

REFINITIV

DELTA REPORT

10-Q

MASS - 908 DEVICES INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1036
CHANGES	276
DELETIONS	429
ADDITIONS	331

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

(Mark One)

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

For the quarterly period ended **September 30, 2023** **March 31, 2024**

OR

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

For the transition period from _____ to _____.

Commission File Number: 001-39815

908 DEVICES INC.
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

45-4524096

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

645 Summer Street, Boston, MA

(Address of principal executive offices)

02210

(Zip Code)

Registrant's telephone number, including area code: (857) 254-1500

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	MASS	The Nasdaq Global 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 ☐

Non-accelerated filer ☒

Accelerated filer ☐

Smaller reporting company ☒

Emerging growth company ☒

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

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

As of **November 2, 2023** **April 30, 2024**, the registrant had **32,379,113** **34,485,185** shares of common stock, \$0.001 par value per share, issued and outstanding.

[Table of Contents](#)

908 DEVICES INC.
Table of Contents

	Page
PART I. FINANCIAL INFORMATION	4
Item 1. Condensed Consolidated Financial Statements (Unaudited)	4
Condensed Consolidated Balance Sheets	4
Condensed Consolidated Statements of Operations	5
Condensed Consolidated Statements of Comprehensive Loss	6
Condensed Consolidated Statements of Stockholders' Equity	7
Condensed Consolidated Statements of Cash Flows	8
Notes to Unaudited Condensed Consolidated Financial Statements	9
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	28 26
Item 3. Quantitative and Qualitative Disclosures About Market Risk	46 40
Item 4. Controls and Procedures	46 40
PART II. OTHER INFORMATION	47 41
Item 1. Legal Proceedings	47 41
Item 1A. Risk Factors	47 41
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	47 41
Item 3. Defaults Upon Senior Securities	47 41
Item 4. Mine Safety Disclosures	47 41
Item 5. Other Information	47 41
Item 6. Exhibits	48 42
Signatures	49 43

[Table of Contents](#)

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements, which reflect our current views with respect to, among other things, our operations and financial performance. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations and financial position, business strategy and plans and our objectives for future operations, are forward-looking statements, and are made under the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The words "believe," "may," "will," "estimate," "continue,"

“anticipate,” “intend,” “expect,” “should,” “could,” “target,” “predict,” “seek” and similar expressions are intended to identify forward-looking statements. 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, results of operations, business strategy, short- and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those referenced in the section titled “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a competitive and rapidly changing environment and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date of this report. You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Quarterly Report on Form 10-Q to conform these statements to actual results or to changes in our expectations.

We own various trademark registrations and applications, and unregistered trademarks, including MX908, Rebel, ZipChip, Maven, Maverick, 908 Devices and our corporate logo. All other trade names, trademarks and service marks of other companies appearing in this Quarterly Report on Form 10-Q are the property of their respective holders. Solely for convenience, the trademarks and trade names in this Quarterly Report on Form 10-Q may be referred to without the ®, ™ or RTM symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend to use or display other companies’ trademarks and trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

[Table of Contents](#)

PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

908 DEVICES INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share and per share amounts)

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Assets				
Current assets:				
Cash and cash equivalents	\$ 118,213	\$ 188,422	\$ 104,599	\$ 121,041
Marketable securities	29,684	—	29,596	24,641
Accounts receivable, net of allowance for credit losses of \$117 and \$25 at September 30, 2023 and December 31, 2022	12,885	10,033		
Accounts receivable, net of allowance for credit losses of \$420 and \$395 at March 31, 2024 and December 31, 2023			7,486	8,989
Inventory	15,926	12,513	16,356	14,938
Prepaid expenses and other current assets	3,119	4,658	3,831	4,181
Total current assets	179,827	215,626	161,868	173,790
Operating lease, right-of-use assets	6,677	3,956	5,754	6,233

Property and equipment, net	2,854	3,083	3,215	3,342
Goodwill	9,928	10,050	10,139	10,367
Intangible assets, net	7,742	8,488	7,468	7,860
Other long-term assets	1,447	1,384	1,347	1,389
Total assets	<u>\$ 208,475</u>	<u>\$ 242,587</u>	<u>\$ 189,791</u>	<u>\$ 202,981</u>
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	\$ 2,581	\$ 1,397	\$ 1,472	\$ 1,191
Accrued expenses	7,267	8,847	5,299	8,713
Deferred revenue	10,521	7,514	10,483	10,629
Operating lease liabilities	1,953	1,468	2,076	2,016
Total current liabilities	<u>22,322</u>	<u>19,226</u>	<u>19,330</u>	<u>22,549</u>
Long-term debt	—	15,000		
Operating lease liabilities, net of current portion	4,447	3,040	3,380	3,929
Deferred revenue, net of current portion	9,371	11,496	7,871	8,571
Deferred income taxes	2,406	2,671	2,317	2,441
Other long-term liabilities	—	555		
Total liabilities	<u>38,546</u>	<u>51,988</u>	<u>32,898</u>	<u>37,490</u>
Commitments and contingencies				
Commitments and contingencies (Note 12)				
Stockholders' equity:				
Preferred stock, \$0.001 par value; 5,000,000 shares authorized, no shares issued or outstanding at September 30, 2023 and December 31, 2022, respectively	—	—		
Common stock, \$0.001 par value; 100,000,000 shares authorized; 32,371,428 shares and 31,859,847 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	32	32		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized, no shares issued or outstanding at March 31, 2024 and December 31, 2023, respectively			—	—
Common stock, \$0.001 par value; 100,000,000 shares authorized; 32,924,097 shares and 32,519,023 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively			33	33
Additional paid-in capital	332,080	323,969	337,396	334,692
Accumulated other comprehensive income	988	798	980	1,365
Accumulated deficit	(163,171)	(134,200)	(181,516)	(170,599)
Total stockholders' equity	<u>169,929</u>	<u>190,599</u>	<u>156,893</u>	<u>165,491</u>
Total liabilities and stockholders' equity	<u>\$ 208,475</u>	<u>\$ 242,587</u>	<u>\$ 189,791</u>	<u>\$ 202,981</u>

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

[Table of Contents](#)

908 DEVICES INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Revenue:						

Product revenue	\$ 12,161	\$ 13,541	\$ 28,778	\$ 29,169	\$ 7,233	\$ 7,022
Service revenue	2,136	1,896	6,730	4,905	2,758	2,240
Contract revenue	—	360	370	1,135	—	225
Total revenue	14,297	15,797	35,878	35,209	9,991	9,487
Cost of revenue:						
Product cost of revenue	4,651	5,234	13,237	11,509	3,210	3,786
Service cost of revenue	1,777	1,132	4,495	3,259	1,778	1,270
Contract cost of revenue	—	93	99	340	—	47
Total cost of revenue	6,428	6,459	17,831	15,108	4,988	5,103
Gross profit	7,869	9,338	18,047	20,101	5,003	4,384
Operating expenses:						
Research and development	5,537	4,666	16,460	12,864	5,790	5,398
Selling, general and administrative	11,421	11,826	34,632	32,281	11,901	12,003
Total operating expenses	16,958	16,492	51,092	45,145	17,691	17,401
Loss from operations	(9,089)	(7,154)	(33,045)	(25,044)	(12,688)	(13,017)
Other income:						
Other income, net:						
Interest income	1,449	981	4,155	1,446	1,729	1,017
Interest expense	350	(33)	(201)	(68)	—	(551)
Other income (expense), net	110	(53)	(88)	(106)		
Other (expense) income, net					(28)	19
Total other income, net	1,909	895	3,866	1,272	1,701	485
Loss from operations before income taxes	(7,180)	(6,259)	(29,179)	(23,772)	(10,987)	(12,532)
Benefit for income taxes	87	—	209	—	70	—
Net loss	\$ (7,093)	\$ (6,259)	\$ (28,970)	\$ (23,772)	\$ (10,917)	\$ (12,532)
Net loss per share						
Basic and diluted	\$ (0.22)	\$ (0.20)	\$ (0.90)	\$ (0.76)	\$ (0.33)	\$ (0.39)
Weighted average common shares outstanding						
Basic and diluted	32,345,925	31,606,484	32,171,685	31,441,611	32,710,894	31,965,799

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

[Table of Contents](#)

908 DEVICES INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)
(in thousands, except share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Net loss	\$ (7,093)	\$ (6,259)	\$ (28,970)	\$ (23,772)	\$ (10,917)	\$ (12,532)
Other comprehensive income (loss)						
Foreign currency translation adjustment	(404)	(613)	(170)	(613)	(370)	291
Unrealized gains on marketable securities, net of tax of \$0	248	—	360	—		

Total other comprehensive (loss) income	\$ (156)	\$ (613)	\$ 190	\$ (613)		
Unrealized loss on marketable securities, net of tax of \$0					(15)	—
Total other comprehensive income (loss)					<u>\$ (385)</u>	<u>\$ 291</u>
Comprehensive loss	<u>\$ (7,249)</u>	<u>\$ (6,872)</u>	<u>\$ (28,780)</u>	<u>\$ (24,385)</u>	<u>\$ (11,302)</u>	<u>\$ (12,241)</u>

[Table of Contents](#)

908 DEVICES INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(in thousands, except share amounts)

	Accumulated						Accumulated			
	Common Stock		Additional	Other	Accumulated	Total	Common Stock		Additional	Other
	Shares	Amount	Paid-in Capital	Comprehensive Income	Deficit	Stockholders' Equity	Shares	Amount	Paid-in Capital	Comprehensive Income
Balances at December 31, 2022	31,859,847	\$ 32	\$323,969	\$ 798	\$ (134,200)	\$ 190,599				
Balances at December 31, 2023	32,519,023	\$ 33	\$334,692	\$						
Issuance of common stock upon exercise of stock options	56,547	—	88	—	—	88	34,563	—	61	—
Stock-based compensation expense	—	—	2,166	—	—	2,166	—	—	2,643	—
Vesting of restricted stock units	145,123	—	—	—	—	—	370,511	—	—	—
Net loss	—	—	—	—	(12,532)	(12,532)	—	—	—	—
Foreign currency translation adjustments	—	—	—	291	—	291	—	—	—	—
Balances at March 31, 2023	32,061,517	\$ 32	\$326,223	\$ 1,089	\$ (146,732)	\$ 180,612				
Issuance of common stock upon exercise of stock options	166,226	—	301	—	—	301				
Stock-based compensation expense	—	—	2,578	—	—	2,578				
Issuance of common stock upon ESPP purchase	45,082	—	259	—	—	259				
Vesting of restricted stock units	54,036	—	—	—	—	—				
Net loss	—	—	—	—	(9,346)	(9,346)				
Foreign currency translation adjustments	—	—	—	(57)	—	(57)				
Unrealized gains on marketable securities	—	—	—	112	—	112				
Balances at June 30, 2023	32,326,861	\$ 32	\$329,361	\$ 1,144	\$ (156,078)	\$ 174,459				
Issuance of common stock upon exercise of stock options	15,393	—	15	—	—	15				
Stock-based compensation expense	—	—	2,704	—	—	2,704				
Vesting of restricted stock units	29,174	—	—	—	—	—				
Net loss	—	—	—	—	(7,093)	(7,093)				
Foreign currency translation adjustments	—	—	—	(404)	—	(404)				
Unrealized gains on marketable securities	—	—	—	248	—	248				
Balances at September 30, 2023	32,371,428	\$ 32	\$332,080	\$ 988	\$ (163,171)	\$ 169,929				

Unrealized loss on marketable securities	—	—	—
Balances at March 31, 2024	<u>32,924,097</u>	<u>\$ 33</u>	<u>\$337,396 \$</u>

	Accumulated						Accumulated					
	Common Stock		Additional	Other	Accumulated	Total	Common Stock		Paid-in	Comprehensive	Accumulated	Total
	Shares	Amount	Capital	Income	Deficit	Equity	Shares	Amount	Capital	Income	Deficit	Equity
Balances at December 31, 2021	31,077,004	\$ 31	\$315,210	\$ —	\$ (100,637)	\$ 214,604						
Issuance of common stock upon exercise of stock options	243,842	—	324	—	—	324						
Stock-based compensation expense	—	—	1,289	—	—	1,289						
Vesting of restricted stock units	12,936	—	—	—	—	—						
Net loss	—	—	—	—	(9,415)	(9,415)						
Balances at March 31, 2022	<u>31,333,782</u>	<u>\$ 31</u>	<u>\$316,823</u>	<u>\$ —</u>	<u>\$ (110,052)</u>	<u>\$ 206,802</u>						
Issuance of common stock upon exercise of stock options	164,638	1	275	—	—	276						
Stock-based compensation expense	—	—	1,894	—	—	1,894						
Issuance of common stock upon ESPP purchase	16,052	—	242	—	—	242						
Vesting of restricted stock units	16,643	—	—	—	—	—						
Net loss	—	—	—	—	(8,099)	(8,099)						
Balances at June 30, 2022	<u>31,531,115</u>	<u>\$ 32</u>	<u>\$319,234</u>	<u>\$ —</u>	<u>\$ (118,151)</u>	<u>\$ 201,115</u>						
Balances at December 31, 2022							31,859,847	\$ 32	\$323,969	\$ 798	\$ (134,200)	\$ 190,599
Issuance of common stock upon exercise of stock options	109,354	—	237	—	—	237	56,547	—	88	—	—	88

Stock-based compensation expense	—	—	2,020	—	—	2,020	—	—	2,166	—	—	2,166
Vesting of restricted stock units	11,589	—	—	—	—	—	145,123	—	—	—	—	—
Net loss	—	—	—	—	(6,259)	(6,259)	—	—	—	—	(12,532)	(12,532)
Foreign currency translation adjustments	—	—	—	(613)	—	(613)	—	—	—	291	—	291
Balances at September 30, 2022	31,652,058	\$ 32	\$321,491	\$ (613)	\$ (124,410)	\$ 196,500						
Balances at March 31, 2023							32,061,517	\$ 32	\$326,223	\$ 1,089	\$ (146,732)	\$ 180,612

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

[Table of Contents](#)

908 DEVICES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (28,970)	\$ (23,772)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	1,979	1,037
Stock-based compensation expense	7,448	5,203
Noncash interest expense and loss on extinguishment of debt	206	10
Provision for inventory obsolescence	284	46
Provision for credit losses	92	—
Change in fair value of contingent consideration	335	—
Deferred income tax	(239)	—
Changes in operating assets and liabilities:		
Accounts receivable, net	(2,950)	1,306
Inventory	(3,841)	(4,108)
Prepaid expenses and other current assets	516	2,198
Other long-term assets	(210)	131
Accounts payable and accrued expenses	1,228	(175)
Deferred revenue	884	2,463
Right-of-use operating lease assets	1,222	911
Operating lease liabilities	(1,113)	(991)
Other long-term liabilities	—	(73)

Net cash used in operating activities	(23,129)	(15,814)
Cash flows from investing activities:		
Purchases of property and equipment	(1,712)	(1,433)
Purchases of marketable securities	(34,258)	—
Proceeds from sales and maturities of marketable securities	4,934	—
Acquisitions, net of cash acquired	—	(13,762)
Net cash used in investing activities	(31,036)	(15,195)
Cash flows from financing activities:		
Payments for withholding taxes on vested awards	(598)	(199)
Proceeds from issuance of common stock	663	1,079
Payments of public offering costs	—	(112)
Proceeds from borrowings on revolving line of credit	—	45,000
Payments for contingent consideration	(1,095)	—
Repayment of notes payable	(15,000)	(45,000)
Net cash (used in) provided by financing activities	(16,030)	768
Effect of foreign exchange rate changes on cash and cash equivalents	(14)	(23)
Net decrease in cash, cash equivalents and restricted cash	(70,209)	(30,264)
Cash, cash equivalents and restricted cash at beginning of period	188,593	224,133
Cash, cash equivalents and restricted cash at end of period	<u>\$ 118,384</u>	<u>\$ 193,869</u>
Supplemental disclosure of noncash investing and financing information:		
Transfers of inventory to property and equipment	\$ 342	\$ 598
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 118,213	\$ 193,698
Restricted cash included in prepaid expenses and other current assets	—	60
Restricted cash included in other long-term assets	171	111
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>\$ 118,384</u>	<u>\$ 193,869</u>
	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (10,917)	\$ (12,532)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	1,328	634
Stock-based compensation expense	2,643	2,166
Noncash interest expense and loss on extinguishment of debt	—	523
Provision for inventory obsolescence	151	—
Net amortization of premiums and accretion of discounts on marketable securities	(92)	—
Loss on sale of property and equipment	28	—
Provision for credit losses	25	—
Change in fair value of contingent consideration	—	166
Deferred income tax	(70)	(50)
Changes in operating assets and liabilities:		
Accounts receivable, net	1,460	1,873
Inventory	(1,675)	(990)
Prepaid expenses and other current assets	343	(1,492)
Other long-term assets	42	7
Accounts payable and accrued expenses	(1,771)	(339)
Deferred revenue	(841)	(123)
Right-of-use operating lease assets	470	299
Operating lease liabilities	(481)	(353)
Other long-term liabilities	—	(436)
Net cash used in operating activities	<u>(9,357)</u>	<u>(10,647)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(903)	(1,185)

Purchases of marketable securities	(14,617)	—
Proceeds from sales and maturities of marketable securities	9,740	—
Net cash used in investing activities	(5,780)	(1,185)
Cash flows from financing activities:		
Payments for withholding taxes on vested awards	(939)	(469)
Proceeds from issuance of common stock	61	88
Repayment on revolving line of credit	—	(15,000)
Payments for contingent consideration	(417)	—
Net cash used in financing activities	(1,295)	(15,381)
Effect of foreign exchange rate changes on cash and cash equivalents	(10)	5
Net decrease in cash, cash equivalents and restricted cash	(16,442)	(27,208)
Cash, cash equivalents and restricted cash at beginning of period	121,212	188,593
Cash, cash equivalents and restricted cash at end of period	<u>\$ 104,770</u>	<u>\$ 161,385</u>
Supplemental disclosure of noncash investing and financing information:		
Property and equipment included in account payable	\$ —	\$ 35
Transfers of inventory to property and equipment	\$ 91	\$ 133
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 104,599	\$ 161,214
Restricted cash included in prepaid expenses and other current assets	—	60
Restricted cash included in other long-term assets	171	111
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>\$ 104,770</u>	<u>\$ 161,385</u>

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

[Table of Contents](#)

908 DEVICES INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Nature of the Business and Basis of Presentation

908 Devices Inc. (the "Company") was incorporated in the State of Delaware on February 10, 2012. The Company is a commercial-stage technology company providing a suite of purpose-built handheld and desktop devices used at the point-of-need for chemical and biochemical analysis in a broad array of markets including life sciences research, bioprocessing, pharma/biopharma, forensics and adjacent markets.

