to optimal inventory levels. We remain focused on the execution of our strategic product initiatives and operational efficiencies, which lay the foundation of our revenue and profitability growth when market conditions improve.

Factors Affecting Our Operating Results

We believe that our performance and future success depend upon several factors including macro-economic and geopolitical uncertainties, epidemic diseases, impact of inflation on consumer spending, and our ability to transition from a component provider to a wireless systems provider and to develop technology leadership and expand our markets.

Our performance and future success also depend on factors such as continued investments in our growth, our ability to expand into growing addressable markets, including consumer, enterprise, and automotive, the average selling prices of our products per device, manufacturing costs and our ability to diversify the number of devices that incorporate our antenna products. Our customers are price conscious, and our operating results are affected by pricing pressure which may force us to lower prices below our established list prices. In addition, a few end-customer devices which incorporate

our antenna products comprise a significant amount of our sales, and the discontinuation or modification of such devices may materially and adversely affect our sales and results of operations. Our ability to maintain or increase our sales depends on, among other things:

- new and existing end customers selecting our solutions for their wireless devices and networks;
- investments in our growth to address customer needs;
- development of our product offerings and technology solutions;
- our ability to target new end markets;
- the proliferation of Wi-Fi connected home devices and data intensive applications;
- the impact of global supply shortages on our business and that of our end customers;
- international expansion in light of continuing global tensions; and
- the ability to successfully integrate past and any future acquisitions.

In addition, inflation generally affects us by increasing our raw material and employee-related costs and other expenses. Our financial condition and results of operations may also be impacted by other factors we may not be able to control, such as uncertain global economic conditions, pandemics and epidemics, global trade disputes or political instability, as well as conflicts around the world. We do not believe that such factors had a material adverse impact on our results of operations during the nine months ended September 30, 2024.

While each of these areas presents significant opportunities for us, they also pose significant risks and challenges we must successfully address. We discuss many of these risks, uncertainties and other factors in greater detail in the section entitled "Risk Factors" included in this quarterly report on Form 10-Q and in Item 1A of our Annual Report on Form 10-K.

Seasonality

Our operating results historically have not been subject to significant seasonal variations. Although it is difficult to make broad generalizations, our sales tend to be lower in the first quarter of each year compared to other quarters due to the Lunar New Year. Results for any quarter may not be indicative of the results that may be achieved for the full fiscal year and these patterns may change because of general customer demand or product cycles.

Key Components of Our Results of Operations and Financial Condition

Sales

We primarily generate revenue from the sales of our products. We recognize revenue to depict the transfer of control over promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods or services. We generally recognize product sales at the time of shipment to our customers, provided that all other revenue recognition criteria have been met. We also generate service revenue from agreements to provide design, engineering, and testing services as well as subscription revenue from the sale of data plans.

Cost of Goods Sold

The cost of goods sold reflects the cost of producing antenna, embedded modem and system solutions products that are shipped to our customers as well as costs incurred for service agreements. This primarily includes manufacturing costs of our products payable to our third-party CMs. The cost of goods sold that we generate from services and subscription revenues primarily includes personnel costs and the cost to maintain data lines.

Operating Expenses

Our operating expenses are classified into three categories: research and development, sales and marketing, general and administrative. The largest component of expense is personnel costs, which includes salaries, employee benefit costs, bonuses, and stock-based compensation. Operating expenses also include allocated overhead costs for depreciation of equipment, facilities and information technology. Allocated costs for facilities consist of amortization of leasehold improvements as well as rent and utility expenses and taxes. Operating expenses are generally recognized as incurred.

Research and Development. Research and development expenses primarily consist of personnel and project development costs. These expenses include work related to the design, development and testing of antennas, modems and system solutions. These expenses include salaries, stock-based compensation, benefits, bonuses, project development and testing, prototype material, consulting, travel, and similar costs, and depreciation and allocated costs for

certain facilities. We expect research and development expenses to increase in absolute dollars in future periods as we continue to invest in the development of new solutions and markets, although our research and development expense may fluctuate as a percentage of total sales.

