

REFINITIV

DELTA REPORT

10-Q

GEOS - GEOSPACE TECHNOLOGIES COR

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

The following comparison report has been automatically generated

TOTAL DELTAS 457

█ CHANGES 145

█ DELETIONS 141

█ ADDITIONS 171

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

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

for the Quarterly Period Ended December 31, 2023 March 31, 2024 OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

for the transition period from ____ to ____

Commission file number 001-13601

GEOSPACE TECHNOLOGIES CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Texas

(State or other jurisdiction of
incorporation or organization)

76-0447780

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

7007 Pinemont

Houston, Texas

77040

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (713) 986-4444

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	GEOS	The Nasdaq Global Select Market

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

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

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

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

As of **January 31, 2024** **April 30, 2024**, the registrant had **13,317,090** **13,362,090** shares of common stock, \$0.01 par value, per share outstanding.

Table of Contents

	Page Number
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	3
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3. Quantitative and Qualitative Disclosures about Market Risk	19 18
Item 4. Controls and Procedures	19
PART II. OTHER INFORMATION	
Item 6. Exhibits	20

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

GEOSPACE TECHNOLOGIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands except share amounts)
(unaudited)

ASSETS	December 31, 2023	September 30, 2023	March 31, 2024	September 30, 2023
Current assets:				
Cash and cash equivalents	\$ 18,907	\$ 18,803	\$ 20,762	\$ 18,803
Short-term investments	15,051	14,921	30,448	14,921
Trade accounts and note receivable, net	41,969	21,373	15,330	21,373
Inventories, net	21,839	18,430	23,932	18,430
Prepaid expenses and other current assets	2,227	2,251	1,611	2,251
Total current assets	99,993	75,778	92,083	75,778
Non-current inventories, net	20,032	24,888	18,141	24,888
Rental equipment, net	15,242	21,587	15,077	21,587

Property, plant and equipment, net	24,083	24,048	24,552	24,048
Non-current trade accounts receivable	1,510	—	1,510	—
Operating right-of-use assets	653	714	590	714
Goodwill	736	736	736	736
Other intangible assets, net	4,696	4,805	4,601	4,805
Other non-current assets	438	486	408	486
Total assets	\$ 167,383	\$ 153,042	\$ 157,698	\$ 153,042
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable trade	\$ 6,190	\$ 6,659	\$ 4,955	\$ 6,659
Operating lease liabilities	261	257	257	257
Other current liabilities	14,161	12,882	9,863	12,882
Total current liabilities	20,612	19,798	15,075	19,798
Non-current operating lease liabilities	439	512	397	512
Deferred tax liabilities, net	25	16	32	16
Total liabilities	21,076	20,326	15,504	20,326
Commitments and contingencies (Note 11)				
Stockholders' equity:				
Preferred stock, 1,000,000 shares authorized, no shares issued and outstanding	—	—	—	—
Common Stock, \$.01 par value, 20,000,000 shares authorized; 14,159,082 and 14,030,481 shares issued, respectively; and 13,317,090 and 13,188,489 shares outstanding, respectively	142	140		
Common Stock, \$.01 par value, 20,000,000 shares authorized; 14,204,082 and 14,030,481 shares issued, respectively; and 13,362,090 and 13,188,489 shares outstanding, respectively			142	140
Additional paid-in capital	96,444	96,040	96,800	96,040
Retained earnings	74,539	61,860	70,212	61,860
Accumulated other comprehensive loss	(17,318)	(17,824)	(17,460)	(17,824)
Treasury stock, at cost, 841,992 shares	(7,500)	(7,500)	(7,500)	(7,500)
Total stockholders' equity	146,307	132,716	142,194	132,716
Total liabilities and stockholders' equity	\$ 167,383	\$ 153,042	\$ 157,698	\$ 153,042

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

GEOSPACE TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share amounts)

(unaudited)

	Three Months Ended		Three Months Ended		Six Months Ended	
	December 31,		March 31,		March 31,	
	2023	2022	2024	2023	2024	2023
Revenue:						
Products	\$ 43,714	\$ 19,548	\$ 19,497	\$ 17,701	\$ 63,211	\$ 37,249
Rental	6,318	11,561	4,773	13,669	11,091	25,230
Total revenue	50,032	31,109	24,270	31,370	74,302	62,479
Cost of revenue:						

Products	23,842	15,365	14,995	13,196	38,837	28,561
Rental	3,954	5,210	3,394	5,225	7,348	10,435
Total cost of revenue	27,796	20,575	18,389	18,421	46,185	38,996
 Gross profit	 22,236	 10,534	 5,881	 12,949	 28,117	 23,483
 Operating expenses:						
Selling, general and administrative	5,826	6,435	6,546	6,387	12,372	12,822
Research and development	3,602	4,258	3,863	3,483	7,465	7,741
Provision for credit losses	(29)	120	(22)	17	(51)	137
Total operating expenses	9,399	10,813	10,387	9,887	19,786	20,700
 Gain on disposal of property			—	1,315	—	1,315
 Income (loss) from operations	 12,837	 (279)	 (4,506)	 4,377	 8,331	 4,098
 Other income (expense):						
Interest expense	(56)	(39)	(44)	(39)	(100)	(78)
Interest income	235	156	247	127	482	283
Foreign currency transaction gains (losses), net	(163)	107	(20)	185	(183)	292
Other, net	(74)	(12)	7	6	(67)	(6)
 Total other income (expense), net	 (58)	 212				
 Total other income, net			190	279	132	491
 Income (loss) before income taxes	 12,779	 (67)	 (4,316)	 4,656	 8,463	 4,589
Income tax expense	100	30	11	19	111	49
Net income (loss)	\$ 12,679	\$ (97)	\$ (4,327)	\$ 4,637	\$ 8,352	\$ 4,540
 Income (loss) per common share:						
Basic	\$ 0.96	\$ (0.01)	\$ (0.32)	\$ 0.35	\$ 0.63	\$ 0.35
Diluted	\$ 0.94	\$ (0.01)	\$ (0.32)	\$ 0.35	\$ 0.62	\$ 0.35
 Weighted average common shares outstanding:						
Basic	13,251,360	13,067,991	13,343,793	13,156,715	13,297,324	13,111,866
Diluted	13,460,516	13,067,991	13,343,793	13,156,715	13,471,775	13,111,866

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

GEOSPACE TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

(unaudited)

	Three Months Ended		Three Months Ended		Six Months Ended	
	December 31, 2023	December 31, 2022	March	March	March	March
			31, 2024	31, 2023	31, 2024	31, 2023
Net income (loss)	\$ 12,679	\$ (97)	\$ (4,327)	\$ 4,637	\$ 8,352	\$ 4,540
Other comprehensive income:						

Other comprehensive income (loss):

Change in unrealized gains on available-for-sale securities, net of tax	15	8	(20)	7	(5)	15
Foreign currency translation adjustments	491	6	(122)	(1,348)	369	(1,342)
Total other comprehensive income (loss)	506	14	(142)	(1,341)	364	(1,327)
Total comprehensive income (loss)	\$ 13,185	\$ (83)	\$ (4,469)	\$ 3,296	\$ 8,716	\$ 3,213

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

GEOSPACE TECHNOLOGIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE SIX MONTHS ENDED DECEMBER 31, 2023 MARCH 31, 2024 AND 2022
(in thousands, except share amounts)
(unaudited)

	Common Stock						Accumulated						Common Stock						Accumulated					
	Common Stock		Additional				Other		Common Stock		Additional				Other									
	Shares		Paid-In	Retained	Comprehensive	Treasury	Shares		Paid-In	Retained	Comprehensive	Treasury		Shares		Paid-In	Retained	Comprehensive	Treasury					
	Outstanding	Amount	Capital	Earnings	Loss	Stock	Total		Outstanding	Amount	Capital	Earnings	Loss	Stock	Total		Outstanding	Amount	Capital	Earnings	Loss	Stock		
Balance at October 1, 2023	13,188,489	\$ 140	\$ 96,040	\$ 61,860	\$ (17,824)	\$ (7,500)	\$ 132,716		13,188,489	\$ 140	\$ 96,040	\$ 61,860	\$ (17,824)	\$ (7,500)										
Net income	—	—	—	—	12,679	—	—	12,679	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Other comprehensive income (loss)	—	—	—	—	—	506	—	506																
Other comprehensive income									—	—	—	—	—	—	—	—	—	—	—	—	506	—		
Issuance of common stock pursuant to the vesting of restricted stock units	128,601	2	(2)	—	—	—	—		128,601	2	(2)	—	—	—	—	—	—	—	—	—	—	—		
Stock-based compensation	—	—	406	—	—	—	406		—	—	406	—	—	—	—	—	—	—	—	—	—	—	—	
Balance at December 31, 2023	13,317,090	142	\$ 96,444	\$ 74,539	\$ (17,318)	\$ (7,500)	\$ 146,307		13,317,090	142	96,444	74,539	(17,318)	(7,500)										
Net loss									—	—	—	—	(4,327)	—	—	—	—	—	—	—	—	—		
Other comprehensive loss									—	—	—	—	—	—	—	—	—	—	—	—	(142)	—		
Issuance of common stock pursuant to the vesting of restricted stock units									45,000	—	—	—	—	—	—	—	—	—	—	—	—	—		