The Company is subject to risks and uncertainties common to technology companies in the device industry and of similar size, including, but not limited to, development by competitors of new technological innovations, dependence on key personnel, protection of proprietary technology, compliance with government regulations, uncertainty of market acceptance of products, and the need to obtain additional financing to fund operations. Potential risks and uncertainties also include, without limitation, uncertainties regarding rising inflation and higher interest rates. Products currently under development will require additional research and development efforts prior to commercialization and will require additional capital and adequate personnel and infrastructure. The Company's research and development may not be successfully completed, adequate protection for the Company's technology may not be obtained, the Company may not obtain necessary government regulatory approval, and approved products may not prove commercially viable. The Company operates in an environment of rapid change in technology and competition.

Acquisition

The Company acquired TRACE Analytics GmbH, located in Braunschweig, Germany ("Trace") in August 2022. Trace changed its corporate name to 908 Devices GmbH in February 2023. Trace is a leading provider of online analysis systems for biotech applications in research, development and

production. Trace's products are used for monitoring and control of complex processes in industrial pharmaceutical productions under continuous measurement conditions. With the acquisition of Trace, the Company has acquired enabling sampling technology that it expects to integrate within future product offerings. See Note 13, *Acquisition*, for further information.

Basis of Presentation

The Company's condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB").

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, 908 Devices Securities Corporation, 908 Devices (Shanghai) Technology Co., Ltd. and 908 Devices GmbH. All intercompany balances and transactions have been eliminated.

The accompanying condensed consolidated financial statements have been prepared based on continuity of operations, realization of assets and the satisfaction of liabilities and commitments in the ordinary course of business. The Company has incurred recurring losses since inception, including net losses of \$29.0 million \$10.9 million for the nine three months ended September 30, 2023 March 31, 2024 and \$33.6 million \$36.4 million for the year ended December 31, 2022 December 31, 2023. As of September 30, 2023 March 31, 2024, the Company had an accumulated deficit of \$163.2 million \$181.5 million. The Company expects to continue to generate operating losses in the foreseeable future. The Company expects that its cash and cash equivalents and revenue from product and service will be sufficient to fund its operating expenses and capital expenditure requirements for at least 12 months from the issuance date of the condensed consolidated financial statements. The Company may seek additional funding through private or public equity financings, debt financings, collaborations, strategic alliances and marketing, distribution or licensing arrangements. The Company may not be able to obtain financing on acceptable terms, or at all, and the Company may not be able to enter into collaborations or other arrangements. The terms of any financing may adversely affect the holdings or the rights of the Company's Company's stockholders. If the Company is unable to obtain funding, the Company could be forced to delay, reduce or eliminate some or all of its research and development programs, product expansion or commercialization efforts, or the Company may be unable to continue operations.

9

[Table of Contents](#)

2. Summary of Significant Accounting Policies

Unaudited Condensed Interim Financial Information

The condensed consolidated balance sheet at December 31, 2022 December 31, 2023 was derived from audited consolidated financial statements but does not include all disclosures required by GAAP. The accompanying unaudited condensed consolidated financial statements as of September 30, 2023 March 31, 2024 and for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 have been prepared by the

9

[Table of Contents](#)

Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial statements. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2022 December 31, 2023 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 on file with the SEC. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of the Company's financial

position as of **September 30, 2023** **March 31, 2024** and results of operations for the three **and nine** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** and statements of stockholders' equity for the three **and nine** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** and cash flows for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** have been made. The Company's results of operations for the three **and nine** months ended **September 30, 2023** **March 31, 2024** are not necessarily indicative of the results of operations that may be expected for the year ending **December 31, 2023** **December 31, 2024** or any other period.

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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Significant estimates and assumptions reflected in these condensed consolidated financial statements include, but are not limited to, revenue recognition and accounts receivable, the valuation of inventory, fair value of assets acquired and liabilities assumed in acquisitions and the valuation of stock-based awards. The Company bases its estimates on historical experience, known trends and other market-specific or other relevant factors that it believes to be reasonable under the circumstances. Due to rising inflation and higher interest rates, there has been uncertainty and disruption in the global economy and financial markets. The Company is not aware of any specific event or circumstance that would require further updates to its estimates or judgments or a revision of the carrying value of its assets or liabilities as of the date of issuance of these condensed consolidated financial statements. These estimates may change, as new events occur and additional information is obtained. On an ongoing basis, management evaluates its estimates as there are changes in circumstances, facts and experience. Changes in estimates are recorded in the period in which they become known. Actual results may differ from those estimates or assumptions.

Risk of Concentrations of Credit, Significant Customers and Significant Suppliers

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents, **marketable securities**, and accounts receivable. The **Company maintains the majority of its cash and cash equivalents with three financial institutions that management believes to be of high credit quality. The Company has not experienced any other-than-temporary losses with respect to its Company's cash and cash equivalents and does not believe restricted cash are maintained in bank deposit accounts and money market funds that it regularly exceed federally insured limits. The Company is subject exposed to unusual credit risk beyond on its cash, cash equivalents and restricted cash in the normal event of default by the financial institutions to the extent account balances exceed the amount insured by the Federal Deposit Insurance Corporation ("FDIC"). The Company's marketable securities are invested in U.S. treasury securities and as a result, the Company believes represent minimal credit risk associated with commercial banking relationships. risk.**

Significant customers are those that accounted for 10% or more of the Company's total revenue or accounts receivable. For the three months ended **September 30, 2023** **March 31, 2024**, two customers represented **41%** **16%** and 17% of total revenue. For the comparable three months ended **September 30, 2022**, one customer represented 41% of total revenue. For the nine months ended **September 30, 2023**, two customers represented **22%** and **11%** **10%** of total revenue, respectively. For the comparable **nine** **three** months ended **September 30, 2022** **March 31, 2023**, one customer represented **29%** **20%** of total revenue. As of **September 30, 2023** **March 31, 2024**, one customer accounted for **47%** **15%** of gross accounts receivable. As of **December 31, 2022** **December 31, 2023**, **two customers** **one customer** accounted for **20%** and **12%** **19%** of gross accounts receivable, respectively. **receivable.**

[Table of Contents](#)

Certain of the components included in the Company's products are obtained from a sole source, a single source or a limited group of suppliers. Although the Company seeks to reduce dependence on those limited sources of suppliers and manufacturers, the partial or complete loss of certain of these sources, or the requirement to establish a new supplier for the components, could have a material adverse effect on the Company's operating results, financial condition and cash flows and damage its customer relationships.

Accounts Receivable

Accounts receivable are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. The Company performs ongoing credit evaluations of its customers and monitors economic conditions to identify facts and circumstances that may indicate its receivables are at risk of collection. The Company provides reserves against

[Table of Contents](#)

accounts receivable for estimated credit losses, if any, that may result from a customer's inability to pay based on the composition of its accounts receivable, current economic conditions and historical credit loss activity. Amounts deemed uncollectible are charged or written-off against the reserve. As of September 30, 2023 and December 31, 2022, the Company recorded \$0.1 million allowance and less than \$0.1 million allowance for credit losses, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Balances at beginning of period	\$ 133	\$ 1,750	\$ 25	\$ 1,750	\$ 395	\$ 25
Current period change for expected credit loss	—	—	108	—	25	—
Deduction / recoveries collected	(16)	—	(16)	—	—	—
Balances at end of period	\$ 117	\$ 1,750	\$ 117	\$ 1,750	\$ 420	\$ 25

Fair Value Measurements

Certain assets and liabilities are carried at fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The Company's financial instruments consist primarily of cash equivalents, marketable securities, accounts receivable, accounts payable, accrued expenses and contingent consideration. The Company's cash equivalents and marketable securities, consisting of money market funds (a Level 1 measurement) and U.S. Treasury treasury notes (a Level 2 measurement), are carried at fair value, determined according to the fair value hierarchy described above (see Note 3, Fair value measurements). The carrying values of the Company's accounts receivable, accounts payable and accrued expenses approximate their fair values due to the short-term nature of these assets and liabilities. The carrying value of the Company's long-term debt approximates its fair value (a Level 2 measurement) at each balance sheet date due to its variable interest rate, which approximates a market interest rate. The Company's contingent consideration is measured at its fair value at each balance sheet date using unobservable inputs in the valuation methodology (a Level 3 measurement).

Marketable Securities

The Company's marketable securities (non-equity instruments) are classified as available-for-sale and are carried at fair value, with the unrealized gains and losses reported as a component of accumulated other comprehensive income (loss) in

[Table of Contents](#)

stockholders' equity. Realized gains Premiums and losses discounts on marketable securities are based on the specific identification method amortized and are accreted, respectively, to earliest call date and maturity, respectively, and included as a component of other in interest income (expense), net in the consolidated statements of operations.

When the fair value is below the amortized cost basis of a marketable security, an estimate of expected credit losses is made. The credit-related impairment amount is recognized in the consolidated statements of operations. Credit losses are recognized through the use of an allowance for credit losses account in the consolidated balance sheet and subsequent improvements in expected credit losses are recognized as a reversal of an amount in the allowance account. If the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security prior to recovery of its amortized cost basis, then the allowance for the credit loss is written-off and the excess of the amortized cost basis of the asset over its fair value is recorded in the consolidated statements of operations. There were no credit losses recorded for the three months ended March 31, 2024. The Company did not hold marketable securities as of or during the nine three months ended September 30, 2023 March 31, 2023.

[Table of Contents](#)

Goodwill and Intangible Assets

Goodwill is not amortized, but is evaluated for impairment on an annual basis, or on an interim basis when events or changes in circumstances indicate that the carrying value may not be recoverable. In assessing the recoverability of goodwill, the Company must make assumptions regarding the estimated future cash flows, and other factors, to determine the fair value of these assets. If these estimates or their related assumptions change in the future, the Company may be required to record impairment charges against these assets in the reporting period in which the impairment is determined.

The Company tests goodwill for impairment at the reporting unit level, which is the operating segment. segment, in the fourth quarter of every fiscal year. The Company has the option of performing a qualitative assessment to determine whether further impairment testing is necessary before performing the quantitative assessment. If as a result of the quantitative qualitative assessment, it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, a quantitative impairment test will be required. The quantitative goodwill impairment test requires the management to estimate and compare the fair value of the reporting unit with its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets, goodwill is not impaired. If the fair value of the reporting unit is less than the carrying value, the difference is recorded as an impairment loss up to the amount of goodwill.

Intangible assets with a finite useful life are recorded at cost, net of accumulated amortization and are amortized on a straight-line basis over their estimated useful lives as follows:

Customer Relationships	8 years
Developed Technology	15 years
Software	3 years
Trade Name	2 years

The Company reviews other long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or an asset group may not be recoverable. In evaluating long-lived assets for recoverability, we estimate the undiscounted Company estimates the future cash flows that are expected from the use of each asset or asset group. In the event that such cash flows are not expected to be sufficient to recover the carrying amount of the assets, impairment impairment losses are measured and recorded for the excess of an asset's carrying value over its fair value. To determine the fair value of long-lived assets, the Company utilizes the valuation technique or techniques deemed most appropriate based on the nature of the asset or asset group, which may include the use of quoted market prices, prices for similar assets or other valuation techniques such as discounted future cash flows or earnings.

[Table of Contents](#)

Revenue Recognition

The Company recognizes revenue from sales to customers under ASC 606, *Revenue from Contracts with Customers* ("ASC 606"), by applying the following five steps: (1) identification of the contract, or contracts, with a customer, (2) identification of the performance obligations in the contract, (3) determination of the transaction price, (4) allocation of the transaction price to the performance obligations in the contract and (5) recognition of revenue when, or as, performance obligations are satisfied.

For a contract with multiple performance obligations, the Company allocates the contract's transaction price to each performance obligation on a relative standalone selling price basis using the Company's best estimate of the standalone selling price of each distinct product or service in the contract. The primary method used to estimate standalone selling price is the price observed in standalone sales to customers; however, when prices in standalone sales are not available the Company may use third party pricing for similar products or services or estimate the standalone selling price, which is set by management. Allocation of the transaction price is determined at the contract's inception and is not updated to reflect changes between contract inception and when the performance obligations are satisfied.

Product and Service Revenue

The Company derives product and service revenue primarily from the sale of handheld and desktop products and related consumables and services. Revenue is recognized when control of the promised products, consumables or services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in

12

[Table of Contents](#)

exchange for those products, consumables or services (the transaction price). A performance obligation is a promise in a contract to transfer a distinct product or service to a customer and is the unit of accounting under ASC 606. For devices and consumables sold by the Company, control transfers to the customer at a point in time. To indicate the transfer of control, the Company must have a present right to payment, legal title must have passed to the customer, the customer must have the significant risks and rewards of ownership, and where acceptance is other than perfunctory, the customer must have accepted the product or service. The Company's principal terms of sale are freight on board ("FOB") shipping point, or equivalent, and, as such, the Company primarily transfers control and records revenue for product sales upon shipment. Sales arrangements with delivery terms that are not FOB shipping point are not recognized upon shipment and the transfer of control for revenue recognition is evaluated based on the associated shipping terms and customer obligations. If a performance obligation to the customer with respect to a sales transaction remains to be fulfilled following shipment (typically installation or acceptance by the customer), revenue recognition for that performance obligation is deferred until such commitments have been fulfilled. For extended warranty and support, control transfers to the customer over the term of the arrangement. Revenue for extended warranty and support is recognized based upon the period of time elapsed under the arrangement as this period represents the transfer of benefits or services under the agreement.

The Company recognizes a receivable at the point in time at which it has an unconditional right to payment. Such receivables are not contract assets. Payment terms for customer orders, including for each of the Company's primary performance obligations, are typically 30 to 90 days after the shipment or delivery of the product, and such payments typically do not include payments that are variable, dependent on specified factors or events. In limited circumstances, there exists a right of return for a product if agreed to by the Company. Revenue is only recognized for those goods that are not expected to be returned such that it is probable that there will not be a significant reversal of cumulative revenue. Service arrangements commonly call for payments in advance of performing the work (e.g., extended warranty/service contracts), upon completion of the service or a mix of both. The Company does not enter into significant financing agreements or other forms of variable consideration.

Contract assets arise from unbilled amounts in customer arrangements when revenue recognized exceeds the amount billed to the customer and the Company's right to payment is not only subject to the passage of time. The Company had no contract assets related to product or service revenue as of **September 30, 2023** **March 31, 2024** or **December 31, 2022** **December 31, 2023**.

Contract liabilities represent the Company's obligation to transfer goods or services to a customer for which it has received consideration (or the amount is due) from the customer. The Company has determined that its only contract liability related to product and service revenue is deferred revenue, which consists of amounts that have been invoiced but that have not been recognized as revenue. Amounts expected to be recognized as revenue within 12 months of the balance sheet date are classified

13

Table of Contents

as current deferred revenue and amounts expected to be recognized as revenue beyond 12 months of the balance sheet date are classified as noncurrent deferred revenue.