Sales and Marketing. Sales and marketing expenses primarily consist of personnel and facility-related costs for our sales, marketing, and business development personnel, stock-based compensation and bonuses earned by our sales personnel, and commissions earned by our third-party sales representative firms. Sales and marketing expenses also include the costs of trade shows, advertising, marketing programs, promotional materials, demonstration equipment, travel, and allocated costs for certain facilities. We expect sales and marketing expenses to fluctuate as a percentage of total sales.

General and Administrative. General and administrative expenses primarily consist of personnel and facility related costs for our executive, legal, human resource finance, and administrative personnel, including stock-based compensation, as well as legal, accounting, other professional services fees, depreciation, and other corporate expenses. We expect general and administrative expenses to fluctuate as we grow our operations.

Other (Income) Expense

Interest Income, net. Interest income consists of interest from our cash and cash equivalents offset by interest expense which consists of interest charges on credit card charges and certain vendor bills.

Other Income and Expense. Other income and expense consists of realized foreign exchange gains or losses, the loss from disposal of property and equipment, and other income and expenses.

Provision for Income Taxes

Provision for income taxes consists of federal and state income taxes. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax-planning strategies in making this assessment. It is difficult for us to project future taxable income as the timing and size of sales of our products are variable and difficult to predict. We concluded that it is not more likely than not that we will utilize our deferred tax assets other than those that are offset by reversing temporary differences.

Results of Operations

The following tables set forth our operating results for the periods presented and as a percentage of our total sales for those periods. The period-to-period comparison of financial results is not necessarily indicative of financial results to be achieved in future periods.

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Statement of Operations Data (in thousands):				
Sales	\$ 16,101	\$ 13,696	\$ 45,516	\$ 45,970
Cost of goods sold	9,387	8,460	27,078	28,137
Gross profit	6,714	5,236	18,438	17,833
Operating expenses:				
Research and development	2,855	2,298	9,091	7,337
Sales and marketing	2,395	1,704	6,902	6,875
General and administrative	3,278	3,144	9,393	10,533
Total operating expenses	8,528	7,146	25,386	24,745
Loss from operations	(1,814)	(1,910)	(6,948)	(6,912)
Other income, net	(18)	(33)	(78)	(52)
Loss before income taxes	(1,796)	(1,877)	(6,870)	(6,860)
Income tax (benefit) expense	(39)	4	(145)	84
Net loss	<u>\$ (1,757)</u>	<u>\$ (1,881)</u>	<u>\$ (6,725)</u>	<u>\$ (6,944)</u>

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Statements of Operations Data:				
Sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	58.3	61.8	59.5	61.2
Gross profit	41.7	38.2	40.5	38.8
Operating expenses:				
Research and development	17.7	16.8	20.0	16.0
Sales and marketing	14.9	12.4	15.2	15.0
General and administrative	20.4	22.9	20.6	22.8
Total operating expenses	53.0	52.1	55.8	53.8
Loss from operations	(11.3)	(13.9)	(15.3)	(15.0)
Other income, net	(0.1)	(0.2)	(0.2)	(0.1)
Loss before income taxes	(11.2)	(13.7)	(15.1)	(14.9)
Income tax (benefit) expense	(0.3)	0.0	(0.3)	0.2
Net loss	<u>(10.9)%</u>	<u>(13.7)%</u>	<u>(14.8)%</u>	<u>(15.1)%</u>

Comparison of the Three and Nine Months Ended September 30, 2024 and 2023 (dollars in thousands)

Sales

	Three months ended September 30,			\$ Change	% Change
	2024	2023			
Sales	\$ 16,101	\$ 13,696		\$ 2,405	17.6%
Nine months ended September 30,					
	2024	2023		\$ Change	% Change
Sales	\$ 45,516	\$ 45,970		\$ (454)	(1.0)%

Sales for the three months ended September 30, 2024 increased \$2.4 million or 17.6% compared to the same period in the prior year. Consumer market sales increased \$2.4 million to \$6.8 million for the three months ended September 30, 2024 from \$4.4 million during the same period in the prior year, primarily due to higher sales to cable and mobile network operators. Automotive market sales increased \$0.1 million to \$2.6 million for the three months ended September 30, 2024 from \$2.5 million during the same period in the prior year, driven by initial shipment of AC-Fleet, offset by excess inventory correction impacting aftermarket antenna customers. Enterprise market sales decreased \$0.1 million to \$6.7 million for the three months ended September 30, 2024 from \$6.8 million during the same period in the prior year, primarily due to lower custom products sales, offset by higher embedded modems sales.

