

REFINITIV

# DELTA REPORT

## 10-Q

ARLO - ARLO TECHNOLOGIES, INC.  
10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	449
CHANGES	158
DELETIONS	108
ADDITIONS	183

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 **March 31, 2024** **June 30, 2024**
- ☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-38618

**ARLO TECHNOLOGIES, INC.**  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

2200 Faraday Ave., Suite #150  
Carlsbad, California  
(Address of principal executive offices)

38-4061754  
(I.R.S. Employer Identification Number)

92008  
(Zip Code)

(408) 890-3900  
(Registrant's telephone number, including area code)

N/A  
(Former name, former address and former fiscal year, if changed since last report)

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	ARLO	New York Stock Exchange

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 definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

The number of outstanding shares of the registrant's Common Stock, \$0.001 par value, was **97,579,315** **99,936,445** as of **May 3, 2024** **August 2, 2024**.

Arlo Technologies, Inc.  
Form 10-Q  
For the Quarterly Period Ended March 31, 2024 June 30, 2024

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PART I: FINANCIAL INFORMATION

Item 1. *Financial Statements*

ARLO TECHNOLOGIES, INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

		As of	
		March 31, 2024	December 31, 2023
		June 30, 2024	December 31, 2023
		(In thousands, except share and per share data)	
ASSETS			
Current assets:			
Current assets:			
Current assets:			
Cash and cash equivalents			

Cash and cash equivalents		
Cash and cash equivalents		
Short-term investments		
Accounts receivable, net		
Inventories		
Prepaid expenses and other current assets		
Total current assets		
Property and equipment, net		
Operating lease right-of-use assets, net		
Goodwill		
Restricted cash		
Other non-current assets		
Total assets		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current liabilities:		
Current liabilities:		
Accounts payable		
Accounts payable		
Accounts payable		
Deferred revenue		
Accrued liabilities		
Total current liabilities		
Non-current operating lease liabilities		
Other non-current liabilities		
Total liabilities		
Commitments and contingencies (Note 8)	Commitments and contingencies (Note 8)	Commitments and contingencies (Note 8)
Stockholders' Equity:		
Preferred stock: \$0.001 par value; 50,000,000 shares authorized; none issued or outstanding		
Preferred stock: \$0.001 par value; 50,000,000 shares authorized; none issued or outstanding		
Preferred stock: \$0.001 par value; 50,000,000 shares authorized; none issued or outstanding		
Common stock: \$0.001 par value; 500,000,000 shares authorized; shares issued and outstanding: 97,202,042 at March 31, 2024 and 95,380,281 at December 31, 2023		
Common stock: \$0.001 par value; 500,000,000 shares authorized; shares issued and outstanding: 98,326,212 at June 30, 2024 and 95,380,281 at December 31, 2023		
Additional paid-in capital		
Accumulated other comprehensive income		
Accumulated deficit		
Total stockholders' equity		
Total liabilities and stockholders' equity		

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

ARLO TECHNOLOGIES, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three Months Ended	Six Months Ended
	March 31, 2024	

	March 31, 2024				
	March 31, 2024				
	(In thousands, except per share data)				
	(In thousands, except per share data)				
		June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
		(In thousands, except per share data)		(In thousands, except per share data)	
Revenue:					
Products					
Products					
Products					
Services					
Services					
Services					
Total revenue					
Total revenue					
Total revenue					
Cost of revenue:					
Cost of revenue:					
Cost of revenue:					
Products					
Products					
Products					
Services					
Services					
Services					
Total cost of revenue					
Total cost of revenue					
Total cost of revenue					
Gross profit					
Gross profit					
Gross profit					
Operating expenses:					
Operating expenses:					
Operating expenses:					
Research and development					
Research and development					
Research and development					
Sales and marketing					
Sales and marketing					
Sales and marketing					
General and administrative					
General and administrative					
General and administrative					
Others					
Others					
Others					
Total operating expenses					
Total operating expenses					

Total operating expenses
Loss from operations
Loss from operations
Loss from operations
Interest income, net
Interest income, net
Interest income, net
Other loss, net
Other loss, net
Other loss, net
Loss before income taxes
Loss before income taxes
Other income (loss), net
Loss before income taxes
Provision for income taxes
Provision for income taxes
Provision for income taxes
Net loss
Net loss
Net loss
Net loss per share:
Net loss per share:
Net loss per share:
Basic and diluted
Basic and diluted
Basic and diluted
Weighted average shares used to compute net loss per share:
Weighted average shares used to compute net loss per share:
Weighted average shares used to compute net loss per share:
Basic and diluted
Basic and diluted
Basic and diluted
Comprehensive loss:
Comprehensive loss:
Comprehensive loss:
Net loss
Net loss
Net loss
Other comprehensive income (loss), net of tax
Other comprehensive income (loss), net of tax
Other comprehensive income (loss), net of tax
Total comprehensive loss
Total comprehensive loss
Total comprehensive loss

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

ARLO TECHNOLOGIES, INC.		
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY		
	Three Months Ended	Six Months Ended
	March 31,	
	2024	

	March 31, 2024				
	March 31, 2024				
	(In thousands)				
	(In thousands)				
		June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
		(In thousands)		(In thousands)	
Total stockholders' equity, beginning balances					
Common stock:					
Common stock:					
Common stock:					
Beginning balances					
Beginning balances					
Beginning balances					
Issuance of common stock under stock-based compensation plans					
Issuance of common stock under stock-based compensation plans					
Issuance of common stock under stock-based compensation plans					
Restricted stock unit withholdings					
Restricted stock unit withholdings					
Restricted stock unit withholdings					
Ending balances					
Ending balances					
Ending balances					
Additional paid-in capital:					
Additional paid-in capital:					
Additional paid-in capital:					
Beginning balances					
Beginning balances					
Beginning balances					
Stock-based compensation expense					
Stock-based compensation expense					
Stock-based compensation expense					
Settlement of liability classified restricted stock units					
Settlement of liability classified restricted stock units					
Settlement of liability classified restricted stock units					
Issuance of common stock under stock-based compensation plans					
Issuance of common stock under stock-based compensation plans					
Issuance of common stock under stock-based compensation plans					
Issuance of common stock under Employee Stock Purchase Plan					
Restricted stock unit withholdings					
Restricted stock unit withholdings					
Restricted stock unit withholdings					
Ending balances					
Ending balances					
Ending balances					
Accumulated deficit:					
Accumulated deficit:					
Accumulated deficit:					
Beginning balances					
Beginning balances					

Beginning balances
Net loss
Net loss
Net loss
Ending balances
Ending balances
Ending balances
Accumulated other comprehensive income:
Accumulated other comprehensive income:
Accumulated other comprehensive income:
Beginning balances
Beginning balances
Beginning balances
Other comprehensive income (loss), net of tax
Other comprehensive income (loss), net of tax
Other comprehensive income (loss), net of tax
Ending balances
Ending balances
Ending balances
Total stockholders' equity, ending balances
Total stockholders' equity, ending balances
Total stockholders' equity, ending balances
Common stock shares:
Common stock shares:
Common stock shares:
Beginning balances
Beginning balances
Beginning balances
Issuance of common stock under stock-based compensation plans
Issuance of common stock under stock-based compensation plans
Issuance of common stock under stock-based compensation plans
Restricted stock unit withholdings
Restricted stock unit withholdings
Issuance of common stock under Employee Stock Purchase Plan
Restricted stock unit withholdings
Ending balances
Ending balances
Ending balances

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

ARLO TECHNOLOGIES, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	Six Months Ended
	March 31, 2024	April 2, 2023
	June 30, 2024	July 2, 2023



**Cash flows from operating activities:**

Net loss

Net loss

Net loss

Adjustments to reconcile net loss to net cash provided by operating activities:

Stock-based compensation expense

Stock-based compensation expense

Stock-based compensation expense

Depreciation and amortization

Allowance for credit losses and non-cash changes to reserves

Deferred income taxes

Other

Changes in assets and liabilities:

Accounts receivable

Accounts receivable

Accounts receivable

Inventories

Prepaid expenses and other assets

Accounts payable

Deferred revenue

Accrued and other liabilities

Net cash provided by operating activities

**Cash flows from investing activities:**

Purchases of property and equipment

Purchases of property and equipment

Purchases of property and equipment

Purchases of short-term investments

Proceeds from maturities of short-term investments

Net cash used in investing activities

**Cash flows from financing activities:**

Proceeds related to employee benefit plans

Proceeds related to employee benefit plans

Proceeds related to employee benefit plans

Restricted stock unit withholdings

Net cash used in financing activities

Net increase (decrease) in cash, cash equivalents, and restricted cash

Cash, cash equivalents, and restricted cash, at beginning of period

Cash, cash equivalents, and restricted cash, at end of period

**Reconciliation of cash, cash equivalents, and restricted cash to Unaudited Condensed Consolidated Balance Sheets**

Cash and cash equivalents

Cash and cash equivalents

Cash and cash equivalents

Restricted cash

**Total cash, cash equivalents, and restricted cash****Supplemental cash flow information:**

Non-cash investing activities:

Non-cash investing activities:

Non-cash investing activities:

Purchases of property and equipment included in accounts payable and accrued liabilities

Purchases of property and equipment included in accounts payable and accrued liabilities

Purchases of property and equipment included in accounts payable and accrued liabilities

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

**ARLO TECHNOLOGIES, INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Description of Business and Basis of Presentation**

**Description of Business**

Arlo Technologies, Inc. ("we" or "Arlo") is transforming the ways in which people can protect everything that matters to them with advanced home, business, and personal security services that combine a globally scaled cloud platform, advanced monitoring and analytics capabilities, and award-winning app-controlled devices to create a personalized security ecosystem. Arlo's deep expertise in cloud services, cutting-edge AI and computer vision analytics, wireless connectivity and intuitive user experience design delivers seamless, smart home security for Arlo users that is easy to setup and engage with every day. Our highly secure, cloud-based platform provides users with visibility, insight and a powerful means to help protect and connect in real-time with the people and things that matter most, from any location with a Wi-Fi or a cellular connection – all rooted in a commitment to safeguard privacy for our users and their personal data.