The following is a summary of the activity of the Company's deferred revenue related to product and service revenue (in thousands):

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
Balances at beginning of period	\$ 16,510	\$ 14,521	\$ 19,200	\$ 16,510
Recognition of revenue included in balance at beginning of the period	(5,332)	(3,521)	(3,024)	(2,030)
Revenue deferred during the period, net of revenue recognized	8,714	5,891	2,178	1,907
Balances at end of period	\$ 19,892	\$ 16,891	\$ 18,354	\$ 16,387

13

Table of Contents

The amount of deferred revenue equals the transaction price allocated to unfulfilled performance obligations for the period presented. Such deferred revenue amounts related to product and service revenue are expected to be recognized in the future as follows (in thousands):

	September 30,	December 31,	March 31,	December 31,
	2023	2022	2024	2023
Deferred revenue expected to be recognized in:				
One year or less	\$ 10,521	\$ 7,514	\$10,483	\$ 10,629
One to two years	5,885	4,750	4,514	5,080
Three years and beyond	3,486	4,246	3,357	3,491
	\$ 19,892	\$ 16,510	\$18,354	\$ 19,200

Contract Revenue

The Company generates revenue from short and long-term contracts associated with the design and development and delivery of detection devices or related design and support services. To date, these contracts are primarily with the U.S. government or commercial entities contracting with the U.S. government, but the Company has also had such contracts with commercial partners. The Company's contracts with the U.S. government typically are subject to the Federal Acquisition Regulation ("FAR") and are priced based on estimated or actual costs of producing goods or providing services. The FAR provides guidance on the types of costs that are allowable in establishing prices for goods or services provided under U.S. government contracts. The pricing for non-U.S. government contracts is based on the specific negotiations with each customer.

Under the typical payment terms of U.S. government fixed-price contracts, the customer pays in accordance with the terms of the specific agreement, but generally through progress payments. If these progress payments are made in advance, these payments are recorded as a contract

liability, classified as deferred revenue within the accompanying condensed consolidated balance sheet, until the Company provides the underlying services. For U.S. government cost-type contracts, the customer generally pays for actual costs incurred within a short period of time. For contracts with commercial partners, payments are made in accordance with the terms of the specific agreement. For agreements which call for milestone payments, to the extent the Company does not conclude that it is probable that a significant reversal of cumulative revenue will occur, a contract asset is generated until the Company is permitted to bill for costs incurred, which is classified as prepaid expense and other current assets in the accompanying condensed consolidated balance sheet. In some cases, payments received in advance under contract agreements are recorded as deferred revenue and recognized over the respective contract term, absent any other performance obligations.

Generally, revenue for long-term contracts is recognized based upon the cost-to-cost measure of progress, provided that the Company meets the criteria associated with transferring control of the good or service over time such as not creating an asset with an alternative use and having an enforceable right to payment for completed performance. However, the Company evaluates the proper revenue recognition on a contract by contract basis, as each contract generally contains terms specific to the underlying agreement which result in differing performance obligations and payment terms (cost plus, fixed price agreements among others). For revenue recognized under the cost-to-cost measure of progress basis, the Company continually assesses total costs expected to be incurred and if such costs require adjustment to the measure of progress, the Company records such adjustment as a change in estimate on a cumulative catch-up basis in the period of adjustment.

14

[Table of Contents](#)

The Company includes the unconstrained amount of consideration in the transaction price. The amount included in the transaction price is constrained to the amount for which it is probable that a significant reversal of cumulative revenue recognized will not occur. At the end of each subsequent reporting period, as required under ASC 606, the Company re-evaluates the estimated consideration included in the transaction price and any related constraint, and if necessary, adjusts its estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis in the period of adjustment.

Contract assets arise from unbilled amounts in customer arrangements when revenue recognized exceeds the amount billed to the customer and the Company's right to payment is not just subject to the passage of time. The Company includes contract assets within prepaid and other current assets in the accompanying condensed consolidated balance sheet. The Company had no contract assets related to contract revenue as of September 30, 2023 and \$0.4 million contract assets related to contract revenue as of December 31, 2022.

Contract liabilities represent the Company's obligation to transfer goods or services to a customer for which it has received consideration (or the amount is due) from the customer. As of September 30, 2023, the Company had no contract liabilities. The Company recognizes deferred revenue by first allocating from the beginning deferred revenue balance to the extent that the beginning deferred revenue balance exceeds the revenue to be recognized. Billings during the period are added to the deferred revenue balance to be recognized in future periods. As of September 30, 2023, the Company held no wholly- or partially-unsatisfied performance obligations related to contract agreements entered prior to period end.

Distribution Channels

A majority of the Company's revenue is generated by sales in conjunction with its distribution channel partners, such as its international distributors channel partners and, in the United States, for end customers where a government contract is required or a customer has a pre-existing relationship. When the Company transacts with a distribution channel partner, its contractual arrangement is with the partner and not with the end-use customer. Whether the Company transacts business with and receives the order from a distribution channel partner or directly from an end-use customer, its revenue recognition policy and resulting pattern of revenue recognition for the order are the same.

Disaggregated Revenue

The Company's product and service revenue consists of sales of devices and recurring revenue which includes consumables, accessories and the sale of service and extended warranty plans. The following table presents the Company's revenue by revenue stream (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Product and service revenue:						

Device sales revenue	\$ 10,719	\$ 10,952	\$ 23,761	\$ 24,239	\$ 5,452	\$ 5,083
Recurring revenue	3,578	4,485	11,747	9,835	4,539	4,179
Total product and service revenue	14,297	15,437	35,508	34,074	9,991	9,262
Contract revenue	—	360	370	1,135	—	225
Total revenue	\$ 14,297	\$ 15,797	\$ 35,878	\$ 35,209	\$ 9,991	\$ 9,487

The following table presents the Company's product and service revenue by device type (in thousands):

	Three Months Ended March 31,	
	2024	2023
Handheld revenue:		
Device sales revenue	\$ 4,590	\$ 3,746
Recurring revenue	2,833	2,426
Total handheld revenue	7,423	6,172
Desktop revenue:		
Device sales revenue	862	1,337
Recurring revenue	1,706	1,753
Total desktop revenue	2,568	3,090
Total product and service revenue	\$ 9,991	\$ 9,262

15 14

[Table of Contents](#)

The following table presents the Company's product and service revenue by device type (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Handheld revenue:				
Device sales revenue	\$ 9,681	\$ 8,051	\$ 19,929	\$ 16,782
Recurring revenue	2,067	2,968	6,813	5,645
Total handheld revenue	11,748	11,019	26,742	22,427
Desktop revenue:				
Device sales revenue	1,039	2,901	3,832	7,458
Recurring revenue	1,510	1,517	4,934	4,189
Total desktop revenue	2,549	4,418	8,766	11,647
Total product and service revenue	\$ 14,297	\$ 15,437	\$ 35,508	\$ 34,074

Revenue based on the end-user entity type for the Company's product and service revenue are presented below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Government	\$ 11,740	\$ 11,069	\$ 26,732	\$ 22,788	\$ 7,427	\$ 6,180
Pharmaceutical/Biotechnology	2,546	4,327	8,705	11,032	2,547	3,052
Academia and other	11	41	71	254	17	30
Total product and service revenue	\$ 14,297	\$ 15,437	\$ 35,508	\$ 34,074	\$ 9,991	\$ 9,262

The following table disaggregates the Company's revenue from contracts with customers by geography, which are determined based on the customer location (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
United States	\$ 12,417	\$ 12,403	\$ 26,769	\$ 27,916	\$ 7,266	\$ 6,493
Europe, Middle East and Africa	1,456	2,361	7,398	4,961	2,062	1,988
Asia Pacific	394	996	1,191	2,270	371	576
Americas other	30	37	520	62	292	430
	<u>\$ 14,297</u>	<u>\$ 15,797</u>	<u>\$ 35,878</u>	<u>\$ 35,209</u>	<u>\$ 9,991</u>	<u>\$ 9,487</u>

International sales are comprised primarily of product and service revenue, with the majority of contract revenue being attributable to North America.

Foreign currency

The Company translates assets and liabilities of its foreign subsidiaries at rates in effect at the end of the reporting period. Revenues and expenses are translated at average rates in effect during the reporting period. Translation adjustments are included in accumulated other comprehensive loss.

Other Comprehensive income (Loss)

Other comprehensive income (loss) refers to revenues, expenses, gains and losses that are excluded from net loss as these amounts are recorded directly as an adjustment to shareholders' equity, net of tax. The Company's other comprehensive income (loss) was composed of foreign currency translation adjustments and unrealized gains/losses on available-for-sale marketable securities.

16

[Table of Contents](#)

Net Income (Loss) per Share

The Company has one class of shares outstanding and basic net income (loss) per common share is computed by dividing the net income (loss) by the weighted average number of shares of common stock outstanding for the period. Diluted net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding for the period, including potential dilutive common shares assuming the dilutive effect of any potential dilutive securities outstanding for the fiscal year. Potential dilutive securities include warrants, stock options, restricted stock units, and shares to be purchased under the Company's employee stock purchase plan. For periods in which the Company reports a net loss, diluted net loss per common share is the same as basic net loss per common share since dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

Business combination

Under the acquisition method of accounting, the Company generally recognizes the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values on the date of acquisition. The fair values assigned, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants, are based on estimates and assumptions determined by management. The excess consideration over

15

[Table of Contents](#)

the aggregate value of tangible and intangible assets, net of liabilities assumed, is recorded as goodwill. These valuations require significant estimates and assumptions, especially with respect to intangible assets.

The Company estimates the fair value of the contingent consideration earnouts using the Monte Carlo Simulation or probability weighted scenario depending on the nature of the contingent consideration and updates the fair value of the contingent consideration at each reporting period based on the estimated probability of achieving the earnout targets and applying a discount rate that captures the risk associated with the expected contingent payments. To the extent that these estimates change in the future regarding the likelihood of achieving these targets, the Company may need to record material adjustments to its accrued contingent consideration. Such changes in the fair value of contingent consideration are recorded as contingent consideration expense or income in the consolidated statements of operations.

The Company uses the income approach to determine the fair value of certain identifiable intangible assets including customer relationships and developed technology. This approach determines fair value by estimating after-tax cash flows attributable to these assets over their respective useful lives and then discounting these after-tax cash flows back to a present value. The Company bases its assumptions on estimates of future cash flows, expected growth rates, expected trends in technology, probabilities of customer renewals, etc. The Company bases the discount rates used to arrive at a present value as of the date of acquisition on the time value of money and certain industry-specific risk factors. The Company believes the estimated purchased customer relationships, developed technology, software and trade name amounts determined represent the fair value at the date of acquisition and do not exceed the amount a third-party would pay for the assets.

Recently Adopted Issued Accounting Pronouncements

The Company qualifies as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012 and has elected not to “opt out” of the extended transition related to complying with new or revised accounting standards, which means that when a standard is issued or revised and it has different application dates for public and nonpublic companies, the Company will adopt the new or revised standard at the time nonpublic companies adopt the new or revised standard and will do so until such time that the Company either (i) irrevocably elects to “opt out” of such extended transition period or (ii) no longer qualifies as an emerging growth company.

In June 2016, November 2023, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses* 2023-07, *Segment Reporting* (Topic 326)280). The new standard adjusts accounting guidance requires the accounting Company to expand annual and interim disclosure requirements for assets held at amortized costs basis, including marketable securities accounted for as available for sale, and trade receivables. The standard eliminates the probable initial recognition threshold and requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. reportable segments, primarily through enhanced disclosures about significant segment expenses. For public entities, except smaller reporting companies, the guidance is effective for annual reporting periods beginning after December 15, 2019 December 15, 2023 and for interim periods within those fiscal years. For non-public entities and smaller reporting companies, the guidance was effective for annual reporting periods years beginning after December 15, 2021 December 15, 2024. In November 2019, the FASB issued ASU No. 2019-10, which deferred the effective date for non-public entities to annual reporting periods beginning after December 15, 2022, including

[Table of Contents](#)

interim periods within those fiscal years. Early application is allowed. The Company adopted is currently assessing the impact of the adoption of this standard guidance.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes* (Topic 740). The accounting guidance requires public entities, on an annual basis, to provide disclosure of specific categories in their tax rate reconciliations, as well as disclosure of income taxes paid disaggregated by jurisdiction. The guidance is effective January 1, 2023 and deemed no material for fiscal years beginning after December 15, 2025, with early adoption permitted. The Company is currently assessing the impact on our condensed consolidated financial statements. of the adoption of this guidance.

3. Fair Value Measurements

The following tables present the Company’s fair value hierarchy for its assets and liabilities that are measured at fair value on a recurring basis (in thousands):

	Fair Value Measurements at September 30, 2023 Using:				Fair Value Measurements at March 31, 2024 Using:			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Cash equivalents - Money market funds	\$ 94,300	\$ —	\$ —	\$ 94,300	\$82,492	\$ —	\$ —	\$ 82,492
Marketable securities - U.S. Treasury securities	—	29,684	—	29,684				
Marketable securities - U.S. Treasury securities due in 3 - 6 months					—	29,596	—	29,596
Total assets measured at fair value	\$ 94,300	\$ 29,684	\$ —	\$ 123,984	\$82,492	\$29,596	\$ —	\$112,088
Other current liabilities:								
Acquisition-related contingent consideration	\$ —	\$ —	\$ 728	\$ 728				
Total liabilities measured at fair value	\$ —	\$ —	\$ 728	\$ 728				

	Fair Value Measurements at December 31, 2022 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents - Money market funds	\$ 27,866	\$ —	\$ —	\$ 27,866
	\$ 27,866	\$ —	\$ —	\$ 27,866
Other current liabilities:				
Acquisition-related contingent consideration	\$ —	\$ —	\$ 343	\$ 343
Acquisition-related contingent consideration - pension liability	—	—	900	900
	—	—	1,243	1,243
Other long-term liabilities:				
Acquisition-related contingent consideration	—	—	555	555
Total liabilities measured at fair value	\$ —	\$ —	\$ 1,798	\$ 1,798

16

[Table of Contents](#)

	Fair Value Measurements at December 31, 2023 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents - Money market funds	\$ 94,165	\$ —	\$ —	\$ 94,165
Cash equivalents - U.S. Treasury securities	—	4,964	—	4,964
Marketable securities - U.S. Treasury securities due in 3 - 6 months	—	24,641	—	24,641
	\$ 94,165	\$ 29,605	\$ —	\$ 123,770
Other current liabilities:				
Acquisition-related contingent consideration	—	—	500	500
Total liabilities measured at fair value	\$ —	\$ —	\$ 500	\$ 500

Money Market Funds

Money market funds were valued by the Company based on quoted market prices, which represent a Level 1 measurement within the fair value hierarchy. There were notransfers between Level 1, Level 2 or Level 3 during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** or **2022**, **2023**.

Marketable Securities

U.S. Treasury securities were valued by the Company using quoted prices in active markets for similar securities, which represent a Level 2 measurement within the fair value hierarchy.

Contingent Consideration

The Company recognizes acquisition-related contingent consideration from the acquisition of TRACE Analytics GmbH, located in Braunschweig, Germany ("Trace") in August 2022. Acquisition-related contingent consideration is measured and reported at fair value using the Monte Carlo simulation method or probability weighted scenario based on the unobservable inputs, which are significant to the fair value and classified with Level 3 of the fair value hierarchy. The For the Trace acquisition, the amount is contingent based on the acquired business' performance for the milestones ranging from the date of acquisition to June 30, 2024.

The unobservable inputs used in the fair value measurements include the probabilities of successful achievement of certain technological integration targets, forecasted results or targets, volatility, and discount rates. The total remaining maximum payments due related to the technological integration and revenue targets is approximately \$1.2 million, of which the value as of September 30, 2023 was approximately \$0.7 million. The Company received notice that the pension obligation had been transferred and no longer in Trace's name and therefore the Company released the \$0.9 million assignment of the pension

18

Table of Contents

liability and paid out the sellers in April 2023. The sellers also the Trace acquisition achieved a portion of one two of three milestones under the share purchase and transfer agreement, and accordingly the Company paid the sellers \$0.5 million in August 2023, 2023 and \$0.5 million in February 2024.

The During the fourth quarter of 2023, the probability weighted average probability of achieving the technology integration target is approximately 95%. The average estimated revenue volatility and discount rate are approximately 40.9% and 23.0%, respectively. Increases or decreases in these assumptions may result in a higher or lower fair value measurement, respectively. of the remaining future earnout related to the Trace acquisition was determined to be zero. Accordingly, the accumulated accretion under the last milestone and the relative contingent consideration have been reduced to zero.

The following table provides a roll-forward of the fair value of the Company's contingent consideration, for which fair value is determined using Level 3 inputs (in thousands):

Balance as of December 31, 2022	\$	1,798
Accretion - earnout		335
Contingent consideration payment		(505)
Release of pension liability		(900)
Balance as of September 30, 2023	\$	728
Balance as of December 31, 2023	\$	500
Contingent consideration payment		(500)
Balance as of March 31, 2024	\$	—

Please refer to Note 13, Acquisition, for further details. Changes in the fair value of contingent consideration resulting from a change in the underlying inputs are recognized in our consolidated statements of operations until the arrangement is settled.