Stock-based compensation	—	—	356	—	—	—
Balance at March 31, 2024	13,362,090	\$ 142	\$ 96,800	\$ 70,212	\$ (17,460)	\$ (7,500)
Balance at October 1, 2022	13,021,241	\$ 139	\$ 94,667	\$ 49,654	\$ (15,313)	\$ (7,500) \$ 121,647
Net loss	—	—	(97)	—	—	(97)
Other comprehensive income	—	—	—	14	—	14
Issuance of common stock pursuant to the vesting of restricted stock units	109,748	1	—	—	—	1
Stock-based compensation	—	—	370	—	—	370
Balance at December 31, 2022	13,130,989	140	\$ 95,037	\$ 49,557	\$ (15,299)	\$ (7,500) \$ 121,935
Net income	—	—	—	—	4,637	—
Other comprehensive loss	—	—	—	—	—	(1,341)
Issuance of common stock pursuant to the vesting of restricted stock units	40,500	—	—	—	—	—
Stock-based compensation	—	—	306	—	—	—
Balance at March 31, 2023	13,171,489	\$ 140	\$ 95,343	\$ 54,194	\$ (16,640)	\$ (7,500)

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

GEOSPACE TECHNOLOGIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

Three Months Ended		Six Months Ended	
December 31, 2023	December 31, 2022	March 31, 2024	March 31, 2023

Cash flows from operating activities:

Net income (loss)	\$ 12,679	\$ (97)		
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Deferred income tax expense (benefit)	8	(6)		
Net income				
			\$ 8,352	\$ 4,540
Adjustments to reconcile net income to net cash used in operating activities:				
Deferred income tax expense			15	—
Rental equipment depreciation	3,313	3,247	6,026	6,442
Property, plant and equipment depreciation	822	1,017	1,682	1,896
Amortization of intangible assets	109	238	204	430
Amortization of premiums (accretion of discounts) on short-term investments	(115)	5	(234)	1
Stock-based compensation expense	406	370	762	676
Provision for credit losses	(29)	120		
Provision for (recovery of) credit losses			(51)	137
Inventory obsolescence expense	20	1,380	110	1,836
Gross profit from sale of rental equipment	(19,350)	(3,092)	(20,553)	(3,925)
Gain on disposal of property, plant and equipment	—	(47)		
Gain on disposal of property			—	(1,315)
Loss (gain) on disposal of equipment			10	(464)
Effects of changes in operating assets and liabilities:				
Trade accounts and note receivable	8,001	(6,846)	5,963	(8,352)
Inventories	(4,059)	(5,188)	(5,566)	(7,882)
Other assets	179	886	873	1,702
Accounts payable trade	(478)	1,924	(684)	(574)
Other liabilities	1,146	1,225	(3,180)	(226)
Net cash provided by (used in) operating activities	2,652	(4,864)		
Net cash used in operating activities			(6,271)	(5,078)
Cash flows from investing activities:				
Purchase of property, plant and equipment	(779)	(265)	(3,166)	(1,126)
Proceeds from the sale of property, plant and equipment	—	47	2	4,221
Investment in rental equipment	(2,558)	(162)	(3,949)	(635)
Proceeds from the sale of rental equipment	597	622	30,502	8,794
Net cash provided by (used in) investing activities	(2,740)	242		
Purchases of short-term investments			(19,293)	—
Proceeds from the sale of short-term investments			4,000	900
Net cash provided by investing activities			8,096	12,154
Cash flows from financing activities:				
Payments on contingent consideration	—	(175)	—	(175)
Net cash used in financing activities	—	(175)		
Effect of exchange rate changes on cash	192	43	134	(205)
Increase (decrease) in cash and cash equivalents	104	(4,754)		
Cash and cash equivalents, beginning of fiscal year	18,803	16,109		
Cash and cash equivalents, end of fiscal period	\$ 18,907	\$ 11,355		
Increase in cash and cash equivalents			1,959	6,696
Cash and cash equivalents, beginning of period			18,803	16,109
Cash and cash equivalents, end of period			\$ 20,762	\$ 22,805
SUPPLEMENTAL CASH FLOW INFORMATION:				
Accounts receivable related to the sale of rental equipment	30,048	4,505		
Cash paid for income taxes			\$ —	\$ 26

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

GEOSPACE TECHNOLOGIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Significant Accounting Policies

Basis of Presentation

The consolidated balance sheet of Geospace Technologies Corporation and its subsidiaries (the "Company") at September 30, 2023 was derived from the Company's audited consolidated financial statements at that date. The consolidated balance sheet at December March 31, 2023 2024 and the consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for the three and sixmonths ended December March 31, 2023 2024 and 2022 2023 were prepared by the Company without audit. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the consolidated financial position, results of operations and cash flows were made. All significant intercompany balances and transactions have been eliminated. The results of operations for the three and sixmonths ended December March 31, 2023 2024 are not necessarily indicative of the operating results for a full year or of future operations.

Certain information and footnote disclosures normally included in financial statements presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") were omitted pursuant to the rules of the Securities and Exchange Commission. The accompanying consolidated financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the Company's fiscal year ended September 30, 2023.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company considers many factors in selecting appropriate operational and financial accounting policies and controls, and in developing the estimates and assumptions that are used in the preparation of these financial statements. The Company continually evaluates its estimates, including those related to revenue recognition, **bad debt reserves**, **credit loss**, collectability of rental revenue, inventory obsolescence reserves, self-insurance reserves, product warranty reserves, useful lives of long-lived assets, impairment of long-lived assets, impairment of goodwill and other intangible assets and deferred income tax assets. The Company bases its estimates on historical experience and various other factors that are believed to be reasonable under the circumstances. While management believes current estimates are reasonable and appropriate, actual results may differ from these estimates under different conditions or assumptions.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original or remaining maturity at the time of purchase of three months or less to be cash equivalents. At December March 31, 2023 and September 30, 2023, the Company had restricted cash of \$0.2 million on deposit with a bank, which serves as collateral on employee issued credit cards. At December 31, 2023 2024, cash and cash equivalents included \$3.3 million held by the Company's foreign subsidiaries and branch offices, including \$1.8 million \$2.0 million held by its subsidiary in the Russian Federation. In response to sanctions imposed by the U.S. and others on Russia, the Russian government has imposed restrictions on companies' abilities to repatriate or otherwise remit cash from their Russian-based operations to locations outside of Russia. As a result, this cash can be used in our Russian operations, but the Company may be unable to transfer it out of Russia without incurring substantial costs, if at all. In addition, if the Company were to repatriate the cash held by its Russian subsidiary, it would be required to accrue and pay taxes on any amount repatriated. During fiscal year 2023, in light of recent volatility in the financial markets, the Company entered into an IntraFi Cash Service ("ICS") Deposit Placement Agreement with IntraFi Network LLC through its primary bank, Woodforest National Bank. The ICS program offers access to unlimited Federal Deposit Insurance Corporation ("FDIC") insurance on the Company's domestically held cash in excess of \$5.0 million, thereby mitigating its risk of falling outside of FDIC coverage limits.

Impairment of Long-lived Assets

The Company's long-lived assets are reviewed for impairment whenever an event or circumstance indicates that the carrying amount of an asset or group of assets may not be recoverable. The impairment review, if necessary, includes a comparison of the expected future cash flows (undiscounted and without interest charges) to be generated by an asset group with the associated carrying value of the related assets. If the carrying value of the asset group exceeds the expected future cash flows, an impairment loss is recognized to the extent that the carrying value of the asset group exceeds its fair value. During the quarter ended December March 31, 2023 2024, no events or changes in circumstances were identified indicating the carrying value of any of the Company's asset groups may not be recoverable.

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (the "FASB") issued guidance surrounding credit losses for financial instruments that replaces the incurred loss impairment methodology in generally accepted accounting principles. The new impairment model requires immediate recognition of estimated credit losses expected to occur for most financial assets and certain other financial instruments. For available-for-sale debt securities with unrealized losses, credit losses will be recognized as allowances rather than reductions in the amortized cost of the securities. The Company adopted this standard on October 1, 2023. The adoption of this standard did not have any material impact on its consolidated financial statements.

Recently Issued Accounting Pronouncements

In November 2023, the FASB issued guidance which updates reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The guidance is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The guidance shall be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the provisions of this guidance and the impact on its consolidated financial statements.

All other new accounting pronouncements that have been issued, but not yet effective, are currently being evaluated and at this time are not expected to have a material impact on the Company's financial position or results of operations.

2. Revenue Recognition

In accordance with ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), the Company recognizes revenue when performance of contractual obligations are satisfied, generally when control of the promised goods or services is transferred to its customers, in an amount that reflects the consideration it expects to be entitled to in exchange for those goods or services.

