

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

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

For the quarterly period ended: December 31, 2024

OR

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

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

Commission file number: 001-34033



**DIGI INTERNATIONAL INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**41-1532464**

(I.R.S. Employer Identification Number)

**9350 Excelsior Blvd. Suite 700**

**Hopkins Minnesota**

(Address of principal executive offices)

**55343**

(Zip Code)

**(952) 912-3444**

(Registrant's telephone number, including area code)

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

| <b>Title of each class</b>              | <b>Trading Symbol</b> | <b>Name of each exchange on which registered</b> |
|---|-----------------------|--|
| Common Stock, par value \$.01 per share | DGII                  | The Nasdaq Stock Market LLC                      |

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

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

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

|                         |                                     |                           |                          |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input 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

On January 31, 2025, there were 36,899,190 shares of the registrant's \$.01 par value Common Stock outstanding.

## INDEX

|  | Page                      |
|--|---------------------------|
| <u><a href="#">PART I. FINANCIAL INFORMATION</a></u>   |                           |
| <u><a href="#">ITEM 1. Unaudited Financial Statements:</a></u>   |                           |
| <u><a href="#">Condensed Consolidated Statements of Operations</a></u>   | <u><a href="#">1</a></u>  |
| <u><a href="#">Condensed Consolidated Statements of Comprehensive Income</a></u>                                     | <u><a href="#">2</a></u>  |
| <u><a href="#">Condensed Consolidated Balance Sheets</a></u>   | <u><a href="#">3</a></u>  |
| <u><a href="#">Condensed Consolidated Statements of Cash Flows</a></u>   | <u><a href="#">4</a></u>  |
| <u><a href="#">Condensed Consolidated Statements of Stockholders' Equity</a></u>                                     | <u><a href="#">5</a></u>  |
| <u><a href="#">Notes to Condensed Consolidated Financial Statements</a></u>  | <u><a href="#">6</a></u>  |
| <u><a href="#">ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</a></u> | <u><a href="#">17</a></u> |
| <u><a href="#">ITEM 3. Quantitative and Qualitative Disclosures About Market Risk</a></u>                            | <u><a href="#">24</a></u> |
| <u><a href="#">ITEM 4. Controls and Procedures</a></u>   | <u><a href="#">25</a></u> |
| <u><a href="#">PART II. OTHER INFORMATION</a></u>  |                           |
| <u><a href="#">ITEM 1. Legal Proceedings</a></u>   | <u><a href="#">26</a></u> |
| <u><a href="#">ITEM 1A. Risk Factors</a></u>   | <u><a href="#">26</a></u> |
| <u><a href="#">ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds</a></u>                           | <u><a href="#">27</a></u> |
| <u><a href="#">ITEM 3. Defaults Upon Senior Securities</a></u>   | <u><a href="#">27</a></u> |
| <u><a href="#">ITEM 4. Mine Safety Disclosures</a></u>   | <u><a href="#">27</a></u> |
| <u><a href="#">ITEM 5. Other Information</a></u>   | <u><a href="#">27</a></u> |
| <u><a href="#">ITEM 6. Exhibits</a></u>  | <u><a href="#">29</a></u> |

**PART I. FINANCIAL INFORMATION****ITEM 1. UNAUDITED FINANCIAL STATEMENTS**

**DIGI INTERNATIONAL INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

|                                     | Three months ended December 31,       |                   |
|-------------------------------------|---------------------------------------|-------------------|
|                                     | 2024                                  | 2023              |
| Revenue:                            | (in thousands, except per share data) |                   |
| Product                             | \$ 72,785                             | \$ 77,250         |
| Service                             | 31,081                                | 28,839            |
| Total revenue                       | <u>103,866</u>                        | <u>106,089</u>    |
| Cost of sales:                      |                                       |                   |
| Cost of product                     | 31,973                                | 37,766            |
| Cost of service                     | 6,542                                 | 6,270             |
| Amortization                        | 953                                   | 953               |
| Total cost of sales                 | <u>39,468</u>                         | <u>44,989</u>     |
| Gross profit                        | 64,398                                | 61,100            |
| Operating expenses:                 |                                       |                   |
| Sales and marketing                 | 21,757                                | 19,647            |
| Research and development            | 15,027                                | 14,633            |
| General and administrative          | 14,255                                | 14,687            |
| Total operating expenses            | <u>51,039</u>                         | <u>48,967</u>     |
| Operating income                    | 13,359                                | 12,133            |
| Other expense, net:                 |                                       |                   |
| Interest expense, net               | (2,294)                               | (5,661)           |
| Debt issuance cost write-off        | —                                     | (9,722)           |
| Other income (expense), net         | 31                                    | (26)              |
| Total other expense, net            | <u>(2,263)</u>                        | <u>(15,409)</u>   |
| Income (loss) before income taxes   | 11,096                                | (3,276)           |
| Income tax provision (benefit)      | 1,013                                 | (222)             |
| Net income (loss)                   | <u>\$ 10,083</u>                      | <u>\$ (3,054)</u> |
| Net income (loss) per common share: |                                       |                   |
| Basic                               | \$ 0.27                               | \$ (0.08)         |
| Diluted                             | \$ 0.27                               | \$ (0.08)         |
| Weighted average common shares:     |                                       |                   |
| Basic                               | <u>36,680</u>                         | <u>36,129</u>     |
| Diluted                             | <u>37,483</u>                         | <u>36,129</u>     |

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

**DIGI INTERNATIONAL INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(UNAUDITED)**

|   | Three months ended December 31, |                 |
|---|---------------------------------|-----------------|
|   | 2024                            | 2023            |
|   | (in thousands)                  |                 |
| Net income                              | \$ 10,083                       | \$ (3,054)      |
| Other comprehensive (loss) income:      |                                 |                 |
| Foreign currency translation adjustment | (1,762)                         | 2,948           |
| Other comprehensive (loss) income       | (1,762)                         | 2,948           |
| Comprehensive income (loss)             | <u>\$ 8,321</u>                 | <u>\$ (106)</u> |

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

**DIGI INTERNATIONAL INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

|  | December 31, 2024                 | September 30, 2024 |
|--|-----------------------------------|--------------------|
|  | (in thousands, except share data) |                    |
| <b>ASSETS</b>  |                                   |                    |
| Current assets:  |                                   |                    |
| Cash and cash equivalents  | \$ 25,935                         | \$ 27,510          |
| Accounts receivable, net   | 64,928                            | 69,640             |
| Inventories  | 50,184                            | 53,357             |
| Prepaid expenses and other current assets  | 4,827                             | 3,940              |
| Total current assets   | <u>145,874</u>                    | <u>154,447</u>     |
| Property, equipment and improvements, net  | 34,844                            | 34,915             |
| Intangible assets, net   | 247,211                           | 252,909            |
| Goodwill   | 341,234                           | 342,774            |
| Operating lease right-of-use assets  | 9,799                             | 10,207             |
| Deferred tax assets  | 15,636                            | 16,141             |
| Other non-current assets   | 1,515                             | 3,682              |
| Total assets   | <u>\$ 796,113</u>                 | <u>\$ 815,075</u>  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                                   |                    |
| Current liabilities:   |                                   |                    |
| Accounts payable   | 27,049                            | 23,759             |
| Accrued compensation   | 13,001                            | 13,995             |
| Unearned revenue   | 36,333                            | 30,556             |
| Current portion of operating lease liabilities   | 2,881                             | 2,973              |
| Income taxes payable   | 2,813                             | 2,549              |
| Other current liabilities  | 8,262                             | 15,505             |
| Total current liabilities  | <u>90,339</u>                     | <u>89,337</u>      |
| Income taxes payable   | 2,858                             | 2,749              |
| Deferred tax liabilities   | 1,303                             | 1,308              |
| Long-term debt   | 94,952                            | 123,185            |
| Operating lease liabilities  | 10,756                            | 11,228             |
| Other non-current liabilities  | 5,230                             | 6,233              |
| Total liabilities  | <u>205,438</u>                    | <u>234,040</u>     |
| Commitments and Contingencies (See <a href="#">Note 11</a> )   |                                   |                    |
| Stockholders' equity:  |                                   |                    |
| Preferred stock, \$.01 par value; 2,000,000 shares authorized; none issued and outstanding           | —                                 | —                  |
| Common stock, \$.01 par value; 60,000,000 shares authorized; 43,416,277 and 42,996,725 shares issued | 434                               | 430                |
| Additional paid-in capital   | 424,725                           | 420,413            |
| Retained earnings  | 257,433                           | 247,350            |
| Accumulated other comprehensive loss   | (25,506)                          | (23,744)           |
| Treasury stock, at cost, 6,527,064 and 6,449,364 shares  | <u>(66,411)</u>                   | <u>(63,414)</u>    |
| Total stockholders' equity   | <u>590,675</u>                    | <u>581,035</u>     |
| Total liabilities and stockholders' equity   | <u>\$ 796,113</u>                 | <u>\$ 815,075</u>  |

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

**DIGI INTERNATIONAL INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

|   | Three months ended December 31, |            |
|---|---------------------------------|------------|
|   | 2024                            | 2023       |
|   | (in thousands)                  |            |
| <b>Operating activities:</b>  |                                 |            |
| Net income (loss)   | \$ 10,083                       | \$ (3,054) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities:      |                                 |            |
| Depreciation of property, equipment and improvements  | 2,735                           | 1,813      |
| Amortization  | 5,832                           | 6,591      |
| Write-off of debt issuance costs  | —                               | 9,722      |
| Stock-based compensation  | 3,560                           | 3,106      |
| Deferred income tax benefit (expense)   | 500                             | (303)      |
| Other   | 2                               | 349        |
| Changes in operating assets and liabilities   | 7,007                           | 448        |
| Net cash provided by operating activities   | 29,719                          | 18,672     |
| <b>Investing activities:</b>  |                                 |            |
| Purchase of property, equipment, improvements and certain other intangible assets             | (577)                           | (292)      |
| Net cash used in investing activities   | (577)                           | (292)      |
| <b>Financing activities:</b>  |                                 |            |
| Proceeds from long-term debt  | —                               | 214,062    |
| Payments on long-term debt  | (28,300)                        | (233,025)  |
| Proceeds from stock option plan transactions  | 1,783                           | 225        |
| Proceeds from employee stock purchase plan transactions                                       | 517                             | 531        |
| Taxes paid for net share settlement of share-based payment options and awards                 | (4,540)                         | (2,169)    |
| Net cash used in financing activities   | (30,540)                        | (20,376)   |
| Effect of exchange rate changes on cash and cash equivalents                                  | (177)                           | 1,851      |
| Net decrease in cash and cash equivalents   | (1,575)                         | (145)      |
| Cash and cash equivalents, beginning of period  | 27,510                          | 31,693     |
| Cash and cash equivalents, end of period  | \$ 25,935                       | \$ 31,548  |
| <b>Supplemental disclosures of cash flow information:</b>                                     |                                 |            |
| Interest paid   | \$ 2,369                        | \$ 4,309   |
| Income taxes paid, net  | 56                              | 72         |
| <b>Supplemental schedule of non-cash investing and financing activities:</b>                  |                                 |            |
| Transfer of inventory to property, equipment and improvements                                 | (2,098)                         | (1,105)    |
| Accrual for purchase of property, equipment, improvements and certain other intangible assets | \$ (108)                        | \$ (10)    |

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

**DIGI INTERNATIONAL INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**

| (in thousands)  |               |               |                |                    |                                  |                      | Accumulated                             |           |                   | Total<br>Stockholders'<br>Equity |
|---|---------------|---------------|----------------|--------------------|----------------------------------|----------------------|---|-----------|-------------------|----------------------------------|
|   | Common Stock  |               | Treasury Stock |                    | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Other<br>Comprehensive<br>(Loss) Income |           |                   |                                  |
|   | Shares        | Par Value     | Shares         | Value              |                                  |                      |   |           |                   |                                  |
| Balances, September 30, 2023  | 42,501        | \$ 425        | 6,436          | \$ (61,506)        | \$ 403,735                       | \$ 224,845           | \$ (27,011)                             | \$        | \$ 540,488        |                                  |
| Net loss  | —             | —             | —              | —                  | —                                | (3,054)              | —                                       | —         | (3,054)           |                                  |
| Other comprehensive income  | —             | —             | —              | —                  | —                                | —                    | 2,948                                   | —         | 2,948             |                                  |
| Employee stock purchase plan issuances  | —             | —             | (24)           | 231                | 300                              | —                    | —                                       | —         | 531               |                                  |
| Taxes paid for net share settlement of share-based payment awards             | —             | —             | 88             | (2,135)            | (33)                             | —                    | —                                       | —         | (2,168)           |                                  |
| Issuance of stock under stock award plans                                     | 248           | 2             | —              | —                  | 222                              | —                    | —                                       | —         | 224               |                                  |
| Stock-based compensation expense  | —             | —             | —              | —                  | 3,106                            | —                    | —                                       | —         | 3,106             |                                  |
| Balances, December 31, 2023   | <u>42,749</u> | <u>\$ 427</u> | <u>6,500</u>   | <u>\$ (63,410)</u> | <u>\$ 407,330</u>                | <u>\$ 221,791</u>    | <u>\$ (24,063)</u>                      | <u>\$</u> | <u>\$ 542,075</u> |                                  |
| Balances, September 30, 2024  | 42,997        | \$ 430        | 6,449          | \$ (63,414)        | \$ 420,413                       | \$ 247,350           | \$ (23,744)                             | \$        | \$ 581,035        |                                  |
| Net income  | —             | —             | —              | —                  | —                                | 10,083               | —                                       | —         | 10,083            |                                  |
| Other comprehensive loss  | —             | —             | —              | —                  | —                                | —                    | (1,762)                                 | —         | (1,762)           |                                  |
| Employee stock purchase plan issuances  | —             | —             | (22)           | 227                | 290                              | —                    | —                                       | —         | 517               |                                  |
| Taxes paid for net share settlement of share-based payment options and awards | —             | —             | 100            | (3,224)            | (1,316)                          | —                    | —                                       | —         | (4,540)           |                                  |
| Issuance of stock under stock award plans                                     | 419           | 4             | —              | —                  | 1,778                            | —                    | —                                       | —         | 1,782             |                                  |
| Stock-based compensation expense  | —             | —             | —              | —                  | 3,560                            | —                    | —                                       | —         | 3,560             |                                  |
| Balances, December 31, 2024   | <u>43,416</u> | <u>\$ 434</u> | <u>6,527</u>   | <u>\$ (66,411)</u> | <u>\$ 424,725</u>                | <u>\$ 257,433</u>    | <u>\$ (25,506)</u>                      | <u>\$</u> | <u>\$ 590,675</u> |                                  |

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

**DIGI INTERNATIONAL INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**1. BASIS OF PRESENTATION OF UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

The unaudited condensed consolidated financial statements of Digi International Inc. ("we," "us," "our," "Digi" or "the Company") have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission applicable to interim financial statements. While these financial statements reflect all normal recurring adjustments that are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements. These financial statements should be read in conjunction with the financial statement disclosures in Part I, Item 1 of our Annual Report on [Form 10-K](#) for the year ended September 30, 2024. We use the same accounting policies in preparing quarterly and annual financial statements. The quarterly results of operations are not necessarily indicative of the results to be expected for the full year.

*Recently Issued Accounting Standards Not Yet Adopted*

In November 2023, FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This amendment is effective for our fiscal year ending September 30, 2025 and interim periods within our fiscal year ending September 30, 2026. We are currently assessing the impact of this guidance on our disclosures.

**2. EARNINGS PER SHARE**

The following table is a reconciliation of the numerators and denominators in the net income per common share calculations (in thousands, except per common share data):

|  | Three months ended December 31, |            |
|--|---------------------------------|------------|
|  | 2024                            | 2023       |
| <b>Numerator:</b>  |                                 |            |
| Net income (loss)  | \$ 10,083                       | \$ (3,054) |
| <b>Denominator:</b>  |                                 |            |
| Denominator for basic net income (loss) per common share — weighted average shares outstanding | 36,680                          | 36,129     |
| Effect of dilutive securities:   |                                 |            |
| Stock options and restricted stock units   | 803                             | —          |
| Denominator for diluted net income (loss) per common share — adjusted weighted average shares  | 37,483                          | 36,129     |
| Net income (loss) per common share, basic  | \$ 0.27                         | \$ (0.08)  |
| Net income (loss) per common share, diluted  | \$ 0.27                         | \$ (0.08)  |

Digi excludes certain stock options and restricted stock unit awards that would have an anti-dilutive effect on our diluted net income per share calculation. For the three months ended December 31, 2024 and 2023, 255,054 and 1,563,857 shares outstanding were excluded, respectively.