Sales for the nine months ended September 30, 2024 decreased \$0.5 million or 1.0% compared to the same period in the prior year. Consumer market sales decreased \$0.5 million to \$15.2 million for the nine months ended September 30, 2024 from \$15.7 million during the same period in the prior year, primarily due to demand softness with broadband operators, partially offset by tier-one MNO antenna shipments. Automotive market sales decreased \$1.5 million to \$6.2 million for the nine months ended September 30, 2024 from \$7.7 million during the same period in the prior year primarily due to excess inventory correction impacting our sales to aftermarket antenna customers. Enterprise market sales increased \$1.5 million to \$24.1 million for the nine months ended September 30, 2024 from \$22.6 million during the same period in the prior year primarily due to higher embedded modem sales and launch of new products, partially offset by lower custom products shipments.

Cost of Goods Sold

	Three months ended September 30,			\$ Change	% Change
	2024	2023			
Cost of goods sold	\$ 9,387	\$ 8,460	\$ 927		11.0%
	Nine months ended September 30,			\$ Change	% Change
Cost of goods sold	\$ 27,078	\$ 28,137	\$ (1,059)		(3.8)%

Cost of goods sold for the three months ended September 30, 2024 increased \$0.9 million or 11.0% compared to the same period in the prior year. Cost of goods sold for the nine months ended September 30, 2024 decreased \$1.1 million or -3.8% compared to the same period in the prior year. The changes for both periods were primarily due to sales changes and gross margin improvements.

Gross Profit

	Three months ended September 30,			\$ Change	% Change
	2024	2023			
Gross profit	\$ 6,714	\$ 5,236	\$ 1,478		28.2%
Gross profit (percentage of sales)	41.7%	38.2%			3.5%
	Nine months ended September 30,			\$ Change	% Change
Gross profit	\$ 18,438	\$ 17,833	\$ 605		3.4%
Gross profit (percentage of sales)	40.5%	38.8%			1.7%

Gross profit for the three months ended September 30, 2024 increased \$1.5 million or 28.2%, compared to the same period in the prior year, driven by higher sales. Gross profit as a percentage of sales for the three months ended September 30, 2024 increased by 350 basis points compared to the same period in the prior year. The increase was primarily driven by improved enterprise and automotive margins.

Gross profit for the nine months ended September 30, 2024 increased \$0.6 million or 3.4% compared to the same period in the prior year, driven by product mix. Gross profit as a percentage of sales for the nine months ended September 30, 2024 increased by 170 basis points compared to the same period in the prior year. The increase was primarily driven by higher enterprise and automotive margins.

Operating Expenses

	Three months ended September 30,			\$ Change	% Change
	2024	2023			
Research and development	\$ 2,855	\$ 2,298	\$ 557		24.2%
Sales and marketing	2,395	1,704	691		40.6%
General and administrative	3,278	3,144	134		4.3%
Total operating expenses	\$ 8,528	\$ 7,146	\$ 1,382		19.3%
	Nine months ended September 30,			\$ Change	% Change
Research and development	\$ 9,091	\$ 7,337	\$ 1,754		23.9%
Sales and marketing	6,902	6,875	27		0.4%
General and administrative	9,393	10,533	(1,140)		(10.8)%
Total operating expenses	\$ 25,386	\$ 24,745	\$ 641		2.6%

Operating expenses for the three months ended September 30, 2024 increased \$1.4 million or 19.3% compared to the same period in the prior year. The increase was driven by higher personnel expenses in the research and development

(R&D) and sales functions, higher project development expenses, partially offset by lower marketing and professional service expenses.