The Company primarily derives product revenue from the sale of its manufactured products. Revenue from these product sales, including the sale of used rental equipment, is recognized when obligations under the terms of a contract are satisfied, control is transferred and collectability of the sales price is probable. The Company records deferred revenue when customer funds are received prior to shipment or delivery or performance has not yet occurred. The Company assesses collectability during the contract assessment phase. In situations where collectability of the sales price is not probable, the Company recognizes revenue when it determines that collectability is probable or when non-refundable cash is received from its customers and there is not a significant right of return. Transfer of control generally occurs with shipment or delivery, depending on the terms of the underlying contract. The Company's products are generally sold without any customer acceptance provisions, and the Company's standard terms of sale do not allow customers to return products for credit.

Revenue from engineering services is recognized as services are rendered over the duration of a project, or as billed on a per hour basis. Field service revenue is recognized when services are rendered and is generally priced on a per day rate.

The Company also generates revenue from short-term rentals under operating leases of its manufactured products. Rental revenue is recognized as earned over the rental period if collectability of the rent is reasonably assured. Rentals of the Company's equipment generally range from daily rentals to minimum rental periods of up to one year. The Company has determined that ASC 606 does not apply to rental contracts, which are within the scope of ASC Topic 842, *Leases*.

As permissible under ASC 606, sales taxes and transaction-based taxes are excluded from revenue. The Company does not disclose the value of unsatisfied performance obligations for contracts with an original expected duration of one year or less. Additionally, the Company expenses costs incurred to obtain contracts when incurred because the amortization period would have been one year or less. These costs are recorded in selling, general and administrative expenses.

The Company has elected to treat shipping and handling activities in a sales transaction after the customer obtains control of the goods as a fulfillment cost and not as a promised service. Accordingly, fulfillment costs related to the shipping and handling of goods are accrued at the time of shipment. Amounts billed to a customer in a sales transaction related to reimbursable shipping and handling costs are included in revenue and the associated costs incurred by the Company for reimbursable shipping and handling expenses are reported in cost of revenue.

At December **March 31, 2023** **2024**, the Company had deferred contract liabilities of **\$1.3 million** **\$0.3 million** and no deferred contract cost. At September 30, 2023, the Company had deferred liabilities of \$0.7 million and no deferred contract costs. During the three and sixmonths ended December **March 31, 2023** **2024**, revenue of **\$45.000** **\$0.7 million** and **\$0.7 million**, respectively, was recognized from deferred contract **liabilities** **liabilities**. During the three and six months ended March 31, 2024, no cost of revenue was

recognized from deferred contract costs. During the three and sixmonths ended December March 31, 2022 2023, no revenue was recognized from deferred contract liabilities and no cost of revenue was recognized from deferred contract costs. At December March 31, 2023 2024, all contracts had an original expected duration of one year or less.

For each of the Company's operating segments, the following table presents revenue (in thousands) only from the sale of products and the performance of services under contracts with customers. Therefore, the table excludes all revenue earned from rental contracts.

	Three Months Ended		Three Months Ended		Six Months Ended	
	December 31, 2023	December 31, 2022	March	March	March	March
			31, 2024	31, 2023	31, 2024	31, 2023
Oil and Gas Markets						
Traditional exploration product revenue	\$ 1,762	\$ 2,755	\$ 3,472	\$ 3,296	\$ 5,234	\$ 6,051
Wireless exploration product revenue	31,869	5,759	2,679	1,411	34,548	7,170
Reservoir product revenue	73	155	41	132	114	287
Total revenue	33,704	8,669	6,192	4,839	39,896	13,508
Adjacent Markets						
Industrial product revenue	6,443	7,930	9,023	9,642	15,466	17,572
Imaging product revenue	3,333	2,856	3,169	3,029	6,502	5,885
Total revenue	9,776	10,786	12,192	12,671	21,968	23,457
Emerging Markets						
Revenue	234	93	1,113	191	1,347	284
Total	\$ 43,714	\$ 19,548	\$ 19,497	\$ 17,701	\$ 63,211	\$ 37,249

See Note 12 for more information on the Company's operating segments.

9

For each of the geographic areas where the Company operates, the following table presents revenue (in thousands) from the sale of products and services under contracts with customers. The table excludes all revenue earned from rental contracts:

	Three Months Ended		Three Months Ended		Six Months Ended	
	December 31, 2023	December 31, 2022	March	March	March	March
			31, 2024	31, 2023	31, 2024	31, 2023
Asia (including Russian Federation)						
China	\$ 32,216	\$ 6,534	\$ 3,672	\$ 1,443	\$ 35,888	\$ 7,977
Other	1,226	761	1,002	333	2,228	1,094
Europe						
United Kingdom	1,378	1,134	1,507	1,792	2,885	2,926
Other	8,418	10,591	12,831	13,479	21,249	24,070
United States						
Other	476	528	485	654	961	1,182
Total	\$ 43,714	\$ 19,548	\$ 19,497	\$ 17,701	\$ 63,211	\$ 37,249

Revenue is attributable to countries based on the ultimate destination of the product sold, if known. If the ultimate destination is not known, revenue is attributable to countries based on the geographic location of the initial shipment.

3. Short-term Investments

The Company classifies its short-term investments as available-for-sale securities. Available-for-sale securities are carried at fair market value with net unrealized gains and losses reported as a component of accumulated other comprehensive loss in stockholders' equity.

The Company's short-term investments were composed of the following (in thousands):

	As of December 31, 2023				As of March 31, 2024			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Short-term investments:								
Corporate bonds	\$ 11,375	\$ 2	\$ —	\$ 11,377	\$ 21,937	\$ —	\$ (14)	\$ 21,923
U.S. treasury securities and securities of U.S. government-sponsored agency	3,672	2	—	3,674	8,526	—	(1)	8,525
Total	\$ 15,047	\$ 4	\$ —	\$ 15,051	\$ 30,463	\$ —	\$ (15)	\$ 30,448

	As of September 30, 2023				
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Value	
Short-term investments:					
Corporate bonds	\$ 11,310	\$ —	\$ (15)	\$ 11,310	
U.S. treasury securities and securities of U.S. government-sponsored agency	3,622	4	—	3,622	
Total	\$ 14,932	\$ 4	\$ (15)	\$ 14,932	

The Company had no securities in a material unrealized loss position at December March 31, 2023 2024 and September 30, 2023 and does not believe these securities represent credit losses based on the evaluation of evidence, which includes an assessment of whether it is more likely than not it will be required to sell or intend to sell the investment before recovery of the investments amortized cost basis. No gains or losses were realized during the three six months ended December March 31, 2023 2024 and 2022 2023 from the sale of short-term investments.

4. Fair Value of Financial Instruments

The Company's financial instruments generally include cash and cash equivalents, short-term investments, trade accounts and notes receivable and accounts payable. Due to the short-term maturities of cash and cash equivalents, trade accounts and notes receivable and accounts payable, the carrying amounts of these financial instruments are deemed to approximate their fair value on the respective balance sheet dates. The Company measures its short-term investments at fair value on a recurring basis.

The following tables present the fair value of the Company's short-term investments and contingent consideration by valuation hierarchy and input (in thousands):

	As of December 31, 2023					As of March 31, 2024				
	Quoted Prices in	Significant			Quoted Prices in	Significant				
	Active Markets for	Other	Significant		Active Markets for	Other	Significant			
	Identical Assets	Observable	Unobservable		Identical Assets	Observable	Unobservable			
	(Level 1)	(Level 2)	(Level 3)	Totals	(Level 1)	(Level 2)	(Level 3)	Totals		
Short-term investments:										
Corporate bonds	\$ —	\$ 11,377	\$ —	\$ 11,377	\$ —	\$ 21,923	\$ —	\$ 21,923		

U.S. treasury securities and securities of U.S. government-sponsored agency	3,674	3,674	8,525	8,525
Total assets	\$ —	\$ 15,051	\$ —	\$ 30,448

As of September 30, 2023

	Quoted Prices in	Significant		Significant Unobservable (Level 3)	Totals
	Active Markets for Identical Assets (Level 1)	Other Observable (Level 2)			
Short-term investments:					
Corporate bonds	\$ —	\$ 11,295	\$ —	\$ —	\$ 11,295
U.S. treasury securities and securities of U.S. government-sponsored agency	\$ —	3,626	\$ —	\$ —	\$ 3,626
Total assets	\$ —	\$ 14,921	\$ —	\$ —	\$ 14,921

5. Trade Accounts and Notes Receivable

Trade accounts receivable, net (excluding notes receivable) are reflected in the following table (in thousands):

	December 31, 2023	September 30, 2023	March 31, 2024	September 30, 2023
	\$ 41,755	\$ 20,282	\$ 16,907	\$ 20,282
Trade accounts receivable	\$ (92)	\$ (125)	\$ (67)	\$ (125)
Allowance for credit losses				
Total	\$ 41,663	\$ 20,157	\$ 16,840	\$ 20,157
Less current portion	\$ (40,153)	\$ (20,157)	\$ (15,330)	\$ (20,157)
Non-current trade accounts receivable	\$ 1,510	\$ —	\$ 1,510	\$ —

Trade accounts receivable at December March 31, 2023, 2024 included \$30.0 million from a single customer related to a product sale in December 2023, of which \$28.5 million is backed by letters of credit from the customer and due in February 2024. The remaining \$1.5 million of this receivable is classified as non-current and which is due in December 2025. Credit quality indicators used for the non-current portion of this receivable consisted of historical collection experience, internal credit risk grades and collateral. The Company determines the allowance for credit losses through a review of several factors, including historical collection experience, customer credit worthiness, current aging of customer accounts and current financial conditions of its customers. Trade accounts receivable balances are charged off against the allowance whenever it is probable that the receivable balance will not be recoverable.