17

4. Marketable Securities

Marketable securities by security type consisted of the following (in thousands):

	September 30, 2023					March 31, 2024				
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Credit Losses	Fair Value	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Credit Losses	Fair Value
Marketable securities - U.S. Treasury securities	29,324	360	—	—	29,684	\$29,598	\$ —	(2)\$	—	\$29,596
	<u>\$ 29,324</u>	<u>\$ 360</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 29,684</u>					

	December 31, 2023				
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Credit Losses	Fair Value
Marketable securities - U.S. Treasury securities	\$ 24,628	\$ 13	\$ —	\$ —	\$ 24,641

Net realized gains The Company purchased a total of approximately \$14.6 million of U.S. treasury securities for the three months ended March 31, 2024. The U.S. treasury securities that matured were approximately \$9.7 million and none were sold before maturity. Interest earned on sales of marketable securities is \$0.1 million and none \$0.4 million for the nine three months ended September 30, 2023 and 2022, respectively. March 31, 2024. The Company did not have marketable securities as of December 31, 2022 March 31, 2023.

5. Inventory

Inventory consisted of the following (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Raw materials	\$ 10,819	\$ 8,343	\$11,303	\$ 11,294
Work-in-progress	3,214	2,722	2,522	1,717
Finished goods	1,893	1,448	2,531	1,927
	<u>\$ 15,926</u>	<u>\$ 12,513</u>	<u>\$16,356</u>	<u>\$ 14,938</u>

During the three months ended March 31, 2024 and 2023, the Company made non-cash transfers of demonstration equipment from inventory to property and equipment of \$0.1 million and \$0.1 million, respectively.

6. Goodwill and Intangible Assets, net

Goodwill

As of March 31, 2024, the carrying amount of goodwill was \$10.1 million. The following is a roll forward of the Company's goodwill balance (in thousands):

	Three Months Ended March 31,	
	2024	2023
Balances at beginning of period	\$ 10,367	\$ 10,050
Foreign currency impact	(228)	171
Balances at end of period	<u>\$ 10,139</u>	<u>\$ 10,221</u>

The Company evaluates goodwill at least annually on November 1, as well as whenever events or changes in circumstances suggest that the carrying amount may not be recoverable.

19 18

[Table of Contents](#)

6. Goodwill and Intangible Assets, net

Goodwill

As of September 30, 2023, the carrying amount of goodwill was \$9.9 million. The following is a roll forward of the Company's goodwill balance (in thousands):

	Nine Months Ended	
	September 30, 2023	
Balances at beginning of period	\$	10,050
Foreign currency impact		(122)
Balances at end of period	\$	9,928

The Company evaluates goodwill at least annually on November 1, as well as whenever events or changes in circumstances suggest that the carrying amount may not be recoverable.

Intangible Assets, net

Intangible assets, net consists of the following (in thousands):

	September 30, 2023				March 31, 2024			
	Cost	Accumulated Amortization	Translation adjustments	Net Book Value	Cost	Accumulated Amortization	Translation adjustments	Net Book Value
Customer Relationships	\$ 3,142	\$ (476)	\$ 120	\$ 2,786	\$ 3,142	\$ (685)	\$ 179	\$ 2,636
Developed Technology	4,967	(400)	187	4,754	4,967	(575)	288	4,680
Software	254	(88)	10	176	254	(127)	15	142
Trade Name	61	(37)	2	26	61	(53)	2	10
	\$ 8,424	\$ (1,001)	\$ 319	\$ 7,742	\$ 8,424	\$ (1,440)	\$ 484	\$ 7,468

	December 31, 2022				December 31, 2023			
	Cost	Accumulated Amortization	Translation adjustments	Net Book Value	Cost	Accumulated Amortization	Translation adjustments	Net Book Value
Customer Relationships	\$ 3,142	\$ (163)	\$ 150	\$ 3,129	\$ 3,142	\$ (580)	\$ 240	\$ 2,802
Developed Technology	4,967	(137)	243	5,073	4,967	(487)	395	4,875
Software	254	(30)	11	235	254	(108)	18	164
Trade Name	61	(13)	3	51	61	(45)	3	19
	\$ 8,424	\$ (343)	\$ 407	\$ 8,488	\$ 8,424	\$ (1,220)	\$ 656	\$ 7,860

Amortization expense for intangible assets was recorded in the following expense categories of its condensed consolidated statements of operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Product cost of revenue	\$ 108	\$ 66	\$ 321	\$ 66	\$ 107	\$ 106
Selling, general and administrative expenses	113	69	337	69	113	112
	<u>\$ 221</u>	<u>\$ 135</u>	<u>\$ 658</u>	<u>\$ 135</u>	<u>\$ 220</u>	<u>\$ 218</u>

20

[Table of Contents](#)

Estimated future amortization expense for the intangible assets as of September 30, 2023 March 31, 2024 are as following (in thousands):

2023 (three months)	\$	221	
2024		869	\$ 647
2025		851	849
2026		775	777
2027		773	772
2028			772
Thereafter		4,253	3,651
	<u>\$</u>	<u>7,742</u>	<u>\$7,468</u>

7. Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	September 30,	December 31,	March 31,	December 31,
	2023	2022	2024	2023
Accrued employee compensation and benefits	\$ 3,995	\$ 4,909	\$ 3,189	\$ 5,994
Accrued warranty	1,009	1,119	824	942
Accrued professional fees	821	677	714	560
Contingent consideration	728	1,243	—	500
Accrued other	714	899	572	717
	<u>\$ 7,267</u>	<u>\$ 8,847</u>	<u>\$ 5,299</u>	<u>\$ 8,713</u>

19

[Table of Contents](#)

Changes in the Company's product warranty obligations were as follows (in thousands):

Nine Months Ended September 30,	Three Months Ended March 31,
---------------------------------	------------------------------

	2023	2022	2024	2023
Accrual balance at beginning of period	\$ 1,119	\$ 1,593	\$ 942	\$ 1,119
Provision for new warranties	367	1,194	198	208
Settlements and adjustments made during the period	(477)	(1,433)	(316)	(497)
Accrual balance at end of period	\$ 1,009	\$ 1,354	\$ 824	\$ 830

8. Long-Term Debt

2021 2022 Loan Revolver

On March 11, 2021, the Company entered into an Amended and Restated Loan and Security Agreement (the "2021 Revolver") to replace a Loan and Security Agreement, as amended (the "2019 Loan"). This agreement created a revolving line of credit totaling \$25.0 million and eliminated the existing term loan. Borrowings under the revolving line of credit bore interest at an annual rate equal to the greater of (i) one-half percent (0.5%) above the prime rate or (ii) four percent (4.0%) and were scheduled to mature on March 11, 2024. Borrowings were collateralized by substantially all of the Company's property, excluding intellectual property, which was subject to a negative pledge. The 2021 Revolver subjected the Company to various customary covenants, including requirements as to financial reporting and financial covenants (including an unrestricted minimum cash level of \$10.0 million), and restrictions on the Company's ability to dispose of its business or property, to change its line of business, to liquidate or dissolve, to enter into any change in control transaction, to merge or consolidate with any other entity or to acquire all or substantially all the capital stock or property of another entity, to incur additional indebtedness, to incur liens on the Company's property, to pay any dividends or make other distributions on capital stock other than dividends payable solely in capital stock, to redeem capital stock, to enter into in-bound licensing agreements, to engage in transactions with affiliates, and to encumber the Company's intellectual property. Events of default under the 2021 Revolver included failure to make payments when due, insolvency events, failure to comply with covenants or material adverse events with respect to the Company. Upon the occurrence of an event of default and until such event of default was no longer continuing, the annual interest rate would be five percent (5.0%) above the otherwise applicable rate.

21

The terms of the 2021 Revolver required that the existing term loan outstanding under the 2019 Loan be repaid with an advance under the line of credit. Accordingly, on March 11, 2021, the Company used \$14.5 million of proceeds from the 2021 Revolver to repay all amounts then due on the existing term loan. The Company accounted for the transaction as a debt extinguishment and recorded a loss on extinguishment of \$0.2 million, which was included in interest expense in the consolidated statements of operations and comprehensive loss.

On November 2, 2022, the Company satisfied in full all of its outstanding obligations and voluntarily terminated the 2021 Revolver. The Company did not incur any early termination penalties in connection with the termination of the 2021 Revolver. The amount outstanding under the 2021 Revolver was fully repaid in October 2022 and no amounts were outstanding upon termination of the 2021 Revolver.

2022 Loan Revolver

On November 2, 2022, the Company entered into a Loan and Security Agreement (the "2022 Revolver"), by and between, the Company, as borrower, and Silicon Valley Bank ("SVB"), a division of First Citizens Bank, as lender.

The 2022 Revolver provided for a revolving line of credit of up to \$35.0 million. The Company was permitted to make interest-only payments on the revolving line of credit through November 2, 2025, at which time all outstanding indebtedness would be immediately due and payable. The outstanding principal amount of any advance accrued interest at a floating rate per annum equal to the greater of (i) three and one-half percent (3.50%) and (ii) the "prime rate" as published in The Wall Street Journal for the relevant period minus one-half percent (0.50%). The Company's obligations under the 2022 Revolver were secured by substantially all of the Company's assets, excluding its intellectual property, which was subject to a negative pledge. The revolving line of credit under the 2022 Revolver was scheduled to terminate on November 2, 2025.

As of September 30, 2023, there were no balances outstanding under the 2022 Revolver. As of December 31, 2022, the outstanding principal balance under the 2022 Revolver was \$15.0 million, which was repaid in full on January 4, 2023. The interest rate applicable to borrowing under the

2022 Revolver was 7.0% as of December 31, 2022.

The 2022 Revolver also contained certain financial covenants, including a requirement that the amount of unrestricted and unencumbered cash minus advances under the 2022 Revolver, was not less than the amount equal to the greater of (i) \$10.0 million or (ii) nine (9) (9) months of cash burn. The 2022 Revolver contained customary representations and warranties, as well as certain non-financial covenants, including limitations on, among other things, the Company's ability to change the principal nature of its business, dispose of the Company's business or property, engage in any change of control transaction, merge or consolidate with any other entity or to acquire all or substantially all the capital stock or property of another entity, incur additional indebtedness or liens, pay dividends or make other distributions on capital stock, redeem the Company's capital stock, engage in transactions with affiliates or otherwise encumber the Company's intellectual property, in each case, subject to customary exceptions.

As of December 31, 2022, the outstanding principal balance under the 2022 Revolver was \$15.0 million, which was repaid in full on January 4, 2023.

On March 10, 2023, SVB, one of our financial institutions, was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver.

On March 12, 2023, the U.S. Department of the Treasury, Federal Reserve Board, and FDIC released a joint statement announcing that the FDIC would complete its resolution of SVB in a manner that fully protected all depositors and that depositors would have access to all of their money starting March 13, 2023.

As of March 31, 2023, the Company had transferred substantially all its cash and cash equivalents away from SVB and deposited the funds with new financial institutions. As a result of the transfer of the Company's cash, cash equivalents and marketable securities, the Company was in default of its financial covenants under the 2022 Revolver. The Company recorded a loss on extinguishment of debt of \$0.5 million in the three months ended March 31, 2023, which was included in interest expense in the condensed consolidated statements of operations and comprehensive loss. operations.

22 20

[Table of Contents](#)

On August 4, 2023, the Company entered into a Default Waiver and First Amendment to Loan and Security Agreement (the "Amended 2022 Revolver"), by and between, the Company, as borrower, and SVB, as lender. The Amended 2022 Revolver provides for a revolving line of credit of up to \$10.0 million. The Company is permitted to make interest-only payments on the revolving line of credit through November 2, 2025 November 3, 2025, at which time all outstanding indebtedness shall be immediately due and payable. The outstanding principal amount of any advance shall accrue interest at a floating rate per annum equal to the greater of (i) four and one-half percent (4.50%) and (ii) the "prime rate" as published in The Wall Street Journal for the relevant period minus one-half percent (0.50%). The Company's obligations under the Amended 2022 Revolver are secured by substantially all of the Company's assets, excluding its intellectual property, which is subject to a negative pledge. The revolving line of credit under the Amended 2022 Revolver terminates on November 2, 2025 November 3, 2025.

Pursuant to the Amended 2022 Revolver, SVB waived filing any legal action or instituting or enforcing any rights and remedies it may have had against the Company in connection with the Company's failing to maintain all of its operating accounts, depository accounts and excess cash with SVB, as previously required prior to the effectiveness of the Amended 2022 Revolver. The Company recorded a credit of \$0.3 million during the three months ended September 30, 2023 related to the previously recorded early termination penalties.

The Amended 2022 Revolver also contains certain financial covenants, including a requirement that the Company maintain \$20.0 million on account at or through SVB and the amount of unrestricted and unencumbered cash minus advances under the Amended 2022 Revolver is not less than the amount equal to the greater of (i) \$10.0 million or (ii) nine (9) (9) months of cash burn. The Amended 2022 Revolver contains customary representations and warranties, as well as certain non-financial covenants, including limitations on, among other things, the Company's ability to change the principal nature of its business, dispose of the Company's business or property, engage in any change of control transaction, merge or consolidate with any other entity or to acquire all or substantially all the capital stock or property of another entity, incur additional indebtedness or liens, pay dividends or make other distributions on capital stock, redeem the Company's capital stock, engage in transactions with affiliates or otherwise encumber the Company's intellectual property, in each case, subject to customary exceptions.

9. Equity and Net Income (Loss) per Share

Equity

As of September 30, 2023 March 31, 2024, the Company's certificate of incorporation authorized the Company to issue up to 5,000,000 shares of preferred stock, all of which is undesignated.

Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders. Common stockholders are not entitled to receive dividends, unless declared by the board of directors.

As of September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, the Company had outstanding warrants for the purchase of 92,703 shares of common stock at an exercise price of \$9.17 per share, of which warrants for the purchase of 49,078 shares and 43,625 shares expire in 2027 and 2028, respectively.

Net Income (Loss) per Share

The Company only has one class of shares outstanding and basic net income (loss) per common share is computed by dividing the net income (loss) by the weighted average number of shares of common stock outstanding for the period. Diluted net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding for the period, including potential dilutive common shares assuming the dilutive effect of outstanding stock awards. For periods in which the Company reports a net loss, diluted net loss per common share is the same as basic net loss per common share since dilutive common shares are not assumed to have been issued if their effect is anti-dilutive. As the Company has reported a net loss during the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, basic net loss per share is the same as diluted net loss per share. The Company excluded the following potential shares of common stock, presented based on amounts outstanding at each period end, from the computation of diluted net income (loss) per share attributable to common stockholders for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 as the impact of including such common stock equivalents would have been anti-dilutive:

23 21

[Table of Contents](#)

	September 30,		March 31,	
	2023	2022	2024	2023
Warrants to purchase common stock	92,703	92,703	92,703	92,703
Options to purchase common stock	2,483,790	2,640,822	2,781,364	2,626,584
Performance stock units	53,794	—	53,794	53,794
Restricted stock units	1,911,152	866,104	2,497,521	1,854,632
	4,541,439	3,599,629	5,425,382	4,627,713

10. Stock-Based Compensation

The Company recorded stock-based compensation expense for all stock awards in the following expense categories of its condensed consolidated statements of operations (in thousands):

Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
2023	2022	2023	2022	2024	2023

Cost of revenue	\$ 155	\$ 72	\$ 410	\$ 221	\$ 171	\$ 115
Research and development expenses	742	474	2,069	1,154	749	595
Selling, general and administrative expenses	1,807	1,474	4,969	3,828	1,723	1,456
	<u>\$ 2,704</u>	<u>\$ 2,020</u>	<u>\$ 7,448</u>	<u>\$ 5,203</u>	<u>\$ 2,643</u>	<u>\$ 2,166</u>

As of **September 30, 2023** **March 31, 2024**, there was **\$17.2 million** **\$19.9 million** of unrecognized compensation cost related to unvested restricted stock units ("RSUs") that is expected to be recognized over a weighted average period of **2.8** **2.9** years.

In March 2023, the compensation committee of the Company's board of directors granted an aggregate of 53,794 performance-based restricted stock units, ("PSUs") under the 2020 Stock Option and Incentive Plan to the Company's chief executive officer. Each PSU is equivalent in value to one share of the Company's common stock. The maximum payout percentage for all PSUs granted by the Company is 100%.

The vesting of the shares underlying the PSUs is subject to the achievement of stock price levels pre-established by the compensation committee at the grant date. The PSUs are subject to the market and service conditions and valued using the Monte Carlo simulation model, which requires certain assumptions, including the risk-free interest rate, expected volatility, and the estimated dividend yield. The risk-free interest rate used in the Monte Carlo simulation model is based on zero-coupon yields implied by U.S. Treasury issues with remaining terms similar to the performance period on the PSUs. The performance period of the PSUs represents the period of time between the PSU grant date and the end of the performance period. Expected volatility is based on historical data of the peers and certain indices over the most recent time period equal to the performance period.

11. Leases

The Company's primary operating lease obligations consists of various leases for office space in Massachusetts, North Carolina and Braunschweig, Germany.

There have been no material changes to the Company's leases during the **nine** **three** months ended **September 30, 2023**, other than noted herein, **March 31, 2024**. For additional information, read Note **13**, **14**, Leases, to the consolidated financial statements in the Company's Form 10-K for the year ended **December 31, 2022** **December 31, 2023**.

In July 2022, the Company entered into a new operating lease agreement in Morrisville, North Carolina (the "New NC Lease"), to expand the Company's research and development activities focused on its desktop offerings and enable the ability to stand up an additional manufacturing site for the Company. The New NC Lease is for approximately 13,300 rentable square feet and is for a term of 88 months with total lease costs of approximately \$4.0 million. The New NC Lease commenced in March 2023.