Operating expenses for the nine months ended September 30, 2024 increased \$0.6 million or 2.6% compared to the same period in the prior year. The increase was driven by higher personnel costs in R&D and sale functions, and higher project development expenses, partially offset by lower general and administrative and, professional service expenses.

Other (Income) Expense

	2024	Three months ended September 30,		\$ Change	% Change
		2023	\$		
Interest income, net	\$ (29)	\$ (34)	\$ 5		(14.7)%
Other expense, net	11	1	10		1000.0%
Total other income, net	\$ (18)	\$ (33)	\$ 15		(45.5)%

	2024	Nine months ended September 30,		\$ Change	% Change
		2023	\$		
Interest income, net	\$ (82)	\$ (68)	\$ (14)		20.6%
Other expense (income), net	4	16	(12)		(75.0)%
Total other income, net	\$ (78)	\$ (52)	\$ (26)		50.0%

Other expense consists primarily of foreign currency transaction remeasurement adjustments.

Income Tax Expense

	2024	Three months ended September 30,		\$ Change	% Change
		2023	\$		
Income tax (benefit) expense	\$ (39)	\$ 4	\$ (43)		(1075.0)%
Income tax (benefit) expense	\$ (145)	\$ 84	\$ (229)		(272.6)%

Income tax expense for the three months ended September 30, 2024 decreased \$43,000 compared to the same period in the prior year primarily due to a decrease in foreign income tax accrual. Income tax expense for the nine months ended September 30, 2024 decreased \$0.2 million or 272.6% compared to the same period in the prior year, primarily due to a decrease in the foreign income tax accrual.

Liquidity and Capital Resources

We had cash and cash equivalents of \$7.3 million at September 30, 2024.

Prior to 2013 and for the years ended 2018, 2020, 2021, 2022, and 2023, we have incurred net losses. As a result, we have an accumulated deficit of \$83.5 million at September 30, 2024.

We plan to continue to invest for long-term growth, including expanding our engineering and sales teams to execute on our product roadmap and further penetrate domestic and international markets. We anticipate that these investments will continue to increase in absolute dollars. We believe that our existing cash and cash equivalents balance will be sufficient to meet our working capital requirements for at least the next 12 months.

The following table presents a summary of our cash flow activity for the periods set forth below (in thousands):

	Nine months ended September 30,	
	2024	2023
Net cash used in operating activities	\$ (3,501)	\$ (1,364)
Net cash used in investing activities	(177)	(172)
Net cash provided by (used in) financing activities	3,098	(458)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	5	—
Net decrease in cash, cash equivalents and restricted cash	\$ (575)	\$ (1,994)

Net cash used in operating activities. Net cash used by operating activities was \$3.5 million for the nine months ended September 30, 2024. This was primarily driven by the net loss of \$6.7 million and a \$2.9 million net change in operating assets and liabilities, offset by \$6.1 million in non-cash expenses.

Net cash used in investing activities. Net cash used in investing activities of \$0.2 million for the nine months ended September 30, 2024 was for purchases of property and equipment.

Net cash provided by financing activities. Net cash provided by financing activities of \$3.1 million for the nine months ended September 30, 2024 was primarily from \$3.0 million of net proceeds after fees and expenses from the issuance of approximately 629,000 shares of common stock via our ATM offering program. Additionally, we received \$0.2 million primarily from the proceeds of common stock issuances under the ESPP. These proceeds were partially offset by \$0.1 million tax payments for net share settlement of restricted stock units.

Employee Retention Credit

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law providing an employee retention credit (ERC), which is a refundable tax credit against certain employment taxes on qualified wages. The Taxpayer Certainty and Disaster Tax Relief Act of 2020, the American Rescue Plan Act of 2021 and the Infrastructure Investment and Jobs Act amended the qualifications for eligible employers who could apply and extended the availability of the ERC employment taxes on qualified wages paid after December 31, 2020 through September 30, 2021. We believe that we qualify for application of the ERC on qualified wages from the second quarter of 2020 through the third quarter of 2021.