We conduct business across three geographic regions—(i) the Americas; (ii) Europe, Middle-East and Africa ("EMEA"); and (iii) Asia Pacific ("APAC")—and primarily generate revenue by selling devices through retail channels, wholesale distribution, wireless carrier channels, security solution providers, and Arlo's direct to consumer store and paid subscription services.

Our corporate headquarters is located in Carlsbad, California, with other satellite offices across North America and various other global locations.

**Basis of Presentation**

We prepare our unaudited condensed consolidated financial statements in conformity with U.S. Generally Accepted Accounting Principles ("U.S. GAAP") and pursuant to the regulations of the U.S. Securities and Exchange Commission ("SEC"). The unaudited condensed consolidated financial statements include the accounts of Arlo and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

These unaudited condensed consolidated financial statements should be read in conjunction with the notes to the audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, which was filed with the SEC on February 29, 2024. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. In the opinion of management, these unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for fair statement of the unaudited condensed consolidated financial statements for interim periods.

**Fiscal Periods**

Our fiscal year begins on January 1 of the year stated and ends on December 31 of the same year. We report the results on a fiscal quarter basis rather than on a calendar quarter basis. Under the fiscal quarter basis, each of the first three fiscal quarters ends on the Sunday closest to the calendar quarter end, with the fourth quarter ending on December 31.

**Reclassification**

Certain prior periods amounts have been reclassified to conform to the current period's presentation. None of these reclassifications had a material impact to the unaudited condensed consolidated financial statements.

**ARLO TECHNOLOGIES, INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**Use of Estimates**

The preparation of these unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Management bases its estimates on various assumptions believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ materially from those estimates and operating results for the three and six months ended March 31, 2024 June 30, 2024 and are not necessarily indicative of the results that may be expected for the year ending December 31, 2024 or any future period.

## Note 2. Significant Accounting Policies and Recent Accounting Pronouncements

Our significant accounting policies are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023. There have been no significant changes to such policies during the three six months ended March 31, 2024 June 30, 2024.

### Accounting Pronouncements Recently Adopted

There were no accounting pronouncements adopted during the three six months ended March 31, 2024 June 30, 2024.

### Accounting Pronouncements Not Yet Effective

In October 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-06, Disclosure Improvements: *Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*, which modifies the disclosure or presentation requirements of a variety of Topics in the Codification. Among the various codification amendments, Topic 470 *Debt* is applicable to Arlo which requires the disclosure of amounts, terms and weighted-average interest rates of unused lines of credit. The effective date is either the date on which the SEC's removal of the related disclosure requirement from Regulation S-X or Regulation S-K becomes effective, or on June 30, 2027, if the SEC has not removed the requirement by that date, with early adoption prohibited. The adoption of this new standard will not have a material impact on our financial statements and related disclosures.

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting: *Improvements to Reportable Segment Disclosures*, which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. This guidance is effective for annual periods beginning January 1, 2024, and for interim periods beginning January 1, 2025, with early adoption permitted. We are currently evaluating the impact that this guidance may have on our financial statements and related disclosures.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes: *Improvements to Income Tax Disclosures*, which requires on an annual basis to (1) disclose specific categories in the rate reconciliation, (2) provide additional information for reconciling items that meet a quantitative threshold, and (3) income taxes paid disaggregated by jurisdiction. This guidance is effective for annual periods beginning after December 15, 2024, with early adoption permitted. We are currently evaluating the impact that this guidance may have on our financial statements and related disclosures.

## ARLO TECHNOLOGIES, INC.

### NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## Note 3. Revenue

### Performance Obligations

The total estimated service revenue expected to be recognized in the future related to performance obligations that are unsatisfied and partially unsatisfied was \$23.5 \$25.9 million as of March 31, 2024 June 30, 2024 and \$18.8 million as of December 31, 2023, substantially related to a performance obligation classified as less than one year.

For the three six months ended March 31, 2024 June 30, 2024 and April 2, 2023 July 2, 2023, \$52.7 \$106.7 million and \$41.2 \$87.6 million of revenue, respectively, was deferred due to unsatisfied performance obligations, primarily relating to over time service revenue, and \$49.2 \$101.1 million and \$38.4 \$81.4 million of revenue, respectively, was recognized for the satisfaction of performance obligations over time, respectively, time. Approximately \$12.1 \$15.2 million and \$8.4 \$9.8 million of this recognized revenue, respectively, was included in the contract liability balance at the beginning of the periods. There were no significant changes in estimates during the period that would affect the contract balances.

During the five-year period that commenced on January 1, 2020, Verisure Sàrl ("Verisure") has an aggregate purchase commitment of \$500.0 million. As of March 31, 2024 June 30, 2024, the entire purchase commitment has been fulfilled. Based on the Supply Agreement with Verisure, a purchase obligation is not deemed to exist until we receive and accept Verisure's purchase order. As of March 31, 2024 June 30, 2024, we had a backlog of \$44.5 \$46.0 million which represents performance obligations that will be recognized as revenue once fulfilled, which is expected to occur over the next six months.

On April 25, 2024, Verisure notified us that it is was exercising its right under the Supply Agreement to extend the term for another five years (through November 2029) under the same terms but without minimum purchase obligations.

Disaggregation of Revenue

We disaggregate our revenue into three geographic regions: the Americas, EMEA, and APAC, where we conduct our business. The following table presents revenue disaggregated by geographic region.

	Three Months Ended		Six Months Ended	
	June 30,	July 2,	June 30,	July 2,
	2024	2023	2024	2023
	(In thousands)		(In thousands)	
	(In thousands)		(In thousands)	
	(In thousands)		(In thousands)	
Americas				
EMEA				
EMEA				
EMEA				
APAC				
APAC				
APAC				
Total				
Total				
Total				

As of March 31, 2024 June 30, 2024 and December 31, 2023, one customer two customers accounted for 69.9% 63.8% and 10.4%, and three customers accounted for 37.1%, 15.2%, and 10.2% of the total accounts receivable, net, respectively. No other customers accounted for 10% or greater of the total accounts receivable, net. For the three months ended March 31, 2024 June 30, 2024 and April 2, 2023 July 2, 2023, one customer accounted for 49.4% 44.6% and 43.7% 26.9% of the total revenue, respectively. For the six months ended June 30, 2024 and July 2, 2023, one customer accounted for 47.0% and 35.1% of the total revenue, respectively. No other customers accounted for 10% or greater of the total revenue.

ARLO TECHNOLOGIES, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 4. Balance Sheet Components

Short-Term Investments

	As of March 31, 2024				As of December 31, 2023				As of June 30, 2024				As of December 31, 2023			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
	(In thousands)															
U.S.																
Treasuries																

Accounts Receivable, Net

	As of	
	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
	(In thousands)	

Gross accounts receivable
Allowance for credit losses
Total

The following table provides a roll-forward of the allowance for credit losses that is deducted from the amortized cost basis of accounts receivable to present the net amount expected to be collected.

	Three Months Ended		Three Months Ended		Six Months Ended
	Three Months Ended				
	Three Months Ended				
	March 31,				
	2024				
	March 31,				
	2024				
	March 31,				
	2024				
	(In thousands)				
	(In thousands)				
	June 30,	July 2,	June 30,	July 2,	
	2024	2023	2024	2023	
	(In thousands)		(In thousands)		
Balance at the beginning of the period					
Provision for (release of) expected credit losses					
Provision for (release of) expected credit losses					
Provision for (release of) expected credit losses					
Release of expected credit losses					
Balance at the end of the period					
Balance at the end of the period					
Balance at the end of the period					

ARLO TECHNOLOGIES, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Property and Equipment, Net

The components of property and equipment are as follows:

		As of	
		March 31,	December 31,
		2024	2023
		June 30,	December 31,
		2024	2023
(In thousands)			
Machinery and equipment			
Software			
Computer equipment			
Leasehold improvements			
Furniture and fixtures			
Total property and equipment, gross			
Accumulated depreciation			
Total property and equipment, net <sup>(1)</sup>			

(1) \$0.8 \$0.7 million and \$1.0 million of property and equipment, net, was included in the sublease arrangement for the San Jose office building as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively.

Depreciation expense pertaining to property and equipment was \$0.9 million \$0.8 million and \$1.1 million \$1.7 million for the three and six months ended March 31, 2024 June 30, 2024, respectively, and April 2, 2023 \$1.2 million and \$2.4 million for the three and six months ended July 2, 2023, respectively.

Goodwill

We have determined that no event occurred or circumstances changed during the three six months ended March 31, 2024 June 30, 2024 that would more likely than not reduce the fair value of goodwill below the carrying amount. No goodwill impairment was recognized in the three six months ended March 31, 2024 June 30, 2024 and April 2, 2023 July 2, 2023.

Accrued Liabilities

	As of	
	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
(In thousands)		
Sales incentives		
Sales returns		
Compensation		
Cloud and other costs		
Other		
Total		

ARLO TECHNOLOGIES, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 5. Fair Value Measurements

The following table summarizes assets measured at fair value on a recurring basis:

	As of	
	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
(In thousands)		
Cash equivalents: money-market funds (<90 days)		
Cash equivalents: U.S. Treasuries (<90 days)		
Available-for-sale securities: U.S. Treasuries (1)		
Total		

(1) Included in short-term investments on our unaudited condensed consolidated balance sheets.

Our investments in cash equivalents and available-for-sale securities are classified within Level 1 of the fair value hierarchy because they are valued based on quoted market prices in active markets.

As of March 31, 2024 June 30, 2024 and December 31, 2023, assets and liabilities measured as Level 2 fair value were not material and there were no Level 3 fair value assets or liabilities measured on a recurring basis.

ARLO TECHNOLOGIES, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**Note 6. Restructuring**

In November 2022, we initiated a restructuring plan to reduce our cost structure to better align the operational needs of the business to current economic conditions while continuing to support our long-term strategy. This restructuring includes the reduction of headcount as well as the abandonment of certain lease contracts and the cancellation of contractual services arrangements with certain suppliers. As of **March 31, 2024** **June 30, 2024**, we have substantially incurred all costs pertaining to restructuring activities, with related cash outflows extending until the fourth quarter of 2024.