In October 2022, Trace entered into a new operating lease agreement in Braunschweig, Germany, as its existing lease was expiring and to increase the existing manufacturing site and set up European base of operations for the Company. The lease in

24 **22**

[Table of Contents](#)

Braunschweig is for approximately 7,500 rentable square feet and commenced in January 2023. The lease in Braunschweig is for a term of 60 months with total lease costs of approximately \$0.4 million.

The components of lease expense under ASC 842 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Operating lease cost	\$ 579	\$ 587	\$ 1,548	\$ 1,752	\$ 601	\$ 484
Short-term lease cost	17	10	49	30	20	15
Variable lease cost	43	3	97	7	35	166
	<u>\$ 639</u>	<u>\$ 600</u>	<u>\$ 1,694</u>	<u>\$ 1,789</u>	<u>\$ 656</u>	<u>\$ 665</u>

Supplemental disclosure of cash flow information related to leases was as follows (in thousands):

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 1,513	\$ 1,342	\$ —	\$ 629
Operating lease liabilities arising from obtaining right-of-use assets	\$ 3,003	\$ —	\$ —	\$ 3,015

The weighted-average remaining lease term and discount rate were as follows:

	September 30,	December 31,	March 31,	December 31,
	2023	2022	2024	2023
Weighted-average remaining lease term - operating leases (in years)	3.85	2.75	3.84	3.96
Weighted-average discount rate - operating leases	7.9 %	9.5 %	8.3 %	8.4 %

The interest rate implicit in lease contracts is typically not readily determinable and as such, the Company uses its incremental borrowing rate based on information available at the lease commencement date, which represents an internally developed rate that would be incurred to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in a similar economic environment.

Future annual minimum lease payments under operating leases as of **September 30, 2023** **March 31, 2024** are as follows (in thousands):

2023 (three months)	\$ 602	
2024	2,429	\$1,828
2025	1,999	2,002
2026	578	581
2027	592	595
2028		509
Thereafter	1,347	838
Total future minimum lease payments	7,547	6,353
Less: imputed interest	(1,147)	(897)
Total operating lease liabilities	\$ 6,400	\$5,456

12. Commitments and Contingencies

Royalty Arrangements

The Company has entered into royalty arrangements with two parties whereby the Company owes low- to mid-single digit royalty percentages related to revenue that is derived pursuant to in-licensed technologies. Royalty obligations are expensed when incurred or over the minimum royalty periods and have not been material. **Some**

In October 2023, the Company provided written notice to one of the **arrangements include** parties to which the Company owed royalty obligations that the Company was terminating the license arrangement effective as of December 31, 2023. Following the termination of that license agreement, the Company will no longer incur minimum **royalties over a defined term**. royalty payments of \$0.1 million per year.

25 23

[Table of Contents](#)

The future minimum royalty payments are \$0.1 million per year through the end of the patents' lives. The Company has the right to terminate the agreements with written notice.

401(k) Savings Plan

The Company has a defined-contribution savings plan under Section 401(k) of the Internal Revenue Code. This plan covers substantially all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. Company contributions to the plan may be made at the discretion of the board of directors. On October 1, 2021, the Company commenced an employer match program whereby the Company matches 100% of the first 3% that each employee contributes to the plan, capped at a maximum of \$3,500 per year per employee. During the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, the Company made \$0.4 million \$0.2 million and \$0.4 million \$0.1 million, respectively, in contributions to the plan.

Contingent Consideration – Earnout and Pension Liability

The Company agreed to pay three milestone based earnouts under the Trace purchase agreement to acquire Trace Analytics GmbH (now 908 Devices GmbH) in August 2022 for the total potential payout of \$2.0 million. Milestones are based on target revenues, and technical integration of 908 Devices GmbH (formerly Trace Analytics GmbH) systems and knowledge, and range from the closing date of August 3, 2022 to June 30, 2024. In addition, the Company withheld \$0.9 million of consideration in connection with pension obligations to be transferred post-closing.

During the six months ended June 30, 2023, 2023, the Company received notice that the pension obligation had been transferred and was no longer in Trace's 908 Devices GmbH's name and therefore the Company released the \$0.9 million \$0.9 million assignment of the pension liability. The Trace 908 Devices GmbH acquisition consideration withheld in respect of the pension plan was paid out to the sellers in April 2023. In August 2023, one Two of three milestone based earnouts were achieved, pursuant to which the Company made a \$0.5 million payment was achieved made in August 2023 and a \$0.5 million payment was made, made in February 2024.

During the fourth quarter of 2023, the probability weighted fair value of the remaining future earnout relating to the Trace acquisition was determined to be zero. Accordingly, the accumulated accretion under the last milestone and the relative contingent consideration have been reduced to zero. See Note 13, 3, Acquisition Fair Value Measurements.

Indemnification Agreements

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, business partners and other parties with respect to certain matters including, but not limited to, losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with its executive officers and members of its board of directors that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or services as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. To date, the Company has not incurred any material costs as a result of such indemnifications. The Company is not currently aware of any indemnification claims and had not accrued any liabilities related to such obligations in its condensed consolidated financial statements as of September 30, 2023 March 31, 2024.

Legal Proceedings

The Company is not currently party to any material legal proceedings. At each reporting date, the Company evaluates whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies. The Company expenses as incurred the costs related to such legal proceedings.

13. Acquisition

On August 3, 2022, the Company entered into a share purchase and transfer agreement and completed its acquisition of 100% of the registered share capital of Trace, for total purchase price consideration of \$17.3 million, comprised of (i) a \$14.4 million initial cash payment, (ii) up to \$2.0 million contingent cash consideration upon achievement of certain milestones over a twenty four month period and (iii) \$0.9 million contingent pension liability holdback to be released upon discharging or transferring of such liability from Trace.

Trace is a leading provider of online analysis systems for biotech applications in research, development and production. Trace's products are used for monitoring and controlling of complex processes in industrial pharmaceutical productions under

continuous measurement conditions. The Company expects to integrate acquired sampling technology within future product offerings.

The Company has accounted for the acquisition of Trace as a purchase of a business under U.S. GAAP. Under the acquisition method of accounting, the assets acquired and liabilities assumed from Trace have been recorded as of the acquisition date, at their respective fair values, and consolidated with those of the Company.

The Company has allocated the purchase price to the net tangible and intangible assets based on their fair values as of August 3, 2022.

The following table presents the final allocation of the acquisition date purchase consideration for the transaction including the contingent consideration and the allocation of the purchase consideration (in thousands):

Consideration Transferred:		
Cash paid	\$	14,400
Net cash and working capital adjustment		113
Contingent consideration - pension liability		900
Contingent consideration - earnout		737
Total consideration transferred	\$	16,150
Assets acquired and liabilities assumed:		
Cash and cash equivalents	\$	638
Accounts receivable		168
Inventory		364
Prepaid expenses and other current assets		11
Property and equipment, net		32
Intangible assets		
Customer Relationships		3,142
Developed Technology		4,967
Software		254
Trade Name		61
Goodwill		9,566
Indemnification assets		917
Pension liability		(917)
Accounts payable, accrued expenses and other current liabilities		(306)
Deferred tax liability, net		(2,672)
Other liabilities		(75)
Total	\$	16,150

The excess of the purchase price over the fair value of the acquired business' net assets represents cost and revenue synergies specific to the companies, and has been allocated to goodwill, which is not tax deductible. Intangible assets acquired have finite life and are amortized per our accounting policy. See Note 2 for the amortization periods.

The following unaudited pro forma information presents the condensed consolidated results of operations of the Company and Trace for the nine months ended September 30, 2022 and the three month period ended September 30, 2022 as if the acquisition of Trace had been completed on January 1, 2022 and have been calculated after applying the Company's accounting policies. These pro forma condensed consolidated financial results have been prepared for comparative purposes only and include certain adjustments that reflect pro forma results of operations, such as consequential adjustments relating to the tax effect of these adjustments in combining the Company and Trace businesses.

The unaudited pro forma results do not reflect any operating efficiencies or potential cost savings which may result from the consolidation of the operations of the Company and Trace. Accordingly, these unaudited pro forma results are presented for informational purposes only and are not necessarily indicative of the results of operations that would have been achieved had

[Table of Contents](#)

the acquisition occurred as of January 1, 2022, nor are they intended to represent or be indicative of future results of operations (in thousands):

	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Revenue (unaudited)	\$ 15,950	\$ 36,341
Pre-tax loss (unaudited)	\$ (5,947)	\$ (23,369)

14.13. Segment Reporting and Geographic Data

The Company has determined that it operates in one segment (see Note 2). See Note 2 for revenue by country. Long-lived assets by geography are summarized as follows (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Long-lived assets ⁽¹⁾ by country:				
United States	\$ 8,985	\$ 7,852	\$ 8,362	\$ 9,014
All other countries	546	63	607	561
Total long-lived assets	\$ 9,531	\$ 7,915	\$ 8,969	\$ 9,575

⁽¹⁾ Long-lived assets exclude goodwill, other intangible assets and other assets.

14. Subsequent events

Acquisition of RedWave Technology

On April 29, 2024, the Company, entered into an equity purchase agreement with, and purchased all of the issued and outstanding equity interests of, CAM2 Technologies, LLC (d/b/a RedWave Technology) ("RedWave"). The purchase price included an initial payment of \$45.0 million in cash and 1,497,171 unregistered shares of the Company's common stock, which reflects closing adjustments relating to working capital, cash and debt adjustments. The cash consideration is subject to additional working capital, cash, debt, and transaction expense adjustments. Approximately \$4.5 million of the cash consideration was placed into an indemnification escrow account until April 29, 2025 to settle certain claims for indemnification for breaches or inaccuracies in RedWave's representations and warranties, covenants, and agreements. The transaction closed on April 29, 2024, at which time RedWave became a wholly-owned subsidiary of the Company.

The Company may also be obligated to issue up to an additional 4,000,000 unregistered shares of the Company's common stock as contingent consideration based on the amount of revenue the Company generates from the sale of certain RedWave products and services during the 2-year period from May 1, 2024 through April 30, 2026. If the earnout revenue achieved during the period is at least \$37 million, the Company will be obligated to issue at least 1,000,000 contingent shares, which number of contingent shares will be increased based on the amount of earnout revenue achieved during the period, up to a maximum of 4,000,000 contingent shares for earnout revenue equal to or greater than \$45 million. The earnout revenue also may include certain qualified bookings credit for certain RedWave products in the event that earnout revenue is otherwise above \$37 million. No contingent shares will be issued if the earnout revenue achieved during the period is less than \$37 million.

RedWave is a leading provider of portable FTIR spectroscopic analyzers for rapid chemical identification of bulk materials. FTIR (Fourier Transform Infrared), an optical spectroscopy technology, is highly regarded for its specific substance identification abilities across a broad range of bulk materials. This acquisition provides the Company with an expanded portfolio of handheld chemical analysis devices for forensic workflows that quickly detect and identify unknown solids, liquids, vapors, and aerosols at the point of need. In addition, RedWave bolsters the Company's desktop portfolio with a line of accessories for pharma Process Analytical Technology (PAT) and industrial QC applications.

The Company will account for the acquisition of RedWave as a business combination under U.S. GAAP. Under the acquisition method of accounting, the assets of RedWave will be recorded as of the acquisition date, at their respective fair values, and consolidated with those of the Company.

The Company will account for the acquisition of RedWave as a business combination under U.S. GAAP. Under the acquisition method of accounting, the assets of RedWave will be recorded as of the acquisition date, at their respective fair values, and consolidated with those of the Company.

[Table of Contents](#)

As of May 3, 2024, the preliminary purchase price allocation related to the acquisition of RedWave is incomplete. The Company has retained an independent valuation firm to assess the fair value of the identified intangible assets and certain tangible assets acquired and liabilities assumed and plans to file pro forma financial information with the SEC within the applicable time period. During the three months ended March 31, 2024, the Company incurred approximately \$0.3 million in costs associated with the acquisition of RedWave, which are recorded as selling, general, and administrative expenses within the consolidated statements of operations.

In connection with the RedWave transaction, on April 29, 2024, the Company granted an aggregate of 135,436 restricted stock units to employees under the 2020 Stock Option and Incentive Plan. The restricted stock units vest over a four-year period. The restricted stock units were valued based on market value of the Company's closing stock price at the date of grant and had an aggregate fair value of \$0.8 million, which is being amortized as stock compensation expense over the vesting term. The Company also granted an aggregate of 52,084 performance-based restricted stock units under the 2020 Stock Option and Incentive Plan to employees. Each performance-based restricted stock unit is equivalent in value to one share of the Company's common stock. The maximum payout percentage for all performance-based restricted stock units granted by the Company is 100%.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, as filed with the SEC on March 15, 2023 March 8, 2024 ("2022 2023 Form 10-K"). Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in "Item 1.A. Risk Factors" section of our 2022 2023 Form 10-K, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

We have developed an innovative suite of purpose-built handheld and desktop devices for point-of-need chemical and biochemical analysis. Leveraging our proprietary mass spectrometry, or Mass Spec, microfluidics, and analytics and machine learning technologies, we make devices that are significantly smaller and more accessible than conventional laboratory instruments. Our devices are used at the point-of-need to interrogate unknown and invisible materials and provide quick, actionable answers to directly address some of the most critical problems in life sciences research, bioprocessing, pharma/biopharma, forensics and adjacent markets.

We create simplified measurement devices that our customers can use as accurate tools where and when their work needs to be done, rather than overly complex and centralized analytical instrumentation. We believe the insights and answers our devices provide will accelerate workflows, reduce costs, and offer transformational opportunities for our end users.

Front-line workers rely upon our handheld devices to combat the opioid crisis and detect counterfeit pharmaceuticals and illicit materials in the air or on surfaces at levels 1,000 times below their lethal dose. Our desktop devices are accelerating development and production of biotherapeutics by identifying and quantifying extracellular species in bioprocessing critical to cell health and productivity. They sit alongside bioreactors and fermenters

producing drug candidates, functional proteins, cell and gene therapies, and synthetic biology derived products. We believe the insights and answers our devices provide accelerate workflows, reduce costs, and offer transformational opportunities for our end users. The term “products” as used in this

[Table of Contents](#)

“Management’s “Management’s Discussion and Analysis of Financial Condition and Results of Operations” refers to the MX908, Rebel, ZipChip Interface, Maverick, Maven and related sampling devices.

On August 3, 2022, we entered into a share purchase and transfer agreement and completed our acquisition of 100% of the registered share capital of Trace, for a total purchase price consideration of \$17.3 million, comprised of (i) a \$14.4 million initial cash payment, (ii) up to \$2.0 million contingent cash consideration upon achievement of certain milestones over a twenty-four-month period and (iii) \$0.9 million contingent pension liability holdback to be released upon discharging or transferring of such liability from Trace. Trace is a leading provider of online analysis systems for biotech applications in research, development and production. Trace’s products are used for monitoring and control of complex processes in industrial pharmaceutical productions under continuous measurement conditions. We expect to integrate acquired sampling technology within future product offerings.

Since our inception, we have incurred significant operating losses. Our ability to generate revenue sufficient to achieve profitability will depend on the successful further development and commercialization of our products. We generated revenue of \$35.9 million \$10.0 million and \$35.2 million \$9.5 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, and incurred net losses of \$29.0 million \$10.9 million and \$23.8 million \$12.5 million for those same periods. As of September 30, 2023 March 31, 2024, we had an accumulated deficit of \$163.2 million \$181.5 million. We expect to continue to incur net losses as we focus on growing commercial sales of our products in both the United

[Table of Contents](#)

States and international markets, including growing our sales teams, scaling our manufacturing operations, continuing research and development efforts to develop new products and further enhance our existing products. Further, we expect to incur additional costs associated with operating as a public company. As a result, we may need additional funding for expenses related to our operating activities, including selling, general and administrative expenses and research and development expenses.

Because of the numerous risks and uncertainties associated with product development and commercialization, we are unable to accurately predict the timing or amount of increased expenses or when, or if, we will be able to achieve or maintain profitability. Until such time, if ever, as we can generate substantial revenue sufficient to achieve profitability, we expect to finance our operations through a combination of equity offerings, debt financings and strategic alliances. We may be unable to raise additional funds or enter into such other agreements or arrangements when needed on favorable terms, or at all. If we are unable to raise capital or enter into such agreements as, and when, needed, we may have to significantly delay, scale back or discontinue the further development and commercialization efforts of one or more of our products, or may be forced to reduce or terminate our operations.

We believe that our existing cash and cash equivalents and revenue from product and service will enable us to fund our operating expenses, capital expenditure requirements and debt service payments for at least the next 12 months. We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our available capital resources sooner than we expect. See “Liquidity and Capital Resources.”

Global Economic Conditions

We are continuing to closely monitor macroeconomic impacts, factors, including, but not limited to, continued inflationary and interest rate pressures, challenging capital markets market conditions and the limited availability of financing alternatives, and developments affecting financial institutions which may have an impact on our business, results of operations and financial results.