### 3. SELECTED BALANCE SHEET DATA

The following table shows selected balance sheet data (in thousands):

|  | December 31,<br>2024    | September 30,<br>2024   |
|--|-------------------------|-------------------------|
| Accounts receivable, net:                                      |                         |                         |
| Accounts receivable  | \$ 72,186               | \$ 78,672               |
| Less allowance for credit losses                               | 1,784                   | 1,562                   |
| Less reserve for future credit returns and pricing adjustments | 5,474                   | 7,470                   |
| Accounts receivable, net                                       | <u><u>\$ 64,928</u></u> | <u><u>\$ 69,640</u></u> |
| Inventories:   |                         |                         |
| Raw materials  | \$ 16,615               | \$ 18,669               |
| Work in process  | 315                     | 52                      |
| Finished goods   | 33,254                  | 34,636                  |
| Inventories  | <u><u>\$ 50,184</u></u> | <u><u>\$ 53,357</u></u> |

### 4. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Amortizable intangible assets were (in thousands):

|                               | December 31, 2024               |                                   |                                 | September 30, 2024              |                                   |                                 |
|-------------------------------|---------------------------------|-----------------------------------|---------------------------------|---------------------------------|-----------------------------------|---------------------------------|
|                               | Gross<br>carrying<br>amount     | Accum.<br>amort.                  | Net                             | Gross<br>carrying<br>amount     | Accum.<br>amort.                  | Net                             |
| Purchased and core technology | \$ 84,925                       | \$ (64,492)                       | \$ 20,433                       | \$ 85,041                       | \$ (63,654)                       | \$ 21,387                       |
| License agreements            | 112                             | (112)                             | —                               | 112                             | (112)                             | —                               |
| Patents and trademarks        | 40,624                          | (23,125)                          | 17,499                          | 40,335                          | (22,047)                          | 18,288                          |
| Customer relationships        | 309,171                         | (99,892)                          | 209,279                         | 309,223                         | (95,989)                          | 213,234                         |
| Non-compete agreements        | 600                             | (600)                             | —                               | 600                             | (600)                             | —                               |
| Order backlog                 | 1,000                           | (1,000)                           | —                               | 1,000                           | (1,000)                           | —                               |
| <b>Total</b>                  | <b><u><u>\$ 436,432</u></u></b> | <b><u><u>\$ (189,221)</u></u></b> | <b><u><u>\$ 247,211</u></u></b> | <b><u><u>\$ 436,311</u></u></b> | <b><u><u>\$ (183,402)</u></u></b> | <b><u><u>\$ 252,909</u></u></b> |

Amortization expense for intangible assets was \$ 5.8 million and \$ 6.2 million for the three months ended December 31, 2024 and 2023, respectively. Amortization expense is recorded on our condensed consolidated statements of operations within cost of sales and in general and administrative expense.

Estimated amortization expense related to intangible assets for the remainder of fiscal 2025 and the five succeeding fiscal years is (in thousands):

|                    |           |
|--------------------|-----------|
| 2025 (nine months) | \$ 15,515 |
| 2026               | 20,679    |
| 2027               | 20,679    |
| 2028               | 20,447    |
| 2029               | 18,701    |
| 2030               | 18,297    |

**4. GOODWILL AND OTHER INTANGIBLE ASSETS, NET (CONTINUED)**

The changes in the carrying amount of goodwill by reportable segments are (in thousands):

|   | Three months ended December 31, 2024 |                  |            |
|---|--------------------------------------|------------------|------------|
|   | IoT<br>Products & Services           | IoT<br>Solutions | Total      |
| Balance on September 30, 2024           | \$ 175,093                           | \$ 167,681       | \$ 342,774 |
| Foreign currency translation adjustment | (941)                                | (599)            | (1,540)    |
| Balance on December 31, 2024            | \$ 174,152                           | \$ 167,082       | \$ 341,234 |

Goodwill represents the excess of cost over the fair value of net identifiable assets acquired. Goodwill is quantitatively tested for impairment on an annual basis as of June 30, or more frequently if events or circumstances occur which could indicate impairment. We have two reportable segments, IoT Products & Services and IoT Solutions (see [Note 6](#)). Our IoT Products & Services segment is structured to include four reporting units for goodwill testing purposes: Cellular Routers, Console Servers, OEM Solutions and Infrastructure Management. Following our acquisition of Ventus in November 2021, we have two reporting units within IoT Solutions: SmartSense and Ventus. Each of these reporting units was tested individually for impairment during our annual impairment test completed as of the end of the third fiscal quarter of fiscal 2024.

Assumptions and estimates to determine fair values under the income and market approaches are complex and often subjective. They can be affected by a variety of factors. These include external factors such as industry and economic trends. They also include internal factors such as changes in our business strategy and our internal forecasts. Changes in circumstances or a potential event could affect the estimated fair values negatively. If our future operating results do not meet current forecasts or if we experience a sustained decline in our market capitalization that is determined to be indicative of a reduction in fair value of one or more of our reporting units within either of our segments, we may be required to record future impairment charges for goodwill.

**5. INDEBTEDNESS**

On December 7, 2023, Digi entered into a credit agreement (the "Credit Agreement") with BMO Bank N.A. ("BMO"), as administrative and collateral agent, BMO Capital Markets Corp., BofA Securities, Inc. and MUFG Bank, Ltd., as joint lead arrangers and joint bookrunners, and the several banks and other financial institutions or entities from time to time party thereto as lenders (the "Lenders"). The Credit Agreement provides Digi with a senior secured credit facility (the "Credit Facility"). The Credit Facility includes a \$250 million senior secured revolving credit facility (the "Revolving Loan"), with an uncommitted accordion feature that provides for additional borrowing capacity of up to the greater of \$95 million or one hundred percent of trailing twelve month adjusted earnings before interest, taxes, depreciation, and amortization ("EBITDA"). The Credit Facility also contains a \$10 million letter of credit sublimit and \$10 million swingline sub-facility. Digi may use the proceeds of the Credit Facility in the future for general corporate purposes.

Digi borrowed a total of \$215 million under the Credit Facility to repay all obligations and to pay related fees and expenses under the Third Amended and Restated Credit Agreement dated as of December 22, 2021 (the "Prior Credit Facility"), by and among Digi, as the borrower, BMO, as administrative agent and collateral agent, BMO Capital Markets Corp., as sole lead arranger and bookrunner, and the other lenders from time-to-time party thereto. The Prior Credit Facility consisted of a \$350 million term loan B secured loan and a \$ 35 million revolving credit facility that included a \$ 10 million letter of credit subfacility and \$10 million swingline subfacility.

## 5. INDEBTEDNESS (CONTINUED)

Borrowings under the Credit Facility bear interest at a rate per annum equal to Term SOFR with a floor of 0.00% for an interest period of one, three, or six months as selected by Digi, reset at the end of the selected interest period (or a replacement benchmark rate if Term SOFR is no longer available) plus the applicable margin or a base rate plus the applicable margin. The base rate is determined by reference to the highest of BMO's prime rate, the rate determined by BMO to be the average rate of Federal funds in the secondary market plus 0.50%, or one-month SOFR plus 1.00%. The applicable margin for loans under the Credit Facility is in a range of 1.75% to 2.75% for Term SOFR loans and 0.75% to 1.75% for base rate loans, depending on Digi's total net leverage ratio. All borrowings in the period were made at Term SOFR for a one-month interest election period plus an applicable margin of 2.25%. Our weighted average interest rate for our Credit Facility was 6.83% as of December 31, 2024.

In addition to paying interest on the outstanding principal, Digi is required to pay a commitment fee on the unutilized commitments under the Credit Facility. The commitment fee is between 0.20% and 0.35% depending on Digi's total net leverage ratio. Our weighted average Revolving Loan commitment fee was 0.25% as of December 31, 2024. The Credit Facility is secured by substantially all of the property of Digi and its domestic subsidiaries.

The debt issuance costs and remaining balance under the Prior Credit Facility totaling \$ 9.7 million at December 7, 2023 were written off and included in other expenses upon the entry into the Credit Agreement. Digi incurred an additional \$1.3 million in debt issuance costs upon entry into the Credit Agreement, with this amount amortized over the term of the Credit Agreement and reported in interest expense.

The Revolving Loan is due in a lump sum payment at maturity December 7, 2028, if any amounts are drawn. The fair value of the Revolving Loan approximated carrying value at December 31, 2024.

The following table is a summary of our long-term indebtedness at December 31, 2024 and September 30, 2024 (in thousands):

|  | Balance on December 31,<br>2024 | Balance on September 30,<br>2024 |
|--|---------------------------------|----------------------------------|
| Revolving Loan   | \$ 96,000                       | \$ 124,300                       |
| Less unamortized issuance costs                                | (1,048)                         | (1,115)                          |
| <b>Total long-term debt, net of unamortized issuance costs</b> | <b>\$ 94,952</b>                | <b>\$ 123,185</b>                |

### *Covenants and Security Interest*

The Credit Agreement requires Digi to maintain a minimum interest coverage ratio of 3.00 to 1.00 and a total net leverage ratio not to exceed 3.00 to 1.00, with certain exceptions for a covenant holiday of up to 3.50 to 1.00 after certain material acquisitions. The total net leverage ratio is defined as the ratio of Digi's consolidated total funded indebtedness minus unrestricted cash as of such date up to a maximum amount not to exceed \$50 million, to consolidated EBITDA for such period. The Credit Agreement also contains other customary affirmative and negative covenants, including covenants that restrict the ability of Digi and its subsidiaries to incur additional indebtedness, dispose of significant assets, make certain investments, including any acquisitions other than permitted acquisitions, make certain restricted payments, enter into sale and leaseback transactions or grant additional liens on its assets, subject to certain limitations. Amounts borrowed under the Credit Facility are secured by substantially all of our assets.

## 6. SEGMENT INFORMATION

We have a single segment manager over IoT Products & Services and a single manager over IoT Solutions. As a result we have two operating segments. These two operating segments also serve as our reportable segments: IoT Products & Services and IoT Solutions. Each operating segment is led by a single segment manager. IoT Products & Services derives revenue from the sale of products and services that help original equipment manufacturers ("OEMs"), enterprise and government customers create and deploy, secure IoT connectivity solutions. IoT Solutions derives revenue from the sale of software-based services that are enabled through the use of connected devices that utilize cellular communications.

Our CEO is our Chief Operating Decision Maker ("CODM"). The measures the CODM uses to measure profitability within each of our reportable segments is segment gross profit.

Summary operating results for each of our segments were (in thousands):

|                           | Three months ended December 31, |                   |
|---------------------------|---------------------------------|-------------------|
|                           | 2024                            | 2023              |
| <b>Revenue</b>            |                                 |                   |
| IoT Products & Services   | \$ 77,823                       | \$ 82,023         |
| IoT Solutions             | 26,043                          | 24,066            |
| <b>Total revenue</b>      | <b>\$ 103,866</b>               | <b>\$ 106,089</b> |
| <b>Gross Profit</b>       |                                 |                   |
| IoT Products & Services   | \$ 45,603                       | \$ 43,859         |
| IoT Solutions             | 18,795                          | 17,241            |
| <b>Total gross profit</b> | <b>\$ 64,398</b>                | <b>\$ 61,100</b>  |

Total depreciation and amortization expense was (in thousands):

|  | Three months ended December 31, |                 |
|--|---------------------------------|-----------------|
|  | 2024                            | 2023            |
| IoT Products & Services                    |                                 |                 |
| IoT Products & Services                    | \$ 3,427                        | \$ 3,098        |
| IoT Solutions                              | 5,073                           | 4,953           |
| <b>Total depreciation and amortization</b> | <b>\$ 8,500</b>                 | <b>\$ 8,051</b> |

Total expended for property, plant and equipment was (in thousands):

|   | Three months ended December 31, |               |
|---|---------------------------------|---------------|
|   | 2024                            | 2023          |
| IoT Products & Services                                 |                                 |               |
| IoT Products & Services                                 | \$ 366                          | \$ 37         |
| IoT Solutions*  | 141                             | 182           |
| <b>Total expended for property, plant and equipment</b> | <b>\$ 507</b>                   | <b>\$ 219</b> |

\* Excluded from these amounts are \$2,098 and \$1,105 of transfers of inventory to property plant and equipment for subscriber assets for the three months ended December 31, 2024 and 2023, respectively.

Total assets for each of our segments were (in thousands):

|                         | December 31,      | September 30,     |
|-------------------------|-------------------|-------------------|
|                         | 2024              | 2024              |
| IoT Products & Services |                   |                   |
| IoT Products & Services | \$ 365,609        | \$ 376,998        |
| IoT Solutions           | 404,569           | 410,567           |
| Unallocated*            | 25,935            | 27,510            |
| <b>Total assets</b>     | <b>\$ 796,113</b> | <b>\$ 815,075</b> |

\*Unallocated consists of cash and cash equivalents.

## 7. REVENUE

### Revenue Disaggregation

The following table summarizes our revenue by geographic location of our customers (in thousands):

|  | Three months ended December 31, |                   |
|--|---------------------------------|-------------------|
|  | 2024                            | 2023              |
| North America, primarily the United States | \$ 79,012                       | \$ 79,695         |
| Europe, Middle East & Africa               | 18,010                          | 14,390            |
| Rest of world                              | 6,844                           | 12,004            |
| <b>Total revenue</b>                       | <b>\$ 103,866</b>               | <b>\$ 106,089</b> |

The following table summarizes our revenue by the timing of revenue recognition (in thousands):

|                                | Three months ended December 31, |                   |
|--------------------------------|---------------------------------|-------------------|
|                                | 2024                            | 2023              |
| Transferred at a point in time | \$ 74,603                       | \$ 79,394         |
| Transferred over time          | 29,263                          | 26,695            |
| <b>Total revenue</b>           | <b>\$ 103,866</b>               | <b>\$ 106,089</b> |

### Contract Balances

#### *Contract Related Assets*

Our contract related assets consist of subscriber assets. Subscriber assets are equipment that we provide to customers pursuant to subscription-based contracts. In these cases, we retain the ownership of the equipment a customer uses and charge the customer subscription fees to receive our end-to-end solutions. The total net book value of subscriber assets of \$23.8 million and \$23.6 million as of December 31, 2024 and September 30, 2024, respectively, are included in property, equipment and improvements, net. Depreciation expense for these subscriber assets, which is included in cost of sales, was \$1.9 million and \$1.0 million for the three months ended December 31, 2024 and 2023, respectively.

#### *Contract Assets*

Contract assets at Digi consist of products and services that have been fulfilled, but for which revenue has not yet been recognized. Our contract asset balances were immaterial as of December 31, 2024 and September 30, 2024.

#### *Contract Liabilities*

Contract liabilities consist of unearned revenue related to annual or multi-year contracts for subscription services and related implementation fees, as well as product sales that have been invoiced, but not yet fulfilled. The timing of revenue recognition may differ from the timing of invoicing to customers. Customers are invoiced for subscription services on a monthly, quarterly or annual basis.

Our contract liabilities were \$41.6 million and \$35.0 million at December 31, 2024 and 2023, respectively.

There were contract liability balances of \$36.8 million and \$27.9 million as of September 30, 2024 and 2023, respectively. Of these balances, Digi recognized \$9.3 million and \$7.4 million as revenue in the three months ended December 31, 2024 and 2023, respectively.

### Remaining Performance Obligation

As of December 31, 2024, we had approximately \$ 162.1 million of remaining performance obligations on contracts with an original duration of one year or more. We expect to recognize revenue on approximately \$79.1 million of remaining performance obligations over the next 12 months. We expect to recognize revenue from the remaining performance obligations over a range of two to five years.

## 8. INCOME TAXES

Our income tax expense was \$1.0 million for the three months ended December 31, 2024. Included in this was a net tax benefit of \$0.4 million discretely related to the three months ended December 31, 2024. This benefit was the result of book stock compensation in excess of recognized tax benefits.