Allowance for credit losses related to trade accounts receivable are reflected in the following table (in thousands):

	Three Months Ended		Three Months Ended		Six Months Ended	
	December 31, 2023	December 31, 2022	March	March	March	March
			31, 2024	31, 2023	31, 2024	31, 2023
Allowance for credit losses:						
Beginning of period	125	591	92	689	125	591
Provision for credit losses	43	286	12	98	55	384
Recoveries	(72)	(166)	(34)	(81)	(106)	(247)
Write-offs	(7)	(6)	—	—	(7)	(6)
Currency translation	3	(16)	(3)	—	—	(16)
End of period	\$ 92	\$ 689	\$ 67	\$ 706	\$ 67	\$ 706

The Company had one note receivable from a customer at December 31, 2023 and September 30, 2023 with balances a balance of \$0.3 million and \$1.2 million, respectively. The note originated during the second quarter of fiscal year 2020 in connection with a \$12.5 million product sale with the customer. The note bears interest at 7.0% per year and requires monthly principal and interest payments of \$0.3 million. The note which was paid in January 2024.

6. Inventories

Inventories consist of the following (in thousands):

	December 31, 2023	September 30, 2023	March 31, 2024	September 30, 2023
Finished goods	\$ 17,895	\$ 18,555	\$ 19,078	\$ 18,555
Work in process	8,122	11,992	6,089	11,992
Raw materials	27,551	26,832	26,165	26,832
Obsolescence reserve (net realizable value adjustment)	(11,697)	(14,061)	(9,259)	(14,061)
	41,871	43,318	42,073	43,318
Less current portion	21,839	18,430	23,932	18,430
Non-current portion	\$ 20,032	\$ 24,888	\$ 18,141	\$ 24,888

Inventory obsolescence expense was \$20,000 and \$1.4 million for the three and sixmonths ended December March 31, 2023 2024 was \$0.1 million and \$0.1 million, respectively. Inventory obsolescence expense for the threeand 2022 six months ended March 31, 2023 was \$0.5 million and \$1.8 million, respectively. Raw materials include semi-finished goods and component parts that totaled approximately \$9.9 million \$8.1 million and \$10.6 million at December March 31, 2023 2024 and September 30, 2023, respectively.

10

7. Rental Equipment

The Company leases equipment to customers which generally range from daily rentals to minimum rental periods of up to one year. All of the Company's current leasing arrangements, which the Company acts as lessor, are classified as operating leases. The majority of the Company's rental revenue is generated from its marine-based wireless seismic data acquisition systems.

The Company regularly evaluates the collectability of its lease receivables on a lease-by-lease basis. The evaluation primarily consists of reviewing past due account balances and other factors such as the credit quality of the customer, historical trends of the customer and current economic conditions. The Company suspends revenue recognition when the collectability of amounts due are no longer probable and concurrently records a direct write-off of the lease receivable to rental revenue and limits future rental revenue recognition to cash received. As of December March 31, 2023 2024, the Company's trade accounts receivables included lease receivables of \$5.0 million \$2.8 million.

Rental revenue related to leased equipment for the three and sixmonths ended December March 31, 2024 was \$4.7 million and \$10.9 million, respectively. Rental revenue related to leased equipment for the three and six months ended March 31, 2023 was \$6.2 million \$13.6 million and \$11.5 million \$25.1 million, respectively.

Future minimum lease obligations due from the Company's leasing customers on operating leases executed as of December March 31, 2023 2024 were \$6.4 million \$4.9 million, all of which is expected to be due within the next 12 months.

Rental equipment consisted of the following (in thousands):

	December 31, 2023	September 30, 2023	March 31, 2024	September 30, 2023
--	-------------------	--------------------	----------------	--------------------

Rental equipment, primarily wireless recording equipment	\$ 77,571	\$ 82,926	\$ 76,909	\$ 82,926
Accumulated depreciation and impairment	(62,329)	(61,339)		
Accumulated depreciation			(61,832)	(61,339)
	\$ 15,242	\$ 21,587	\$ 15,077	\$ 21,587

8. Long-Term Debt

The Company had no long-term debt outstanding at December March 31, 2023 2024 and September 30, 2023.

On July 26, 2023, the Company entered into a credit agreement ("the Agreement") with Woodforest National Bank, as sole lender. The Agreement refinanced the Company's credit agreement dated May 6, 2022, with Amerisource Funding, Inc., as administrative agent and as a lender, and Woodforest National Bank, as a lender. The Agreement provides a revolving credit facility with a maximum availability of \$15 million. Availability under the Agreement is determined based upon a borrowing base comprised of certain of the Company's domestic assets which include (i) 80% of eligible accounts, plus (ii) 90% of eligible foreign insured accounts, plus (iii) 25% of eligible inventory plus (iv) 50% of the orderly liquidation value of eligible equipment, in each case subject to certain limitations and adjustments. Interest shall accrue on outstanding borrowings at a rate equal to Term SOFR (Secured Overnight Financing Rate) plus a margin equal to 3.25% per annum. The Company is required to make monthly interest payments on borrowed funds. The Agreement is secured by substantially all of the Company's assets, except for certain excluded property. The Agreement requires the Company to maintain a minimum (i) consolidated tangible net worth of \$100 million, (ii) liquidity of \$5 million, and (iii) current ratio no less than 2.00 to 1.00, in each case tested quarterly. The Agreement also requires the Company to maintain a springing minimum interest coverage ratio of 1.50 to 1.00, tested quarterly whenever there is an outstanding balance on the revolving credit facility. The Agreement expires in July 2025. At December March 31, 2023 2024 the Company's borrowing availability under the Agreement was \$14.9 million \$11.3 million after consideration of a \$0.1 million outstanding letter of credit. At December March 31, 2023 2024, the Company was in compliance with all covenants under the Agreement. The Company had no borrowings outstanding under the Agreement at March 31, 2024 and September 30, 2023.

9. Stock-Based Compensation

During the three six months ended December March 31, 2023 2024, the Company issued 188,000 213,200 restricted stock units ("RSUs") under its 2014 Long Term Incentive Plan, as amended. The RSUs issued include both time-based and performance-based vesting provisions. The weighted average grant date fair value of each RSU was \$11.77 \$12.23 per unit. The grant date fair value of the RSUs was \$2.2 million \$2.6 million, which will be charged to expense over the next four years as the restrictions lapse. Compensation expense for the RSUs was determined based on the closing market price of the Company's stock on the date of grant applied to the total number of units that are anticipated to fully vest. Each RSU represents a contingent right to receive one share of the Company's common stock upon vesting.

As of December March 31, 2023 2024, there were 421,373 400,020 RSUs outstanding. As of December March 31, 2023 2024, the Company had unrecognized compensation expense of \$3.2 million \$2.9 million relating to RSUs that is expected to be recognized over a weighted average period of 3.1 2.8 years.

10. Earnings (Loss) Per Common Share

The following table summarizes the calculation of net earnings (loss) and weighted average common shares and common equivalent shares outstanding for purposes of the computation of earnings (loss) per share (in thousands, except share and per share data):

	Three Months Ended		Three Months Ended		Six Months Ended	
	December 31, 2023		March 31, 2024		March 31, 2023	
	December 31, 2023	December 31, 2022	2024	2023	2024	2023
Net income (loss)	\$ 12,679	\$ (97)	\$ (4,327)	\$ 4,637	\$ 8,352	\$ 4,540
Less: Income allocable to unvested restricted stock	—	—	—	—	—	—
Income (loss) attributable to common shareholders for diluted earnings (loss) per share	\$ 12,679	\$ (97)	\$ (4,327)	\$ 4,637	\$ 8,352	\$ 4,540
Weighted average number of common share equivalents:						

Common shares used in basic earnings (loss) per share	13,251,360	13,067,991	13,343,793	13,156,715	13,297,324	13,111,866
Common share equivalents outstanding related to RSUs	209,156	—	—	—	174,451	—
Total weighted average common shares and common share equivalents used in diluted earnings (loss) per share	13,460,516	13,067,991	13,343,793	13,156,715	13,471,775	13,111,866
Earnings (loss) per share:						
Basic	\$ 0.96	\$ (0.01)	\$ (0.32)	\$ 0.35	\$ 0.63	\$ 0.35
Diluted	\$ 0.94	\$ (0.01)	\$ (0.32)	\$ 0.35	\$ 0.62	\$ 0.35

For the calculation of diluted earnings (loss) per share for the three months ended March 31, 2024 and 2023, there were 400,020 and 394,924 non-vested RSUs, respectively, excluded from the calculation of weighted average shares outstanding since their impact on diluted earnings (loss) per share were antidilutive. For the calculation of diluted earnings per share for the three six months ended December 31, 2023 and 2022, there were 212,217 and 225,569 and 382,111 and 394,924 non-vested RSUs, respectively, excluded from the calculation of weighted average shares outstanding since their impact on diluted earnings per share were antidilutive.