In August 2023, we applied for ERC refunds, totaling \$2.5 million, net of professional fees. Pending the Internal Revenue Service's (IRS) review and determination of our eligibility, we are uncertain as to the timeframe of credit receipts. There is no assurance we will ultimately receive the amounts that we currently expect, if any, or the timeframe of any such receipt, based on IRS review or otherwise. As of September 30, 2024, we have not recognized the ERC in our financial statements.

Liquidity and Capital Resources Assessment

As of December 31, 2023, management performed the annual assessment of the Company's ability to meet its obligations as they become due within one year based on relevant conditions and events that are known and reasonably knowable. Following ASC 205-40 guidance, management considered quantitative and qualitative information to evaluate the Company's ability to meet obligations. Based on the analysis of the relevant conditions and events that are known and reasonably known as of December 31, 2023, the Company concluded that it is probable that it will be able to meet all of its financial obligations as they become due in the next twelve months.

The relevant conditions and events that are known and reasonably known as of September 30, 2024 related to the Company have not significantly changed since December 31, 2023. Therefore, the resulting cash inflows along with the existing funds are expected to be sufficient for the Company's financial obligations as they become due in the next twelve months.

Contractual Obligations and Commitments

There have been no material changes outside the ordinary course of our business during the nine months ended September 30, 2024, to the information regarding our contractual obligations that was disclosed in 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 December 31, 2023.

At-the-Market Sales Agreement

On March 7, 2024, the Company entered into an At-the-Market Issuance Sales Agreement (the Sales Agreement) with Craig-Hallum Capital Group LLC (Craig-Hallum). Pursuant to the Sales Agreement, the Company may sell, at its option, up to an aggregate of \$5.0 million in shares of its common stock through Craig-Hallum, as sales agent. Subject to the terms and conditions of the Sales Agreement, Craig-Hallum may sell the shares, if any, only by methods deemed to be an "at the market" offering as defined in Rule 415(a)(4) promulgated under the Securities Act of 1933, as amended (the Securities Act). The Company has agreed to pay Craig-Hallum a sales commission of 3.0% of the gross proceeds for sales under the Sales Agreement and to provide Craig-Hallum with customary indemnification and contribution rights.

including for liabilities under the Securities Act. In addition, the Company is required to reimburse Craig-Hallum for certain specified expenses in connection with entering into the Sales Agreement.

The Company is not obligated to sell, and Craig-Hallum is not obligated to buy or sell, any shares of common stock under the Sales Agreement. No assurance can be given that the Company will sell any additional shares of common stock under the Sales Agreement, or, if it does, as to the price or amount of shares of common stock that the Company may sell or the dates when such sales will take place. As of September 30, 2024, \$1.7 million remains available under the Sales Agreement for future sales of the Company's common stock.

Critical Accounting Estimates

Our management's discussion and analysis of financial condition and operating results is based on our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported sales and expenses during the reporting periods. These items are monitored and analyzed by us for changes in facts and circumstances, and material changes in these estimates could occur in the future. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Changes in estimates are reflected in reported results for the period in which they become known. Actual results may differ materially from these estimates under different assumptions or conditions.

There were no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Significant Judgments and Estimates," in our Annual Report on Form 10-K for the year ended December 31, 2023.

Goodwill Impairment Assessment

For the annual goodwill impairment assessment, as of December 31, 2023, the Company determined that there were no events or circumstances that indicated that it is more likely than not that the fair value of a reporting unit may be less than its carrying amount. Based on the assessment performed, we concluded that an impairment charge to goodwill was not required as of December 31, 2023.

The Company evaluated the goodwill impairment considerations as of September 30, 2024. The Company's current and expected cash flows, and the macro-economic and industry conditions have not significantly changed since the annual goodwill impairment assessment that was performed as of December 31, 2023, while the Company's market capitalization materially increased since December 31, 2023. After assessing the totality of events or circumstances, the Company determined that there were no events or circumstances as of September 30, 2024 that indicate that it is more likely than not that the fair value of a reporting unit may be less than its carrying amount. Since there was no indication that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company determined that a quantitative goodwill impairment test was not necessary as of September 30, 2024. Based on the assessment performed, we concluded that an impairment charge to goodwill was not required as of September 30, 2024.