Our effective tax rate will vary based on a variety of factors. These factors include our overall profitability, the geographical mix of income before taxes and related statutory tax rate in each jurisdiction, and tax items discretely related to the period, such as tax impacts of stock compensation, as there are no open audits during the period. We may record other benefits or expenses in the future that are specific to a particular quarter such as expiration of statutes of limitation, the completion of tax audits, or legislation that is enacted in both U.S. and foreign jurisdictions.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is (in thousands):

|  |                 |
|--|-----------------|
| Unrecognized tax benefits as of September 30, 2024 | \$ 3,602        |
| Decreases related to:                              |                 |
| Expiration of statute of limitations               | (57)            |
| Unrecognized tax benefits as of December 31, 2024  | <u>\$ 3,545</u> |

The total amount of unrecognized tax benefits at December 31, 2024 that, if recognized, would affect our effective tax rate was \$ 3.4 million, after considering the impact of interest and deferred benefit items. We expect that the total amount of unrecognized tax benefits will decrease by approximately \$0.5 million over the next 12 months.

## 9. PRODUCT WARRANTY OBLIGATION

The following tables summarize the activity associated with the product warranty accrual (in thousands) and is included on our condensed consolidated balance sheets within other current liabilities:

|                                | Three months ended December 31, |               |
|--------------------------------|---------------------------------|---------------|
|                                | 2024                            | 2023          |
| Balance at beginning of period | \$ 933                          | \$ 772        |
| Warranties accrued             | 207                             | 94            |
| Net settlements                | (36)                            | (85)          |
| Balance at end of period       | <u>\$ 1,104</u>                 | <u>\$ 781</u> |

## 10. LEASES

All of our leases are operating leases and primarily consist of leases for office space. For any lease with an initial term in excess of 12 months, the related lease assets and lease liabilities are recognized on the condensed consolidated balance sheets as either operating or financing leases at the inception of an agreement where it is determined that a lease exists. We have lease agreements that contain both lease and non-lease components. We have elected to combine lease and non-lease components for all classes of assets. Leases with an expected term of 12 months or less are not recorded on the condensed consolidated balance sheets. Instead we recognize lease expense for these leases on a straight-line basis over the lease term.

Operating lease assets represent the right to use an underlying asset for the lease term and operating lease liabilities represent the obligation to make lease payments. These assets and liabilities are recognized based on the present value of future payments over the lease term at the commencement date. We generally use a collateralized incremental borrowing rate based on information available at the commencement date, including the lease term, in determining the present value of future payments. When determining our right-of-use assets, we generally do not include options to extend or terminate the lease unless it is reasonably certain that the option will be exercised.

Our leases typically require payment of real estate taxes and common area maintenance and insurance. These components comprise the majority of our variable lease cost and are excluded from the present value of our lease obligations. Fixed payments may contain predetermined fixed rent escalations. We recognize the related rent expense on a straight-line basis from the commencement date to the end of the lease term.

The following table shows the supplemental balance sheet information related to our leases (in thousands):

|                         | Balance Sheet Location                         | December 31, 2024 | September 30, 2024 |
|-------------------------|--|-------------------|--------------------|
| <b>Assets</b>           |  |                   |                    |
| Operating leases        | Operating lease right-of-use assets            | \$ 9,799          | \$ 10,207          |
| Total lease assets      |  | \$ 9,799          | \$ 10,207          |
| <b>Liabilities</b>      |  |                   |                    |
| Operating leases        | Current portion of operating lease liabilities | \$ 2,881          | \$ 2,973           |
| Operating leases        | Operating lease liabilities                    | 10,756            | 11,228             |
| Total lease liabilities |  | \$ 13,637         | \$ 14,201          |

The following were the components of our lease cost which is recorded in both cost of goods sold and selling, general and administrative expense (in thousands):

|                       | Three months ended December 31, |          |
|-----------------------|---------------------------------|----------|
|                       | 2024                            | 2023     |
| Operating lease cost  | \$ 872                          | \$ 891   |
| Variable lease cost   | 285                             | 317      |
| Short-term lease cost | 29                              | 27       |
| Total lease cost      | \$ 1,186                        | \$ 1,235 |

At December 31, 2024, the weighted average remaining lease term of our operating leases was 5.8 years and the weighted average discount rate for these leases was 4.7%.

## 10. LEASES (CONTINUED)

The table below reconciles the undiscounted cash flows for each of the first five years as well as all the remaining years to the operating lease liabilities recorded on the condensed consolidated balance sheet as of December 31, 2024 (in thousands):

| Fiscal year                              | Amount    |
|--|-----------|
| 2025 (nine months)                       | \$ 2,670  |
| 2026                                     | 3,321     |
| 2027                                     | 2,093     |
| 2028                                     | 1,897     |
| 2029                                     | 1,840     |
| 2030                                     | 1,880     |
| Thereafter                               | 1,985     |
| Total future undiscounted lease payments | 15,686    |
| Less imputed interest                    | (2,049)   |
| Total reported lease liability           | \$ 13,637 |

## 11. COMMITMENTS AND CONTINGENCIES

We lease certain of our buildings and equipment under non-cancelable lease agreements. Please refer to [Note 10](#) to our condensed consolidated financial statements for additional information.

In addition to the matter discussed above, in the normal course of business, we are presently, and expect in the future to be, subject to various claims and litigation with third parties such as non-practicing intellectual property entities as well as customers, vendors and/or employees. There can be no assurance that any claims by third parties, if proven to have merit, will not materially adversely affect our business, liquidity or financial condition.

## 12. STOCK-BASED COMPENSATION

Stock-based awards granted in the first fiscal quarter of 2024 and 2023 were granted under the Digi International Inc. 2021 Omnibus Incentive Plan (as amended and restated, the "2021 Plan"). Shares subject to awards under the 2021 Plan or any prior plans that are forfeited, canceled, returned to us for failure to satisfy vesting requirements, settled in cash or otherwise terminated without payment also will be available for grant under the 2021 Plan. The authority to grant options under the 2021 Plan and set other terms and conditions rests with the Compensation Committee of the Board of Directors.

As of December 31, 2024, there were approximately 1,358,842 shares available for future grants under the 2021 Plan.

Cash received from the exercise of stock options was \$1.8 million and \$0.2 million for the three months ended December 31, 2024 and 2023, respectively.

Our equity plans and corresponding forms of award agreements generally have provisions allowing employees to elect to satisfy tax withholding obligations through the delivery of shares. When employees make this election, we retain a portion of shares issuable under the award. Tax withholding obligations are otherwise fulfilled by the employee paying cash to us for the withholding. During the three months ended December 31, 2024 and 2023, our employees forfeited 100,011 shares and 87,792 shares, respectively, in order to satisfy withholding tax obligations of \$ 3.2 million and \$2.1 million, respectively.

## 12. STOCK-BASED COMPENSATION (CONTINUED)

We sponsor an Employee Stock Purchase Plan as amended and restated as of December 10, 2019, October 29, 2013, December 4, 2009 and November 27, 2006 (the "ESPP"), covering all domestic employees with at least 90 days of continuous service and who are customarily employed at least 20 hours per week. The ESPP allows eligible participants the right to purchase common stock on a quarterly basis at the lower of 85% of the market price at the beginning or end of each three-month offering period. The most recent amendments to the ESPP, ratified by our stockholders on January 29, 2020, increased the total number of shares that may be purchased under the ESPP to 3,425,000. ESPP contributions by employees were \$0.5 million for the three months ended December 31, 2024 and 2023. Pursuant to the ESPP, 22,311 and 23,665 common shares were issued to employees during the three months ended December 31, 2024 and 2023, respectively. Shares are issued under the ESPP from treasury stock. As of December 31, 2024, 346,186 common shares were available for future issuances under the ESPP.

The following table shows stock-based compensation expense that is included in the consolidated results of operations (in thousands):

|  | Three months ended December 31, |          |
|--|---------------------------------|----------|
|  | 2024                            | 2023     |
| Cost of sales                                | \$ 187                          | \$ 181   |
| Sales and marketing                          | 1,261                           | 1,168    |
| Research and development                     | 546                             | 430      |
| General and administrative                   | 1,566                           | 1,327    |
| Stock-based compensation before income taxes | 3,560                           | 3,106    |
| Income tax benefit                           | (761)                           | (663)    |
| Stock-based compensation after income taxes  | \$ 2,799                        | \$ 2,443 |

### Stock Options

The following table summarizes our stock option activity (in thousands, except per common share amounts):

|                                  | Options Outstanding | Weighted Average Exercise Price | Weighted Average Contractual Term (in years) | Aggregate Intrinsic Value (1) |
|----------------------------------|---------------------|---------------------------------|--|-------------------------------|
| Balance on September 30, 2024    | 1,382               | \$19.01                         |  |                               |
| Granted                          | 63                  | 31.55                           |  |                               |
| Exercised                        | (237)               | 32.78                           |  |                               |
| Forfeited / Canceled             | (6)                 | 27.74                           |  |                               |
| Balance on December 31, 2024     | 1,202               | \$20.66                         | 3.3  | \$ 11,987                     |
| Exercisable on December 31, 2024 | 929                 | \$18.92                         | 2.8  | \$ 10,845                     |

(1) The aggregate intrinsic value represents the total pre-tax intrinsic value, based on our closing stock price of \$ 30.23 as of December 31, 2024, which would have been received by the option holders had all option holders exercised their options as of that date.

## 12. STOCK-BASED COMPENSATION (CONTINUED)

The intrinsic value of an option is the amount by which the fair value of the underlying stock exceeds its exercise price. The total intrinsic value of all options exercised during the three months ended December 31, 2024 and 2023 was \$7.8 million and \$0.4 million, respectively.

The following table shows the weighted average fair value, which was determined based upon the fair value of each option on the grant date utilizing the Black-Scholes option-pricing model and the related assumptions:

|   | Three months ended December 31, |               |
|---|---------------------------------|---------------|
|   | 2024                            | 2023          |
| Weighted average per option grant date fair value | \$16.22                         | \$12.44       |
| Assumptions used for option grants:               |                                 |               |
| Risk free interest rate                           | 4.31%                           | 4.45% - 4.68% |
| Expected term                                     | 6.00 years                      | 6.00 years    |
| Expected volatility                               | 48%                             | 46%           |
| Weighted average volatility                       | 48%                             | 46%           |
| Expected dividend yield                           | —                               | —             |

The fair value of each option award granted during the periods presented was estimated using the Black-Scholes option valuation model that uses the assumptions noted in the above table. Expected volatilities are based on the historical volatility of our stock. We use historical data to estimate option exercise and employee termination information within the valuation model. The expected term of options granted is derived from the vesting period and historical information and represents the period of time that options granted are expected to be outstanding. The risk-free rate used is the zero-coupon U.S. Treasury bond rate in effect at the time of the grant whose maturity equals the expected term of the option.

As of December 31, 2024, the total unrecognized compensation cost related to non-vested stock options was \$ 3.2 million and the related weighted average period over which it is expected to be recognized is approximately 2.1 years.

### Non-vested Stock Units

The following table presents a summary of our non-vested restricted stock units and performance stock units as of December 31, 2024 and changes during the three months then ended (in thousands, except per common share amounts):

|                                 | RSUs             |  | PSUs             |  |
|---------------------------------|------------------|--|------------------|--|
|                                 | Number of Awards | Weighted Average Grant Date Fair Value | Number of Awards | Weighted Average Grant Date Fair Value |
| Nonvested on September 30, 2024 | 846              | \$ 30.15                               | 220              | \$ 30.55                               |
| Granted                         | 389              | 31.81                                  | 162              | 32.64                                  |
| Vested                          | (214)            | 27.37                                  | (54)             | 30.57                                  |
| Canceled                        | (9)              | 30.46                                  | (4)              | 19.78                                  |
| Nonvested on December 31, 2024  | <u>1,012</u>     | <u>\$ 31.38</u>                        | <u>324</u>       | <u>\$ 31.71</u>                        |

As of December 31, 2024, the total unrecognized compensation cost related to non-vested restricted stock units and performance stock units was \$ 27.4 million and \$2.1 million, respectively. The related weighted average period over which these costs are expected to be recognized was approximately 2.4 years and 0.8 years, respectively.

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

Our management's discussion and analysis should be read in conjunction with our Annual Report on [Form 10-K](#) for the fiscal year ended September 30, 2024, as well as our subsequent reports on Form 10-Q and Form 8-K and any amendments to such reports.

### SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Quarterly Report on Form 10-Q contains certain statements that are "forward-looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995, and within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

#### ***Forward-Looking Statements***

This report contains forward-looking statements, which are statements based on management's current expectations and assumptions. These statements often can be identified by the use of forward-looking terminology such as "assume," "believe," "continue," "estimate," "expect," "intend," "may," "plan," "potential," "project," "should," or "will" or the negative thereof or other variations thereon or similar terminology. Among other items, these statements relate to expectations of the business environment in which Digi operates, projections of future performance, inventory levels, perceived marketplace opportunities, debt repayments, attributions of potential acquisitions and statements regarding our mission and vision. Such statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions. Among others, these include risks related to ongoing and varying inflationary and deflationary pressures around the world and the monetary and trade policies of governments globally as well as present and ongoing concerns about a potential recession, the potential for longer than expected sales cycles, the ability of companies like us to operate a global business in such conditions as well as negative effects on product demand and the financial solvency of customers and suppliers in such conditions, risks related to ongoing supply chain challenges that continue to impact businesses globally, regulatory risks that include, but are not limited to, the potential expansion of tariffs, risks related to cybersecurity, risks arising from the present military conflicts in Ukraine and the Middle East, the highly competitive market in which our company operates, rapid changes in technologies that may displace products sold by us, declining prices of networking products, our reliance on distributors and other third parties to sell our products, the potential for significant purchase orders to be canceled or changed, delays in product development efforts, uncertainty in user acceptance of our products, the ability to integrate our products and services with those of other parties in a commercially accepted manner, potential liabilities that can arise if any of our products have design or manufacturing defects, our ability to integrate and realize the expected benefits of acquisitions, our ability to defend or settle satisfactorily any litigation, the impact of natural disasters and other events beyond our control that could negatively impact our supply chain and customers, potential unintended consequences associated with restructuring, reorganizations or other similar business initiatives that may impact our ability to retain important employees or otherwise impact our operations in unintended and adverse ways, and changes in our level of revenue or profitability which can fluctuate for many reasons beyond our control.

These and other risks, uncertainties and assumptions identified from time to time in our filings with the United States Securities and Exchange Commission, including without limitation, those set forth in Item 1A, Risk Factors, of our Annual Report on [Form 10-K](#) for the year ended September 30, 2024, subsequent filings, as well as this Quarterly Report on Form 10-Q and other filings, could cause our actual results to differ materially from those expressed in any forward-looking statements made by us or on our behalf. Many of such factors are beyond our ability to control or predict. These forward-looking statements speak only as of the date for which they are made. We disclaim any intent or obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

#### **CRITICAL ACCOUNTING ESTIMATES**

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, the disclosure of contingent assets and liabilities and the values of purchased assets and assumed liabilities in acquisitions. We base our estimates on historical experience and various other assumptions that we believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

A description of our critical accounting estimates was provided in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our [Annual Report](#) on [Form 10-K](#) for the fiscal year ended September 30, 2024.

## OVERVIEW

We are a leading global provider of business and mission-critical IoT connectivity products, services and solutions. Our business is comprised of two reporting segments: IoT Products & Services and IoT Solutions.

In fiscal 2025, our key operating objectives include:

- continuing to transition to complete solutions with software and service offerings included with our products, as this drives Annualized Recurring Revenue ("ARR"), which provides more predictable and higher margin revenue; and
- delivering a higher level of customer service across our businesses.

We utilize many financial, operational, and other metrics to evaluate our financial condition and financial performance. Below we highlight the metrics for the first quarter of fiscal 2025 that we feel are most important in these evaluations, with comparisons to the first quarter of fiscal 2024:

- Consolidated revenue was \$104 million, a decrease of 2%.
- Consolidated gross profit was \$64 million, an increase of 5%.
- Gross profit margin was 62.0%, an increase of 440 basis points.
- Net income was \$10 million, compared to a net loss of \$3 million.
- Net income per diluted share was \$0.27, compared to a net loss per diluted share of \$0.08 (which included a \$0.26 impact from the term B debt issuance cost write-off).
- Adjusted net income and adjusted net income per share was \$19 million, or \$0.50 per diluted share, respectively, compared to \$18 million, or \$0.48 per diluted share, respectively.
- Adjusted EBITDA was \$26 million, or 24.7% of revenue, compared to \$23 million or 22.0% of revenue.
- Annualized Recurring Revenue (ARR) was \$120 million at quarter end, an increase of 11%.

In recent periods, we have experienced longer than expected sales cycles with respect to many contracts and projects of potential significance. We believe this is related to macroeconomic conditions and are uncertain as to when and to what degree sales cycles will return to more normal conditions, but expect this to adversely impact our results for at least the remainder of fiscal 2025.

## CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth selected information derived from our interim condensed consolidated statements of operations:

| (\$ in thousands)            | Three months ended December 31, |         | % incr.<br>(decr.) |         |
|------------------------------|---------------------------------|---------|--------------------|---------|
|                              | 2024                            | 2023    | 2023               | 2022    |
| Revenue                      | \$ 103,866                      | 100.0 % | \$ 106,089         | 100.0 % |
| Cost of sales                | 39,468                          | 38.0    | 44,989             | 42.4    |
| Gross profit                 | 64,398                          | 62.0    | 61,100             | 57.6    |
| Operating expenses           | 51,039                          | 49.1    | 48,967             | 46.2    |
| Operating income             | 13,359                          | 12.9    | 12,133             | 11.4    |
| Other expense, net           | (2,263)                         | (2.2)   | (15,409)           | (14.5)  |
| Income before income taxes   | 11,096                          | 10.7    | (3,276)            | (3.1)   |
| Income tax expense (benefit) | 1,013                           | 1.0     | (222)              | (0.2)   |
| Net income (loss)            | \$ 10,083                       | 9.7 %   | \$ (3,054)         | (2.9)%  |

NM means not meaningful

[Table of Contents](#)

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)**

REVENUE BY SEGMENT

| (\$ in thousands)       | Three months ended December 31, |         | % incr.<br>(decr.) |         |        |
|-------------------------|---------------------------------|---------|--------------------|---------|--------|
|                         | 2024                            | 2023    |                    |         |        |
| <b>Revenue</b>          |                                 |         |                    |         |        |
| IoT Products & Services | \$ 77,823                       | 74.9 %  | \$ 82,023          | 77.3 %  | (5.1)% |
| IoT Solutions           | 26,043                          | 25.1    | 24,066             | 22.7    | 8.2    |
| Total revenue           | \$ 103,866                      | 100.0 % | \$ 106,089         | 100.0 % | (2.1)% |

*IoT Products & Services*

IoT Products & Services revenue decreased \$4.2 million for the three months ended December 31, 2024, as compared to the same period in the prior fiscal year. The decrease consisted of a \$4.7 million decline in one-time sales, with no material impact from pricing. This was driven by lower demand for some products, as some customers bled down inventory stockpiled from when supply chains were stressed. This decrease was partially offset by \$0.5 million of recurring revenue growth.

*IoT Solutions*

IoT Solutions revenue increased \$2.0 million for the three months ended December 31, 2024, as compared to the same period in the prior fiscal year. The increase consisted of a \$2.1 million increase in recurring revenue, driven by growth in both SmartSense and Ventus, partially offset by a \$0.1 million decrease in one-time sales.

**ARR**

ARR was \$120 million as of December 31, 2024, compared to \$108 million as of December 31, 2023. IoT Products & Services ARR was \$27 million as of December 31, 2024, compared to \$23 million as of December 31, 2023. This increase was due to growth in the subscription base across extended warranty offerings and remote management platforms. IoT Solutions ARR was \$93 million as of December 31, 2024, compared to \$85 million as of December 31, 2023, driven by growth in both SmartSense and Ventus.

COST OF GOODS SOLD AND GROSS PROFIT BY SEGMENT

Below are our segments' cost of goods sold and gross profit as a percentage of their respective total revenue:

| (\$ in thousands)                                       | Three months ended December 31, |        | Basis point<br>inc. (decr.) |        |       |
|---|---------------------------------|--------|-----------------------------|--------|-------|
|   | 2024                            | 2023   |                             |        |       |
| <b>Cost of Goods Sold</b>                               |                                 |        |                             |        |       |
| IoT Products & Services                                 | \$ 32,220                       | 41.4 % | \$ 38,164                   | 46.5 % | (510) |
| IoT Solutions   | 7,248                           | 27.8   | 6,825                       | 28.4   | (60)  |
| Total cost of goods sold                                | \$ 39,468                       | 38.0 % | \$ 44,989                   | 42.4 % | (440) |
| <b>Gross Profit</b>                                     |                                 |        |                             |        |       |
| IoT Products & Services Operating Segments Gross Profit | \$ 45,603                       | 58.6 % | \$ 43,859                   | 53.5 % | 510   |
| IoT Solutions Operating Segments Gross Profit           | 18,795                          | 72.2   | 17,241                      | 71.6   | 60    |
| Total gross profit                                      | \$ 64,398                       | 62.0 % | \$ 61,100                   | 57.6 % | 440   |

*IoT Product & Services*

IoT Products & Services gross profit margin increased 510 basis points for the three months ended December 31, 2024 as compared to the same period in the prior fiscal year. This increase was driven by a favorable margin mix among product sales partially offset by an increase in inventory related adjustments.

*IoT Solutions*

The IoT Solutions gross profit margin increased 60 basis points for the three months ended December 31, 2024 as compared to the same period in the prior fiscal year. This increase was the result of growth in higher margin ARR subscription revenues.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)****OPERATING EXPENSES**

Below are our operating expenses and operating expenses as a percentage of total revenue:

| (\$ in thousands)               | Three months ended December 31, |               | \$<br>incr.<br>(decr.) | %<br>incr.<br>(decr.) |
|---------------------------------|---------------------------------|---------------|------------------------|-----------------------|
|                                 | 2024                            | 2023          |                        |                       |
| <b>Operating Expenses</b>       |                                 |               |                        |                       |
| Sales and marketing             | \$ 21,757                       | 20.9 %        | \$ 19,647              | 18.5 %                |
| Research and development        | 15,027                          | 14.5          | 14,633                 | 13.8                  |
| General and administrative      | 14,255                          | 13.7          | 14,687                 | 13.9                  |
| <b>Total operating expenses</b> | <b>\$ 51,039</b>                | <b>49.1 %</b> | <b>\$ 48,967</b>       | <b>46.2 %</b>         |
|                                 | <b>\$ 2,072</b>                 |               |                        | <b>4.2 %</b>          |

The \$2.1 million increase in operating expenses for the three months ended December 31, 2024, as compared to the same period in the prior fiscal year was due to a \$2.9 million increase in labor expenses and a \$0.8 million decrease in non-labor expenses.

**OTHER EXPENSE, NET**

Below are our other expenses, net, and other expenses, net as a percentage of total revenue:

| (\$ in thousands)               | Three months ended December 31, |               | \$<br>incr.<br>(decr.) | %<br>incr.<br>(decr.) |
|---------------------------------|---------------------------------|---------------|------------------------|-----------------------|
|                                 | 2024                            | 2023          |                        |                       |
| <b>Other expense, net</b>       |                                 |               |                        |                       |
| Interest expense, net           | \$ (2,294)                      | (2.2)%        | \$ (5,661)             | (5.3)%                |
| Debt issuance cost write-off    | —                               | —             | (9,722)                | (9.2)                 |
| Other income (expense), net     | 31                              | —             | (26)                   | —                     |
| <b>Total other expense, net</b> | <b>\$ (2,263)</b>               | <b>(2.2)%</b> | <b>\$ (15,409)</b>     | <b>(14.5)%</b>        |
|                                 |                                 |               | <b>\$ 13,146</b>       | <b>(85.3)%</b>        |

NM means not meaningful

Other expense, net, decreased \$13.1 million for the three months ended December 31, 2024, as compared to the same period in the prior fiscal year. This decrease was driven by a write-off of debt issuance costs in 2024 and a reduction in interest expense due to a decrease in average debt outstanding and our effective interest rate (see [Note 5](#) to the condensed consolidated financial statements for additional information).

**INCOME TAXES**

See [Note 8](#) to the condensed consolidated financial statements for discussion of income taxes.

**KEY BUSINESS METRIC**

Annualized Recurring Revenue (ARR) represents the annualized monthly value of all billable subscription contracts, measured at the end of any fiscal period. ARR should be viewed independently of revenue and deferred revenue and is not intended to replace or forecast either of these items. Digi management uses ARR to manage and assess the growth of our subscription revenue business. We believe ARR is an indicator of the scale of our subscription business.

**GOODWILL**

If our future operating results do not meet current forecasts or if we experience a sustained decline in our market capitalization that is determined to be indicative of a reduction in fair value of one or more of our reporting units within either of our segments, we may be required to record future impairment charges for goodwill.

See [Note 4](#) to the condensed consolidated financial statements for additional discussion of goodwill.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)****NON-GAAP FINANCIAL INFORMATION**

This report includes adjusted net income, adjusted net income per diluted share and adjusted earnings before interest, taxes and amortization ("Adjusted EBITDA"), each of which is a non-GAAP financial measure.

Non-GAAP measures are not substitutes for GAAP measures for the purpose of analyzing financial performance. The disclosure of these measures does not reflect all charges and gains that actually were recognized by Digi. These non-GAAP measures are not in accordance with, or, an alternative for measures prepared in accordance with GAAP and may be different from non-GAAP measures used by other companies or presented by us in prior reports. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. We believe that non-GAAP measures have limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP. We believe these measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures. Additionally, Adjusted EBITDA does not reflect our cash expenditures, the cash requirements for the replacement of depreciated and amortized assets, or changes in or cash requirements for our working capital needs. We believe that providing historical and adjusted net income and adjusted net income per diluted share, respectively, exclusive of such items as reversals of tax reserves, discrete tax benefits, restructuring charges and reversals, intangible amortization, stock-based compensation, other non-operating income/expense, adjustments to estimates of contingent consideration, acquisition-related expenses and interest expense related to acquisition permits investors to compare results with prior periods that did not include these items. Management uses the aforementioned non-GAAP measures to monitor and evaluate ongoing operating results and trends and to gain an understanding of our comparative operating performance. In addition, certain of our stockholders have expressed an interest in seeing financial performance measures exclusive of the impact of these matters, which while important, are not central to the core operations of our business. Management believes that Adjusted EBITDA, defined as EBITDA adjusted for stock-based compensation expense, acquisition-related expenses, restructuring charges and reversals and changes in fair value of contingent consideration, is useful to investors to evaluate our core operating results and financial performance because it excludes items that are significant non-cash or non-recurring expenses reflected in the consolidated statements of operations. We believe that the presentation of Adjusted EBITDA as a percentage of revenue is useful because it provides a reliable and consistent approach to measuring our performance from year to year and in assessing our performance against that of other companies. We believe this information helps compare operating results and corporate performance exclusive of the impact of our capital structure and the method by which assets were acquired.

Below are reconciliations from GAAP to non-GAAP information that we feel are important to our business:

**Reconciliation of Net Income (Loss) to Adjusted EBITDA**  
(In thousands)

|                                | Three months ended December 31, |            | % of total revenue |
|--------------------------------|---------------------------------|------------|--------------------|
|                                | 2024                            | 2023       |                    |
|                                |                                 |            |                    |
| Total revenue                  | \$ 103,866                      | \$ 106,089 | 100.0 %            |
| Net income (loss)              | \$ 10,083                       | \$ (3,054) |                    |
| Interest expense, net          | 2,294                           | 5,661      |                    |
| Debt issuance cost write-off   | —                               | 9,722      |                    |
| Income tax provision (benefit) | 1,013                           | (222)      |                    |
| Depreciation and amortization  | 8,500                           | 8,051      |                    |
| Stock-based compensation       | 3,560                           | 3,106      |                    |
| Restructuring charge           | 159                             | 103        |                    |
| Acquisition expense            | —                               | (61)       |                    |
| Adjusted EBITDA                | \$ 25,609                       | \$ 23,306  | 22.0 %             |

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)**

**Reconciliation of Net Income (Loss) and Net Income (Loss) per Diluted Share to  
Adjusted Net Income and Adjusted Net Income per Diluted Share**  
(In thousands, except per share amounts)

|  | Three months ended December 31, |                  |
|--|---------------------------------|------------------|
|  | 2024                            | 2023             |
| Net income (loss) and net income (loss) per diluted share                    | \$ 10,083                       | \$ (3,054)       |
| Amortization   | 5,765                           | 6,238            |
| Stock-based compensation   | 3,560                           | 3,106            |
| Other non-operating (income) expense   | (31)                            | 26               |
| Acquisition expense  | —                               | (61)             |
| Restructuring charge   | 159                             | 103              |
| Interest expense, net  | 2,294                           | 5,661            |
| Debt issuance cost write-off   | —                               | 9,722            |
| Tax effect from the above adjustments <sup>(1)</sup>                         | (2,736)                         | (3,913)          |
| Discrete tax benefits <sup>(2)</sup>   | (362)                           | (182)            |
| Adjusted net income and adjusted net income per diluted share <sup>(3)</sup> | <u>\$ 18,732</u>                | <u>\$ 17,646</u> |
| Diluted weighted average common shares                                       | <u>37,483</u>                   | <u>36,715</u>    |

(1) The tax effect from the above adjustments assumes an estimated effective tax rate of 18.0% for fiscal 2025 and fiscal 2024 based on adjusted net income.

(2) For the three months ended December 31, 2024 and 2023, discrete tax benefits are a result of changes in excess tax benefits recognized on stock compensation.

(3) Adjusted net income per diluted share may not add due to the use of rounded numbers.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)****LIQUIDITY AND CAPITAL RESOURCES**

Historically we have financed our operations and capital expenditures principally with funds generated from operations. In fiscal 2022 we issued debt to fund our acquisition of Ventus. Our liquidity requirements arise from our working capital needs, and to a lesser extent, our need to fund capital expenditures to support our current operations and facilitate growth and expansion.

On December 7, 2023, we entered into a credit agreement. The Credit Agreement provides Digi with a \$250 million senior secured revolving credit facility, with an uncommitted accordion feature that provides for additional borrowing capacity of up to the greater of \$95 million or one hundred percent of trailing twelve month adjusted earnings before interest, taxes, depreciation, and amortization. The Credit Facility also contains a \$10 million letter of credit sublimit and \$10 million swingline sub-facility. Digi used the proceeds to retire the remaining balance of the prior credit agreement and may use the proceeds in the future for general corporate purposes. For additional information regarding the terms of our Credit Facility, including the Revolving Loan and its subfacilities, see [Note 5](#) to our condensed consolidated financial statements.

The Credit Agreement replaced our prior credit agreement that consisted of a \$350 million term loan B secured loan and a \$35 million revolving credit facility. The \$35 million revolving credit facility included a \$10 million letter of credit subfacility and \$10 million swingline subfacility.

We expect positive cash flows from operations for the foreseeable future. We believe that our current cash and cash equivalents balances, cash generated from operations and our ability to borrow under our credit facility will be sufficient to fund our business operations and capital expenditures for the next 12 months and beyond.

Our condensed consolidated statements of cash flows for the three months ended December 31, 2024 and 2023 are summarized as follows:

| (\$ in thousands)  | Three months ended December 31, |           |
|--|---------------------------------|-----------|
|  | 2024                            | 2023      |
| Operating activities   | \$ 29,719                       | \$ 18,672 |
| Investing activities   | (577)                           | (292)     |
| Financing activities   | (30,540)                        | (20,376)  |
| Effect of exchange rate changes on cash and cash equivalents | (177)                           | 1,851     |
| Net decrease in cash and cash equivalents                    | \$ (1,575)                      | \$ (145)  |

*Cash flows from operating activities increased \$11.0 million as a result of:*

- a \$13.1 million increase in net income in the first quarter of fiscal 2025,
- a \$7.0 million decrease in net operating assets for the first quarter of fiscal 2025 compared to a \$0.4 million decrease in the first quarter of fiscal 2024,
- and a \$0.5 million decrease in deferred income tax benefit for the first quarter of fiscal 2025 compared to a \$0.3 million decrease in the first quarter of fiscal 2024.

*These were partially offset by:*

- a \$9.7 million debt issuance cost write-off included in net income in the first quarter of fiscal 2024.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)**

*Cash flows used in investing activities decreased \$0.3 million as a result of:*

- a \$0.3 million decrease in purchases of property, equipment, improvements and certain other intangible assets.

*Cash flows used in financing activities increased \$10.2 million as a result of:*

- net proceeds of \$214.1 million from the issuance of a new credit facility in the first quarter of fiscal 2024 that did not repeat in 2025,
- and an increase in taxes paid for net share settlement of share-based payment options and awards.

*These were partially offset by:*

- debt payments of \$28.3 million in the first quarter of fiscal 2025, compared to debt payments of \$233.0 million in the first quarter of fiscal 2024
- and an increase in proceeds from stock option plan transactions and employee stock purchase plan transactions.

#### CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations at December 31, 2024:

| (\$ in thousands) | Payments due by fiscal period |                  |                 |                  |                 |
|-------------------|-------------------------------|------------------|-----------------|------------------|-----------------|
|                   | Total                         | Less than 1 year | 1-3 years       | 3-5 years        | Thereafter      |
| Operating leases  | \$ 14,746                     | \$ 3,500         | \$ 5,058        | \$ 3,733         | \$ 2,455        |
| Revolving loan    | 96,000                        | —                | —               | 96,000           | —               |
| <b>Total</b>      | <b>\$ 110,746</b>             | <b>\$ 3,500</b>  | <b>\$ 5,058</b> | <b>\$ 99,733</b> | <b>\$ 2,455</b> |

The operating leases included above primarily relate to office space. The table above does not include possible payments for uncertain tax positions. Our reserve for uncertain tax positions, including accrued interest and penalties, was \$0.1 million as of December 31, 2024. Due to the nature of the underlying liabilities and the extended time often needed to resolve income tax uncertainties, we cannot make reliable estimates of the amount or timing of future cash payments that may be required to settle these liabilities. The table above also does not include those obligations for royalties under license agreements as these royalties are calculated based on future sales of licensed products and we cannot make reliable estimates of the amount of cash payments.

#### RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

None.

#### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to ongoing market risk related to changes in interest rates and foreign currency exchange rates.

#### INTEREST RATE RISK

We are exposed to market risks related to fluctuations in interest rates on amounts borrowed under the Credit Facility. As of December 31, 2024, we had \$96.0 million outstanding under our Revolving Loan. Borrowings under the Credit Facility bear interest at a rate per annum equal to Term SOFR with a floor of 0.00% for an interest period of one, three, or six months as selected by Digi, reset at the end of the selected interest period (or a replacement benchmark rate if Term SOFR is no longer available) plus the applicable margin or a base rate plus the applicable margin. The base rate is determined by reference to the highest of (1) BMO's prime rate, (2) the rate determined by BMO to be the average rate of Federal funds in the secondary market plus 0.50%, or (3) one-month SOFR plus 1.00%. The applicable margin for loans under the Credit Facility is in a range of 1.75 to 2.75% for Term SOFR loans and 0.75% to 1.75% for base rate loans, depending on Digi's total net leverage ratio. The initial borrowings were made at Term SOFR for a one-month interest period plus an applicable margin of 2.50%. Our weighted average interest rate for our Credit Facility as of December 31, 2024 was 6.83%.

Digi bases the interest period election described above on an assessment of the interest rate environment conducted on a monthly basis. Based on the balance sheet position for the Revolving Loan at December 31, 2024, the annualized effect of a 25 basis point change in interest rates would increase or decrease our interest expense by \$0.2 million. For additional information, see [Note 5](#) to our condensed consolidated financial statements. For our Credit Facility, interest rate changes generally do not affect the fair value of the debt instruments, but do impact future earnings and cash flows, assuming other factors are held constant. If interest rates remain elevated, we will continue to see interest expenses that are higher than historical amounts.

#### FOREIGN CURRENCY RISK

We are not exposed to foreign currency transaction risk associated with sales transactions as the majority of our sales are denominated in U.S. Dollars. We are exposed to foreign currency translation risk as the financial position and operating results of our foreign subsidiaries are translated into U.S. Dollars for consolidation. We manage our net asset or net liability position for non-functional currency accounts, primarily the U.S. Dollar accounts in our foreign locations to reduce our foreign currency risk. We have not implemented a formal hedging strategy.

A 10% change in the average exchange rate for the Euro, British Pound, Australian Dollar and Canadian Dollar to the U.S. Dollar during the first three months of fiscal 2025 would have resulted in a 0.9% increase or decrease in stockholders' equity due to foreign currency translation.

#### CREDIT RISK

We have exposure to credit risk related to our accounts receivable portfolio. Exposure to credit risk is controlled through regular monitoring of customer financial status, credit limits and collaboration with sales management and customer contacts to facilitate payment.

### ITEM 4. CONTROLS AND PROCEDURES

#### EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to our management, including the principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

#### CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting that occurred during the three months ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

The disclosure set forth in [Note 11](#) to the condensed consolidated financial statements in Part I, Item 1 of this Form 10-Q is incorporated herein by reference.

### ITEM 1A. RISK FACTORS

Except as set forth below, there have been no material changes in our risk factors from those previously disclosed in Item 1A of Part I of our Annual Report on [Form 10-K](#) for the year ended September 30, 2024.

*Our dependence on new product development, rapid technological change, competitors' product introductions and enhancements, and regulatory changes make us susceptible to potential fluctuations in demand or loss of market share for our products.*

Our industry is characterized by rapidly changing technologies, evolving industry standards, frequent new product introductions, short product life cycles in certain instances and rapidly changing customer requirements. The introduction of products and enhancements embodying new technologies, whether via competitors' products or just changes in markets where we sell products because of other changes in technology more generally, can disrupt one or more markets in which we compete. In addition, the emergence of new or changed industry standards or regulations impacting our industry can also cause demand for our products to fluctuate or render our products obsolete or unmarketable.

Our future success will depend on our ability to enhance our existing products, to introduce new products to meet changing customer requirements and emerging technologies as well as potential regulatory changes, and to demonstrate the performance advantages and cost-effectiveness of our products over competing products. Failure by us to modify our products to support new alternative technologies or failure to achieve widespread customer acceptance of such modified products could cause us to lose market share and cause our revenue to decline. Further, if our competitors offer better service capabilities associated with the implementation and use of their products, our business could be impacted negatively.

We may experience delays in developing and marketing product enhancements or new products that respond to technological change, evolving industry standards or regulations and changing customer requirements. There can be no assurance that we will not experience difficulties that could delay or prevent the successful development, introduction, and marketing of these products or product enhancements, or that our new products and product enhancements will meet the requirements of the marketplace adequately and achieve any significant or sustainable degree of market acceptance in existing or additional markets. Further, demand for products can fluctuate because of changes in technology generally which could also impact our sales of products. In addition, the future introductions or announcements of products by us or one of our competitors embodying new technologies or changes in industry standards or regulations or customer requirements could render our then-existing products obsolete or unmarketable. This risk may become more pronounced as new competitors emerge in markets where we sell our products, especially if these competitors have more resources than us to develop and market new products and technologies and provide related services. There can be no assurance that the introduction or announcement of new technologies into markets where we sell products or the introduction or announcement of product offerings by us or one or more of our competitors will not cause customers to defer their purchase of our existing products, which could cause our revenue to decline.

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

The following table presents the information with respect to purchases made by or on behalf of Digi International Inc. or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act), of our common stock during the first quarter of fiscal 2025:

| Period                               | Total Number of Shares Purchased <sup>(1)</sup> | Average Price Paid per Share | Total Number of Shares Purchased as Part of a Publicly Announced Program | Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program |
|--------------------------------------|---|------------------------------|--|--|
| October 1, 2024 - October 31, 2024   | —   | \$ —                         | —  | \$ —   |
| November 1, 2024 - November 30, 2024 | 95,598  | 32.19                        | —  | —  |
| December 1, 2024 - December 31, 2024 | 4,413   | 33.24                        | —  | —  |
|                                      | <b><u>100,011</u></b>                           | <b><u>\$ 32.24</u></b>       | —  | \$ —   |

(1) All shares reported were forfeited by employees in connection with the satisfaction of tax withholding obligations related to the vesting of restricted stock units.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

None.

**ITEM 5. OTHER INFORMATION**

During the three months ended December 31, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, modified or terminated any contract, instruction, or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Actor any non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K).

We are reporting the following information in lieu of reporting on a Current Report on Form 8-K.

**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

As reported below under Item 5.07, on February 3, 2025, our stockholders approved the Amended and Restated Digi International Inc. 2021 Omnibus Incentive Plan, which increased the number of shares available for issuance pursuant to awards under the plan by an additional two million shares and extended the expiration date so that the term of the plan runs for ten years from the date of the stockholder approval.

A description of the Amended and Restated Digi International Inc. 2021 Omnibus Incentive Plan, as amended, was included in the Company's proxy statement for its annual meeting of shareholders filed with the United States Securities and Exchange Commission on December 13, 2024. A copy of the Amended and Restated Digi International Inc. 2021 Omnibus Incentive Plan, as amended, is filed as Exhibit 10(a) to this Quarterly Report on Form 10-Q.

**Item 5.07 Submission of Matters to a Vote of Security Holders.**

Our annual meeting of stockholders was held on February 3, 2025. Of the 36,867,240 shares of our common stock eligible to vote at the meeting, 34,888,841 shares were present at the meeting by proxy or in person (virtually). The stockholders voted on the following matters:

1. Spiro C. Lazarakis and Hatem H. Naguib were elected as directors for three-year terms. Valerie Heusinkveld and Allison West Hughes were elected as directors for two-year terms. Voting for each of their elections was as follows:

| Name                | Votes For  | Votes Against | Abstain | Broker Non-Votes |
|---------------------|------------|---------------|---------|------------------|
| Spiro C. Lazarakis  | 30,199,979 | 2,125,700     | 6,175   | 2,556,987        |
| Hatem H. Naguib     | 30,333,394 | 1,992,184     | 6,276   | 2,556,987        |
| Valerie Heusinkveld | 32,307,122 | 19,135        | 5,597   | 2,556,987        |
| Allison West Hughes | 32,306,021 | 20,229        | 5,604   | 2,556,987        |

2. A non-binding advisory vote to approve the executive compensation disclosed in our proxy statement for the annual meeting received advisory approval based on 30,669,467 "for" votes and 1,648,919 "against" votes. 13,468 shares abstained from voting and there were 2,556,987 broker non-votes on this proposal.

3. The stockholders ratified the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2025, with 34,855,564 shares voting for the proposal and 21,841 shares voting against the proposal. 11,436 shares abstained from voting on this proposal.

4. The stockholders approved the amendment and restatement of the Digi International Inc. 2021 Omnibus Incentive Plan. The proposal received 21,968,869 "for" votes and 9,227,043 "against" votes. 1,135,942 shares abstained from voting and there were 2,556,987 broker non-votes on this proposal.

**ITEM 6. EXHIBITS**

| Exhibit No. | Description   | Method of Filing          |
|-------------|---|---------------------------|
| 3 (a)       | Restated Certificate of Incorporation of the Company, as amended (1)  | Incorporated by Reference |
| 3 (b)       | <a href="#">Amended and Restated By-Laws of the Company</a> (2)   | Incorporated by Reference |
| 10 (a)      | <a href="#">Digi International Inc. 2021 Omnibus Incentive Plan (as amended and restated on February 3, 2025)</a>   | Filed Electronically      |
| 31 (a)      | <a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer</a>   | Filed Electronically      |
| 31 (b)      | <a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer</a>   | Filed Electronically      |
| 32          | <a href="#">Section 1350 Certification</a>  | Filed Electronically      |
| 101         | The following materials from Digi International Inc.'s Quarterly Report on Form 10-Q for the fiscal period ended December 31, 2024, as filed with the Security and Exchange Commission, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Operations; (ii) Condensed Consolidated Statements of Comprehensive Income; (iii) Condensed Consolidated Balance Sheets; (iv) Condensed Consolidated Statements of Cash Flows; (v) Condensed Consolidated Statements of Stockholders' Equity; (vi) the Notes to the Condensed Consolidated Financial Statements; and (vii) the information set forth in Part II, Item 5. | Filed Electronically      |
| 104         | The cover page from Digi International Inc.'s Quarterly Report on Form 10-Q for the period ended December 31, 2024 is formatted in iXBRL (included in Exhibit 101).   |                           |

(1) Incorporated by reference to Exhibit 3(a) to the Company's Annual Report on Form 10-K for the year ended September 30, 1993.

(2) Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 30, 2020.

SIGNATURE

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

DIGI INTERNATIONAL INC.

Date: February 5, 2025

By: /s/ James J. Loch  
James J. Loch  
Senior Vice President, Chief Financial Officer and Treasurer  
(Principal Financial Officer and Authorized Officer)

**Digi International Inc.  
2021 Omnibus Incentive Plan (as Amended and Restated)**

1. ***Purpose.*** The purpose of the Digi International Inc. 2021 Omnibus Incentive Plan, as amended and restated (the "Plan"), is to promote the interests of the Company and its stockholders by providing key personnel of the Company and its Affiliates and Non-Employee Directors with an opportunity to acquire a proprietary interest in the Company and thereby develop a stronger incentive to put forth maximum effort for the continued success and growth of the Company and its Affiliates. In addition, the opportunity to acquire a proprietary interest in the Company will aid in attracting and retaining key personnel and Non-Employee Directors of outstanding ability. This Plan was originally effective on January 29, 2021, and previously amended and restated effective January 28, 2022 and January 27, 2023. The Board approved this further amended and restated plan on December 11, 2024, which will become effective upon the approval by the Company's shareholders the ("Third Amendment Date").

2. Definitions.

2.1 The capitalized terms used elsewhere in the Plan have the meanings set forth below.

(a) "Affiliate" means any corporation that is a "parent corporation" or "subsidiary corporation" of the Company, as those terms are defined in Code Sections 424(e) and (f), or any successor provisions, and, for purposes other than the grant of Incentive Stock Options, any entity in which the Company or any such "subsidiary corporation" owns at least 20% of the combined voting power of the entity's voting securities and which is designated by the Committee as covered by the Plan.

(b) "Agreement" means a written or electronic contract (i) entered into between the Company and a Participant and (ii) containing the terms and conditions of an Award in such form and not inconsistent with the Plan as the Committee shall approve from time to time, together with all amendments thereto, which amendments may be unilaterally made by the Company (with the approval of the Committee) unless such amendments are deemed by the Committee to be materially adverse to the Participant and not required to comply with applicable law or stock exchange rules.

(c) "Award" or "Awards" means a grant made under the Plan in the form of Restricted Stock, Options, Stock Appreciation Rights, Stock Units, an Other Stock-Based Award or a Cash Incentive Award.

(d) "Board" means the Board of Directors of the Company.

(e) "Cash Incentive Award" means an Award described in Section 8.2 of the Plan.

(f) "Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time or any successor statute.

(g) "Committee" means two or more Non-Employee Directors designated by the Board to administer the Plan under Plan Section 3.1, each of whom shall be (i) an independent director within the meaning and rules of the Nasdaq Stock Market and (ii) a "non-employee director" within the meaning of Exchange Act Rule 16b-3. Unless otherwise specified by the Board, the Committee shall be the Compensation Committee of the Board.

(h) "Company" means Digi International Inc., a Delaware corporation, or any successor to all or substantially all of its businesses by merger, consolidation, purchase of assets or otherwise.

(i) "Effective Date" means January 29, 2021.

(j) "Employee" means an employee (including an officer or director who is also an employee) of the Company or an Affiliate.

(k) "Exchange Act" means the Securities Exchange Act of 1934, as amended and in effect from time to time or any successor statute.

(l) "Exchange Act Rule 16b-3" means Rule 16b-3 promulgated by the Securities and Exchange Commission under the Exchange Act, as now in force and in effect from time to time or any successor regulation.

(m) "Fair Market Value" as of any date means, unless otherwise expressly provided in the Plan, the fair market value of a Share determined as follows:

(i) If the Shares are then readily tradable on an established securities market (as determined under Code Section 409A), then Fair Market Value will be the closing sale price for a Share on the principal securities market on which it trades on such date, or if no sale of Shares occurred on that date, on the next preceding date on which a sale of Shares occurred, as reported in The Wall Street Journal or such other source as the Committee deems reliable; or

(ii) If clause (i) is inapplicable, then Fair Market Value will be determined by the Committee as the result of a reasonable application of a reasonable valuation method that satisfies the requirements of Code Section 409A.

In the case of an Incentive Stock Option, if this determination of Fair Market Value is not consistent with the then current regulations of the Secretary of the Treasury, Fair Market Value shall be determined in accordance with those regulations. The determination of Fair Market Value shall be subject to adjustment as provided in Plan Section 17.

(n) "Full Value Award" means any Award other than an Option Award, Stock Appreciation Rights Award or Cash Incentive Award.

(o) "Fundamental Change" means a dissolution or liquidation of the Company, a sale of all or substantially all of the assets of the Company, a merger or consolidation of the Company with or into any other corporation, regardless of whether the Company is the surviving corporation, or a statutory share exchange involving capital stock of the Company.

(p) "Incentive Stock Option" means any Option designated as such and granted in accordance with the requirements of Code Section 422 or any successor provision.