11. Commitments and Contingencies

Contingent Compensation Costs

In connection with the acquisition of Aquana, LLC ("Aquana") in July 2021, the Company is subject to additional contingent cash payments to the former members of Aquana over a six-year earn-out period. The contingent payments, if any, will be derived from certain eligible revenue generated during the earn-out period from products and services sold by Aquana. There is no maximum limit to the contingent cash payments that could be made. The merger agreement with Aquana requires the continued employment of a certain key employee and former member of Aquana for the first four years of the six year earn-out period in order for any of Aquana's former members to be eligible for any earn-out payments. Due to the continued employment requirement, no liability has been recorded for the estimated fair value of earn-out payments for this transaction. Earn-outs achieved, if any, will be recorded as compensation expense when incurred. No eligible revenue has been generated to date.

Legal Proceedings

The Company is involved in various pending legal actions in the ordinary course of its business. Management is unable to predict the ultimate outcome of these actions, because of the inherent uncertainty of such actions. However, management believes that the most probable, ultimate resolution of current pending matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

12. Segment Information

The Company reports and evaluates financial information for three operating business segments: Oil and Gas Markets, Adjacent Markets and Emerging Markets. The Oil and Gas Markets segment's products include wireless seismic data acquisition systems, reservoir characterization products and services, and traditional seismic exploration products such as geophones, hydrophones, leader wire, connectors, cables, marine streamer retrieval and steering devices and various other seismic products. The Adjacent Markets segment's products include imaging equipment, water meter products, remote shut-off valves and Internet of Things (IoT) platform, as well as seismic sensors used for vibration monitoring and geotechnical applications such as mine safety applications and earthquake detection. The Emerging Markets segment designs and markets seismic products targeted at the border and perimeter security markets.

The following table summarizes the Company's segment information (in thousands):

	Three Months Ended		Three Months Ended		Six Months Ended	
	December 31, 2023		December 31, 2022		March 31, 2024	March 31, 2023
					March 31, 2024	March 31, 2023
Revenue:						
Oil and Gas Markets	\$ 39,909	\$ 20,148	\$ 10,847	\$ 18,419	\$ 50,756	\$ 38,567
Adjacent Markets	9,815	10,822	12,235	12,708	22,050	23,530
Emerging Markets	234	93	1,113	191	1,347	284
Corporate	74	46	75	52	149	98
Total	\$ 50,032	\$ 31,109	\$ 24,270	\$ 31,370	\$ 74,302	\$ 62,479

Income (loss) from operations:

Oil and Gas Markets	\$ 14,563	\$ 2,406	\$ (3,135)	\$ 4,176	\$ 11,428	\$ 6,582
Adjacent Markets	2,034	1,747	2,796	3,055	4,830	4,802
Emerging Markets	(625)	(1,213)	(651)	(1,007)	(1,276)	(2,220)
Corporate	(3,135)	(3,219)	(3,516)	(1,847)	(6,651)	(5,066)
Total	<u>\$ 12,837</u>	<u>\$ (279)</u>	<u>\$ (4,506)</u>	<u>\$ 4,377</u>	<u>\$ 8,331</u>	<u>\$ 4,098</u>

13. Income Taxes

Consolidated income tax expense for the three and sixmonths ended December March 31, 2023 and 2022 2024 was \$0.1 million \$11,000 and \$30,000, \$111,000, respectively. Consolidated income tax expense for the three and six months ended March 31, 2023 was \$19,000 and \$49,000, respectively. The primary difference between the Company's effective tax rate of 1.4% for the three months ended December 31, 2023 and the statutory rate of 21% is adjustments to the valuation allowance against deferred tax assets.

14. Risks and Uncertainties

Concentration of Credit Risk

As of December March 31, 2023 2024, the Company had combined trade accounts and notes receivable from two customers of \$33.6 million \$4.0 million and \$2.4 million \$2.2 million, respectively. \$28.7 million of the \$33.6 million receivable is backed by letters of credit from the customer and is due in February 2024. During the three months ended December March 31, 2023 2024, revenue recognized from these two customers was \$31.4 million \$2.3 million and \$3.5 million \$3.2 million, respectively. During the three six months ended December March 31, 2022 2024 revenue recognized from these two customers was \$1.7 million \$33.7 million and \$2.7 million \$6.7 million, respectively.

COVID-19 Pandemic

The ongoing COVID-19 pandemic has negatively impacted worldwide economic activity and continues to create challenges in the Company's markets. The COVID-19 pandemic and the related mitigation measures have disrupted the Company's supply chain, resulting in longer lead times in materials available from suppliers and extended the shipping time for these materials to reach the Company's facilities. The occurrence or a resurgence of global or regional health events such as the COVID-19 pandemic, and the related government responses, could result in a material adverse effect on the Company's business, financial condition, results of operations and liquidity. As such, we continue to closely monitor COVID-19 and will continue to reassess our strategy and operational structure on a regular, ongoing basis.

Oil Commodity Price Levels

Demand for many of the Company's products and the profitability of its operations depend primarily on the level of worldwide oil and gas exploration activity. Prevailing oil and gas prices, with an emphasis on crude oil prices, and market expectations regarding potential changes in such prices significantly affect the level of worldwide oil and gas exploration activity. During periods of improved energy commodity prices, the capital spending budgets of oil and natural gas operators tend to expand, which results in increased demand for our customers services leading to increased demand in the Company's products. Conversely, in periods when these energy commodity prices deteriorate, capital spending budgets of oil and natural gas operators tend to contract causing demand for the Company's products to weaken. Historically, the markets for oil and gas have been volatile and are subject to wide fluctuations in response to changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors that are beyond its control. These factors include the level of consumer demand, regional and international economic conditions, weather conditions, domestic and foreign governmental regulations (including those related to climate change), price and availability of alternative fuels, political conditions, the war between Russia and Ukraine, instability and hostilities in the Middle East and other significant oil-producing regions, increases and decreases in the supply of oil and gas, the effect of worldwide energy conservation measures and the ability of the Organization of Petroleum Exporting Countries ("OPEC") to set and maintain production levels and prices of foreign imports.

Crude oil prices held above \$70 per barrel throughout have stabilized over the past 2023, 18 months, which may result in higher cash flows for exploration and production companies. Any material changes in oil and gas prices or other market trends, like slowing growth of the global economy, could adversely impact seismic exploration activity and would likely affect the demand for the Company's products and could materially and adversely affect its results of operations and liquidity.

Generally, imbalances in the supply and demand for oil and gas will affect oil and gas prices and, in such circumstances, demand for the Company's oil and gas products may be adversely affected when world supplies exceed demand.

Armed Conflict Between Russia and Ukraine

A portion of the Company's oil and gas product manufacturing is conducted through its wholly-owned subsidiary Geospace Technologies Eurasia LLC ("GTE"), which is based in the Russian Federation. In February 2022, the Russian Federation launched a full-scale military invasion of Ukraine, and Russia and Ukraine continue to engage in active and armed conflict. Although the length and impact of the ongoing military conflict is highly unpredictable, the conflict in Ukraine could lead to market disruptions, including significant volatility in commodity prices, credit and capital markets, as well as supply chain interruptions in addition to any direct impact on the Company's operations in Russia. As a result of the invasion, the governments of several western nations, including the U.S., Canada, the United Kingdom and the European Union, implemented new and/or expanded economic sanctions and export restrictions against Russia, Russian-backed separatist regions in Ukraine, certain banks, companies, government officials, and other individuals in Russia and Belarus. The implementation of these sanctions and exports restrictions, in combination with the withdrawal of numerous private companies from the Russian market, has had, and is likely to continue to have, a negative impact on the Company's business in the region. During fiscal year 2023 the Company imported \$3.8 million of products from GTE for resale elsewhere in the world and since then has imported \$0.5 million \$1.7 million of products during the three first six months of fiscal year 2024. The rapid changes in rules and implementation of new rules on imports and exports of goods involving Russia has also led to material delays in getting goods to or from Russia as port authorities struggle to keep up with the changing environment. If imports of these products from the Russian Federation are restricted by government regulation, the Company may be forced to find other sources for the manufacturing of these products at potentially higher costs. Likewise, restrictions on the Company's ability to send products to GTE, may force our subsidiary to have to find other sources for the manufacturing of these products at potentially higher costs. However, the Company's exports to GTE have historically been limited. Boycotts, protests, unfavorable regulations, additional governmental sanctions and other actions in the region could also adversely affect the Company's ability to operate profitably. Delays in obtaining governmental approvals can affect the Company's ability to timely deliver its products pursuant to contractual obligations, which could result in the Company being liable to its customers for damages. The risk of doing business in the Russian Federation and other economically or politically volatile areas could adversely affect the Company's operations and earnings. It is possible that increasing sanctions, export controls, restrictions on access to financial institutions, supply and transportation challenges, or other circumstances or considerations could necessitate a reduction, or even discontinuation, of operations by GTE or other business in Russia.