The restructuring liabilities are included in accrued liabilities in our unaudited condensed consolidated balance sheets. The restructuring charges are included in "Others" in the unaudited condensed consolidated statements of comprehensive loss. Restructuring activity is as follows:

	Total	Total	Severance Expense	Office Exit Expense	Other Exit Expense	Total	Severance Expense	Office Exit Expense	Other Exit Expense
	(In thousands)								
Balance as of December 31, 2021									
Restructuring charges									
Cash payments									
Non-cash and other adjustments									
Balance as of December 31, 2022									
Restructuring charges									
Cash payments									
Non-cash and other adjustments									
Balance as of December 31, 2023									
Restructuring charges									
Cash payments									
Non-cash and other adjustments									
Balance as of March 31, 2024									
Balance as of March 31, 2024									
Balance as of March 31, 2024									
Restructuring charges									
Cash payments									
Balance as of June 30, 2024									
Balance as of June 30, 2024									
Balance as of June 30, 2024									
Total costs incurred inception to date									

**ARLO TECHNOLOGIES, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**Note 7. Revolving Credit Facility**

On October 27, 2021, we entered into a Loan and Security Agreement (the "Credit Agreement") with Bank of America, N.A., a national banking association, as lender (the "Lender").

The Credit Agreement provides for a three-year revolving credit facility (the "Credit Facility") that matures on October 27, 2024. Borrowings under the Credit Facility are limited to the lesser of (x) \$40.0 million, and (y) an amount equal to the borrowing base. The borrowing base will be the sum of (i) 90% of investment grade eligible receivables and (ii) 85% of non-investment grade eligible accounts, less applicable reserves established by the Lender. The Credit Agreement also includes a \$5.0 million sublimit for the issuance by the Lender of letters of credit. In addition, the Credit Agreement includes an uncommitted accordion feature that allows us to request, from time to time, that the Lender increase the aggregate revolving loan commitments by up to an additional \$25.0 million in the aggregate, subject to the satisfaction of certain conditions, including obtaining the Lender's agreement to participate in each increase. The proceeds of the borrowings under the Credit Facility may be used for working capital and general corporate purposes. Based on certain terms and conditions including eligible accounts receivable as of **March 31, 2024** **June 30, 2024**, we had unused borrowing capacity of **\$4.2** **\$6.2** million.

Our obligations under the Credit Agreement are secured by substantially all of our domestic working capital assets, including accounts receivable, cash and cash equivalents, inventory, and other assets to the extent related to such working capital assets.

At our option, borrowings under the Credit Agreement will bear interest at a floating rate equal to: (i) the Bloomberg Short-Term Bank Yield Index rate plus the applicable rate of 2.0% to 2.5% determined based on our average daily availability for the prior fiscal quarter, or (ii) the base rate plus the applicable rate of 1.0% to 1.5% based on our average daily availability for the prior fiscal quarter. Among other fees, we are required to pay a monthly unused fee of 0.2% per annum on the amount by which the Lender's aggregate commitment under the Credit Facility exceeds the average daily revolver usage during such month.

The Credit Agreement contains events of default, representations and warranties, and affirmative and negative covenants customary for credit facilities of this type. The Credit Agreement also contains financial covenants that require us to, if the Financial Covenant Trigger Period (as defined in the Credit Agreement) is in effect, maintain a fixed charge coverage ratio, tested quarterly on a trailing twelve month basis, of at least 1.00 to 1.00 at any time. As of **March 31, 2024** **June 30, 2024**, we were in compliance with all the covenants of the Credit Agreement.

If an event of default under the Credit Agreement occurs, then the Lender may cease making advances under the Credit Agreement and declare any outstanding obligations under the Credit Agreement to be immediately due and payable. In addition, if we file a bankruptcy petition, a bankruptcy petition is filed against us and is not dismissed or stayed within thirty days or we make a general assignment for the benefit of creditors, then any outstanding obligations under the Credit Agreement will automatically and without notice or demand become immediately due and payable.

No amounts had been drawn under the Credit Facility as of **March 31, 2024** **June 30, 2024**.

## ARLO TECHNOLOGIES, INC.

### NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### Note 8. Commitments and Contingencies

##### Operating Leases

Our operating lease obligations mostly include offices, equipment, and distribution centers, with various expiration dates through June 2029. Certain lease agreements include options to renew or terminate the lease, which are not reasonably certain to be exercised and therefore are not factored into our determination of lease payments. The terms of certain leases provide for rental payments on a graduated scale. Gross lease expense was **\$1.3 million and \$2.8 million for the three and six months ended June 30, 2024, respectively, and \$1.5 million and \$3.0 million for each of the three and six months ended March 31, 2024 and April 2, 2023, July 2, 2023, respectively.** We recorded sublease income as reduction of lease expense, in the amount of \$0.5 million and **\$1.0 million for each of the three and six months ended March 31, 2024 June 30, 2024 and April 2, 2023, July 2, 2023, respectively.**

Supplemental cash flow information related to operating leases is as follows:

	Three Months Ended	
	March 31, 2024	April 2, 2023
	Six Months Ended	
	June 30, 2024	July 2, 2023
(In thousands)		

Cash paid for amounts included in the measurement of lease liabilities

Operating cash flows from operating leases

Operating cash flows from operating leases

Operating cash flows from operating leases

Weighted average remaining lease term and weighted average discount rate related to operating leases are as follows:

	As of			As of		
	March 31, 2024	December 31, 2023		June 30, 2024	December 31, 2023	
Weighted average remaining lease term	Weighted average remaining lease term	4.8 years	5.0 years	Weighted average remaining lease term	4.5 years	5.0 years
Weighted average discount rate	Weighted average discount rate	5.74 %	5.74 %	Weighted average discount rate	5.75 %	5.74 %

## ARLO TECHNOLOGIES, INC.

### NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)



The future minimum undiscounted lease payments under operating leases and future non-cancelable rent payments from our subtenants for each of the next five years and thereafter as of **March 31, 2024** **June 30, 2024** are as follows:

	Operating Lease Payments	Operating Lease Payments	Sublease Payments	Net	Operating Lease Payments	Sublease Payments	Net
	(In thousands)						
2024 (Remaining nine months)							
2024 (Remaining six months)							
2025							
2026							
2027							
2028							
Thereafter							
Total future lease payments							
Less: imputed interest							
Present value of future minimum lease payments							
Present value of future minimum lease payments							
Present value of future minimum lease payments							
Accrued liabilities							
Accrued liabilities							
Accrued liabilities							
Non-current operating lease liabilities							
Non-current operating lease liabilities							
Non-current operating lease liabilities							
Total lease liabilities							
Total lease liabilities							
Total lease liabilities							

Letters of Credit

In connection with the lease agreement for our office space located in San Jose, California, we executed a letter of credit with the landlord as the beneficiary. As of **March 31, 2024** **June 30, 2024**, we had \$3.6 million of unused letters of credit outstanding, of which \$3.1 million pertains to the lease arrangement in San Jose, California.

Purchase Obligations

We have entered into various inventory-related purchase agreements with suppliers. Generally, under these agreements, 50% of orders are cancelable by giving notice 46 to 60 days prior to the expected shipment date and 25% of orders are cancelable by giving notice 31 to 45 days prior to the expected shipment date. Orders are non-cancelable within 30 days prior to the expected shipment date. As of **March 31, 2024** **June 30, 2024**, we had **\$40.0 million** **\$51.7 million** in non-cancelable purchase commitments with suppliers which is expected to be paid over the next twelve months.

As of **March 31, 2024** **June 30, 2024**, an additional **\$29.4 million** **\$33.3 million** of purchase orders beyond contractual termination periods have been issued to supply chain partners in anticipation of demand requirements. Consequently, we may incur expenses for the materials and components, such as chipsets already purchased by the supplier to fulfill our orders if the purchase order is cancelled. Expenses incurred have historically not been material relative to the original order value.

ARLO TECHNOLOGIES, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Warranty Obligations

Changes in warranty obligations, which are included in accrued liabilities in the unaudited condensed consolidated balance sheets, are as follows:

	Three Months Ended	Six Months Ended
--	--------------------	------------------

	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
	(In thousands)		(In thousands)	
	(In thousands)			
	(In thousands)			
Balance at the beginning of the period				
Provision for warranty obligations				
Provision for warranty obligations				
Provision for warranty obligations				
Settlements				
Settlements				
Provision for (release of) warranty obligations				
Settlements				
Balance at the end of the period				
Balance at the end of the period				
Balance at the end of the period				

### Litigation and Other Legal Matters

We are involved in disputes, litigation, and other legal actions. In all cases, at each reporting period, we evaluate 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. In such cases, we accrue for the amount or, if a range, we accrue the low end of the range, only if there is not a better estimate than any other amount within the range, as a component of legal expense within general and administrative expenses. We monitor developments in these legal matters that could affect the estimate we had previously accrued. In relation to such matters, we currently believe that there are no existing claims or proceedings that are likely to have a material adverse effect on our financial position within the next 12 months, or the outcome of these matters is currently not determinable. There are many uncertainties associated with any litigation, and these actions or other third-party claims against us may cause us to incur costly litigation and/or substantial settlement charges. In addition, the resolution of any intellectual property litigation may require us to make royalty payments, which could have an adverse effect in future periods. If any of those events were to occur, our business, financial condition, results of operations, and cash flows could be adversely affected. The actual liability in any such matters may be materially different from our estimates, which could result in the need to adjust the liability and record additional expenses.

### Indemnifications

In the ordinary course of business, we may provide indemnification of varying scope and terms to customers, distributors, resellers, vendors, lessors, business partners, and other parties with respect to certain matters including, but not limited to, losses arising from breach of such agreements or from intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with members of our board of directors and certain of our executive officers that require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments we could be required to make under these indemnification agreements is, in many cases, unlimited. As of **March 31, 2024** **June 30, 2024** and December 31, 2023, we have not incurred any material costs as a result of such indemnifications and we are not currently aware of any indemnification claims.