(q) "Insider" as of a particular date means any person who, as of that date, is a director of the Company or an officer of the Company as defined under Exchange Act Rule 16a-1(f) or its successor provision.

(r) "Non-Employee Director" means a member of the Board who is not an Employee.

(s) "Non-Statutory Stock Option" means an Option other than an Incentive Stock Option.

(t) "Option" means a right to purchase Stock, including both Non-Statutory Stock Options and Incentive Stock Options.

(u) "Other Stock-Based Award" means an Award described in Section 8.1 of the Plan.

(v) "Participant" means a person to whom an Award is or has been made in accordance with the Plan.

(w) "Performance Cycle" means the period of time as specified in an Agreement over which a performance-based Award is to be earned.

(x) "Plan" means this Digi International Inc. 2021 Omnibus Incentive Plan, as may be amended and in effect from time to time.

(y) "Prior Plans" means the Digi International Inc. 2000 Omnibus Stock Plan, as amended and restated as of December 4, 2009 (the "2000 Plan"), the Digi International Inc. 2013 Omnibus Incentive Plan (the "2013 Plan"), the Digi International Inc. 2014 Omnibus Incentive Plan (the "2014 Plan"), the Digi International Inc. 2016 Omnibus Incentive Plan (the "2016 Plan"), the Digi International Inc. 2017 Omnibus Incentive Plan (the "2017 Plan"), the Digi International Inc. 2018 Omnibus Incentive Plan (the "2018 Plan"), the Digi International Inc. 2019 Omnibus Incentive Plan (the "2019 Plan"), and the Digi International Inc. 2020 Omnibus Incentive Plan (the "2020 Plan").

(z) "Restricted Stock" means Stock granted under Plan Section 7 so long as such Stock remains subject to one or more restrictions.

(aa) "Section 16" or "Section 16(b)" means Section 16 or Section 16(b), respectively, of the Exchange Act or any successor statute and the rules and regulations promulgated thereunder as in effect and as amended from time to time.

(bb) "Share" means a share of Stock.

(cc) "Stock" means the common stock, par value \$.01 per share, of the Company.

(dd) "Stock Appreciation Right" means a right, the value of which is determined in relation to the appreciation in value of Shares pursuant to an Award granted under Plan Section 10.

(ee) "Stock Unit" means an Award described in Section 11 of the Plan.

(ff) "Subsidiary" means a "subsidiary corporation," as that term is defined in Code Section 424(f) or any successor provision.

(gg) "Substitute Award" means an Award granted under the circumstances described in Section 21 of the Plan.

(hh) "Successor" with respect to a Participant means the legal representative of an incompetent Participant, and if the Participant is deceased the estate of the Participant or the person or persons who may, by bequest or inheritance, or pursuant to the terms of an Award, acquire the right to exercise an Option or Stock Appreciation Right or to receive cash and/or Shares issuable in satisfaction of an Award in the event of the Participant's death.

(ii) "Term" means the period during which an Option or Stock Appreciation Right may be exercised.

(jj) "Transferee" means any "family member" of a Participant as the term is defined in General Instruction A(5) to Form S-8 under the Securities Act of 1933, as amended.

2.2 Gender and Number. Except when otherwise indicated by the context, reference to the masculine gender shall include, when used, the feminine gender and any term used in the singular shall also include the plural.

3. Administration and Indemnification.

3.1 Administration.

(a) The Committee shall administer the Plan. The Committee shall have exclusive power to (i) make Awards, (ii) determine when and to whom Awards will be granted, the form of each Award, the amount of each Award, and any other terms or conditions of each Award consistent with the Plan, and (iii) determine whether, to what extent and under what circumstances, Awards may be settled, paid or exercised in cash, Shares or other Awards, or other property or canceled, forfeited or suspended. Each Award shall be subject to an Agreement authorized by the Committee. A majority of the members of the Committee shall constitute a quorum for any meeting of the Committee, and acts of a majority of the members present at any meeting at which a quorum is present or the acts unanimously approved in writing by all members of the Committee shall be the acts of the Committee. Any such action of the Committee shall be valid and effective even if any member of the Committee at the time of the action is later determined not to have satisfied all of the criteria for membership in clauses (i) and (ii) of Section 2.1(h). Notwithstanding the foregoing, the Board shall have the sole and exclusive power to administer the Plan with respect to Awards granted to Non-Employee Directors.

(b) Solely for purposes of determining and administering Awards to Participants who are not Insiders, the Committee may delegate all or any portion of its authority under the Plan to one or more persons who are not Non-Employee Directors.

(c) To the extent within its discretion and subject to Plan Sections 6.2, 16, 17, and 19, the Committee may amend the terms and conditions of any outstanding Award.

(d) It is the intent that the Plan and all Awards granted pursuant to it shall be administered by the Committee so as to permit the Plan and Awards to comply with Exchange Act Rule 16b-3, except in such instances as the Committee, in its discretion, may so provide. If any provision of the Plan or of any Award would otherwise frustrate or conflict with the intent expressed in this Section 3.1(d), that provision to the extent possible shall be interpreted and deemed amended in the manner determined by the Committee so as to avoid the conflict. To the extent of any remaining irreconcilable conflict with this intent, the provision shall be deemed void as applicable to Insiders to the extent permitted by law and in the manner deemed advisable by the Committee.

(e) The Committee's interpretation of the Plan and of any Award or Agreement made under the Plan and all related decisions or resolutions of the Board or Committee shall be final and binding on all parties with an interest therein. Consistent with its terms, the Committee shall have the power to establish, amend or waive regulations to administer the Plan. In carrying out any of its responsibilities, the Committee shall have discretionary authority to construe the terms of the Plan and any Award or Agreement made under the Plan.

(f) The Committee may grant Awards to Employees and other eligible service providers who are foreign nationals, who are located outside of the United States or who are not compensated from a payroll maintained in the United States, or who are otherwise subject to (or could cause the Company to be subject to) legal or regulatory requirements of countries outside of the United States, on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to comply with applicable foreign laws and regulatory requirements and to promote achievement of the purposes of the Plan. In connection therewith, the Committee may establish such sub-plans and modify exercise procedures and other Plan rules and procedures to the extent such actions are deemed necessary or desirable, and may take any other action that it deems advisable to obtain local regulatory approvals or to comply with any necessary local governmental regulatory exemptions.

**3.2 *Indemnification.*** Each person who is or shall have been a member of the Committee, or of the Board, and any other person to whom the Committee delegates authority under the Plan, shall be indemnified and held harmless by the Company, to the extent permitted by law, against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit or proceeding to which such person may be a party or in which such person may be involved by reason of any action taken or failure to act, made in good faith, under the Plan and against and from any and all amounts paid by such person in settlement thereof, with the Company's approval, or paid by such person in satisfaction of any judgment in any such action, suit or proceeding against such person, provided such person shall give the Company an opportunity, at the Company's expense, to handle and defend the same before such person undertakes to handle and defend it on such person's own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such person or persons may be entitled under the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

4. **Shares Available Under the Plan.**

**4.1 *Number of Shares Available for Grants.*** Subject to adjustment as provided in Sections 4.1(a) and 17 herein, the number of Shares that may be the subject of Awards and issued to Participants under the Plan shall be 5,500,000. After the Effective Date, no additional awards may be granted under the Prior Plans. Each Share subject to an Award granted under the Plan shall be counted against the maximum Share limitation as one Share, except that Shares subject to Substitute Awards shall not be counted against this maximum Share limitation, nor shall they reduce the number of Shares authorized for grant to a Participant in any calendar year. Where the number of Shares subject to an Award is variable on the grant date, the number of Shares to be counted against the share reserve shall be the maximum number of Shares that could be received under that particular Award, until such time as it can be determined that only a lesser number of shares could be received. The Shares to be delivered under the Plan will be made available from authorized but unissued Shares or issued Shares that are held in the Company's treasury.

(a) Any Shares subject to an Award under this Plan, or to an award granted under one of the Prior Plans that is outstanding on the Effective Date (a "Prior Plan Award"), that expires, is forfeited, cancelled, returned to the Company for failure to satisfy vesting requirements, is settled for cash or otherwise terminates without payment being made thereunder shall, to the extent of such expiration, forfeiture, cancellation, return, cash settlement or termination, again be available for grant under the Plan. Each Share that again becomes available for grant pursuant to the preceding sentence shall increase the total number of Shares remaining available for Awards by one Share. The following Shares will, however, continue to be charged against the foregoing maximum Share limitation and will not again become available for grant: (i) Shares tendered by the Participant or withheld by the Company in payment of the purchase price of a stock option issued under this Plan or one of the Prior Plans, (ii) Shares tendered by the Participant or withheld by the Company to satisfy any tax withholding obligation with respect to an Award or a Prior Plan Award, (iii) Shares subject to a stock appreciation right award issued under this Plan or one of the Prior Plans that are not issued in connection with the settlement of the stock appreciation right upon its exercise, and (iv) Shares repurchased by the Company with proceeds received from the exercise of a stock option issued under this Plan or one of the Prior Plans.

(b) Where two or more types of Awards (all of which are payable in Shares) are granted to a Participant in tandem with each other, such that the exercise of one type of Award with respect to a number of Shares cancels at least an equal number of Shares of the other, the number of Shares to be counted against the maximum Share limitation shall be the maximum number of Shares available under the larger of the two Awards.

(c) If a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the number of shares remaining available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition

or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall supplement the number of Shares authorized for grant under the Plan. Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Employees or Non-Employee Directors prior to such acquisition or combination.

(d) Additional rules for determining the number of Shares granted under the Plan may be made by the Committee as it deems necessary or desirable.

(e) No fractional Shares may be issued under the Plan; however, cash shall be paid in lieu of any fractional Share in settlement of an Award.

5. Eligibility. Participation in the Plan shall be limited to Employees, Non-Employee Directors and any consultant or advisor who is a natural person and who provides services to the Company or any Affiliate (other than in connection with (i) the offer or sale of securities in a capital-raising transaction or (ii) directly or indirectly promoting or maintaining a market in Company securities). The granting of Awards is solely at the discretion of the Committee, except that Incentive Stock Options may only be granted to Employees. References herein to "employed," "employment" or similar terms (except "Employee") shall include the providing of services to the Company or an Affiliate as a Non-Employee Director, consultant or advisor. Neither the transfer of employment of a Participant between any of the Company or its Affiliates, nor a leave of absence granted to such Participant and approved by the Committee, shall be deemed a termination of employment for purposes of the Plan.

6. General Terms of Awards.

6.1 Amount of Award. Each Agreement shall set forth the number of Shares of Restricted Stock, Stock or Stock Units subject to the Agreement, or the number of Shares to which the Option subject to the Agreement applies or with respect to which payment upon the exercise of the Stock Appreciation Right subject to the Agreement is to be determined, as the case may be, together with such other terms and conditions applicable to the Award as determined by the Committee acting in its sole discretion.

6.2 Vesting and Term. Awards that vest based solely on the satisfaction by the Participant of service-based vesting conditions shall be subject to a vesting period of not less than one year from the applicable grant date, and Awards whose grant or vesting is subject to the satisfaction of performance goals over a performance period shall be subject to a performance period of not less than one year. The foregoing minimum vesting and performance periods will not, however, apply in connection with: (i) a change in control, (ii) a termination of service due to death or disability, (iii) a Substitute Award that does not reduce the vesting period of the award being replaced, (iv) Awards made in payment of or exchange for other compensation already earned and payable, and (v) Awards involving an aggregate number of Shares not in excess of 5% of the Plan's share reserve specified in Section 4.1. For purposes of Awards to Non-Employee Directors, a vesting period will be deemed to be one year if runs from the date of one annual meeting of the Company's stockholders to the date of the next annual meeting of the Company's stockholders, provided that such period lasts at least fifty (50) weeks. Each Agreement, other than those relating solely to Awards of Shares without restrictions, shall set forth the vesting conditions of the Award or the Performance Cycle for any performance-based Award, as the case may be. Each Award granted to a Participant shall have such Term as the Committee shall determine at the time of grant; provided, however, that any such Term shall not exceed ten (10) years.

6.3 Transferability. Except as provided in this Section, during the lifetime of a Participant to whom an Award is granted, only that Participant (or that Participant's legal representative) may exercise an Option or Stock Appreciation Right, or receive payment with respect to Stock Units or any other Award. No Award of Restricted Stock (before the expiration of the restrictions), Options, Stock Appreciation Rights or Stock Units or other Award may be sold, assigned, transferred, exchanged or otherwise encumbered other than to a Successor in the event of a Participant's death or pursuant to a qualified domestic relations order as defined in the Code or Title 1 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or the rules thereunder; any attempted transfer in violation of this Section 6.3 shall be of no effect. Notwithstanding the immediately preceding sentence, the Committee, in an Agreement or otherwise at its discretion, may provide that the Award (other than Incentive Stock Options) may be transferable to a Transferee if the Participant does not receive any consideration for the transfer. Any Award held by a Transferee shall continue to be subject to the same terms and conditions that were applicable to that Award immediately before the transfer thereof to the Transferee. For purposes of any provision of the Plan relating to notice to a Participant or to acceleration or termination of an Award upon the death, disability or termination of employment of a Participant, the references to "Participant" shall mean the original grantee of an Award and not any Transferee.

**6.4 Termination of Employment.** Except as otherwise determined by the Committee or provided by the Committee in an Agreement, in case of a Participant's termination of employment (which includes other service relationships as provided in Section 5), the following provisions shall apply:

(a) **Options and Stock Appreciation Rights.**

- (i) If a Participant's employment with the Company and its Affiliates terminates because of the Participant's death, then any Option or Stock Appreciation Right that has not expired or been terminated shall become exercisable in full if the Participant's employment has been continuous between the date the Option or Stock Appreciation Right was granted and the date of such Participant's death, and may be exercised by the Participant's Successor at any time, or from time to time, within one year after the date of the Participant's death.
- (ii) If a Participant's employment with the Company and its Affiliates terminates because the Participant is disabled (within the meaning of Section 22(e)(3) of the Code), then any Option or Stock Appreciation Right that has not expired or been terminated shall become exercisable in full if the Participant's employment has been continuous between the date the Option or Stock Appreciation Right was granted and the date of such disability, and the Participant or the Participant's Successor may exercise such Option or Stock Appreciation Right at any time, or from time to time, within one year after the date of the Participant's termination of employment.
- (iii) If a Participant's employment terminates for any reason other than Cause (as defined in Section 20.1), death or disability, then any Option or Stock Appreciation Right that has not expired or been terminated shall remain exercisable for three months after termination of the Participant's employment, but, unless otherwise provided in the Agreement, only to the extent that such Option or Stock Appreciation Right was exercisable immediately prior to such Participant's termination of employment; provided, however, that if the Participant is a Non-Employee Director, the Option or Stock Appreciation Right shall remain exercisable until the expiration of the Term after such Non-Employee Director ceases to be a director of the Company but, unless otherwise provided in the Agreement, only to the extent that such Option or Stock Appreciation Right was exercisable immediately prior to such Non-Employee Director ceasing to be a director.
- (iv) Notwithstanding the foregoing Plan Sections 6.4(a)(i), (ii) and (iii), in no event shall an Option or a Stock Appreciation Right be exercisable after the expiration of the Term of such Award. Any Option or Stock Appreciation Right that is not exercised within the periods set forth in Plan Sections 6.4(a)(i), (ii) and (iii), except as otherwise provided by the Committee in the Agreement, shall terminate as of the end of the periods described in such Sections.

(b) **Performance-Based Full Value Awards.** If a Participant's employment with the Company and its Affiliates terminates during a Performance Cycle because of death or disability, or under other circumstances provided by the Committee in its discretion in the Agreement or otherwise, the Participant, unless the Committee shall otherwise provide in the Agreement, shall be entitled to a payment with respect to a performance-based Full Value Award at the end of the Performance Cycle based upon the extent to which achievement of performance goals was satisfied at the end of such period (as determined at the end of the Performance Cycle) and prorated for the portion of the Performance Cycle during which the Participant was employed by the Company or its Affiliates. Except as provided in this Section 6.4(b) or in the Agreement, if a Participant's employment or other service relationship with the Company and its Affiliates terminates during a Performance Cycle, then such Participant shall not be entitled to any payment with respect to that Performance Cycle.