The Company is actively monitoring the situation in Ukraine and Russia and assessing its impact on its business, including GTE. The net carrying value of GTE on the Company's consolidated balance sheet at December March 31, 2023 2024 was \$5.7 million \$5.5 million, including cash of \$1.8 million \$2.0 million. In response to sanctions imposed by the U.S. and others on Russia, the Russian government has imposed restrictions on companies' abilities to repatriate or otherwise remit cash from their Russian-based operations to locations outside of Russia. As a result, this cash can be used in our Russian operations, but we may be unable to transfer it out of Russia without incurring substantial costs, if at all. In addition to the products the Company imported from GTE, the subsidiary generated \$1.8 million in revenue from domestic sales in fiscal year 2023 and has generated \$0.3 million \$1.5 million from domestic sales during the first three six months of fiscal year 2024. The Company has no way to predict the duration, progress or outcome of the military conflict in Ukraine. The extent and duration of the military action, sanctions, and resulting market disruptions could be significant and could potentially have substantial impact on the global economy and the Company's business for an unknown period of time.

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

The following is management's discussion and analysis of the major elements of our consolidated financial statements. You should read this discussion and analysis together with our consolidated financial statements, including the accompanying notes, and other detailed information appearing elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended September 30, 2023.

Forward-Looking Statements

This Quarterly Report on Form 10-Q and the documents incorporated by reference herein contain "forward-looking" statements 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 (the "Exchange Act"). These forward-looking statements can be identified by terminology such as "may", "will", "should", "could", "intend", "expect", "plan", "budget", "forecast", "anticipate", "believe", "estimate", "predict", "potential", "continue", "evaluating" or similar words. Statements that contain these words should be read carefully because they discuss our future expectations, contain projections of our future results of operations or of our financial position or state other forward-looking information. Examples of forward-looking statements include, among others, statements that we make regarding our expected operating results, the timing, adoption, results and success of our rollout of our Aquana smart water valves and cloud-based control platform, future demand for our Quantum security solutions, the adoption and sale of our products in various geographic regions, potential tenders for permanent reservoir monitoring systems, future demand for OBX rental equipment, the adoption of Quantum's SADAR® product monitoring of subsurface reservoirs, the completion of new orders for channels of our GCL system, the

fulfillment of customer payment obligations, the impact of and the recovery from the impact of the coronavirus (or COVID-19) pandemic, the impact of the current armed conflict between Russia and Ukraine, our ability to manage changes and the continued health or availability of management personnel, volatility and direction of oil prices, anticipated levels of capital expenditures and the sources of funding therefor, and our strategy for growth, product development, market position, financial results and the provision of accounting reserves. These forward-looking statements reflect our current judgment about future events and trends based on the information currently available to us. However, there will likely be events in the future that we are not able to predict or control. The factors listed under the caption "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023, as well as other cautionary language in such Annual Report and this Quarterly Report on Form 10-Q, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Such examples include, but are not limited to, the failure of the Quantum and OptoSeis® or Aquana technology transactions to yield positive operating results, decreases in commodity price levels, the continued adverse impact of COVID-19 which could reduce demand for our products, the failure of our products to achieve market acceptance (despite substantial investment by us), our sensitivity to short term backlog, delayed or cancelled customer orders, product obsolescence resulting from poor industry conditions or new technologies, bad debt write-offs associated with customer accounts, inability to collect on promissory notes, lack of further orders for our OBX rental equipment, failure of our Quantum products to be adopted by the border and security perimeter market or a decrease in such market due to governmental changes, and infringement or failure to protect intellectual property. The occurrence of the events described in these risk factors and elsewhere in this Quarterly Report on Form 10-Q could have a material adverse effect on our business, results of operations and financial position, and actual events and results of operations may vary materially from our current expectations. We assume no obligation to revise or update any forward-looking statement, whether written or oral, that we may make from time to time, whether as a result of new information, future developments or otherwise.

Business Overview

Unless otherwise specified, the discussion in this Quarterly Report on Form 10-Q refers to Geospace Technologies Corporation and its subsidiaries. We principally design and manufacture seismic instruments and equipment. These seismic products are marketed to the oil and gas industry and used to locate, characterize and monitor hydrocarbon producing reservoirs. We also market our seismic products to other industries for vibration monitoring, border and perimeter security and various geotechnical applications. We design and manufacture other products of a non-seismic nature, including water meter products, imaging equipment, remote shutoff water valves and Internet of Things ("IoT") platform and provide contract manufacturing services. We report and categorize our customers and products into three different segments: Oil and Gas Markets, Adjacent Markets and Emerging Markets. In recent years, the revenue contribution from our Adjacent Markets segment has grown to represent nearly half of our total revenue. This revenue, growth which is reflective of both our diversification strategy as well a downturn in the Oil and Gas Markets segment at the time strategy.

Demand for our seismic products targeted at customers in our Oil and Gas Markets segment has been, and will likely continue to be, vulnerable to downturns in the economy and the oil and gas industry in general. For more information, please refer to the risks discussed under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

Available Information

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission ("SEC"). Our SEC filings are available to the public over the internet at the SEC's website at www.sec.gov. Our SEC filings are also available to the public on our website at www.geospace.com. From time to time, we may post investor presentations on our website under the "Investor Relations" tab. Please note that information contained on our website, whether currently posted or posted in the future, is not a part of this Quarterly Report on Form 10-Q or the documents incorporated by reference in this Quarterly Report on Form 10-Q.

Products and Product Development

Oil and Gas Markets

Our Oil and Gas Markets business segment has historically accounted for the majority of our revenue. Geoscientists use seismic data primarily in connection with the exploration, development and production of oil and gas reserves to map potential and known hydrocarbon bearing formations and the geologic structures that surround them. This segment's products include wireless seismic data acquisition systems, reservoir characterization products and services, and traditional seismic exploration products such as geophones, hydrophones, leader wire, connectors, cables, marine streamer retrieval and steering devices and various other seismic products. We believe that our Oil and Gas Markets products are among the most technologically advanced instruments and equipment available for seismic data acquisition.

Traditional Products

An energy source and a data recording system are combined to acquire seismic data. We provide many of the components of seismic data recording systems, including geophones, hydrophones, multi-component sensors, leader wire, geophone strings, connectors, seismic telemetry cables and other seismic related products. On land, our customers use geophones, leader wire, cables and connectors to receive and measure seismic reflections resulting from an energy source into data recording units, which store the seismic information for subsequent processing and analysis. In the marine environment, large ocean-going vessels tow long seismic cables known as "streamers" containing hydrophones that are used to detect pressure changes. Hydrophones transmit electrical impulses back to the vessel's data recording unit where the seismic data is stored for subsequent processing and analysis. Our marine seismic products also help steer streamers while being towed and help recover streamers if they become disconnected from the vessel.

Our seismic sensor, cable and connector products are compatible with most major competitive seismic data acquisition systems currently in use. Revenue from these products results primarily from seismic contractors purchasing our products as components of new seismic data acquisition systems or to repair and replace components of seismic data acquisition systems already in use.

Wireless Products

We have developed multiple versions of a land-based wireless (or nodal) seismic data acquisition system. Rather than utilizing interconnecting cables as required by most traditional land data acquisition systems, each of our wireless stations operate as an independent data collection system, allowing for virtually unlimited channel configurations. As a result, our wireless systems require less maintenance, which we believe allows our customers to operate more effectively and efficiently because of its reduced environmental impact, lower weight and ease of operation. Each wireless station is available in a single-channel or three-channel configuration.

We have also developed a marine-based wireless seismic data acquisition system called the OBX. OBX, and recently released Mariner™. Similar to our land-based wireless systems, the these marine OBX system wireless systems may be deployed in virtually unlimited channel configurations and does do not require interconnecting cables between each station. We have two versions of OBX nodal stations: a shallow water version that can be used in depths up to 750 meters and a deepwater version that can be deployed in depths of up to 3,450 meters. Through December 31, 2023 March 31, 2024, we have sold 13,000 14,000 OBX stations and we currently have 24,000 OBX stations in our rental fleet.

In 2022, we announced the release of a new seismic acquisition product known as The Mariner™, is a continuous, cable-free, four channel autonomous, shallow water ocean bottom recorder. Mariner Mariner™ is the next generation node designed for extended duration seabed ocean bottom seismic data acquisition. The slim profile nodes, which are part of our shallow water stations, are ideally deployed as deep as 750 meters. The device continuously records for up to 70 days and offers more rapid recharging times. Its slim profile creates space savings on seismic survey vessels, allowing contractors to fit up to 25% more nodes into a download/charge container. Through December 31, 2023 March 31, 2024, we have sold 7600 7,600 Mariner™ nodes.

Reservoir Products

Seismic surveys repeated over selected time intervals show dynamic changes within a producing oil and gas reservoir, and operators can use these surveys to monitor the effects of oil and gas development and production. This type of reservoir monitoring requires special purpose or custom designed systems in which portability becomes less critical and functional reliability assumes greater importance. This reliability factor helps assure successful operations in inaccessible locations over a considerable period of time. Additionally, reservoirs located in deep water or harsh environments require special instrumentation and new techniques to maximize recovery. Reservoir monitoring also requires high-bandwidth, high-resolution seismic data for engineering project planning and reservoir management. Utilizing these reservoir monitoring tools, producers can enhance the recovery of oil and gas deposits over the life of a reservoir.