## ARLO TECHNOLOGIES, INC.

### NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### Note 9. Employee Benefit Plans

We grant options and restricted stock units ("RSUs") under the 2018 Equity Incentive Plan (the "2018 Plan"), under which awards may be granted to all employees. We also grant performance-based and market-based restricted stock units ("PSUs") to our executive officers periodically. Award vesting periods for the 2018 Plan are generally three to **four five** years. As of **March 31, 2024** **June 30, 2024**, approximately 3.8 million shares were available for future grants. Options may be granted for periods of up to 10 years or such shorter term as may be provided in the agreement and at prices no less than 100% of the fair market value of Arlo's common stock on the date of grant. Options granted under the 2018 Plan generally vest over four years, the first tranche at the end of 12 months and the remaining shares underlying the option vesting monthly over the remaining three years.

On January 19, 2024, we registered an aggregate of up to 4,759,901 shares of common stock on a Registration Statement on Form S-8, including 3,807,921 shares issuable pursuant to the 2018 Plan that were automatically added to the shares authorized for issuance **under the 2018 Plan** and 951,980 shares issuable pursuant to the Employee Stock Purchase Plan ("ESPP") that were automatically added to the shares authorized for issuance on January 1, 2024, both pursuant to an "evergreen" provision contained in the respective plans.

The following table sets forth the available shares for grants as of **March 31, 2024** **June 30, 2024**:

	Number of Shares
	(In thousands)
Shares available for grants as of December 31, 2023	3,516
Additional authorized shares	3,808
Granted	(5,257) (6,402)
Forfeited / cancelled	327 831
Shares traded for taxes	1,399 2,071
Shares available for grants as of March 31, 2024 June 30, 2024	3,793 3,824

#### Employee Stock Purchase Plan

We sponsor the ESPP to eligible employees. Under our ESPP, employees purchased 233 thousand shares and 460 thousand shares during the six months ended June 30, 2024 and July 2, 2023, respectively. As of March 31, 2024 June 30, 2024, 2.8 2.5 million shares were available for issuance under the ESPP.

#### Option Activity

We granted no did not grant options during the three six months ended March 31, 2024 June 30, 2024. Stock option activity during the three six months ended March 31, 2024 June 30, 2024 was as follows:

	Number of Shares	Weighted Average Exercise Price Per Share	Number of Shares	Weighted Average Exercise Price Per Share
	(In thousands)	(In thousands)	(In dollars)	(In thousands)
Outstanding as of December 31, 2023				
Granted				
Exercised				
Forfeited / cancelled				
Expired				
Outstanding as of March 31, 2024				
Vested and exercisable as of March 31, 2024				
Outstanding as of June 30, 2024				
Vested and exercisable as of June 30, 2024				

#### ARLO TECHNOLOGIES, INC.

#### NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### RSU Activity

RSU activity, excluding PSU activity, during the three six months ended March 31, 2024 June 30, 2024 was as follows:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share	Number of Shares	Weighted Average Grant Date Fair Value Per Share
	(In thousands)	(In thousands)	(In dollars)	(In thousands)
Outstanding as of December 31, 2023				
Granted				
Vested				
Forfeited				
Outstanding as of March 31, 2024				
Outstanding as of June 30, 2024				

#### PSU Activity

Our executive officers and other senior employees have been granted performance-based awards with vesting occurring at the end of a three or five-year period if performance conditions or market conditions are met. The number of units earned and eligible to vest are determined based on the achievement of various performance conditions or market conditions, including the cumulative paid accounts targets, stock price, cash balances at reporting period, and the recipients' continued services. At the end of each

PSU activity during the three six months ended March 31, 2024 June 30, 2024 was as follows:

### Stock-Based Compensation Expense

	Three Months Ended		Six Months Ended	
	March 31, 2024	March 31, 2024	June 30, 2024	July 2, 2023
	(In thousands)	(In thousands)		
Cost of revenue				
Research and development				
Research and development				
Research and development				
Sales and marketing				
Sales and marketing				
Sales and marketing				
General and administrative				
General and administrative				
General and administrative				
Total				
Total				
Total				

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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REFINITIV 

1.5 1.1 years as of March 31, 2024 June 30, 2024.

During the three six months ended March 31, 2024 June 30, 2024 and April 2, 2023 July 2, 2023, we settled executive and employee bonuses by granting and issuing restricted stock units (non-cash financing activities) that vested immediately amounting to \$6.9 million and \$6.7 million, respectively.

Note 10. Income Taxes

The provision for income taxes for the three and six months ended March 31, 2024 June 30, 2024 was \$0.4 million \$0.2 million and \$0.6 million, respectively, or an effective tax rate of (4.3) (2.1)% and (3.1)%, respectively. The provision for income taxes for the three and six months ended April 2, 2023 July 2, 2023 was \$0.8 million \$0.2 million and \$1.0 million, respectively, or an effective tax rate of (5.9) (3.1)% and (4.9)%, respectively. During the three and six months ended March 31, 2024 June 30, 2024 and April 2, 2023 July 2, 2023, we sustained U.S. book losses. Consistent with the prior year periods, we maintained a valuation allowance against our U.S. federal and state deferred tax assets and did not record a tax benefit on these deferred tax assets since it is more likely than not that these deferred tax assets will not be realized.

Provision for income taxes decreased for the three and six months ended March 31, 2024 June 30, 2024, compared to the prior year period, periods changed primarily due to (i) foreign-derived intangible income ("FDII") and higher Section 174 amortization in the U.S. and (ii) the utilization of R&D credit in Ireland to partially offset its tax liability.

Note 11. Net Loss Per Share

Three Months Ended		Three Months Ended	Six Months Ended
Three Months Ended			
Three Months Ended			
March 31, 2024			
March 31, 2024			
March 31, 2024			
(In thousands, except per share data)			
(In thousands, except per share data)			
June 30, 2024		July 2, 2023	June 30, 2024
July 2, 2023		June 30, 2024	July 2, 2023
(In thousands, except per share data)		(In thousands, except per share data)	

Numerator:

Net loss
Net loss
Net loss

Denominator:

Denominator:

Denominator:

Weighted average common shares - basic and diluted
Weighted average common shares - basic and diluted
Weighted average common shares - basic and diluted

Basic and diluted net loss per share

Basic and diluted net loss per share

Basic and diluted net loss per share

Basic and diluted net loss per share

Anti-dilutive employee stock-based awards, excluded

Anti-dilutive employee stock-based awards, excluded

Anti-dilutive employee stock-based awards, excluded

ARLO TECHNOLOGIES, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 12. Segment and Geographic Information

Segment Information

We operate as one operating and reportable segment. Our Chief Executive Officer ("CEO") is identified as the Chief Operating Decision Maker ("CODM"), who reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance.

Geographic Information for Revenue

Revenue consists of gross product shipments and service revenue, less allowances for estimated sales returns, price protection, end-user customer rebates, net changes in deferred revenue, and other channel sales incentives deemed to be a reduction of revenue per the authoritative guidance. Sales and usage-based taxes are excluded from revenue. For reporting purposes, revenue by geographic area is generally based upon the bill-to location of the customer. The following table presents revenue by geographic area. For comparative purposes, amounts in prior period have been recast.

	Three Months Ended		Six Months Ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
	(In thousands)		(In thousands)	
	(In thousands)			
	(In thousands)			
United States				
Spain				
Spain				
Spain				
Sweden				
Sweden				
Sweden				
Other countries				
Other countries				
Other countries				
Total				
Total				
Total				

Geographic Information for Long-Lived Assets

Long-lived assets include property and equipment, net and operating lease right-of-use assets, net. Our long-lived assets are based on the physical location of the assets. The following table presents long-lived assets by geographic area.

	As of	
	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
United States		
Other countries		
Total		

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

Forward-looking Statements

This Quarterly Report on Form 10-Q (the “Quarterly Report”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. Such statements are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, the words “believes,” “anticipates,” “plans,” “expects,” “intends,” “could,” “may,” “will,” and similar expressions are intended to identify forward-looking statements, including statements concerning our business and the expected performance characteristics, specifications, reliability, market acceptance, market growth, specific uses, user feedback, and market position of our products and technology. Our actual results and the timing of certain events may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such a discrepancy include, but are not limited to, those discussed in “Part II—Item 1A—Risk Factors” and “Liquidity and Capital Resources” below.

All forward-looking statements in this document are based on information available to us as of the date hereof, such information may be limited or incomplete, and we assume no obligation to update any such forward-looking statements. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements. The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and the accompanying notes contained in this Quarterly Report. Unless expressly stated or the context otherwise requires, the terms “we,” “our,” “us,” the “Company,” and “Arlo” refer to Arlo Technologies, Inc. and our subsidiaries.

## Business and Executive Overview

Arlo is transforming the ways in which people can protect everything that matters to them with advanced home, business, and personal security services that combine a globally scaled cloud platform, advanced monitoring and analytics capabilities, and award-winning app-controlled devices to create a personalized security ecosystem. Arlo's deep expertise in cloud services, cutting-edge AI and computer vision analytics, wireless connectivity and intuitive user experience design delivers seamless, smart home security for Arlo users that is easy to setup and engage with every day. Our highly secure, cloud-based platform provides users with visibility, insight and a powerful means to help protect and connect in real-time with the people and things that matter most, from any location with a Wi-Fi or a cellular connection – all rooted in a commitment to safeguard privacy for our users and their personal data.

Since the launch of our first product in December 2014, we have shipped over 33.4 million 34.6 million smart connected devices. As of March 31, 2024 June 30, 2024, the Arlo platform had approximately 9.2 million 10.0 million cumulative registered accounts across more than 100 countries around the world coupled with 3.2 million approximately 4.0 million cumulative paid subscribers and annual recurring revenue of \$227.0 \$235.0 million.