(c) **Time Vested Restricted Stock and Stock Unit Awards.** Unless otherwise provided in the Agreement, in case a Participant's employment with the Company and its Affiliates terminates because of death or disability, the Participant shall be entitled to have vest upon such termination of employment a number of Shares of Restricted Stock or a number of Stock Units under outstanding Awards subject only to service-based vesting that has been prorated for the portion of the term of the Awards during which the Participant was employed by the Company and its Affiliates, and, with respect to such Shares or Stock Units, all restrictions shall lapse. Any Shares of Restricted Stock or Stock Units that do not vest and as to which restrictions do not lapse under the preceding sentence shall terminate at the date of the Participant's termination of employment and such Shares of Restricted Stock or Stock Units shall be forfeited to the Company.

**6.5 Rights as Stockholder.** Except as otherwise provided in Section 6.7 and Section 7.4, each Agreement shall provide that a Participant shall have no rights as a stockholder with respect to any securities covered by an Award unless and until the date the Participant becomes the holder of record of the Stock, if any, to which the Award relates.

**6.6 Performance-Based Awards.** Any Award may be granted as a performance-based Award if the Committee establishes one or more measures of Company, Subsidiary, business unit or individual performance which must be attained, and the

Performance Cycle over which the specified performance is to be attained, as a condition to the vesting, exercisability, lapse of restrictions and/or settlement in cash or Shares of such Award. In connection with any such Award, the Committee shall determine the extent to which performance goals have been attained and other applicable terms and conditions have been satisfied, and the degree to which vesting, exercisability, lapse of restrictions and/or settlement in cash or Shares of such Award has been earned. With respect to a performance-based Award, the Committee shall also have the authority to provide, in the Agreement or otherwise, for the acceleration of a Performance Cycle and/or an adjustment or waiver of the achievement of performance goals upon the occurrence of certain events, which may, but need not include, without limitation, a Fundamental Change, a recapitalization, a change in the accounting practices of the Company, a change in a Participant's title or employment responsibilities, a Participant's death or retirement or, with respect to settlements in Shares with respect to an Award, a reclassification, stock dividend, stock split or stock combination as provided in Plan Section 17. An Agreement also may provide for a limitation on the value of an Award that a Participant may receive. In addition, the Committee may, in its discretion as the Committee determines appropriate, adjust the amount of the performance-based Award actually paid to any Participant or the number of Shares subject to the award which vests.

6.7 *Dividends and Dividend Equivalents.* Any dividends or distributions payable with respect to Shares that are subject to the unvested portion of a Restricted Stock Award will be subject to the same restrictions and risk of forfeiture as the Shares to which such dividends or distributions relate. In its discretion, the Committee may provide in an Agreement for a Stock Unit Award or an Other Stock-Based Award that the Participant will be entitled to receive dividend equivalents on the units or other Share equivalents subject to the Award based on dividends actually declared on outstanding Shares. The terms of any dividend equivalents will be as set forth in the applicable Award Agreement, including the time and form of payment and whether such dividend equivalents will be credited with interest or deemed to be reinvested in additional units or Share equivalents. Any dividend equivalents payable with respect to the unvested portion of a Stock Unit Award or an Other Stock-Based Award will be subject to the same restrictions and risk of forfeiture as the units or other Share equivalents to which such dividend equivalents relate. The Committee may, in its discretion, provide in Award Agreements for restrictions on dividends and dividend equivalents in addition to those specified in this Section 6.7. Any Shares issued or issuable during the term of this Plan as a result of the reinvestment of dividends or the deemed reinvestment of dividend equivalents in connection with an Award or a Prior Plan Award shall be counted against, and replenish upon any subsequent forfeiture, the Plan's share reserve as provided in Section 4.

7. *Restricted Stock Awards.*

7.1 *Nature of Award.* An Award of Restricted Stock under the Plan shall consist of Shares subject to restrictions on transfer and conditions of forfeiture, which restrictions and conditions shall be included in the applicable Agreement. The Committee may provide for the lapse or waiver of any such restrictions or conditions and the vesting of the Shares based on such factors or criteria as the Committee, in its sole discretion, may determine.

7.2 *Stock Certificates.* Except as otherwise provided in the applicable Agreement, each Stock certificate issued with respect to an Award of Restricted Stock shall either be deposited with the Company or its designee, together with an assignment separate from the certificate, in blank, signed by the Participant, or bear such legends with respect to the restricted nature of the Restricted Stock evidenced thereby as shall be provided for in the applicable Agreement.

7.3 *Vesting of Awards.* The Agreement shall describe the terms and conditions by which the restrictions and conditions of forfeiture upon awarded Restricted Stock shall lapse and the Shares vest. Upon the lapse of the restrictions and conditions, Shares free of restrictive legends, if any, relating to such restrictions shall be issued to the Participant or a Successor or Transferee.

7.4 *Rights as a Stockholder.* Except as otherwise provided in the Plan or by the Committee, a Participant or a Transferee with a Restricted Stock Award shall have all the rights of a stockholder, including the right to vote the Shares of Restricted Stock.

8. *Other Awards.*

8.1 *Other Stock-Based Awards.* The Committee may from time to time grant Stock and other Awards that are valued by reference to and/or payable in whole or in part in Shares under the Plan. The Committee, in its sole discretion, shall determine the terms and conditions of such Awards, provided that such Awards shall not be inconsistent with the terms and purposes of the Plan. The Committee may, at its sole discretion, direct the Company to issue Shares subject to restrictive legends and/or stop transfer instructions that are consistent with the terms and conditions of the Award to which the Shares relate.

**8.2 Cash Incentive Awards.** A Cash Incentive Award shall be considered a performance-based Award for purposes of, and subject to, Section 6.6, the payment of which shall be contingent upon the degree to which one or more specified performance goals have been achieved over a specified Performance Cycle. Cash Incentive Awards may be granted to any Participant in such amounts and upon such terms and at such times as shall be determined by the Committee, and may be denominated in units that have a dollar value established by the Committee as of the applicable grant date. Following the completion of the applicable Performance Cycle and the vesting of a Cash Incentive Award, payment of the settlement amount of the Award to the Participant shall be made at such time or times in the form of cash or other forms of Awards under the Plan (valued for these purposes at their grant date fair value) or a combination of cash and other forms of Awards as determined by the Committee and specified in the applicable Agreement. If a Cash Incentive Award is not by its terms exempt from the requirements of Code Section 409A, then the applicable Agreement shall contain terms and conditions intended to avoid adverse tax consequences specified in Code Section 409A.

9. **Stock Options.**

9.1 **Terms of All Options.**

(a) An Option shall be granted pursuant to an Agreement as either an Incentive Stock Option or a Non-Statutory Stock Option. The purchase price of each Share subject to an Option shall be determined by the Committee and set forth in the Agreement, but shall not be less than the Fair Market Value of a Share as of the date the Option is granted, except in the case of Substitute Awards.

(b) The purchase price of the Shares with respect to which an Option is exercised shall be payable in full at the time of exercise, provided that to the extent permitted by law, the Agreement may permit some or all Participants to simultaneously exercise Options and sell the Shares thereby acquired pursuant to a brokerage or similar relationship and use the proceeds from the sale as payment of the purchase price of the Shares. The purchase price may be payable in cash or in such other manner as the Committee may permit, including by delivery to the Company of Shares (by actual delivery or attestation) already owned by the Participant or by the Company withholding Shares otherwise issuable to the Participant upon the exercise of the Option (in either case, such Shares delivered or withheld having a Fair Market Value as of the date the Option is exercised equal to the purchase price of the Shares being purchased pursuant to the Option), or a combination thereof, as determined by the Committee, but no fractional Shares will be issued or accepted.

(c) Each Option shall be exercisable in whole or in part on the terms provided in the Agreement. In no event shall any Option be exercisable at any time after the expiration of its Term. When an Option is no longer exercisable, it shall be deemed to have lapsed or terminated.

(d) Each Option granted to a Participant shall expire at such time as the Committee shall determine at the time of grant; provided, however, that no Option shall be exercisable later than the seventh (7th) anniversary date of its grant.

9.2 **Incentive Stock Options.** In addition to the other terms and conditions applicable to all Options:

(a) The maximum number of Shares that may be issued upon the exercise of Incentive Stock Options shall equal the maximum number of Shares that may be the subject of Awards and issued under the Plan as provided in the first sentence of Section 4.1.

(b) The aggregate Fair Market Value (determined as of the date the Option is granted) of the Shares with respect to which Incentive Stock Options held by an individual first become exercisable in any calendar year (under the Plan and all other incentive plans of the Company and its Affiliates) shall not exceed \$100,000 (or such other limit as may be required by the Code) if this limitation is necessary to qualify the Option as an Incentive Stock Option. To the extent an Option or Options granted to a Participant exceed this limit, the Option(s) shall be treated as Non-Statutory Stock Option(s).

(c) The Agreement covering an Incentive Stock Option shall contain such other terms and provisions that the Committee determines necessary to qualify this Option as an Incentive Stock Option.

(d) Notwithstanding any other provision of the Plan to the contrary, no Participant may receive an Incentive Stock Option under the Plan if, at the time the Award is granted, the Participant owns (after application of the rules contained in Code Section 424(d), or its successor provision), Shares possessing more than 10% of the total combined voting power of all classes of stock of the Company or its Subsidiaries, unless (i) the exercise price for all Shares subject to that Incentive Stock Option is at least 110% of the Fair Market Value of a Share on the date of grant and (ii) that Option is not exercisable after the date five years from the date that Incentive Stock Option is granted.

(e) For purposes of continuous employment by a Participant who has been granted an Incentive Stock Option, no approved leave of absence may exceed three months unless reemployment upon expiration of such leave is provided by statute or contract. If reemployment is not so provided, then on the date six months following the first day of such leave, any Incentive Stock Option held by the Participant shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Non-Statutory Stock Option.

10. *Stock Appreciation Rights.* An Award of a Stock Appreciation Right shall entitle the Participant (or a Successor or Transferee), subject to terms and conditions determined by the Committee, to receive upon exercise of the Stock Appreciation Right all or a portion of the excess of (i) the Fair Market Value of a specified number of Shares as of the date of exercise of the Stock Appreciation Right over (ii) a specified price that shall not be less than 100% of the Fair Market Value of such Shares as of the date of grant of the Stock Appreciation Right. A Stock Appreciation Right may be granted in connection with part or all of, in addition to, or completely independent of an Option or any other Award under the Plan. If issued in connection with a previously or contemporaneously granted Option, the Committee may impose a condition that exercise of a Stock Appreciation Right cancels a pro rata portion of the Option with which it is connected and vice versa. Each Stock Appreciation Right may be exercisable in whole or in part on the terms provided in the Agreement. No Stock Appreciation Right shall be exercisable at any time after the expiration of its Term. When a Stock Appreciation Right is no longer exercisable, it shall be deemed to have lapsed or terminated. Upon exercise of a Stock Appreciation Right, payment to the Participant or a Successor or Transferee shall be made at such time or times as shall be provided in the Agreement in the form of cash, Shares or a combination of cash and Shares as determined by the Committee. The Agreement may provide for a limitation upon the amount or percentage of the total appreciation on which payment (whether in cash and/or Shares) may be made in the event of the exercise of a Stock Appreciation Right. The Term of a Stock Appreciation Right granted under the Plan shall be determined by the Committee, in its sole discretion; provided, however, that such Term shall not exceed ten (10) years.

11. *Stock Units.*

11.1 *Vesting and Consideration.* A Stock Unit shall consist of the right to receive, in cash and/or in Shares as determined by the Committee, the Fair Market Value of one or more Shares, with any Stock Unit Award subject to such vesting conditions, and the corresponding lapse of forfeiture conditions, transfer conditions, and other restrictions, based on such factors and occurring over such period of time as the Committee may determine in its discretion. The Committee may provide whether any consideration other than services must be received by the Company or any Affiliate as a condition precedent to the settlement of a Stock Unit Award.

11.2 *Settlement of Award.* Following the vesting of a Stock Unit Award, and the Company's determination that any necessary conditions precedent to the settlement of the Award (such as satisfaction of tax withholding obligations and compliance with applicable legal requirements) have been satisfied, settlement of the Award and payment to the Participant shall be made at such time or times in the form of cash, Shares (which may themselves be considered Restricted Stock under the Plan subject to restrictions on transfer and forfeiture conditions) or a combination of cash and Shares as determined by the Committee. If the Stock Unit Award is not by its terms exempt from the requirements of Code Section 409A, then the applicable Agreement shall contain terms and conditions intended to avoid adverse tax consequences specified in Code Section 409A.

12. *Performance-Based Compensation.*

12.1 In the case of a performance-based Award, the lapsing of restrictions thereon and the distribution of cash, Shares or other property pursuant thereto, as applicable, shall be subject to the achievement over the applicable Performance Cycle of one or more performance goals determined by the Committee in its discretion, including goals based on one or more of the performance measures specified in Section 12.2. The Committee will select the applicable performance measure(s) and specify the performance goal(s) based on those performance measures for any Performance Cycle, specify in terms of a formula or standard the method for calculating the amount payable to a Participant if the performance goal(s) are satisfied, and certify the degree to which applicable performance goals have been satisfied and any amount payable in connection with an Award subject to this Section 12. In specifying the performance goals applicable to any performance period, the Committee may provide that one or more adjustments shall be made to the performance measures on which the performance goals are based, which may include adjustments that would cause such measures to be considered "non-GAAP financial measures" within the meaning of Rule 101 under Regulation G promulgated by the Securities and Exchange Commission. The Committee may also adjust performance goals for a Performance Cycle in connection with an event described in Section 17 to prevent the dilution or enlargement of a Participant's rights with respect to performance-based compensation. The Committee may adjust any amount determined to be otherwise payable in connection with such an Award. The Committee may also provide, in an Agreement or otherwise, that the achievement of specified performance goals in

connection with an Award subject to this Section 12 may be waived upon the death or disability of the Participant or under any other circumstance.

**12.2 Performance Measures**. Performance measures to be utilized shall be one or a combination of two or more of the following: individual performance, revenue or net sales; gross profit; operating profit; net income; earnings before one or more of interest, taxes, depreciation, amortization and other adjustments; profitability as measured by return ratios (including, but not limited to, return on assets, return on equity, return on investment and return on revenues or gross profit) or by the degree to which any of the foregoing earnings measures exceed a percentage of revenues or gross profit; cash flow; market share; margins (including one or more of gross, operating and net earnings margins); stock price; total stockholder return; asset quality; non-performing assets; operating assets; operating expenses; balance of cash, cash equivalents and marketable securities; improvement in or attainment of expense levels or cost savings; operating asset turnover; accounts receivable levels (including measured in terms of days sales outstanding); economic value added; improvement in or attainment of working capital levels; employee retention; customer satisfaction; implementation or completion of critical projects; growth in customer base; or any other financial, operational or strategic measure approved by the Committee. Any performance goal based on one or more of the foregoing performance measures may, in the Committee's discretion, be expressed in absolute amounts, on a per share basis (basic or diluted), relative to one or more other performance measures, as a growth rate or change from preceding periods, or as a comparison to the performance of specified companies or a published or special index (including stock market indices) or other external measures, may relate to one or any combination of Company, Affiliate, business unit or individual performance, and may be expressed in terms of differing levels of achievement, such as threshold, target and maximum levels of achievement.

**13. Effective Date and Duration of the Plan**.

**13.1 Effective Date** . The Plan first became effective on the Effective Date, which was the date it was first approved by the Company's stockholders. The Third Amendment Date shall be considered the date of its most recent adoption for purposes of Treasury Regulation §1.422-2(b)(2)(i). If the Company's stockholders fail to approve this third amendment and restatement of the Plan within 12 months of its approval by the Board, the amendments and restatement shall be of no further force or effect and the Plan shall continue in accordance with its terms as in effect on January 27, 2023.

**13.2 Duration of the Plan** . The Plan shall remain in effect until all Stock subject to it shall be distributed, all Awards have expired or lapsed, the Plan is terminated pursuant to Plan Section 16, or the tenth anniversary of the Third Amendment Date, whichever occurs first (the "Termination Date"). Awards made before the Termination Date may be exercised, vested or otherwise effectuated beyond the Termination Date unless limited in the Agreement or otherwise. The date and time at which an Award is made or granted shall be the date and time the Committee approves the grant of the Award, or such later date and time as may be specified by the Committee at the time it approves the Award.

**14. Plan Does Not Affect Employment Status**.

**14.1 No Entitlement to Award** . Status as an eligible Employee or other service provider shall not be construed as a commitment that any Award will be made under the Plan to that eligible Employee or service provider or to eligible individuals generally.

**14.2 No Right to Continued Employment** . Nothing in the Plan or in any Agreement or related documents shall confer upon any Participant any right to continue in the employment of the Company or any Affiliate or constitute any contract of employment or affect any right that the Company or any Affiliate may have to change such person's compensation, other benefits, job responsibilities, or title, or to terminate the employment of such person with or without Cause.