We have developed permanently installed high-definition reservoir monitoring systems for land and ocean-bottom applications in producing oil and gas fields. Our electrical reservoir monitoring systems are currently installed on numerous offshore reservoirs in the North Sea and elsewhere. Through our acquisition of the OptoSeis® fiber optic sensing technology, we now offer both electrical and fiber optic reservoir monitoring systems. These high-definition seismic data acquisition systems have a flexible architecture allowing them to be configured as a subsurface system for both land and marine reservoir-monitoring projects. The scalable architecture of these systems enables custom designed configuration for applications ranging from low-channel engineering and environmental-scale surveys requiring a minimum number of recording channels to high-channel surveys required to efficiently conduct permanent reservoir monitoring ("PRM"). The modular architecture of these products allows virtually unlimited channel expansion for these systems.

In the spring of 2023, we released a derivative of the OptoSeis® technology for high temperature downhole applications. The product known as Insight by OptoSeis offers a passive, all-optical downhole sensor network - no electronics downhole - resulting in years long operational lifetime at 150 °C.

In addition, we produce seismic borehole acquisition systems that employ a fiber optic augmented wireline capable of very high data transmission rates. These systems are used for several reservoir monitoring applications, including an application pioneered by us allowing operators and service companies to monitor and measure the results of hydraulic fracturing operations.

We believe our reservoir characterization products make seismic acquisition a cost-effective and reliable process for reservoir monitoring. Our multi-component seismic product developments also include an omni-directional geophone for use in reservoir monitoring, a compact marine three-component or four-component gimbaled sensor and special-purpose connectors, connector arrays and cases.

We have maintained active discussions with potential clients for future PRM systems. During 2022, in coordination with a potential client, we concluded a successful demonstration of our OptoSeis® fiber optic PRM technology in real-world field conditions. This demonstration was a pre-requisite step toward future contract consideration. We have also held discussions and received requests for information from other major oil and gas producers regarding PRM systems. We have not received any orders for a large-scale seabed PRM system since November 2012.

Adjacent Markets

Our Adjacent Markets businesses leverage upon existing manufacturing facilities and engineering capabilities utilized by our Oil and Gas Markets businesses. Many of the seismic products in our Oil and Gas Markets segment, with little or no modification, have direct application to other industries.

Our business diversification strategy has centered largely on translating expertise in ruggedized engineering and manufacturing into expanded customer markets. To bolster the solid market share we have established in the water utility market for water meter cables, in fiscal year 2021, we acquired the smart water IoT company, Aquana.

Industrial Products

Our industrial products include water meter products, remote shut-off water valves and IoT Platform, contract manufacturing services and seismic sensors used for vibration monitoring.

Our water meter products support the global smart meter connectivity water utility market. Our products provide our customers with highly reliable automated meter-reading and automated meter infrastructure with our robust water-proof connectors. Our field splice kits allow for accelerated repairs once identified.

Our remote disconnect valves and water IoT platform allows customers that manage multi-family and commercial properties to monitor their properties for leak and burst events, with real-time notifications, complimented with our remote-shut off to stop water damage. These products also allow water utilities to control and monitor water use remotely, discontinue or limit service without placing its employees in potential harm or danger.

Our robust manufacturing capabilities have allowed us to provide specialized contract manufacturing services for printed circuit board manufacturing, cabling and harnesses, machining, injection molding and electronic system assembly.

Our seismic sensors provide unique high definition, low frequency sensing that allows for vibration monitoring in industrial machinery, mine safety and earthquake detection.

Imaging Products

Our imaging products include electronic pre-press products that employ direct thermal imaging, direct-to-screen printing systems, and digital inkjet printing technologies targeted at the commercial graphics, industrial graphics, textile and flexographic printing industries.

Emerging Markets

Our Emerging Markets business segment consists entirely of our Quantum business. Quantum's product line includes a proprietary detection system called SADAR®, which detects, locates and tracks items of interest in real-time. Using the SADAR® technology, Quantum designs and sells products used for border and perimeter security surveillance, cross-border tunneling detection and other products targeted at movement monitoring, intrusion detection and situational awareness. SADAR's technology also provides passive seismic real-time monitoring in emerging energy applications such as Carbon Capture and Storage (CCS) and geothermal energy. Quantum's customers include various agencies of the U.S. government including the Department of Defense, Department of Energy, Department of Homeland Security and other agencies as well as energy companies needing real-time monitoring of seismic data.

Consolidated Results of Operations

We report and evaluate financial information for three segments: Oil and Gas Markets, Adjacent Markets and Emerging Markets. Summary financial data by business segment follows (in thousands):

	Three Months Ended		Three Months Ended		Six Months Ended	
	December 31, 2023		December 31, 2022		March 31, 2024	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Oil and Gas Markets						
Traditional exploration product revenue	\$ 1,763	\$ 2,755	\$ 3,548	\$ 3,391	\$ 5,311	\$ 6,146
Wireless exploration product revenue	38,073	17,238	7,240	14,896	45,313	32,134
Reservoir product revenue	73	155	59	132	132	287
Total revenue	39,909	20,148	10,847	18,419	50,756	38,567

Operating income	14,563	2,406				
Operating income (loss)			(3,135)	4,176	11,428	6,582
Adjacent Markets						
Industrial product revenue	6,443	7,930	9,024	9,642	15,467	17,572
Imaging product revenue	3,372	2,892	3,211	3,066	6,583	5,958
Total revenue	9,815	10,822	12,235	12,708	22,050	23,530
Operating income	2,034	1,747	2,796	3,055	4,830	4,802
Emerging Markets						
Revenue	234	93	1,113	191	1,347	284
Operating loss	(625)	(1,213)	(651)	(1,007)	(1,276)	(2,220)
Corporate						
Revenue	74	46	75	52	149	98
Operating loss	(3,135)	(3,219)	(3,516)	(1,847)	(6,651)	(5,066)
Consolidated Totals						
Revenue	50,032	31,109	24,270	31,370	74,302	62,479
Operating income (loss)	12,837	(279)	(4,506)	4,377	8,331	4,098

Overview

Although in an already depressed oil and gas industry, demand further decreased in February 2020 because of the oversupply of crude oil due to failed OPEC negotiations that led to a dramatic drop in crude oil prices when combined with the impact of the COVID-19 pandemic. These declines in the demand for oil and gas have caused oil and gas exploration and production companies to experience a significant reduction in cash flows, which have resulted in reductions in their capital spending budgets for oil and gas exploration-focused activities, including seismic data acquisition activities. Crude oil prices held above \$70 per barrel throughout 2023; have stabilized over the past 18 months; however, a lag in time typically occurs between higher oil prices and greater demand for our Oil and Gas Markets segment products. We believe this lag is the result of exploration and production ("E&P") companies allocating their cash flow towards shareholder reward initiatives, such as stock buy-back programs and dividend payments, or in debt reduction. We believe this lag is a short-term trend that will continue until E&P companies decide to reinvest capital into exploration activities. As this lag persists, we expect the reduced levels of demand for our Oil and Gas Markets segment products. We also expect our land-based traditional and wireless products will continue to experience low levels of product demand until our customers consume their excess levels of underutilized equipment. As discussed below, we had a \$30.0 million \$30 million wireless product sale to a customer in the first quarter of fiscal year 2024. However, we do not currently anticipate another product sale this large for the remainder of fiscal year 2024.

In light of current market conditions, the inventory balances in our Oil and Gas Markets business segment at December 31, 2023 March 31, 2024 continued to exceed levels we consider appropriate for the current level of product demand. We are continuing to work aggressively to reduce these legacy inventory balances; however, we are also adding new inventories for new wireless product developments and for other product demand in our Adjacent Markets segment. During periods of excessive inventory levels, our policy has been, and will continue to be, to record obsolescence expense as we experience reduced product demand and as our inventories continue to age. Although the Oil and Gas Markets segment is seeing a recovery after experiencing difficult market conditions, we have been recording additional expenses for inventory obsolescence and will continue to do so in the future until product demand and/or resulting inventory turnover return to acceptable levels.

Armed Conflict Between Russia and Ukraine

A portion of our oil and gas product manufacturing is conducted by Geospace Technologies Eurasia LLC, our wholly-owned subsidiary based in the Russian Federation. Consequently, our oil and gas business could be directly affected by the current war between Russia and Ukraine. See Note 14 in this Quarterly Report on Form 10-Q for more information.

Coronavirus (COVID-19)

The ongoing COVID-19 pandemic has negatively impacted worldwide economic activity and continues to create challenges in our markets. The COVID-19 pandemic and the related mitigation measures have disrupted our supply chain, resulting in longer lead times in materials available from suppliers and extended shipping time for these materials to reach our facilities. The occurrence or resurgence of global or regional health events such as the COVID-19 pandemic, and the related government responses, could result in a material adverse effect on our business, financial condition, results of operations and liquidity. As such, we will continue to closely monitor COVID-19 and will continue to reassess our strategy and operational structure on a regular, ongoing basis.