We conduct business across three geographic regions—(i) the Americas; (ii) Europe, Middle-East and Africa (“EMEA”); and (iii) Asia Pacific (“APAC”)—and we primarily generate revenue by selling devices through retail, wholesale distribution, wireless carrier channels, security solution providers, Arlo's direct to consumer store and paid subscription services. For the three months ended March 31, 2024 June 30, 2024 and April 2, 2023 July 2, 2023, we generated total revenue of \$124.2 \$127.4 million and \$111.0 \$115.1 million, respectively. Loss respectively, and loss from operations was \$10.6 \$12.8 million and \$14.1 \$8.0 million, for respectively. For the three six months ended March 31, 2024 June 30, 2024 and April 2, 2023 July 2, 2023, we generated total revenue of \$251.6 million and \$226.1 million, respectively, and loss from operations was \$23.4 million and \$22.2 million, respectively.

Our goal is to continue to develop innovative, world-class smart security solutions to expand and further monetize our current and future user and paid account bases. We believe that the growth of our business is dependent on many factors, including our ability to innovate and launch successful new products on a timely basis and grow our installed base, to increase subscription-based recurring revenue, to invest in channel partnerships and to continue our global expansion. We expect to increase our investment in research and development going forward as we continue to introduce new and innovative products and services to enhance the Arlo platform and compete for engineering talent. We also expect our sales and marketing expense to increase in the future as we invest in marketing to drive demand for our products and services.

## Key Business Metrics

In addition to the measures presented in our unaudited condensed consolidated financial statements, we use the following key metrics to evaluate our business, measure our performance, develop financial forecasts and make strategic decisions. We believe these key business metrics provide useful information by offering the ability to make more meaningful period-to-period comparisons of our on-going operating results and a better understanding of how management plans and measures our underlying business. Our key business metrics may be calculated in a manner different from the same key business metrics used by other companies. We regularly review our processes for calculating these metrics, and from time to time we may discover inaccuracies in our metrics or make adjustments to better reflect our business or to improve their accuracy, including adjustments that may result in the recalculation of our historical metrics. We believe that any such inaccuracies or adjustments are immaterial unless otherwise stated.

As of			
	March 31, 2024	% Change	April 2, 2023
	June 30, 2024	% Change	July 2, 2023

(In thousands, except percentage data)

Cumulative registered accounts

Cumulative paid accounts <sup>(1)</sup>

Annual recurring revenue (“ARR”) <sup>(2)</sup>

<sup>(1)</sup> The number of cumulative paid accounts as of March 31, 2024 June 30, 2024 included paid accounts managed by Verisure Sàrl (“Verisure”) in our EMEA region which are now onboarded with us. This does not have an impact to our financial statements and key business metrics other than our number of cumulative paid accounts.

<sup>(2)</sup> As described further below, in the first fiscal quarter of 2024, we changed the methodology on paid service revenue recognition from a mid-month convention to a daily recognition model. As a result, ARR as of March 31, 2024 June 30, 2024 was calculated using the daily recognition model while ARR as of April 2, 2023 July 2, 2023 was calculated using our former methodology, the mid-

month convention. ARR as of **April 2, 2023** **July 2, 2023** calculated using the daily recognition model does not represent a material change from the mid-month convention over the same period.

**Cumulative Registered Accounts.** We believe that our ability to increase our user base is an indicator of our market penetration and growth of our business as we continue to expand and innovate our Arlo platform. We define our registered accounts at the end of a particular period as the number of unique registered accounts on the Arlo platform as of the end of such period. The number of registered accounts does not necessarily reflect the number of end-users on the Arlo platform as one registered account may be used by multiple end-users to monitor the devices attached to that household.

**Cumulative Paid Accounts.** Paid accounts are defined as any account worldwide where a subscription to a paid service is being collected (either by us or by our customers or channel partners, including Verisure).

**Annual Recurring Revenue.** We believe ARR enables measurement of our business initiatives and serves as an indicator of our future growth. ARR represents the amount of paid service revenue that we expect to recur annually. In the first fiscal quarter of 2024, we changed the methodology on paid service revenue recognition from a mid-month convention to a daily recognition model which recognizes paid service revenue based on the number of service days within the fiscal reporting period, commencing on the start date of the subscription and continuing over the term of the arrangement. Accordingly, the methodology used to calculate ARR was also changed **as in the first fiscal quarter of March 31, 2024 2024** and is now calculated by taking the average daily paid service revenue of the last calendar month in the fiscal quarter, multiplied by 365 days. We believe the daily recognition model aligns with our customers' subscription period and service usage and allows for a more precise measurement of paid service revenue relative to the former methodology of a mid-month convention, which was based on paid service revenue for the last calendar month in the fiscal quarter, multiplied by 12 months. This change in calculation methodology has no material impact on our financial statements or any previously reported ARR numbers. ARR is a performance metric and should be viewed independently of revenue and deferred revenue, and is not intended to be a substitute for, or combined with, any of these items.

### Impact of Global Geopolitical, Economic and Business Conditions

During the **three six** months ended **March 31, 2024** **June 30, 2024**, we remained focused on the ongoing conflict in Ukraine, hostilities in the Middle-East, supply chain disruptions, the inflationary macro environment, fluctuating consumer confidence and rising interest rates by preserving our liquidity and managing our cash flow by taking preemptive action to enhance our ability to meet our short-term liquidity needs. These actions include, but are not limited to, proactively managing working capital by closely monitoring customers' credit and collections, renegotiating payment terms with third-party manufacturers and key suppliers, closely monitoring inventory levels and purchases against forecasted demand, reducing or eliminating non-essential spending, and subleasing or reducing excess office space. We continue to monitor the situation and may, as necessary, reduce expenditures further, borrow under our revolving credit facility, or pursue other sources of capital that may include other forms of external financing in order to maintain our cash position and preserve financial flexibility in response to the uncertainty in the United States and global markets resulting from the ongoing conflict in Ukraine, hostilities in the Middle-East, supply chain disruptions, the inflationary macro environment, fluctuating consumer confidence and rising interest rates, current financial conditions within the banking industry, including the effects of recent failures of other financial institutions, and liquidity levels.

### Results of Operations

We operate as one operating and reportable segment. The following table sets forth, for the periods presented, the unaudited condensed consolidated statements of comprehensive loss data, which we derived from the accompanying unaudited condensed consolidated financial statements:

	Three Months Ended										Six Months Ended									
	June 30, 2024					July 2, 2023					June 30, 2024					July 2, 2023				
	(In thousands, except percentage data)					(In thousands, except percentage data)														
Revenue:																				
Products																				
Products																				
Products	\$	67,186	52.7		52.7	%	\$64,749	56.3		56.3	%	\$134,679	53.5		53.5	%	\$131,809	58.3		58.3
Services	Services	60,261	47.3		47.3	%	50,327	43.7		43.7	%	116,968	46.5		46.5	%	94,271	41.7		41.7



Services														
Services														
Total revenue	Total revenue	127,447	100.0		100.0 %	115,076	100.0	100.0 %	251,647	100.0	100.0 %	226,080	100.0	1
Total revenue														
Total revenue														
Cost of revenue:														
Cost of revenue:														
Cost of revenue:														
Products														
Products														
Products	66,036	51.8	51.8 %	60,446	52.5	52.5 %	129,260	51.4	51.4 %	124,487	55.1	55.1 %		
Services	Services	14,557	11.4	11.4 %	12,772	11.1	11.1 %	28,153	11.2	11.2 %	24,518	10.8		
Services														
Services														
Total cost of revenue														
Total cost of revenue														
Total cost of revenue	Total cost of revenue	80,593	63.2	63.2 %	73,218	63.6	63.6 %	157,413	62.6	62.6 %	149,005	65.9		
Gross profit	Gross profit	46,854	36.8	36.8 %	41,858	36.4	36.4 %	94,234	37.4	37.4 %	77,075	34.1		
Gross profit														
Gross profit														
Operating expenses:														
Operating expenses:														
Operating expenses:														
Research and development														
Research and development														
Research and development	19,561	15.3	15.3 %	17,618	15.3	15.3 %	40,354	16.0	16.0 %	35,368	15.6	15.6 %		
Sales and marketing	Sales and marketing	17,698	13.9	13.9 %	16,921	14.7	14.7 %	35,068	13.9	13.9 %	32,274	14.3		
Sales and marketing														
Sales and marketing														
General and administrative														

General and administrative													
General and administrative	General and administrative	21,430	16.8	16.8 %	15,007	13.0	13.0 %	40,778	16.2	16.2 %	30,629	13.5	
Others	Others	966	0.8	0.8 %	341	0.4	0.4 %	1,445	0.6	0.6 %	973	0.5	
Others													
Others													
Total operating expenses													
Total operating expenses													
Total operating expenses	Total operating expenses	59,655	46.8	46.8 %	49,887	43.4	43.4 %	117,645	46.7	46.7 %	99,244	43.9	
Loss from operations	Loss from operations	(12,801)	(10.0)	(10.0)%	(8,029)	(7.0)	(7.0)%	(23,411)	(9.3)	(9.3)%	(22,169)	(9.8)	
Loss from operations													
Loss from operations													
Interest income, net													
Interest income, net													
Interest income, net	Interest income, net	1,495	1.1	1.1 %	835	0.8	0.8 %	2,881	1.1	1.1 %	1,561	0.7	
Other income, net	Other income, net	(18)	—	— %	52	—	— %	(43)	—	— %	13	—	
Other income, net													
Other income, net													
Loss before income taxes													
Loss before income taxes													
Loss before income taxes	Loss before income taxes	(11,324)	(8.9)	(8.9)%	(7,142)	(6.2)	(6.2)%	(20,573)	(8.2)	(8.2)%	(20,595)	(9.1)	
Provision for income taxes	Provision for income taxes	236	0.2	0.2 %	221	0.2	0.2 %	631	0.2	0.2 %	1,013	0.5	
Provision for income taxes													
Provision for income taxes													
Net loss	Net loss	<u>\$ (11,560)</u>	<u>(9.1)</u>	<u>(9.1)%</u>	<u>\$ (7,363)</u>	<u>(6.4)</u>	<u>(6.4)%</u>	<u>\$ (21,204)</u>	<u>(8.4)</u>	<u>(8.4)%</u>	<u>\$ (21,608)</u>	<u>(9.6)</u>	
Net loss													
Net loss													

## Revenue

Our gross revenue consists primarily of sales of devices and prepaid and paid subscription service revenue. We generally recognize revenue from product sales at the time the product is shipped and transfer of control from us to the customer occurs. Our paid subscription services relate to sales of subscription plans to our registered accounts.