**15. Tax Withholding** . The Company shall have the right to withhold from any cash payment under the Plan or any other compensation owed to a Participant or other person (including a Successor or a Transferee) an amount sufficient to cover any required withholding taxes related to the grant, vesting, exercise or settlement of an Award or a Prior Plan Award. The Company shall have the right to require a Participant or other person receiving Shares under the Plan to pay the Company a cash amount sufficient to cover any required withholding taxes before actual receipt of those Shares. In lieu of all or any part of a cash payment from a person receiving Shares under the Plan, the Committee may permit the individual to cover all or any part of the required withholdings (but not to exceed the maximum individual statutory tax rate in each applicable jurisdiction) through a reduction of the number of Shares delivered or delivery or tender to the Company of Shares held by the Participant or other person, in each case valued in the same manner as used in computing the withholding taxes under the applicable laws.

**16. Amendment, Modification and Termination**.

**16.1 *Amendment, Modification and Termination of Plan***. The Board may at any time and from time to time terminate, suspend or modify the Plan. No termination, suspension, or modification of the Plan may materially and adversely affect any right acquired by any Participant or Successor or Transferee under an Award granted before the date of termination, suspension, or modification, unless (i) otherwise agreed to by the Participant in the Agreement or otherwise, or (ii) such action is necessary to comply with applicable law or stock exchange rules. It will be conclusively presumed that any adjustment for changes in capitalization provided for in Plan Sections 6.6 or 17 does not adversely affect these rights.

**16.2 *Amendment of Agreement***. Subject to Section 19, the Committee may unilaterally amend the terms of any Agreement previously granted, except that no such amendment may materially and adversely affect the rights of any Participant under the applicable Award without the Participant's consent, unless such amendment is necessary to comply with applicable law or stock exchange rules or any compensation recovery policy as provided in Section 20.3.

**17. *Adjustment for Changes in Capitalization***. In the event of any equity restructuring (within the meaning of authoritative guidance issued by the Financial Accounting Standards Board relating to stock-based compensation) that causes the per Share value of Shares to change, such as a stock dividend, stock split, spin off, rights offering, or recapitalization through a large, nonrecurring cash dividend, the Committee shall cause there to be made an equitable adjustment to (i) the number and kind of Shares that may be issued under the Plan, and (ii) the number and kind of Shares or, subject to Plan Section 6.6, Stock Units, subject to and the exercise price (if applicable) of any then outstanding Awards of Options, Stock Appreciation Rights, Restricted Stock, Stock Units or any other Awards related to shares of Stock (to the extent such other Awards would not otherwise automatically adjust in the equity restructuring); provided, in each case, that with respect to Incentive Stock Options, no such adjustment shall be authorized to the extent that such adjustment would cause such options to violate Section 422(b) of the Code or any successor provision; provided further, with respect to all Awards, no such adjustment shall be authorized to the extent that such adjustment would cause the Awards to be subject to adverse tax consequences under Section 409A of the Code. In the event of any other change in corporate capitalization, such as a merger, consolidation, any reorganization (whether or not such reorganization comes within the definition of such term in Section 368 of the Code), including a Fundamental Change (subject to Plan Section 18), or any partial or complete liquidation of the Company, such equitable adjustments described in the foregoing sentence may be made as determined to be appropriate and equitable by the Committee to prevent dilution or enlargement of rights. In either case, any such adjustment shall be conclusive and binding for all purposes of the Plan. Unless otherwise determined by the Committee, the number of Shares subject to an Award shall always be a whole number. In no event shall an outstanding Option or Stock Appreciation Right be amended for the sole purpose of reducing the exercise price or grant price thereof.

**18. *Fundamental Change***. In the event of a proposed Fundamental Change, the Committee may, but shall not be obligated to:

(a) if the Fundamental Change is a merger or consolidation or statutory share exchange, make appropriate provision for the protection of the outstanding Options and Stock Appreciation Rights by the substitution of options, stock appreciation rights and appropriate voting common stock of the corporation surviving any merger or consolidation or, if appropriate, the parent corporation of the Company or such surviving corporation; or

(b) at least ten days before the occurrence of the Fundamental Change, declare, and provide written notice to each holder of an Option or Stock Appreciation Right of the declaration, that each outstanding Option and Stock Appreciation Right, whether or not then exercisable, shall be canceled at the time of, or immediately before the occurrence of the Fundamental Change in exchange for payment to each holder of an Option or Stock Appreciation Right, within ten days after the Fundamental Change, of cash equal to (i) for each Share covered by the canceled Option, the amount, if any, by which the Fair Market Value (as defined in this Section) per Share exceeds the exercise price per Share covered by such Option or (ii) for each Stock Appreciation Right, the price determined pursuant to Section 10, except that Fair Market Value of the Shares as of the date of exercise of the Stock Appreciation Right, as used in clause (i) of Plan Section 10, shall be deemed to mean Fair Market Value for each Share with respect to which the Stock Appreciation Right is calculated determined in the manner hereinafter referred to in this Section. At the time of the declaration provided for in the immediately preceding sentence, each Stock Appreciation Right and each Option shall immediately become exercisable in full and each person holding an Option or a Stock Appreciation Right shall have the right, during the period preceding the time of cancellation of the Option or Stock Appreciation Right, to exercise the Option as to all or any part of the Shares covered thereby or the Stock Appreciation Right in whole or in part, as the case may be. In the event of a declaration pursuant to Plan Section 18(b), each outstanding Option and Stock Appreciation Right granted pursuant to the Plan that shall not have been exercised before the Fundamental Change shall be canceled at the time of, or immediately before, the Fundamental Change, as provided in the declaration.

Notwithstanding the foregoing, no person holding an Option or a Stock Appreciation Right shall be entitled to the payment provided for in this Section 18(b) if such Option or Stock Appreciation Right shall have terminated, expired or been cancelled. For purposes of this Section 18 only, "Fair Market Value" per Share means the cash plus the fair market value, as determined in

good faith by the Committee, of the non-cash consideration to be received per Share by the stockholders of the Company upon the occurrence of the Fundamental Change.

19. *Prohibition on Repricing*. Except pursuant to Section 17 of the Plan in connection with an equity restructuring, or pursuant to Section 18 of the Plan in connection with a Fundamental Change, in either case in order to prevent dilution or enlargement of the benefits or potential benefits intended to be provided under the Plan, no Option or Stock Appreciation Right granted under the Plan may be amended to decrease the exercise price or grant price thereof, be cancelled in exchange for the grant of any new Option or Stock Appreciation Right with a lower exercise or grant price or any new Full Value Award, be repurchased by the Company or any Affiliate, or otherwise be subject to any action that would be treated under accounting rules or otherwise as a "repricing" of such Option or Stock Appreciation Right, unless such action is first approved by the Company's stockholders.

20. *Forfeitures and Compensation Recovery*.

20.1 *Forfeiture for Cause*. Notwithstanding any other provision of the Plan or an Agreement, if a Participant's employment or service is terminated for Cause (as defined in this Section 20.1), then as of the date of such termination, any of the Participant's outstanding Awards that have not vested or been exercised by the Participant will be immediately forfeited to the Company for no consideration. For purposes of this Plan, "Cause" means the Participant: (i) committed a felony or a crime involving moral turpitude or committed any other act or omission involving fraud, embezzlement or any other act of dishonesty in the course of the Participant's employment or engagement by the Company or an Affiliate, which conduct damaged, or could reasonably be expected to damage, the Company or an Affiliate; (ii) substantially and repeatedly failed to perform duties of the office or position held by the Participant as reasonably directed by the Company or an Affiliate; (iii) committed gross negligence or misconduct with respect to the Company or an Affiliate; (iv) committed a material breach of any employment agreement or other material agreement between the Participant and the Company or an Affiliate that is not cured within ten (10) days after receipt of written notice thereof from the Company or the Affiliate, as applicable; (v) failed, within ten (10) days after receipt by the Participant of written notice thereof from the Company or an Affiliate, to correct, cease or otherwise alter any failure to comply with instructions or other action or omission which the Board reasonably believes does or may materially or adversely affect the Company's or an Affiliate's business or operations; (vi) committed misconduct which is of such a serious or substantial nature that a reasonable likelihood exists that such misconduct will materially injure the reputation of the Company or an Affiliate; (vii) harassed or discriminated against the Company's or an Affiliate's employees, customers or vendors in violation of the Company's policies with respect to such matters; (viii) misappropriated funds or assets of the Company or an Affiliate for personal use or willfully violated the Company policies or standards of business conduct as determined in good faith by the Board; (ix) failed, due to some action or inaction on the part of the Participant, to have immigration status that permits the Participant to maintain full-time employment with the Company or an Affiliate in the United States in compliance with all applicable immigration law; or (x) disclosed trade secrets of the Company or an Affiliate. The findings and decision of the Committee or the Board, if applicable, with respect to any such matter, including those regarding the acts of the Participant and the damage done to the Company, will be final for all purposes. No decision of the Committee, however, will affect the finality of the discharge of the individual by the Company or an Affiliate.

20.2 *Forfeiture Events*. The Committee may specify in an Agreement that the Participant's rights, payments and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall not be limited to, termination of employment for cause, termination of employment for any other reason, violation of material policies of the Company and its Affiliates, breach of noncompetition, confidentiality, or other restrictive covenants that may apply to the Participant, or other conduct by the Participant that is detrimental to the business or reputation of the Company and its Affiliates.

20.3 *Compensation Recovery Policy*. Awards and any compensation associated therewith are subject to forfeiture, recovery by the Company or other action pursuant to any compensation recovery policy adopted by the Board or the Committee at any time, as amended from time to time, which includes but is not limited to any compensation recovery policy adopted by the Board or the Committee in response to the requirements of Section 10D of the Exchange Act, the SEC's final rules thereunder, and applicable listing rules or other rules and regulations implementing the foregoing or as otherwise required by law or stock exchange. Any Agreement will be automatically unilaterally amended by the Committee to comply with any such compensation recovery policy.

21. *Corporate Mergers, Acquisitions, Etc.* The Committee may also grant Substitute Awards under the Plan in substitution for, or in connection with the assumption of, existing options, stock appreciation rights, restricted stock or other awards granted, awarded or issued by another corporation and assumed or otherwise agreed to be provided for by the Company pursuant to or by reason of a transaction involving a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation to which the Company or a Subsidiary is a party. The terms and conditions of the Substitute Awards may vary from

the terms and conditions set forth in the Plan to the extent as the Board at the time of the grant may deem appropriate to conform, in whole or in part, to the provisions of the awards in substitution for which they are granted.

22. *Unfunded Plan*. The Plan shall be unfunded and the Company shall not be required to segregate any assets that may at any time be represented by Awards under the Plan. Neither the Company, its Affiliates, the Committee, nor the Board of Directors shall be deemed to be a trustee of any amounts to be paid under the Plan nor shall anything contained in the Plan or any action taken pursuant to its provisions create or be construed to create a fiduciary relationship between the Company and/or its Affiliates, and a Participant or Successor or Transferee. To the extent any person acquires a right to receive an Award under the Plan, this right shall be no greater than the right of an unsecured general creditor of the Company.

23. *Limits of Liability*.

23.1 *Contractual Liability Only*. Any liability of the Company to any Participant with respect to an Award shall be based solely upon contractual obligations created by the Plan and the Award Agreement.

23.2 *Liability Limit*. Except as may be required by law, neither the Company nor any member of the Board of Directors or of the Committee, nor any other person participating in any determination of any question under the Plan, or in the interpretation, administration or application of the Plan, shall have any liability to any party for any action taken, or not taken, in good faith under the Plan.

24. *Compliance with Applicable Legal Requirements*. No certificate for Shares distributable pursuant to the Plan shall be issued and delivered unless the issuance of the certificate complies with all applicable legal requirements including, without limitation, compliance with the provisions of applicable state securities laws, the Securities Act of 1933, as amended and in effect from time to time or any successor statute, the Exchange Act and the requirements of the exchanges on which the Company's Shares may, at the time, be listed.

25. *Deferrals and Settlements*. The Committee may require or permit Participants to elect to defer the issuance of Shares or the settlement of Awards in cash under such rules and procedures as it may establish under the Plan. It may also provide that deferred settlements include the payment or crediting of interest on the deferral amounts.

26. *Other Benefit and Compensation Programs*. Payments and other benefits received by a Participant under an Award made pursuant to the Plan shall not be deemed a part of a Participant's regular, recurring compensation for purposes of the termination, indemnity or severance pay laws of any country and shall not be included in, nor have any effect on, the determination of benefits under any other employee benefit plan, contract or similar arrangement provided by the Company or an Affiliate unless expressly so provided by such other plan, contract or arrangement, or unless the Committee expressly determines that an Award or portion of an Award should be included to accurately reflect competitive compensation practices or to recognize that an Award has been made in lieu of a portion of competitive cash compensation.

27. *Beneficiary Upon Participant's Death*. To the extent that the transfer of a Participant's Award at his or her death is permitted under an Agreement, a Participant's Award shall be transferable at death to the estate or to the person who acquires the right to succeed to the Award by bequest or inheritance.

28. *Requirements of Law*.

28.1 *Governing Law*. To the extent that federal laws do not otherwise control, the Plan and all determinations made and actions taken pursuant to the Plan shall be governed by the laws of the State of Minnesota without regard to its conflicts-of-law principles and shall be construed accordingly.

28.2 *Severability*. If any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

29. *Code Section 409A*. It is intended that all Awards under the Plan will be exempt from, or will comply with, Code Section 409A, and to the maximum extent permitted the Awards and the Plan will be interpreted and administered in accordance with this intent. The Plan and any Agreement may be unilaterally amended by the Company in any manner deemed necessary or advisable by the Committee or Board in order to maintain such exemption from or compliance with Code Section 409A, and any such amendment shall conclusively be presumed to be necessary to comply with applicable law. Notwithstanding anything to the contrary in the Plan or any Agreement, with respect to any Award that constitutes a deferral of compensation subject to Code Section 409A:

- (a) If any amount is payable under such Award upon a termination of employment, a termination of employment will be deemed to have occurred only at such time as the Participant has experienced a "separation from service" as such term is defined for purposes of Code Section 409A;
- (b) Each amount to be paid or benefit to be provided under an Award shall be construed as a separate and distinct payment for purposes of Code Section 409A;
- (c) If any amount shall be payable with respect to any such Award as a result of a Participant's "separation from service" at such time as the Participant is a "specified employee" within the meaning of Code Section 409A, then no payment shall be made, except as permitted under Code Section 409A, prior to the first business day after the earlier of (i) the date that is six months after the Participant's separation from Service or (ii) the Participant's death. Unless the Committee has adopted a specified employee identification policy as contemplated by Code Section 409A, specified employees will be identified by the Board in its discretion in accordance with the default provisions specified under Code Section 409A;
- (c) Each amount to be paid or benefit to be provided under this Plan or any Award shall be construed as a separate and distinct payment for purposes of Code Section 409A; and
- (d) If payment under an Award is to be made within a designated period which does not begin and end within one calendar year, the Participant does not have a right to designate the taxable year of the payment.

None of the Company, the Committee or any other person involved with the administration of this Plan shall (i) in any way be responsible for ensuring the exemption of any Award from, or compliance by any Award with, the requirements of Code Section 409A, and (ii) shall have any liability to any Participant for any such tax liabilities. By accepting an Award under this Plan, each Participant acknowledges that the Company has no duty or obligation to design or administer the Plan or Awards granted thereunder in a manner that minimizes a Participant's tax liabilities, including the avoidance of any additional tax liabilities under Code Section 409A.

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

I, Ronald E. Konezny, certify that:

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

February 5, 2025

/s/ Ronald E. Konezny

\_\_\_\_\_  
Ronald E. Konezny  
President and Chief Executive Officer

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

I, James J. Loch, certify that:

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

February 5, 2025

*/s/ James J. Loch*

James J. Loch

Senior Vice President, Chief Financial Officer and Treasurer

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Digi International Inc. (the Registrant) on Form 10-Q for the fiscal quarter ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof, each of the undersigned certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report on Form 10-Q complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

February 5, 2025

/s/ Ronald E. Konezny

\_\_\_\_\_  
Ronald E. Konezny  
President and Chief Executive Officer

/s/ James J. Loch

\_\_\_\_\_  
James J. Loch  
Senior Vice President, Chief Financial Officer and Treasurer