Certain future events and circumstances, including adverse changes in the business and economic conditions and changes in customer behavior could result in changes to our assumptions and judgments used in the impairment tests. A downward revision of these assumptions could cause the total fair value of our goodwill and intangible assets to fall below carrying values and a non-cash impairment charge would be required. Such a charge may have a material effect on the consolidated financial statements.

Recent Accounting Pronouncements

See Note 2, "Summary of Significant Accounting Policies" within the unaudited condensed consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES***Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures***

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic and current reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable and not absolute assurance of achieving the desired control objectives. In reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. In addition, the design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this quarterly report on Form 10-Q. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the nine months ended September 30, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may be a party to legal proceedings and subject to claims incident in the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we believe that the final outcome of these matters will not have a material adverse effect on our financial condition or business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

ITEM 1A. RISK FACTORS

A description of the risk factors associated with our business is included in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023. There have been no material changes to such risk factors. In evaluating our business, you should carefully consider the risk factors discussed in our Annual Report on Form 10-K. The occurrence of any of the risks discussed in such filings, or other events that we do not currently anticipate or that we currently deem immaterial, could harm our business, prospects, financial condition and results of operations. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

Director and Officer Trading Arrangements:

Rule 10b5-1 Trading Plans

From time to time, our officers (as defined in Rule 16a-1(f) of the Exchange Act) and directors may enter into Rule 10b5-1 or non-Rule 10b5-1 trading arrangements (as each such term is defined in Item 408 of Regulation S-K).

On August 26, 2024, Ali Sadri, our Chief Technology Officer, adopted a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) of the Exchange Act. The plan provides for the potential sale of up to 9,000 shares of the Company's common stock from December 10, 2024 through August 26, 2025.

During the three months ended September 30, 2024, no other director or officer adopted, modified or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1 ⁽¹⁾	Amended and Restated Certificate of Incorporation
3.2 ⁽²⁾	Amended and Restated Bylaws
4.1 ⁽³⁾	Specimen stock certificate evidencing the shares of common stock

31.1	<u>Certification of Principal Executive Officer pursuant to Rules 13a-14 and 15d-14 promulgated pursuant to the Securities Exchange Act of 1934, as amended</u>
31.2	<u>Certification of Principal Financial Officer pursuant to Rules 13a-14 and 15d-14 promulgated pursuant to the Securities Exchange Act of 1934, as amended</u>
32.1*	<u>Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2*	<u>Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
101.SCH	Inline XBRL Taxonomy Extension Schema Document

104 Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

(1) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed with the SEC on August 17, 2016.

(2) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed with the SEC on February 6, 2023.

(3) Incorporated by reference to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (Registration No. 333-212542), filed with the SEC on July 29, 2016.

* These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and are not to be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

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

AIRGAIN, INC.

Date: November 12, 2024

/s/ Jacob Suen
Jacob Suen
President and Chief Executive Officer
(principal executive officer)

Date: November 12, 2024

/s/ Michael Elbaz
Michael Elbaz
Chief Financial Officer
(principal financial and accounting officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jacob Suen, certify that:

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

Date: November 12, 2024

/s/ Jacob Suen
Jacob Suen
President and Chief Executive Officer
(principal executive officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Elbaz, certify that:

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

Date: November 12, 2024

/s/ Michael Elbaz
Michael Elbaz
Chief Financial Officer and Secretary
(principal financial officer)

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

In connection with the quarterly report of Airgain, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jacob Suen, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Date: November 12, 2024

/s/ Jacob Suen
Jacob Suen
President and Chief Executive Officer
(principal executive officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

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

In connection with the quarterly report of Airgain, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Elbaz, Chief Financial Officer and Secretary of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Date: November 12, 2024

/s/ Michael Elbaz
Michael Elbaz
Chief Financial Officer and Secretary
(principal financial officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.