Our revenue consists of gross revenue, less customer rebates and other channel sales incentives, allowances for estimated sales returns, price protection, and net changes in deferred revenue. A significant portion of our marketing expenditure is with customers and is deemed to be a reduction of revenue under authoritative guidance for revenue recognition.

We conduct business across three geographic regions—(i) the Americas; (ii) EMEA; and (iii) APAC—and generally base revenue by geographic region on the bill-to location of the customer.

	Three Months Ended			Six Months Ended			
	June 30, 2024	% Change	July 2, 2023	June 30, 2024	% Change	July 2, 2023	
	(In thousands, except percentage data)			(In thousands, except percentage data)			
Americas							
Percentage of revenue	Percentage of revenue	51.2 %		67.9 %		48.7 %	59.6 %
Percentage of revenue							
Percentage of revenue							
EMEA							
EMEA							
EMEA							
Percentage of revenue	Percentage of revenue	44.6 %		26.9 %		47.0 %	35.1 %
Percentage of revenue							
Percentage of revenue							
APAC							
APAC							
APAC							
Percentage of revenue	Percentage of revenue	4.3 %		5.2 %		4.4 %	5.3 %
Percentage of revenue							
Percentage of revenue							
Total revenue							
Total revenue							
Total revenue							

Revenue by classification is as follows:

	Three Months Ended		Three Months Ended			Six Months Ended		
	March 31, 2024	% Change	April 2, 2023	June 30, 2024	% Change	July 2, 2023	June 30, 2024	% Change
	(In thousands, except percentage data)		(In thousands, except percentage data)					
Product revenue								
Service revenue								
Total revenue								

Product revenue increased by \$0.4 million \$2.4 million, or 0.6% 3.8%, and \$2.9 million, or 2.2%, for the three and six months ended March 31, 2024 June 30, 2024 compared to the prior year period, periods, respectively, primarily driven by an increase in product shipments in EMEA due to stronger customer demand, partially offset by the decrease in product sales in the Americas and APAC due to seasonality, seasonality and a reduction in average selling prices (“ASPs”) of our products as we increased promotional activities to stimulate household acquisition and subscriber growth. The increase in product revenue was also attributable to lower sales returns which are partially offset by higher sales incentives that are deemed to be a reduction reductions of revenue.

Service revenue increased in all regions by \$12.8 million \$9.9 million, or 29.0% 19.7%, and \$22.7 million, or 24.1%, for the three and six months ended March 31, 2024 June 30, 2024 compared to the prior year period, periods, respectively, primarily due to a 58.3% 73.9% increase in cumulative paid accounts and an approximated 30% increase in rates for our subscription plans, accounts.

#### Cost of Revenue

Cost of revenue consists of both product costs and service costs. Product costs primarily consist of the cost of finished products from our third-party manufacturers and overhead costs, including personnel expense for operation staff, purchasing, product planning, inventory control, warehousing and distribution logistics, third-party software licensing fees, inbound freight, IT and facilities overhead, warranty costs associated with returned goods, write-downs for excess and obsolete inventory and excess components, and royalties to third parties. Service costs consist of costs attributable to the provision and maintenance of our cloud-based platform, including personnel, storage, security and computing, IT and facilities overhead.

Our cost of revenue as a percentage of revenue can vary based upon a number of factors, including those that may affect our revenue set forth above and factors that may affect our cost of revenue, including, without limitation, product mix, sales channel mix, registered accounts' acceptance of paid subscription service offerings, and changes in our cost of goods sold due to fluctuations in prices paid for components, net of vendor rebates, cloud platform costs, warranty and overhead costs, inbound freight and duty costs, and charges for excess or obsolete inventory. We outsource our manufacturing, warehousing, and distribution logistics. We also outsource certain components of the required infrastructure to support our cloud-based back-end IT infrastructure. We believe this outsourcing strategy allows us to better manage our product and service costs and gross margin and allows us to adapt to changing market dynamics and supply chain constraints.

	Three Months Ended			Six Months Ended		
	June 30,		July 2,	June 30,		July 2,
	2024	% Change	2023	2024	% Change	2023
	(In thousands, except percentage data)			(In thousands, except percentage data)		
Cost of revenue:						
Products						
Products						
Products						
Services						
Services						
Services						
Total cost of revenue						
Total cost of revenue						
Total cost of revenue						

Product cost of revenue decreased 1.3% increased 9.2% and 3.8% for the three and six months ended March 31, 2024 June 30, 2024, respectively, compared to the prior year period, periods, primarily due to a decrease an increase in product shipments, partially offset by decreases in product warranty reserves partially offset by an increase in and inventory reserves.

Service cost of revenue increased 15.8% 14.0% and 14.8% for the three and six months ended March 31, 2024 June 30, 2024, respectively, compared to the prior year period, periods, primarily due to service revenue growth as a result of the increase in cumulative paid accounts, partially offset by cost optimizations.

Gross Profit						
	Three Months Ended			Six Months Ended		
	June 30,		July 2,	June 30,		July 2,
	2024	% Change	2023	2024	% Change	2023
	(In thousands, except percentage data)			(In thousands, except percentage data)		
Gross profit:						
Products						
Products						
Products						
Services						
Services						
Services						
Total gross profit						
Total gross profit						
Total gross profit						
Gross margin percentage:						
Gross margin percentage:						
Gross margin percentage:						
Products						

Products									
Products		1.7	%	6.6	%	4.0	%	5.6	%
Services	Services	75.8	%	74.6	%	75.9	%	74.0	%
Services									
Services									
Total gross margin	Total gross margin	36.8	%	36.4	%	37.4	%	34.1	%
Total gross margin									
Total gross margin									

Product gross profit **increased** **decreased** \$3.2 million and \$1.9 million for the three **and six** months ended **March 31, 2024** **June 30, 2024**, respectively, compared to the prior year **period, periods**, primarily driven by a **reduction in the ASPs of our products as we increased promotional activities to stimulate household acquisition and subscriber growth.** **The product sales in EMEA, gross profit decrease was partially offset by higher sales incentives that are deemed** decreases in product warranty reserves and inventory reserves due to **be a reduction** subsequent sale of **revenue.** **the related inventory units.**

Service gross profit increased **\$8.1 million and \$19.1 million** for the three **and six** months ended **March 31, 2024** **June 30, 2024**, respectively, compared to the prior year **period, periods**, primarily due to service revenue growth in all regions as a result of increases in cumulative paid accounts and **rates for our subscription plans, as well as** cost optimizations.

## Operating Expenses

### Research and Development

Research and development expense consists primarily of personnel-related expense, safety, security, regulatory services and testing, other research and development consulting fees, and allocated IT and facilities overhead. Generally, we recognize research and development expenses as they are incurred. We have invested in and expanded our research and development organization to enhance our ability to introduce innovative products and services. We expect research and development expense to increase in absolute dollars as we develop new product and service offerings and compete for engineering talent. We believe that innovation and technological leadership are critical to our future success, and we are committed to continuing a significant level of research and development to develop new technologies, products, and services, including our hardware devices, cloud-based software, AI-based algorithms, and machine learning capabilities.

	Three Months Ended		
	March 31, 2024	% Change	April 2, 2023
	(In thousands, except percentage data)		
Research and development expense	\$ 20,793	17.1 %	\$ 17,750

	Three Months Ended			Six Months Ended		
	June 30, 2024	% Change	July 2, 2023	June 30, 2024	% Change	July 2, 2023
	(In thousands, except percentage data)					
Research and development expense	\$ 19,561	11.0 %	\$ 17,618	\$ 40,354	14.1 %	\$ 35,368

Research and development expense increased by **\$3.0** **\$1.9** million for the three months ended **March 31, 2024** **June 30, 2024** compared to the prior year period, primarily due to **an increase** **increases** of **\$2.1** **\$1.7** million in personnel-related expenses mainly from **stock-based compensation and** merit increases and **\$0.4 million in professional services.**

Research and development expense increased by \$5.0 million for the six months ended June 30, 2024 compared to the prior year period, primarily due to increases of **\$3.9 million in personnel-related expenses mainly from stock-based compensation, compensation and merit increases, \$0.7 million in professional services, and \$0.3 million in corporate IT and facilities overhead.**

### Sales and Marketing

Sales and marketing expense consists primarily of personnel expense for sales and marketing staff, technical support expense, advertising, trade shows, media and placement, corporate communications and other marketing expense, product marketing expense, allocated IT and facilities overhead, outbound freight costs, and credit card processing fees. We expect our sales and marketing expense to increase in the future as we invest in marketing to drive demand for our products and services.

	Three Months Ended			
	March 31, 2024		April 2, 2023	
	% Change			
	(In thousands, except percentage data)			
Sales and marketing expense	\$	17,370	13.1 %	\$ 15,353

	Three Months Ended			Six Months Ended						
	June 30, 2024		July 2, 2023	June 30, 2024		July 2, 2023				
	% Change			% Change						
	(In thousands, except percentage data)									
Sales and marketing expense	\$	17,698	4.6 %	\$	16,921	\$	35,068	8.7 %	\$	32,274

Sales and marketing expense increased \$2.0 \$0.8 million for the three months ended March 31, 2024 June 30, 2024 compared to the prior year period, primarily due to increases of \$1.0 \$0.7 million in personnel-related expenses mainly from stock-based compensation and merit increases, \$0.4 million in professional services as a result of continued investment in customer experience improvements across customer care and engineering, \$0.9 and \$0.3 million in personnel-related expenses mainly from stock-based compensation and merit increases, and \$0.2 million credit card processing fees as a result of increases in Arlo.com store sales and paid subscriber accounts, partially offset by a decrease of \$0.4 million in freight-out expenses.