We are closely monitoring continued economic uncertainty in the United States and abroad, including volatility in the global markets and the rise and fluctuations in inflation and interest rates. These developments and the potential worsening of other macro-economic conditions present risks for us, and our suppliers and customers. For example, general inflation in the United States, EMEA and other geographies has risen to recently been at levels not experienced in recent decades, which has led to rising higher prices for our raw materials and other inputs, as well as rising higher salaries and travel expenses, which could continue to negatively impact our business by increasing our cost of sales and operating expenses. General inflation could also negatively impact our business if it leads to spending pressure and decreased available capital for our customers to deploy to purchase our products and services.

In addition, the United States Federal Reserve has raised, and may again raise, interest rates in response to concerns about inflation. Inflation, together with increased interest rates, may cause our customers to reduce or delay orders for our goods and

[Table of Contents](#)

services thereby causing a decrease in or change in timing of sales of our products and services. The impact of future inflation and interest rate fluctuations on the results of our operations cannot be accurately predicted.

There also continues to be a challenging environment for

Challenging capital market conditions and the public capital markets and other limited availability of financing alternatives to raise cash, which, together with inflationary and interest rates pressures, may be contributing contribute to more cautious spending by our customers. Certain of our pharmaceutical and biotechnology customers, including bioprocessing customers, may evaluate their inventory levels, cash on hand and path to profitability, and institute cost controls and take other actions to reduce or delay purchases of our products and services. We cannot accurately predict the extent full impact of the full impact current macroeconomic factors on the budgets and capital expenditures of our customers, or the timing of the normalization of customer purchasing patterns.

We are closely monitoring the ongoing military conflicts in conflict between Russia and Ukraine, and Israel, the ongoing hostilities in Israel and the Gaza Strip. Although we do not directly source any material products or supplies from Russia, Ukraine, Israel or Israel, the Gaza Strip, our customers in Europe and the Middle East could be impacted by extended conflicts or an escalation of these conflicts into neighboring countries.

We are also monitoring ongoing events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions or other companies in the financial services industry or the financial services industry generally, including SVB, being closed by the California Department of Financial Protection and Innovation, which appointed the FDIC as receiver on March 10, 2023, and Signature Bank being closed by the New York State Department of Financial Services on March 12, 2023. We are also monitoring the impacts that these events may have on our customers and vendors. Despite the steps taken to date by U.S. agencies to protect depositors, and the subsequent acquisition of SVB by First-Citizens Bank & Trust Company, the follow-on effects of the events surrounding the SVB and Signature Bank failures and pressure on other banks are unknown, and could include failures of other financial institutions to which we may encounter direct or indirect exposure. The extent of such impacts is uncertain, and there may be additional risks that we have not yet identified. We continue to monitor the situation on U.S. financial institutions and potential impact on our business.

While conditions related to the COVID-19 pandemic generally have improved further in 2023 compared to fiscal 2022, and our business operations are no longer significantly impacted, we will continue to monitor supply chain risks and other potential lingering impacts. On April 10, 2023, the U.S. announced that the public health emergency related to COVID-19 ended.

While it is difficult to predict all of the impacts these global economic events and developments affecting financial institutions, and rising inflation continued inflationary and interest rates rate pressures will have on our business and to predict the effects of these factors on our customers' spending in the near term, we believe the long-term opportunity that we see for our products and services remain unchanged.

[Table of Contents](#)

For further discussion of the possible impacts of these global factors and other risks on our business, see Part I, Item 1A, "Risk Factors," of our 2022 2023 Form 10-K.

Factors Affecting Our Performance

We believe that our financial performance has been and in the foreseeable future will continue to be primarily driven by the following factors. While each of these factors presents significant opportunities for our business, they also pose important challenges that we must successfully address to sustain our growth and improve our results of operations. Our ability to successfully address the factors below is subject to various risks and uncertainties.

Device sales

Our financial performance has largely been driven by, and in the future will continue to be impacted by, the rate of sales of our handheld and desktop devices. Management focuses on device sales as an indicator of current business success and a leading indicator of likely future recurring revenue from consumables and services. We expect our device sales to continue to grow as we increase penetration in our existing markets and expand into, or offer new features and solutions that appeal to, new markets.

We plan to grow our device sales in the coming years through multiple strategies including expanding our sales efforts domestically and globally and continuing to enhance the underlying technology and applications for life sciences research

30

[Table of Contents](#)

related to our Maverick, Rebel, ZipChip Interface, Maverick, and Maven and related sampling devices. We regularly solicit feedback from our customers and focus our research and development efforts on enhancing our devices and enabling our customers to use additional applications that address their needs, which we believe in turn helps to drive additional sales of our devices and consumables.

Our sales process varies considerably depending upon the type of customer to whom we are selling. Our handheld device orders relate to our MX908 as well as components for the Aerosol and Vapor Chemical Agent Detectors ("AVCAD") sold to our channel partner. Historically, our handheld devices have been used by state, federal and foreign governments and governmental agencies. Our sales process with government customers is often long and involves multiple levels of approvals, testing and, in some cases, trials. Device orders from a government customer are typically large orders and can be impacted by the timing of their capital budgets. As a result, the revenue for our handheld devices can vary significantly from period-to-period and has been and may continue to be concentrated in a small number of customers in any given period.

Our desktop devices are typically used by the pharmaceutical, biotechnology and academia markets. Our sales cycles within these markets tend to vary based on the size of the customer and the number of devices they purchase. Our shortest sales cycles are typically for small laboratories and individual researchers where, in some cases, we receive purchase orders from these customers within three months. Our sales process with other institutions can be longer with most customers submitting purchase orders within six to twelve months. Given the variability of our sales cycle, we have in the past experienced, and likely will in the future experience, fluctuations in our desktop device sales on a period-to-period basis.

Recurring revenue

We regularly assess trends relating to recurring revenue which includes consumables, accessories and services based on our product offerings, our customer base and our understanding of how our customers use our products. Recurring revenue was 33% 45% and 29% 45% of total product and service revenue for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. Our recurring revenue as a percentage of total product and service revenue will vary based upon new device placements in the period. As our device installed base expands, recurring revenue on an absolute basis is expected to increase and over time should be an increasingly important contributor to our revenue.

Revenue from the sales of consumables will vary by type of device. We expect that recurring revenue as a percentage of the original device price to be higher for our desktop devices (Rebel, ZipChip Interface, Maverick, Maven and related sampling devices) than for our handheld device (MX908). While we sell single-use swab samplers for MX908 to be used in liquid and solid materials analysis, there are a number of other applications that the MX908 can be used for that do not require consumables. Rebel and ZipChip Interface require consumables kits for all areas of operations. Currently, Rebel customers, who are actively utilizing the device, are consuming on average approximately half a 200-sample kit per month; however,

[Table of Contents](#)

Rebel is a **relatively** new product and purchasing patterns related to our consumables kits are evolving. We expect that the number of kits sold per month will vary over the short term. In time, we expect Rebel consumables kits sales to become more consistent as our installed base grows and our customers establish usage patterns. At maximum potential capacity, with continuous operation, the Rebel can consume approximately one 200-sample kit per day. Maverick devices require consumables, probes and standards for all areas of operations. Maven and related sampling devices require consumable sets of buffers, probes and biosensors for all areas of operations.

Revenue mix and gross margin

Our revenue is derived from sales of our devices, consumables, accessories and services. There will be fluctuations in mix between devices and recurring from period-to-period. Over time, as our device installed base grows and we see adoption of Rebel, we expect consumables revenue to constitute a larger percentage of product and service revenue. However, the percentage will be subject to fluctuation based upon our handheld sales in a period. In addition, our selling price and, consequently, our margins, are higher for those devices and recurring revenue that we sell directly to customers as compared to those that we sell through **distributors, channel partners**. While we expect the mix of direct sales as compared to sales through **distributors, channel partners** to remain relatively constant in the near term, we are currently evaluating increasing our direct sales capabilities in certain geographies.

Future device and recurring selling prices and gross margins may fluctuate due to a variety of factors, including the introduction by others of competing products and solutions. We aim to mitigate downward pressure on our average selling

[Table of Contents](#)

prices by increasing the value proposition offered by our devices and consumables and accessories, primarily by expanding the applications for our devices and increasing the quantity and quality of data that can be obtained using our consumables.

Product adoption

We monitor our customers' **stage stages** of adoption of our products to provide insight into the timing of future potential sales and to help us formulate financial projections. Typical stages of adoption include testing, trials, pilot and deployment as follows:

- **Testing—Testing** - a customer is actively engaged with internal or external testing of our products. This may include an onsite or virtual demonstration with a salesperson, a customer submitting samples for testing in one of our facilities or testing by a third party.
- **Trials—Trials** - a customer has committed to a trial of one of our products, which may include a defined period to assess functionality of the device in their operational environment (in the field or onsite within the customer's facility).
- **Pilot—Pilot** - a customer commits to the purchase of an initial quantity of devices to deploy in their operational environment to assess a broader opportunity that may grow to tens or hundreds of devices.
- **Deployment—Deployment** - a customer has completed testing, a trial, and/or a pilot and intends to roll out the technology across their enterprise (either at a site or throughout the entire organization).

Key Business Metrics

We regularly review the number of product placements and cumulative product placements as key metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections, and make strategic decisions. We group our products into handheld and desktop devices that have average selling prices that are meaningful and are actively being sold to our customer base. We believe that these metrics are representative of our current business; however, we anticipate these will change or may be substituted for additional or different metrics as our business grows.

During the three and nine months ended September 30, 2023, March 31, 2024 and 2022, 2023, our product placements (units recognized as revenue) were as follows:

29

[Table of Contents](#)

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Product Placements:						
Handheld	117	150	286	315	53	62
Desktop	7	25	38	67	8	16

The number of product placements vary considerably from period-to-period due to the type and size of our customers and concentrations among larger government customers as described above. We expect continued fluctuations in our period-to-period number of product placements.

Our cumulative product placements consist of the following number of devices:

	September 30,		March 31,	
	2023	2022	2024	2023
Cumulative Product Placements:				
Handheld	2,306	1,965	2,475	2,082
Desktop	408	352	439	386

32

[Table of Contents](#)

Components of Our Results of Operations

Revenue

Product and Service Revenue

We generate product and service revenue from the sale of our devices and recurring revenue from the sale of consumables, accessories and services. Device sales accounted for 67% 55% and 71% 55% of our product and service revenue for the nine three months ended September 30, 2023, March 31, 2024 and 2022, 2023, respectively. Recurring revenue accounted for 33% 45% and 29% 45% of our product and service revenue for the nine three months ended September 30, 2023, March 31, 2024 and 2022, 2023, respectively.

Our current device offerings include:

- Handheld devices—MX908; MX908 and AVCAD components; and
- Desktop devices—Rebel and ZipChip Interface, Maverick, and Maven and related sampling devices.

We sell our devices directly to customers and through distributors, channel partners. Each of our device sales drives various streams of recurring revenue comprised of consumable and accessory product sales and service revenue.

Our consumables consist of:

- MX908—accessories and swabs;
- Rebel—consumables kit with a microfluidic chip and standards;
- ZipChip Interface—microfluidic chip, reagent and assay kits;
- Maverick—calibration kits and accessories; and
- Maven and related sampling devices—probes, tubing sets and accessories.

Rebel and ZipChip Interface consumables can only be used with our devices and there are no alternative after-market options that can be used as a substitute. Each chip is used for a defined number of samples (or runs). We recognize revenue from the sale of consumables as the consumable products are shipped.

We also offer our customers extended warranty and service plans. Our extended warranty and service plans are offered for periods beyond the standard one-year warranty that all of our customers receive. These extended warranty and service plans generally have fixed fees and terms ranging from one additional year to four additional years. We recognize revenue from the sale of extended warranty and service plans over the respective coverage period, which approximates the service effort provided by us.

30

[Table of Contents](#)

We expect consumables and service revenue to increase in future periods as our installed base grows and we are able to generate recurring sales.

Contract revenue

Contract agreements are arrangements whereby we provide engineering services for the development of our technology platform for specific programs or new and expanding applications of our technologies for future commercial endeavors. Our contract agreements are with the U.S. government and commercial entities (who may be contracting with the government). Contracts typically include compensation for labor effort and materials incurred related to the deliverables under the contract. Our contract revenue was primarily related to one customer during the three and nine months ended September 30, 2023 and was comprised of three customers during the three and nine months ended September 30, 2022 March 31, 2023.

During the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, our revenue was comprised of revenue from the following sources:

33

[Table of Contents](#)

Three Months Ended September 30,

Nine Months Ended September 30,

Three Months Ended March 31,

	2023	2022	2023	2022	2024	2023
Product and service revenue:						
Device sales revenue	\$ 10,719	\$ 10,952	\$ 23,761	\$ 24,239	\$ 5,452	\$ 5,083
Recurring revenue	3,578	4,485	11,747	9,835	4,539	4,179
Total product and service revenue	14,297	15,437	35,508	34,074	9,991	9,262
Contract revenue	—	360	370	1,135	—	225
Total revenue	\$ 14,297	\$ 15,797	\$ 35,878	\$ 35,209	\$ 9,991	\$ 9,487

Our product and service revenue is comprised of sales of our handheld and desktop devices and related consumables, accessories and service contracts to end-users in the government, pharmaceuticals/biotechnology and academia markets as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Government	\$ 11,740	\$ 11,069	\$ 26,732	\$ 22,788	\$ 7,427	\$ 6,180
Pharmaceutical/Biotechnology	2,546	4,327	8,705	11,032	2,547	3,052
Academia and other	11	41	71	254	17	30
Total product and service revenue	\$ 14,297	\$ 15,437	\$ 35,508	\$ 34,074	\$ 9,991	\$ 9,262

We sell our products primarily in the United States; however, we continue to expand our global sales efforts as we see traction in our products and assess global market needs. The majority of our international sales are through a distribution channel.

Cost of Revenue, Gross Profit and Gross Margin

Product cost of revenue primarily consists of costs for raw material parts and associated freight, shipping and handling costs, royalties, contract manufacturer costs, salaries and other personnel costs, overhead, amortization of intangibles and other direct costs related to those sales recognized as product revenue in the period.

Cost of revenue for services primarily consists of salaries and other personnel costs, travel related to services provided, facility costs associated with training, warranties and other costs of servicing equipment on a return-to-factory basis and at customer sites. Contract cost of revenue primarily consists of salaries and other personnel costs, materials, travel and other direct costs related to the revenue recognized in the period. The contract cost of revenue will vary based upon the type of contract, including whether it is primarily for development services or for both materials and development services.

We expect that our cost of revenue will increase or decrease to the extent that our revenue increases and decreases and depending on how many contracts we have ongoing at any given point in time and the stage of those contracts.

Gross profit is calculated as revenue less cost of revenue. Gross profit margin is gross profit expressed as a percentage of revenue. Our gross profit in future periods will depend on a variety of factors, including: market conditions that may impact

[Table of Contents](#)

our pricing, sales mix among devices, sales mix changes among consumables, excess and obsolete inventories, our cost structure for manufacturing operations relative to volume, and product warranty obligations. Our gross profit in future periods will vary based upon our channel mix and may decrease based upon our distribution channels and the potential to establish original equipment manufacturing channels for certain components of our technology platform which would have a lower gross margin.

We expect that our gross profit margin for product and service will increase over the long term as our sales and production volumes increase and our cost per unit decreases due to efficiencies of scale. We intend to use our design, engineering and manufacturing capabilities to further advance and improve the efficiency of our manufacturing, which we believe will reduce costs and increase our gross margin. We expect that our gross profit margin for contract will remain consistent for our contracts that are cost reimbursement contracts.

[Table of Contents](#)
Operating Expenses*Research and development expenses*

Research and development expenses consist primarily of costs incurred for our research activities, product development, hardware and software engineering and consultant services and other costs associated with our technology platform and products, which include:

- employee-related expenses, including salaries, related benefits and stock-based compensation expense for employees engaged in research and hardware and software development functions;
- the cost of maintaining and improving our product designs, including third party development costs for new products and materials for prototypes;
- research materials and supplies; and
- facilities, depreciation and other expenses, which include direct and allocated expenses for rent and maintenance of facilities and insurance.

We believe that our continued investment in research and development is essential to our long-term competitive position and expect these expenses to increase in future periods.

Selling, general and administrative expenses

Selling, general and administrative expenses consist primarily of salaries and other personnel costs, and stock-based compensation for our sales and marketing, finance, legal, human resources and general management, as well as professional services, such as legal, audit and accounting services. We expect selling, general and administrative expenses, amortization of customer relationship and tradename intangibles to increase in future periods as the number of sales, sales application specialists and marketing and administrative personnel grows and we continue to introduce new products, invest in demonstration equipment, broaden our customer base and grow our business. We also anticipate that we will incur increased accounting, audit, legal, regulatory, compliance and director and officer insurance costs as well as investor and public relations expenses associated with operating as a public company.

Other Income (Expense)*Interest income*

Interest income consists of interest earned on our invested cash balances.

Interest expense

Interest expense consists of interest expense associated with outstanding borrowings under our loan and security agreements and the amortization of deferred financing costs and debt discounts associated with such arrangements.