Sales and marketing expense increased \$2.8 million for the six months ended June 30, 2024 compared to the prior year period, primarily due to increases of \$1.6 million in personnel-related expenses mainly from stock-based compensation and merit increases, \$1.4 million in professional services as a result of continued investment in customer experience improvements across customer care and engineering, and \$0.5 million in credit card processing fees as a result of increases in Arlo.com store sales and paid subscriber accounts, partially offset by a decrease of \$0.6 million in freight-out expenses.

#### General and Administrative

General and administrative expense consists primarily of personnel-related expense for certain executives, finance and accounting, investor relations, human resources, legal, information technology, professional fees, allocated IT and facilities overhead, strategic initiative expense, and other general corporate expense. We expect our general and administrative expense to fluctuate as a percentage of our revenue in future periods based on fluctuations in our revenue and the timing of such expense.

	Three Months Ended			
	March 31,		April 2,	
	2024	% Change	2023	
	(In thousands, except percentage data)			
General and administrative expense	\$	19,348	23.9 %	\$ 15,622

	Three Months Ended			Six Months Ended						
	June 30,		July 2,	June 30,		July 2,				
	2024	% Change	2023	2024	% Change	2023				
	(In thousands, except percentage data)									
General and administrative expense	\$	21,430	42.8 %	\$	15,007	\$	40,778	33.1 %	\$	30,629

General and administrative expense increased \$3.7 \$6.4 million for the three months ended March 31, 2024 June 30, 2024 compared to the prior year period, primarily due to increases of \$2.8 \$5.4 million in personnel-related expenses mainly from stock-based compensation due to the achievement of performance-based awards target and \$0.8 \$0.9 million in professional services.

General and administrative expense increased \$10.1 million for the six months ended June 30, 2024 compared to the prior year period, primarily due to increases of \$7.3 million in personnel-related expenses mainly from stock-based compensation due to the achievement of performance-based awards target and \$2.8 million in professional services.

#### Others

Others include separation expense, which consists primarily of costs of legal and professional services and restructuring charges, which consist of severance costs, office exit expense, and other exit expense associated with the abandonment of certain lease contracts and cancellation of contractual services arrangements with certain suppliers, suppliers, and separation expense, which consists primarily of costs of legal and professional services.

## Interest Income, Net and Other **Loss, Income (Loss), Net**

	Three Months Ended			Six Months Ended		
	June 30, 2024	% Change	July 2, 2023	June 30, 2024	% Change	July 2, 2023
	(In thousands, except percentage data)			(In thousands, except percentage data)		
Interest income, net						
Other loss, net						
Other loss, net						
Other loss, net						
Other income (loss), net						

\*\*Percentage change not meaningful.

Interest income, net increased for the three and six months ended **March 31, 2024** **June 30, 2024** compared to the prior year **period** **periods**, primarily due to the increase in our short-term investments as well as higher interest rates.

## Provision for Income Taxes

	Three Months Ended			Six Months Ended		
	June 30, 2024	% Change	July 2, 2023	June 30, 2024	% Change	July 2, 2023
	(In thousands, except percentage data)			(In thousands, except percentage data)		
Provision for income taxes						
Effective tax rate	Effective tax rate	(2.1) %	(3.1) %	(3.1) %		(4.9) %
Effective tax rate						
Effective tax rate						

The effective tax rate for the three and six months ended **March 31, 2024** **June 30, 2024** was lower than the U.S. federal income tax rate due to a lower effective tax rate on foreign earnings and valuation allowance on our net U.S. deferred tax assets and certain foreign tax attributes as it is more likely than not that some or all of our deferred tax assets will not be realized.

## Liquidity and Capital Resources

As of **March 31, 2024** **June 30, 2024**, our cash and cash equivalents and short-term investments totaled **\$142.9** **\$144.0** million and we had unused borrowing capacity of **\$4.2** **\$6.2** million based on the terms and conditions of our revolving credit facility. We have a history of losses and may incur operating and net losses in the future. As of **March 31, 2024** **June 30, 2024**, our accumulated deficit was **\$377.1** **\$388.7** million. Historically, we have funded our principal business activities through cash flows generated from operations and available cash on hand.

## Material Cash Requirements

We believe that our existing sources of liquidity will be sufficient to meet our anticipated cash requirements for at least the next 12 months and beyond. However, in the future we may require or desire additional funds to support our operating expenses and capital requirements. To the extent that current and anticipated future sources of liquidity are insufficient, we may seek to raise additional funds through public or private equity. We have no commitments to obtain such additional financing and cannot provide assurance that additional financing will be available at all or, if available, that such financing would be obtainable on terms favorable to us and would not be dilutive.

Our future liquidity and cash requirements may vary from those currently planned and will depend on numerous factors, including the introduction of new products, the growth in our service revenue, the ability to increase our gross margin dollars, as well as cost optimization initiatives and controls over our operating expenditures. As we grow our installed base and related cost structure, there will be a need for additional working capital, hence, we have increased our subscription rates effective February 3, 2023.

Leases and Contractual Commitments

Our operating lease obligations mostly include offices, equipment, and distribution centers. Our contractual commitments are primarily inventory-related purchase obligations with suppliers.

Contingencies

We are involved in disputes, litigation, and other legal actions. We evaluate 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. Significant judgment is required to determine both the probability and the estimated amount of loss. In such cases, we accrue for the amount or, if a range, we accrue the low end of the range, only if there is not a better estimate than any other amount within the range, as a component of legal expense within litigation reserves, net.

Refer to Note 8. Commitments and Contingencies in the Notes to Unaudited Condensed Consolidated Financial Statements in Item 1 of Part I of this Quarterly Report for further information about our operating leases, purchase obligations, and legal contingencies.

Cash Flow

	Three Months Ended	
	March 31, 2024	April 2, 2023
	Six Months Ended	
	June 30, 2024	July 2, 2023
(In thousands)		
Net cash provided by operating activities		
Net cash used in investing activities		
Net cash used in financing activities		
Net cash increase (decrease)		

Operating activities

Net cash provided by operating activities increased by \$9.5 million \$3.4 million for the three six months ended March 31, 2024 June 30, 2024 compared to the prior year period, primarily due to improved profitability and favorable offset by unfavorable working capital movements as a result of increased inventory purchases, partially offset by higher accounts trade payable balances due to the timing of payments, offset by increased inventory purchases. payments.

Investing activities

Net cash used in investing activities decreased by \$22.2 million \$32.9 million for the three six months ended March 31, 2024 June 30, 2024 compared to the prior year period, primarily due to lower net purchases of short-term investments, investments and lower purchases of property and equipment.

Financing activities

Net cash used in financing activities increased by \$9.1 million \$8.2 million for the three six months ended March 31, 2024 June 30, 2024 compared to the prior year period, primarily due to the increase in withholding tax from restricted stock unit releases. releases and lower proceeds related to employee benefit plans.

Critical Accounting Policies and Estimates

For a complete description of what we believe to be the critical accounting policies and estimates used in the preparation of our Unaudited Condensed Consolidated Financial Statements, refer to our Annual Report on Form 10-K for the year ended December 31, 2023. There have been no material changes to our critical accounting policies and estimates during the three six months ended March 31, 2024 June 30, 2024, other than as discussed in Note 2. Significant Accounting Policies and Recent Accounting Pronouncements, in the Notes to Unaudited Condensed Consolidated Financial Statements in Item 1 of Part I of this Quarterly Report.



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

During the three six months ended March 31, 2024 June 30, 2024, there were no material changes to our market risk disclosures as set forth in Part II, Item 7A "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the year ended December 31, 2023.

### Item 4. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"), has evaluated 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. Based on this evaluation, our management, including our CEO and our CFO, has concluded that, due to the material weakness described below, our disclosure controls and procedures were not effective as of March 31, 2024 June 30, 2024 at a reasonable assurance level. A control system, no matter how well conceived and operated, can provide only reasonable assurance that the objectives of the control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within an organization have been detected.

Notwithstanding the material weakness in our internal control over financial reporting described below, our management believes that the unaudited condensed consolidated financial statements and related financial information included in this Quarterly Report for the three six months ended March 31, 2024 June 30, 2024 fairly present in all material respects our financial condition, results of operations and cash flows as of the dates presented, and for the periods ended on such dates, in conformity with accounting principles generally accepted in the United States of America.

#### Previously Reported Material Weaknesses

As reported in Part II, Item 9A. "Controls and Procedures" of our Annual Report on Form 10-K for the year ended December 31, 2023, in connection with our assessment of the effectiveness of internal control over financial reporting, our management identified certain control deficiencies in the area of our Information Technology General Control ("ITGC") related to (i) user access and segregation of duty controls that restrict user and privileged access to appropriate personnel; (ii) program change management controls; and (iii) certain computer operations controls that, when aggregated, arise to a material weakness.

Management is committed to remediating the material weakness in a timely manner. Our remediation process includes, but is not limited to: (i) increasing timely reviews of information technology system changes made; (ii) rationalizing access privileges for developer system users; (iii) implementing or modifying controls related to program change management and certain computer operations; and (iv) training of relevant personnel on the design and operation of any new or modified ITGCs.

These steps are subject to ongoing management review, as well as oversight by the audit committee of our board of directors. Additional or modified

#### Status of Remediation Efforts

Management has implemented measures may also be required designed to remediate the material weaknesses. weakness in fiscal year 2024. The remedial measures implemented include but are not limited to:

- Implementation of a software solution to identify and facilitate review of changes made to our Enterprise Resource Planning ("ERP") system via newly designed detective controls to supplement our existing preventative controls.
- Implementation of a tool to better monitor access via a secure gateway to our operating systems, as well as better management of credentials across all financially impactful applications and the underlying infrastructure managed internally.
- Enhancement of our user access review procedures to increase precision.
- Reduction of elevated access within our ERP system.
- Redesign and implementation of ITGCs and deployment of additional trainings to further mature the overall control environment.

We have substantially implemented the remedial measures described above relating to the control deficiencies associated with the previously identified material weakness within the IT function. We believe that upon completion of such measures, we will have strengthened our ITGCs to address and successfully remediate the identified material weakness. However, the material weakness will not be able to conclude that we have completely considered remediated the material weaknesses until the applicable remediated

controls are fully implemented and have operated for a sufficient period of time and management has concluded, through formal testing, that the remediated these controls are operating effectively. We will expect to continue to monitor the design and assess their operating effectiveness of these and other processes, procedures, and controls and make any further changes management deems appropriate. throughout fiscal 2024.

Changes in Internal Control over Financial Reporting

Other than the ongoing remediation efforts described above, there were no changes in our internal control over financial reporting during the three six months ended March 31, 2024 June 30, 2024 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth under the heading "Litigation and Other Legal Matters" in Note 8, Commitments and Contingencies, in Notes to Unaudited Condensed Consolidated Financial Statements in Item 1 of Part I of this Quarterly Report, is incorporated herein by reference. For additional discussion of certain risks associated with legal proceedings, see the section entitled "Risk Factors" in Part II, Item 1A of this Quarterly Report.

Item 1A. Risk Factors

Our business, reputation, results of operations and financial condition, as well as the price of our stock, can be affected by a number of factors, whether currently known or unknown, including those described in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023 under the heading "Risk Factors." During the three six months ended March 31, 2024 June 30, 2024, there have been no significant changes to the risk factors under the heading "Risk Factors" described in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023.

Item 5. Other Information

Trading Arrangements

During the quarter ended March 31, 2024 June 30, 2024, none of our directors and officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted, modified or terminated the contracts, instructions or written plans for the purchase or sale of Arlo's securities set forth in the table below:

Name and Position	Action	Action Date	Type of Trading Arrangement		Total Shares to be	Expiration Date
			Rule 10b5-1 (a)	Non-Rule 10b5-1 (a)	Sold	
Amy Rothstein, Director	Adoption	March 14, 2024 (a)	X		40,000	March 12, 2025

(a) Contract, instruction or written plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act.

(a) "Non-Rule a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(c) 408(a) of Regulation S-K under the Exchange Act.

(a) Adopted for personal tax planning purposes.

Item 6. Exhibits

Exhibit Index					
Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	Date	Number	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation of Arlo Technologies, Inc.	8-K	8/7/2018	3.1	
3.2	Amended and Restated Bylaws of Arlo Technologies, Inc.	8-K	8/7/2018	3.2	
4.1	Common Stock Certificate of Arlo Technologies, Inc.	S-1/A	7/23/2018	4.1	

<a href="#">31.1</a>	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer</a>	X
<a href="#">31.2</a>	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer</a>	X
<a href="#">32.1#</a>	<a href="#">Section 1350 Certification of Principal Executive Officer</a>	X
<a href="#">32.2#</a>	<a href="#">Section 1350 Certification of Principal Financial Officer</a>	X
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	X
#	This certification is deemed to accompany this Quarterly Report on Form 10-Q and will not be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities of that section. This certification will not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.	

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	Date	Number	Filed Herewith
<a href="#">3.1</a>	<a href="#">Amended and Restated Certificate of Incorporation of Arlo Technologies, Inc.</a>	8-K	8/7/2018	3.1	
<a href="#">3.2</a>	<a href="#">Amended and Restated Bylaws of Arlo Technologies, Inc.</a>	8-K	8/7/2018	3.2	
<a href="#">4.1</a>	<a href="#">Common Stock Certificate of Arlo Technologies, Inc.</a>	S-1/A	7/23/2018	4.1	
<a href="#">10.1*</a>	<a href="#">Amended and Restated Non-Employee Director Compensation Policy</a>				X
<a href="#">31.1</a>	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer</a>				X
<a href="#">31.2</a>	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer</a>				X
<a href="#">32.1#</a>	<a href="#">Section 1350 Certification of Principal Executive Officer</a>				X
<a href="#">32.2#</a>	<a href="#">Section 1350 Certification of Principal Financial Officer</a>				X
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				X
*	Indicates management contract or compensatory plan or arrangement.				
#	This certification is deemed to accompany this Quarterly Report on Form 10-Q and will not be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities of that section. This certification will not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.				

## SIGNATURES

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

ARLO TECHNOLOGIES, INC.

Registrant

/s/ MATTHEW MCRAE

Matthew McRae  
Chief Executive Officer  
(Principal Executive Officer)

/s/ KURTIS BINDER

Kurtis Binder  
Chief Financial Officer and Chief Operating Officer  
(Principal Financial and Accounting Officer)

Date: May 9, 2024 August 8, 2024

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Exhibit 10.1

Arlo Technologies, Inc.

Amended and Restated  
Non-Employee Director Compensation Policy

Effective Date: April 30, 2024

Each member of the Board of Directors (the "**Board**") who is not also serving as an employee of or consultant to Arlo Technologies, Inc. (the "**Company**") or any of its subsidiaries (each such member, an "**Eligible Director**") will receive the compensation described in this Non-Employee Director Compensation Policy for his or her Board service. An Eligible Director may decline all or any portion of his or her compensation by giving notice to the Company prior to the date cash may be paid or equity awards are to be granted, as the case may be. This policy may be amended and/or restated at any time in the sole discretion of the Board.

Annual Cash Compensation

The annual cash compensation amount set forth below is payable to Eligible Directors in equal quarterly installments, payable in arrears on the last day of each fiscal quarter in which the service occurred. If an Eligible Director joins the Board or a committee of the Board at a time other than effective as of the first day of a fiscal quarter, each annual retainer set forth below will be pro-rated based on days served in the applicable fiscal year, with the pro-rated amount paid for the first fiscal quarter in which the Eligible Director provides the service and regular full quarterly payments thereafter. All annual cash fees are vested upon payment.

1. Annual Board Service Retainer:

- a. All Eligible Directors: \$45,000
- b. Chair of the Board Service Retainer (in addition to Eligible Director Service Retainer): \$50,000

2. Annual Committee Chair Service Retainer:

- a. Chair of the Audit Committee: \$22,000
- b. Chair of the Compensation Committee: \$15,000
- c. Chair of the Nominating and Corporate Governance Committee: \$10,000
- d. Chair of the Cybersecurity Committee: \$20,000
- d. Chair of the Strategic and Capital Allocation Committee: \$10,000

3. Annual Committee Member Service Retainer (not applicable to Committee Chairs):

- a. Member of the Audit Committee: \$10,000
- b. Member of the Compensation Committee: \$7,500
- c. Member of the Nominating and Corporate Governance Committee: \$5,000
- d. Member of the Cybersecurity Committee: \$10,000
- d. Member of the Strategic and Capital Allocation Committee: \$5,000

#### Equity Compensation

The equity compensation set forth below will be granted under the Company's 2018 Equity Incentive Plan (the "**Plan**").

**1. Initial Grant:** On the date of such Eligible Director's initial election or appointment to the Board (or, if such date is not a market trading day, the first market trading day thereafter), the Eligible Director will be automatically, and without further action by the Board or the Compensation Committee of the Board, granted a Restricted Stock Unit ("**RSU**"), with such number of shares of common stock covering such RSU equal to \$180,000, with such dollar amount pro-rated for the date of such initial election or appointment in relation to the date of the previous annual meeting of stockholders, divided by the closing price of the common stock as reported on the New York Stock

Exchange on the date of the grant (rounded down to the nearest whole share) (the "**Initial Grant**"). The Initial Grant will fully vest on the date of the next annual meeting of stockholders, subject to the Eligible Director's continued service through each such vesting date.

**2. Annual Grant:** On the date of each annual meeting of the stockholders of the Company, each Eligible Director who continues to serve as a non-employee member of the Board following such annual meeting of stockholders, will be automatically, and without further action by the Board or the Compensation Committee of the Board, granted a RSU, with such number of shares of common stock covering such RSU equal to \$180,000 divided by the closing price of the common stock as reported on the New York Stock Exchange on the date of the grant (rounded down to the nearest whole share) (the "**Annual Grant**"). The Annual Grant will fully vest on the date of the following year's annual meeting of stockholders, subject to the Eligible Director's continued service through such vesting date.

#### Non-Employee Director Compensation Limit

Notwithstanding the foregoing, the aggregate value of all compensation granted or paid, as applicable, to any individual for service as an Outside Director (as defined in the Plan) shall in no event exceed the limits set forth in the Plan.

#### CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Matthew McRae, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Arlo Technologies, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the Registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 9, 2024 August 8, 2024

/s/ MATTHEW MCRAE

Matthew McRae

Chief Executive Officer

Arlo Technologies, Inc.

## EXHIBIT 31.2

### CHIEF FINANCIAL OFFICER CERTIFICATION

I, Kurtis Binder, certify that:

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

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

Date: May 9, 2024 August 8, 2024

/s/ KURTIS BINDER

Kurtis Binder

Chief Financial Officer and Chief Operating Officer

Arlo Technologies, Inc.

#### EXHIBIT 32.1

#### CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), I, Matthew McRae, Chief Executive Officer of Arlo Technologies, Inc. (the "Company"), hereby certify that, to the best of my knowledge:

- (1) This Quarterly Report of the Company on Form 10-Q for the period ended March 31, 2024 June 30, 2024, to which this Certification is attached as Exhibit 32.1 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2024 August 8, 2024

By: /s/ MATTHEW MCRAE

Matthew McRae

Chief Executive Officer

Arlo Technologies, Inc.

*This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company 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 Form 10-Q), irrespective of any general incorporation language contained in such filing.*

#### EXHIBIT 32.2

#### CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), I, Kurtis Binder, Chief Financial Officer and Chief Operating Officer of Arlo Technologies, Inc. (the "Company"), hereby certify that, to the best of my knowledge:

- (1) This Quarterly Report of the Company on Form 10-Q for the period ended March 31, 2024 June 30, 2024, to which this Certification is attached as Exhibit 32.2 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2024 August 8, 2024

By: /s/ KURTIS BINDER  
Kurtis Binder  
Chief Financial Officer and Chief Operating Officer  
Arlo Technologies, Inc.

*This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company 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 Form 10-Q), irrespective of any general incorporation language contained in such filing.*



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