[Table of Contents](#)
Other income (expense), net

Other income (expense), net consists of [interest income from our cash and cash equivalents](#), miscellaneous other income and expense unrelated to our core operations.

Provision for Income Taxes

We have not recorded any U.S. federal or state income tax benefits for the net operating losses we have incurred in each year or for the research and development tax credits we generated in the United States and have recorded a full valuation allowance against our net deferred assets, as we believe, based upon the weight of available evidence, that it is more likely than not that all of our net operating loss carryforwards and tax credits will not be realized.

We recognized an income tax benefit of \$0.1 million and \$0.0 million during the three months ended March 31, 2024 and 2023, respectively. The income tax benefit recognized during the three months ended March 31, 2024 primarily resulted from a reduction in the deferred tax liabilities recorded as part of our acquisition of 908 Devices GmbH.

As of [December 31, 2022](#) [December 31, 2023](#), we had gross federal and state operating loss carryforwards of [\\$92.3 million](#) [\\$108.2 million](#) and [\\$64.0 million](#) [\\$77.4 million](#), respectively, which may be available to offset future taxable income and begin to expire in 2032 and 2025, respectively, of which [\\$57.9 million](#) [\\$73.8 million](#) of federal gross operating losses do not expire. As of [December 31, 2022](#) [December 31, 2023](#), we also had U.S. federal and state research and development tax

35

[Table of Contents](#)

credit carryforwards of [\\$5.9 million](#) [\\$7.2 million](#) and [\\$2.8 million](#) [\\$3.4 million](#), respectively, which may be available to offset future tax liabilities and begin to expire in 2032 and [2029](#), [2030](#), respectively.

33

[Table of Contents](#)

Results of Operations

Comparison of the three months ended [September 30, 2023](#) [March 31, 2024](#) and [2022](#) [2023](#)

The following table summarizes our results of operations for the three months ended [September 30, 2023](#) [March 31, 2024](#) and [2022](#); [2023](#):

Three Months Ended September 30,			Three Months Ended March 31,		
2023	2022	Change	2024	2023	Change

	(in thousands)			(in thousands)		
Revenue:						
Product revenue	\$ 12,161	\$ 13,541	\$(1,380)	\$ 7,233	\$ 7,022	\$ 211
Service revenue	2,136	1,896	240	2,758	2,240	518
Contract revenue	—	360	(360)	—	225	(225)
Total revenue	14,297	15,797	(1,500)	9,991	9,487	504
Cost of revenue:						
Product cost of revenue	4,651	5,234	(583)	3,210	3,786	(576)
Service cost of revenue	1,777	1,132	645	1,778	1,270	508
Contract cost of revenue	—	93	(93)	—	47	(47)
Total cost of revenue	6,428	6,459	(31)	4,988	5,103	(115)
Gross profit	7,869	9,338	(1,469)	5,003	4,384	619
Operating expenses:						
Research and development	5,537	4,666	871	5,790	5,398	392
Selling, general and administrative	11,421	11,826	(405)	11,901	12,003	(102)
Total operating expenses	16,958	16,492	466	17,691	17,401	290
Loss from operations	(9,089)	(7,154)	(1,935)	(12,688)	(13,017)	329
Other income (expense):						
Other income, net:						
Interest income	1,449	981	468	1,729	1,017	712
Interest expense	350	(33)	383	—	(551)	551
Other income (expense), net	110	(53)	163			
Other (expense) income, net				(28)	19	(47)
Total other income, net	1,909	895	1,014	1,701	485	1,216
Loss from operations before income taxes	(7,180)	(6,259)	(921)	(10,987)	(12,532)	1,545
Benefit for income taxes	87	—	87	70	—	70
Net loss	\$ (7,093)	\$ (6,259)	\$ (834)	\$ (10,917)	\$ (12,532)	\$ 1,615

Revenue, Cost of Revenue and Gross Profit

Product

Our product revenue is comprised of revenue from sales of devices and related accessories and consumables and service as follows:

	Three Months Ended September 30,		Change	
	2023	2022	Amount	%
	(dollars in thousands)			
Product revenue	\$ 12,161	\$ 13,541	\$ (1,380)	(10)%
Product cost of revenue	4,651	5,234	(583)	(11)%
Gross profit	\$ 7,510	\$ 8,307	\$ (797)	(10)%
Gross profit margin	62 %	61 %	1 %	

[Table of Contents](#)

Product revenue decreased by \$1.4 million, or 10%, for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The decrease was primarily related to a \$1.8 million decrease in desktop device sales, primarily related to a fifteen unit decrease in Rebel device placements for the three months ended September 30, 2023 compared to the three months ended September 30, 2022. This decrease was offset, in part, by \$0.4 million in higher handheld revenues resulting primarily from the initial component shipments under our

subcontract agreement with a commercial entity that holds a U.S. government prime contract, net of a decrease of 33 MX908 placements and lower revenues from handheld aero modules and consumables compared to the prior year period.

Product cost of revenue decreased by \$0.6 million, or 11%, for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The decrease in product cost of revenue was primarily related to \$0.4 million in reduced material costs from the lower sales volume, higher absorption of facility and labor overhead from higher production builds in the three months ended September 30, 2023, compared to the three months ended September 30, 2022, and favorable product mix, mainly from the initial component shipments under our subcontract agreement. These reductions in cost of product revenues were offset in part by \$0.2 million in higher royalty costs, \$0.2 million in higher provisions for excess and obsolete materials and \$0.1 million in stock-based compensation.

Product gross profit decreased by \$0.8 million, or 10%, and gross profit margin increased by fifty basis points for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The decrease in product gross profit is primarily related to lower sales volume. The slight improvement in product gross profit margin was primarily due to favorable product mix related to the initial component shipments under our subcontract agreement and higher production builds in the three months ended September 30, 2023 compared to the three months ended September 30, 2022.

Service

Our service revenue is comprised of revenue from sales of extended warranty and service plans and customer training as follows:

	Three Months Ended September 30,		Change	
	2023	2022	Amount	%
	(dollars in thousands)			
Service revenue	\$ 2,136	\$ 1,896	\$ 240	13 %
Service cost of revenue	1,777	1,132	645	57 %
Gross profit	\$ 359	\$ 764	\$ (405)	(53)%
Gross profit margin	17 %	40 %	(23)%	

Service revenue increased by \$0.2 million, or 13%, for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The increase was primarily related to an increase in handheld service revenues related to extended service contracts for MX908 devices and to a lesser extent increases in handheld training revenue and desktop service arrangements.

Service cost of revenue increased by \$0.6 million, or 57%, for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The increase in service cost of revenue was primarily related to \$0.2 million in higher materials related to servicing the installed base, a \$0.3 million increase in contract trainers used to support the higher handheld training revenue and an increase in personnel costs to support the increase in service revenue.

Service gross profit decreased by \$0.4 million, or 53%, and gross profit margin decreased by 23% for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022, primarily due to the increase in materials shipped under service arrangements and an increase in contract trainers versus internal resources.

[Table of Contents](#)

Contract

	Three Months Ended September 30,		Change	
	2023	2022	Amount	%
	(dollars in thousands)			
Contract revenue	\$ —	\$ 360	\$ (360)	(100)%

Contract cost of revenue	—	93	(93)	(100)%
Gross profit	\$ —	\$ 267	\$ (267)	(100)%
Gross profit margin		74 %	(74)%	

Contract revenue decreased by \$0.4 million for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The majority of contract revenue for the three months ended September 30, 2022, was related to activities under our subcontract agreement with a commercial entity that holds a U.S. government prime contract, for which work on the development phase was completed in the second quarter of 2023.

Contract cost of revenue decreased by \$0.1 million for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The majority of contract revenue for the three months ended September 30, 2022, was related to activities under our subcontract agreement with a commercial entity that holds a U.S. government prime contract, for which work on the development phase was completed in the second quarter of 2023.

Operating Expenses

Research and development

	Three Months Ended September 30,		Change	
	2023	2022	Amount	%
	(dollars in thousands)			
Research and development expenses	\$ 5,537	\$ 4,666	\$ 871	19 %
Percentage of total revenue	39 %	30 %		

Our research and development expenses were \$5.5 million for the three months ended September 30, 2023, an increase of \$0.9 million from research and development expenses of \$4.7 million for the three months ended September 30, 2022. The increase was due primarily to a \$0.5 million increase in salaries and related costs from the impact of headcount added in 2022, a \$0.3 million increase in stock-based compensation and a \$0.3 million increase in occupancy related expenses, mainly related to our new facility in North Carolina, offset in part by \$0.2 million in lower material and consulting costs.

Selling, general and administrative expenses

	Three Months Ended September 30,		Change	
	2023	2022	Amount	%
	(dollars in thousands)			
Selling, general and administrative expenses	\$ 11,421	\$ 11,826	\$ (405)	(3)%
Percentage of total revenue	80 %	75 %		

Our selling, general and administrative expenses were \$11.4 million for the three months ended September 30, 2023, a decrease of \$0.4 million from selling, general and administrative expenses of \$11.8 million for the three months ended September 30, 2022. The decrease was due primarily to a \$0.4 million decrease in insurance costs, primarily related to our director and officer insurance premiums that decreased with market rates for 2023, a \$0.3 million decrease in salaries and related costs, partially offset by a \$0.3 million increase in stock-based compensation.

[Table of Contents](#)

Other Income

Interest income

Interest income increased by \$0.5 million for the three months ended September 30, 2023 from \$1.0 million for the three months ended September 30, 2022. The increase was primarily due to higher interest rates on our interest bearing accounts.

Interest expense

Interest expense was a \$0.4 million recovery of debt termination fees for the three months ended September 30, 2023. The interest expense charges were in the first half of our current fiscal year when we were in default of our credit facility. No interest expense was incurred during the three months ended September 30, 2023, as there was no debt outstanding.

Other income (expense), net

Other income (expense), net was \$0.1 million for the three months ended September 30, 2023 and did not change materially from the three months ended September 30, 2022.

Comparison of the nine months ended September 30, 2023 and 2022

The following table summarizes our results of operations for the nine months ended September 30, 2023 and 2022:

	Nine Months Ended September 30,		
	2023	2022	Change
	(in thousands)		
Revenue:			
Product revenue	\$ 28,778	\$ 29,169	\$ (391)
Service revenue	6,730	4,905	1,825
Contract revenue	370	1,135	(765)
Total revenue	<u>35,878</u>	<u>35,209</u>	<u>669</u>
Cost of revenue:			
Product cost of revenue	13,237	11,509	1,728
Service cost of revenue	4,495	3,259	1,236
Contract cost of revenue	99	340	(241)
Total cost of revenue	<u>17,831</u>	<u>15,108</u>	<u>2,723</u>
Gross profit	<u>18,047</u>	<u>20,101</u>	<u>(2,054)</u>
Operating expenses:			
Research and development	16,460	12,864	3,596
Selling, general and administrative	34,632	32,281	2,351
Total operating expenses	<u>51,092</u>	<u>45,145</u>	<u>5,947</u>
Loss from operations	<u>(33,045)</u>	<u>(25,044)</u>	<u>(8,001)</u>
Other income:			
Interest income	4,155	1,446	2,709
Interest expense	(201)	(68)	(133)
Other expense, net	(88)	(106)	18
Total other income, net	<u>3,866</u>	<u>1,272</u>	<u>2,594</u>
Loss from operations before income taxes	<u>(29,179)</u>	<u>(23,772)</u>	<u>(5,407)</u>
Benefit for income taxes	209	—	209
Net loss	<u>\$ (28,970)</u>	<u>\$ (23,772)</u>	<u>\$ (5,198)</u>

Our product revenue is comprised of revenue from sales of devices and related accessories and consumables as follows:

Product revenue decreased/increased by \$0.4 million/\$0.2 million, or one/three percentage point/points, for the nine/three months ended September 30, 2023/March 31, 2024, compared to the nine/three months ended September 30, 2022/March 31, 2023. The decrease/increase was primarily related to a decrease in desktop sales of \$3.2 million which was due to a decrease of \$3.6 million in desktop device sales, primarily related to a 35 unit decrease in Rebel device placements, offset in part by a \$0.4 million increase in desktop consumables and accessories for the nine months ended September 30, 2023. The decrease in desktop revenue was offset in part by an increase of \$2.8 million in handheld sales for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022, which was attributable to the initial component shipments under our subcontract agreement with a commercial entity that holds a U.S. government prime contract, and higher average selling prices primarily due to channel mix with direct sales and distribution partners, offset in part by 29/nine fewer handheld device placements and eight fewer desktop device placements for the nine/three months ended September 30, 2023/March 31, 2024 compared to the three months ended March 31, 2023.

Table of Contents

Product cost of revenue **increased****decreased** by **\$1.7 million****\$0.6 million**, or 15%, for the **nine****three** months ended **September 30, 2023****March 31, 2024**, compared to the **nine****three** months ended **September 30, 2022****March 31, 2023**. The **increase****decrease** in product cost of revenue was primarily related to **unfavorable****product mix** an increase in production resulting in a \$0.7 million increase in labor and overhead absorption for the **nine****three** months ended **September 30, 2023****March 31, 2024**, as well as \$0.4 million in **higher****lower** materials and supplies consumed in **warranty** and production activities, **offset in part** by \$0.3 million in **intangibles amortization**, **higher****warranty costs** and \$0.2 million in higher **provisions for excess and obsolete materials** and a \$0.2 million increase in shipping personnel related costs.

Product gross profit ~~decreased~~increased by ~~\$2.1 million~~\$0.8 million, or ~~12%~~24%, and gross profit margin ~~decreased~~increased by ~~seven~~ten percentage points for the ~~nine~~three months ended ~~September 30, 2022~~September 30, 2023 March 31, 2023. The ~~decrease~~increase in product gross profit was primarily due to ~~unfavorable~~favorable timing of production and lower material costs, ~~but also due to favorable~~but also due to unfavorable product mix ~~and higher materials as a percent of revenues resulting in approximately two and a half percentage points~~and higher materials as a percent of revenues resulting in approximately two and a half percentage points of the decrease, an increase in materials and supplies used in warranty and production activities resulting in an approximately one and a half percentage point increase in product gross profit.

percentage point decrease, an increase in the provision for excess and obsolete materials resulting in an approximately on percentage point decrease, and the higher non-cash charges for intangible amortization of approximately one percentage point. three months ended March 31, 2024.

Service

Our service revenue is comprised of revenue from sales of extended warranty and service plans and customer training as follows:

	Nine Months Ended September 30,		Change		Three Months Ended March 31,		Change	
	2023	2022	Amount	%	2024	2023	Amount	%
	(dollars in thousands)							

	2023	2022	Amount	%	2024	2023	Amount	%
	(dollars in thousands)							
Contract revenue	\$ 370	\$ 1,135	\$ (765)	(67)%	\$ —	\$ 225	\$ (225)	(100)%
Contract cost of revenue	99	340	(241)	(71)%	—	47	(47)	(100)%
Gross profit	\$ 271	\$ 795	\$ (524)	(66)%	\$ —	\$ 178	\$ (178)	(100)%
Gross profit margin	73 %	70 %	3 %		nil	79 %		

Our research and development expenses were \$16.5 million \$5.8 million for the nine three months ended September 30, 2023 March 31, 2024, an increase of \$3.6 million \$0.4 million from research and development expenses of \$12.9 million \$5.4 million for the nine three months ended September 30, 2022 March 31, 2023. The increase was due primarily to a \$1.8 million increase in salaries and related costs from the impact of headcount added in 2023, a \$0.9 million \$0.2 million increase in stock-based compensation, and a \$0.7 million \$0.1 million increase in occupancy related expenses, mainly related to our new facility in North Carolina.

Table of Contents

Nine Months Ended September 30,		Change		Three Months Ended March 31,		Change	
2023	2022	Amount	%	2024	2023	Amount	%
(dollars in thousands)							

Our selling, general and administrative expenses were **\$34.6 million** **\$11.9 million** for the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, **an increase** **a decrease** of **\$2.4 million** **\$0.1 million** from selling, general and administrative expenses of **\$32.3 million** **\$12.0 million** for the **nine** **three** months ended **September 30, 2022** **March 31, 2023**. The **increase** **decrease** was due primarily to a **\$1.2 million** **\$0.3 million** **decrease** in salaries and related costs **mainly** from **the impact of headcount added** **a decrease** in **2023**, **severance costs**, a **\$1.1 million** **\$0.3 million** **decrease** in third party commissions and a **\$0.2 million** **decrease** in marketing and related costs. These decreases were partially offset by a **\$0.3 million** **increase** in stock-based compensation and a **\$0.8 million** **\$0.3 million** **increase** in **acquisition-related legal costs** for intangible amortization and

accretion and valuation of contingent milestones. These increases were partially offset by a \$1.0 million decrease in insurance costs, primarily related to our director and officers insurance premiums that decreased with market rates for 2023, acquisition-related costs.

Other Income

Interest income

Interest income increased by \$2.7 million \$0.7 million for the nine three months ended September 30, 2023 March 31, 2024 from \$1.4 million \$1.0 million for the nine three months ended September 30, 2022 March 31, 2023. The increase was due to higher interest rates on our interest bearing accounts.

Interest expense

Interest expense increased decreased by \$0.1 million \$0.6 million for the nine three months ended September 30, 2023 March 31, 2024 from \$0.1 million \$0.6 million for the nine three months ended September 30, 2022 March 31, 2023. The increase decrease was primarily due to costs incurred in March 2023 related to the write-off of deferred financing costs on our 2022 Revolver, which was in default and later amended in August 2023.

Other expense, net

Other expense, net was \$0.1 million for the nine three months ended September 30, 2023 and March 31, 2024 did not change materially from the nine three months ended September 30, 2022 March 31, 2023.

36

[Table of Contents](#)

Benefit for Income Taxes

Benefit for income taxes was \$0.1 million for the three months ended March 31, 2024, and resulted from a reduction in the deferred tax liabilities recorded as part of our acquisition of 908 Devices GmbH.

Liquidity and Capital Resources

Since our inception, we have incurred significant operating losses. To date, we have funded our operations primarily with proceeds from sales of redeemable preferred stock, borrowings under loan agreements and revenue from sales of our products and services and contract revenue, proceeds from our initial public offering in December 2020, and with proceeds from an underwritten public offering in November 2021. As of September 30, 2023 March 31, 2024, we had cash, cash equivalents and marketable securities of \$147.9 million \$134.2 million. We believe that our existing cash, cash equivalents and marketable securities will enable us to fund our operating expenses, capital expenditure requirements and debt service payments for at least the next twelve months.

We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we expect. Our future funding requirements will depend on many factors, including:

- market uptake of our products and growth into new and existing markets;
- the cost of our research and development efforts to expand the applications of our current devices and to create enhanced products with our platform of technologies;
- the cost of expanding our commercial operations, including distribution capabilities, and accelerating planned investments, such as hiring additional support, service, and sales management in Europe, Asia Pacific and Latin America, bolstering our infrastructure in these regions;

42

[Table of Contents](#)

- the cost of acquiring complementary businesses, products, services or technologies, when and if required;
- the success of our existing collaborations and our ability to enter additional collaborations in the future;
- the effect of competing technological and market developments; and
- the level of our selling, general and administrative expenses.

On March 11, 2021, the Company entered into the 2021 Revolver to replace the 2019 Loan. This agreement created a revolving line of credit totaling \$25.0 million and eliminated the existing term loan. Borrowings under the revolving line of credit bore interest at an annual rate equal to the greater of (i) one-half percent (0.5%) above the prime rate or (ii) four percent (4.0%), and were scheduled to mature on March 11, 2024. Borrowings were collateralized by substantially all of the Company's property, excluding intellectual property, which was subject to a negative pledge. The 2021 Revolver subjected the Company to various customary covenants, including requirements as to financial reporting and financial covenants (including an unrestricted minimum cash level of \$10.0 million), and restrictions on the Company's ability to dispose of its business or property, to change its line of business, to liquidate or dissolve, to enter into any change in control transaction, to merge or consolidate with any other entity or to acquire all or substantially all the capital stock or property of another entity, to incur additional indebtedness, to incur liens on the Company's property, to pay any dividends or make other distributions on capital stock other than dividends payable solely in capital stock, to redeem capital stock, to enter into inbound licensing agreements, to engage in transactions with affiliates, and to encumber the Company's intellectual property. Events of default under the 2021 Revolver included failure to make payments when due, insolvency events, failure to comply with covenants or material adverse events with respect to the Company. Upon the occurrence of an event of default and until such event of default was no longer continuing, the annual interest rate would be five percent (5.0%) above the otherwise applicable rate.

The terms of the 2021 Revolver required that the existing term loan outstanding under the 2019 Loan be repaid with an advance under the line of credit. Accordingly, on March 11, 2021, the Company used \$14.5 million of proceeds from the 2021 Revolver to repay all amounts then due on the existing term loan. The Company accounted for the transaction as a debt extinguishment and recorded a loss on extinguishment of \$0.2 million, which was included in interest expense in the consolidated statements of operations and comprehensive loss.

On November 2, 2022, the Company satisfied in full all of its outstanding obligations and voluntarily terminated the 2021 Revolver. The Company did not incur any early termination penalties in connection with the termination of the 2021 Revolver. The amount outstanding under the 2021 Revolver was fully repaid in October 2022 and no amounts were outstanding upon termination of the 2021 Revolver.

On November 2, 2022, we entered into a Loan and Security Agreement, or the 2022 Revolver, Revolver, with Silicon Valley Bank, or the Lender.

The 2022 Revolver provided for a revolving line of credit of up to \$35.0 million. We were permitted to make interest-only payments on the revolving line of credit through November 2, 2025, at which time all outstanding indebtedness would be immediately due and payable. The outstanding principal amount of any advance accrued interest at a floating rate per annum equal to the greater of (i) three and one-half percent (3.50%) and (ii) the "prime rate" as published in The Wall Street Journal for the relevant period minus one-half percent (0.50%). Our obligations under the 2022 Revolver were secured by substantially all of our assets, excluding our intellectual property, which was subject to a negative pledge. The revolving line of credit under the 2022 Revolver was scheduled to terminate on November 2, 2025.

As of September 30, 2023, there were no balances outstanding under the 2022 Revolver. As of December 31, 2022, the outstanding principal balance under the 2022 Revolver was \$15.0 million, which was repaid in full on January 4, 2023. The interest rate applicable to borrowing under the 2022 Revolver was 7.0% as of December 31, 2022.

The 2022 Revolver also contained certain financial covenants, including a requirement that the amount of unrestricted and unencumbered cash minus advances under the 2022 Revolver was not less than the amount equal to the greater of (i) \$10.0 million or (ii) nine (9) months of cash burn. The 2022 Revolver contained customary representations and warranties, as well as certain non-financial covenants, including limitations on, among other things, our ability to change the principal nature of our business, dispose of our business or property, engage in any change of control transaction, merge or consolidate with any other entity or to acquire all or substantially all the capital stock or property of another entity, incur additional indebtedness or liens,

[Table of Contents](#)

pay dividends or make other distributions on capital stock, redeem our capital stock, engage in transactions with affiliates or otherwise encumber our intellectual property, in each case, subject to customary exceptions.

[Table of Contents](#)

As of December 31, 2023, there were no balances outstanding under the 2022 Revolver. As of December 31, 2022, the outstanding principal balance under the 2022 Revolver was \$15.0 million, which was repaid in full on January 4, 2023. The interest rate applicable to borrowing under the 2022 Revolver was 7.0% as of December 31, 2022.

On March 10, 2023, SVB, the Lender, also one of our financial institutions, was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation, or FDIC, as receiver.

As of March 31, 2023, the Company had transferred substantially all its cash, and cash equivalents and marketable securities away from SVB the Lender and deposited the funds with new financial institutions. As a result of the transfer of the Company's cash, cash equivalents and marketable securities, the Company was in default, of its financial covenants under the 2022 Revolver. The Company recorded a loss on extinguishment of \$0.5 million in the three months ended March 31, 2023, which was included in interest expense in the condensed consolidated statements of operations and comprehensive loss.

operations.

On August 4, 2023, the Company we entered into a Default Waiver and First Amendment to Loan and Security Agreement with the Lender, or the Amended 2022 Revolver, by in which the Lender waived its rights and between remedies against the Company as borrower, and SVB, as lender, amended the 2022 Revolver. The Amended 2022 Revolver provides for a revolving line of credit of up to \$10.0 million. The Company is permitted to make interest-only payments on the revolving line of credit through November 2, 2025 November 3, 2025, at which time all outstanding indebtedness shall be immediately due and payable. The outstanding principal amount of any advance shall accrue interest at a floating rate per annum equal to the greater of (i) four and one-half percent (4.50%) and (ii) the "prime rate" as published in The Wall Street Journal for the relevant period minus one-half percent (0.50%). The Company's obligations under the Amended 2022 Revolver are secured by substantially all of the Company's assets, excluding its intellectual property, which is subject to a negative pledge. The revolving line of credit under the Amended 2022 Revolver terminates on November 2, 2025 November 3, 2025.

As of March 31, 2024, there were no balances outstanding under the Amended 2022 Revolver.

Pursuant to the Amended 2022 Revolver, SVB the Lender waived filing any legal action or instituting or enforcing any rights and remedies it may have had against the Company in connection with the Company's failing to maintain all of its operating accounts, depository accounts and excess cash with SVB, the Lender, as previously required prior under the 2022 Revolver. The Company recorded a credit of \$0.3 million during the three months ended September 30, 2023 related to the effectiveness of the Amended 2022 Revolver.

previously recorded early termination penalties.

The Amended 2022 Revolver also contains certain financial covenants, including a requirement that the Company maintain \$20.0 million on account at or through SVB the Lender and that the amount of unrestricted and unencumbered cash minus advances under the Amended 2022 Revolver, is not less than the amount equal to the greater of (i) \$10.0 million or (ii) nine (9) months of cash burn. The Amended 2022 Revolver contains customary representations and warranties, as well as certain non-financial covenants, including limitations on, among other things, the Company's ability to change the principal nature of its business, dispose of the Company's business or property, engage in any change of control transaction, merge or consolidate with any other entity or to acquire all or substantially all the capital stock or property of another entity, incur additional indebtedness or liens, pay dividends or make other distributions on capital stock, redeem the Company's capital stock, engage in transactions with affiliates or otherwise encumber the Company's intellectual property, in each case, subject to customary exceptions.

4438

Cash Flows

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
	(in thousands)			
Cash used in operating activities	\$ (23,129)	\$ (15,814)	\$ (9,357)	\$ (10,647)
Cash used in investing activities	(31,036)	(15,195)	(5,780)	(1,185)
Cash (used in) provided by financing activities	(16,030)	768		
Cash used in financing activities			(1,295)	(15,381)
Effect of foreign exchange rate changes on cash and cash equivalents	(14)	(23)	(10)	5
Net decrease in cash, cash equivalents and restricted cash	\$ (70,209)	\$ (30,264)	\$ (16,442)	\$ (27,208)

During the nine three months ended September 30, 2023 March 31, 2024, net cash used in operating activities was \$23.1 million \$9.4 million, primarily resulting from our net loss of \$29.0 million \$10.9 million and net cash used in changes in our operating assets and liabilities of \$4.2 million \$2.5 million, partially offset by noncash charges of \$10.1 million \$4.0 million. Net cash used in changes in our operating assets and liabilities for the nine three months ended September 30, 2023 March 31, 2024, consisted primarily of a \$3.8 million \$1.8 million decrease from changes in inventory and a \$3.0 million decrease from changes in account receivable, partially offset by a \$1.2 million increase from changes in accounts payable and accrued expenses and a \$1.2 million \$1.7 million decrease from changes in inventory, partially offset by a \$1.5 million increase from changes in right-of-use operating lease assets, accounts receivable.

During the ninethree months ended September 30, 2022 March 31, 2023, net cash used in operating activities was \$15.8 million \$10.6 million, primarily resulting from our net loss of \$23.8 million, partially offset by \$12.5 million and net cash provided by used in changes in our operating assets and liabilities of \$1.7 million and \$1.6 million, partially offset by noncash charges of \$6.3 million \$3.4 million. Net cash provided used by changes in our operating assets and liabilities for the ninethree months ended September 30, 2022 March 31, 2023 consisted primarily of a \$2.5 million increase from changes in deferred revenue and a \$2.2 million increase \$1.5 million decrease from changes in prepaid expenses and other current assets \$1.3 million and a \$1.0 million decrease from changes in inventory, partially offset by a \$1.9 million increase from changes in account receivable, partially offset by a \$4.1 million decrease from changes in inventory, accounts receivable.

Investing Activities

During the nine three months ended September 30, 2023 March 31, 2024, net cash used in investing activities was \$31.0 million \$5.8 million, due to \$34.3 million \$14.6 million in purchases of marketable securities, partially offset by \$4.9 million \$9.7 million proceeds from maturities of marketable securities.

During the nine three months ended September 30, 2022 March 31, 2023, net cash used in investing activities was \$15.2 million \$1.2 million, due to \$13.8 million increase from the acquisition of Trace which occurred in August 2022 and purchases of other property and equipment of \$1.4 million, equipment.

Financing Activities

Cash used in financing activities during the nine three months ended September 30, 2023 March 31, 2024 was \$16.0 million \$1.3 million, consisting primarily of the repayment of \$15.0 million outstanding under the 2022 Revolver and \$1.1 million \$0.9 million in payments for withholding taxes on vested equity awards and \$0.4 million of contingent consideration related to the release of the \$0.9 million assignment of the pension liability and the payment of the initial \$0.5 million milestone earned of \$0.5 million paid in August 2023, February 2024.

Cash provided by used in financing activities during the nine three months ended September 30, 2022, March 31, 2023 was \$0.8 million \$15.4 million, consisting primarily of proceeds from issuance repayment of common stock upon option exercises, \$15.0 million outstanding under the 2022 Revolver. We also paid off and drew down \$45.0 million under the 2021 Revolver resulting in no net proceeds by September 30, 2022, \$0.5 million for taxes withheld from employees on vested equity awards.

Critical Accounting Policies and Significant Judgments and Estimates

Our condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States, or GAAP. The preparation of our condensed consolidated financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, costs and expenses and the disclosure of contingent assets and liabilities in our condensed consolidated financial statements. We base our estimates

45

[Table of Contents](#)

on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that

39

[Table of Contents](#)

are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

For a further discussion of our critical accounting policies, please refer to Note 2 to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q and our 2022 2023 Report on Form 10-K. There were no significant changes to our critical accounting policies for the nine three months ended September 30, 2023 March 31, 2024.

Recently Issued Accounting Pronouncements

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 2 to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q and is incorporated herein by reference.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Item 4. Controls and Procedures.

Our management, with the participation of our Chief Executive Officer and Chief 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. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and our management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

46 40

[Table of Contents](#)

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are not currently party to any material legal proceedings.

Item 1A. Risk Factors.

Our operations and financial results are subject to various risks and uncertainties. A detailed discussion of the risks that affect our business is included in the section titled "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended [December 31, 2022](#) [December 31, 2023](#), as filed with the SEC on [March 15, 2023](#) [March 8, 2024](#), or [2022 2023](#) Form 10-K. There have been no material changes to our risk factors during the three months ended [September 30, 2023](#) [March 31, 2024](#) from those discussed in our [2022 2023](#) Form 10-K.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None. None of our directors or executive officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the quarter ended March 31, 2024, as such terms are defined under Item 408(a) of Regulation S-K.

47 41

[Table of Contents](#)

Item 6. Exhibits.

Exhibit Number	Description
10.1	Default Waiver and First Amendment to Loan and Security Agreement, dated as of August 4, 2023, by and between 908 Devices Inc. and Silicon Valley Bank, a division of First-Citizens Bank & Trust Company (successor by purchase to the Federal Deposit Insurance Corporation as Receiver for Silicon Valley Bridge Bank, N.A. (as successor to Silicon Valley Bank)) (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-39815) filed with the SEC on August 8, 2023)
31.1	Certification of Chief Executive Officer of the Registrant Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer of the Registrant Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1†	Certification of Chief Executive Officer of the Registrant Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2†	Certification of Chief Financial Officer of the Registrant Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Data File (the cover page XBRL tags are embedded within the iXBRL document).

† The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q, are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of 908 Devices Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

48 42

[Table of Contents](#)

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.

908 DEVICES INC.

Date: November 7, 2023 May 3, 2024

By: /s/ Kevin J. Knopp, Ph.D.

Kevin J. Knopp, Ph.D.
Chief Executive Officer
(Principal Executive Officer)

Date: November 7, 2023 May 3, 2024

By: /s/ Joseph H. Griffith IV

Joseph H. Griffith IV
Chief Financial Officer
(Principal Financial Officer)

49 43

Exhibit 31.1

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

I, Kevin J. Knopp, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of 908 Devices 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)) for the registrant and have:

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

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

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

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

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

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 7, 2023** May 3, 2024

/s/ Kevin J. Knopp, Ph.D.

Kevin J. Knopp, Ph.D.

Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

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

I, Joseph H. Griffith IV, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of 908 Devices 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)) for the registrant and have:

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

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

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

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

affect, the registrant's internal control over financial reporting; and

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

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023 May 3, 2024

/s/ Joseph H. Griffith IV

Joseph H. Griffith IV

Chief Financial Officer

(Principal Financial Officer)

Exhibit 32.1

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

I, Kevin J. Knopp, 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, the Quarterly Report on Form 10-Q of 908 Devices Inc. for the fiscal quarter ended September 30, 2023 March 31, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of 908 Devices Inc.

/s/ Kevin J. Knopp, Ph.D.

Kevin J. Knopp, Ph.D.

Chief Executive Officer

(Principal Executive Officer)

November 7, 2023 May 3, 2024

Exhibit 32.2

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

I, Joseph H. Griffith IV, 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, the Quarterly Report on Form 10-Q of 908 Devices Inc. for the fiscal quarter ended September 30, 2023 March 31, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of 908 Devices Inc.

/s/ Joseph H. Griffith IV

Joseph H. Griffith IV

Chief Financial Officer

(Principal Financial Officer)

November 7, 2023 May 3, 2024

DISCLAIMER

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

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