Three and six months ended December 31, 2023 March 31, 2024 compared to the three and six months ended December 31, 2022 March 31, 2023

Consolidated revenue for the three months ended December 31, 2023 March 31, 2024 was \$50.0 million \$24.3 million, a decrease of \$7.1 million, or 22.6%, from the corresponding period of the prior fiscal year. The decrease was primarily due to a decrease in rental revenue due to lower utilization of our OBX rental fleet. Consolidated revenue for the six months ended March 31, 2024 was \$74.3 million, an increase of \$18.9 million \$11.8 million, or 60.8% 18.9%, from the corresponding period of the prior fiscal year. The increase was largely due to a \$30.0 million sale of our Mariner™ shallow water ocean bottom nodes in the first quarter of fiscal year 2024, which replaced a rental contract with the customer. We do not expect another product sale this large for the remainder of fiscal year 2024. The increase was partially offset by (i) a decrease in rental revenue due to lower utilization of our OBX rental fleet and (ii) a decrease in demand for our industrial products from our Adjacent Markets segment. We do not expect this increase in revenue to continue for the remaining three quarters of fiscal year 2024.

Consolidated gross profit for the three months ended December 31, 2023 March 31, 2024 was \$22.2 million \$5.9 million, a decrease of \$7.1 million, or 54.6%, from the corresponding period of the prior fiscal year. The decrease in gross profit was primarily due to decrease in utilization of our OBX rental fleet. Consolidated gross profit for the six months ended March 31, 2024 was \$28.1 million, an increase of \$11.7 million \$4.6 million, or 111.1% 19.7%, from the corresponding period of the prior fiscal year. The increase was primarily largely due to gross profit on its our Mariner™ sale. sale in the first quarter of fiscal year 2024. The increase in gross profit was partially offset by (i) the decrease in utilization of our OBX rental fleet and (ii) a higher warranty accrual, primarily related to the Mariner™ sale.

Consolidated operating expenses for the three months ended December 31, 2023 March 31, 2024 were \$9.4 million \$10.4 million, an increase of \$0.5 million, or 5.1%, from the corresponding period of the prior fiscal year. The increase was primarily due to higher research and development expense, primarily project expenditures. Consolidated operating expenses for the six months ended March 31, 2024 were \$19.8 million, a decrease of \$1.4 million \$0.9 million, or 13.1% 4.4%, from the corresponding period of the prior fiscal year. The decrease was primarily due to lower personnel costs attributable to our workforce reduction in first quarter of fiscal year 2023, which included \$0.4 million in employee termination costs. The decrease was also due to lower research and development project expenditures.

In February 2023, we sold our property located at 7310 Langfield in Houston, Texas for a cash sales price of \$3.7 million, net of closing costs of \$0.3 million. We recognized a gain of \$1.3 million from the sale in the second quarter of fiscal year 2023.

Consolidated other expense income for the three months ended December 31, 2023 March 31, 2024 was \$(0.1) million \$0.2 million, compared to \$0.3 million from the corresponding period of the prior year. Consolidated other income of \$0.2 million for the six months ended March 31, 2024 was \$0.1 million, compared to \$0.5 million from the corresponding period of the prior year. The decrease in other income for both periods was primarily principally due to net foreign currency transaction losses. The decrease was losses, partially offset by an increase in interest income attributable to short-term investments.

Segment Results of Operations

Oil and Gas Markets

Revenue

Revenue from our Oil and Gas Markets products for the three months ended December 31, 2023 increased \$19.8 million March 31, 2024 decreased \$7.6 million, or 98.1% 41.1%, from the corresponding period of the prior fiscal year. Revenue from our Oil and Gas Markets products for the six months ended March 31, 2024 increased \$12.2 million, or 31.6%, from the corresponding period of the prior fiscal year. The components of this increase these changes were as follows:

- Traditional Exploration Product Revenue – For the three months ended December 31, 2023 March 31, 2024, revenue from our traditional products increased \$0.2 million, or 4.6%, from the corresponding period of the prior fiscal year. The increase was \$1.8 million primarily due to an increase in demand for our sensor products, partially offset by lower demand for our marine products. For the six months ended March 31, 2024, a decrease of \$1.0 million revenue from our traditional products decreased \$0.8 million, or 13.6%, from the corresponding period of the prior fiscal year. The decrease was primarily due to lower demand for our sensor and marine products.
- Wireless Exploration Product Revenue – For the three months ended December 31, 2023 March 31, 2024, revenue from our wireless exploration products decreased \$7.7 million, or 51.4%, from the corresponding period of the prior fiscal year. The decrease was primarily due to a decrease in rental revenue due to lower utilization of our OBX rental fleet. For the six months ended March 31, 2024, revenue from our wireless exploration products increased \$20.8 million \$13.2 million, or 120.9% 41.0%, from the corresponding period of the prior fiscal year. The increase was primarily due to a \$30.0 million sale of our Mariner™ shallow water ocean bottom nodes, in the first quarter of fiscal year 2024, which replaced a rental contract with the customer. The increase was partially offset by a decrease in rental revenue attributable to lower utilization of our OBX rental fleet. We do not expect this increase in revenue to continue for the remaining three quarters of fiscal year 2024.

Operating Income (Loss)

Operating income (loss) associated with our Oil and Gas Markets products for the three months ended December 31, 2023 March 31, 2024 was \$14.6 million \$(3.0) million, a decrease of \$7.3 million from the corresponding period of the prior fiscal year. The decrease was primarily due to lower wireless rental revenue and related gross profits due to a

decrease in the utilization of our OBX rental fleet. Operating income associated with our Oil and Gas Markets products for the six months ended March 31, 2024 was \$11.4 million, an increase of ~~\$12.2 million~~ \$4.8 million from the corresponding period of the prior fiscal year. The increase in operating income was related to gross profits related to the Mariner™ sale. The income was partially offset by lower wireless rental revenue and related gross profits due to a decrease in the utilization of our OBX rental fleet.

Adjacent Markets

Revenue

Revenue from our Adjacent Markets products for the three months ended ~~December 31, 2023~~ March 31, 2024 decreased ~~\$1.0 million~~ \$0.5 million, or ~~9.3%~~ 3.7%, from the corresponding period of the prior fiscal year. Revenue from our Adjacent Markets products for the six months ended March 31, 2024 decreased \$1.5 million, or 6.3%, from the corresponding period of the prior fiscal year. The components of this ~~change~~ decrease was as follows:

- Industrial Product Revenue and Services – For the three months ended ~~December 31, 2023~~ March 31, 2024, revenue from our industrial products decreased ~~\$1.5 million~~ \$0.6 million, or ~~18.8%~~ 6.4%, from the corresponding period of the prior fiscal year. For the six months ended March 31, 2024, revenue from our industrial products decreased \$2.1 million, or 12.0%, from the corresponding period of the prior fiscal year. The decrease for both periods was primarily due to lower demand for both our water meter products and industrial sensor products, partially offset by an increase in demand for our contract manufacturing services.
- Imaging Product Revenue – For the three months ended ~~December 31, 2023~~ March 31, 2024, revenue from our imaging products increased ~~\$0.5 million~~ \$0.1 million, or ~~16.6%~~ 4.7%, from the corresponding period of the prior fiscal year. For the six months ended March 31, 2024, revenue from our imaging products increased \$0.6 million, or 10.5%, from the corresponding period of the prior fiscal year. The increase for both periods was primarily due to higher demand for our film products and imaging equipment products.

Operating Income

Operating income from our Adjacent Markets products for the three months ended ~~December 31, 2023~~ March 31, 2024 was ~~\$2.0 million~~ \$2.8 million, a ~~increase~~ decrease of \$0.3 million, or ~~16.4%~~ 8.5%, from the corresponding period of the prior fiscal year. The decrease was primarily due to a decrease in revenue and related gross profits. Operating income from our Adjacent Markets products for the six months ended March 31, 2024 was \$4.8 million, an increase \$28,000, or 0.6%, from the corresponding period of the prior fiscal year. The increase in operating income was primarily due to ~~higher research and development costs, largely offset by gross margin improvements on both our industrial and imaging products.~~ improvements.

Emerging Markets

Revenue

Revenue from our Emerging Markets products was ~~\$0.2 million~~ \$1.1 million for three months ended ~~December 31, 2023~~ March 31, 2024 compared to ~~\$0.1 million~~ \$0.2 million from the corresponding period of the prior fiscal year. Revenue from our Emerging Markets products was \$1.3 million for the six months ended March 31, 2024 compared to \$0.3 million from the corresponding period of the prior fiscal year. The increase in revenue for both periods was primarily due to ~~higher on-going service and maintenance related to our completed revenue recognized on a \$1.5 million government contract. The unrecognized revenue on this contract with is approximately \$0.3 million which will be recognized upon the U.S. Customs and Border Protection, expected completion of this contract in the fourth quarter of fiscal year 2024.~~ expected completion of this contract in the fourth quarter of fiscal year 2024.

Operating Loss

Operating loss from our Emerging Markets products for the three months ended ~~December 31, 2023~~ March 31, 2024 was ~~\$0.6 million~~ \$0.7 million, a decrease of ~~\$0.6 million~~ \$0.4 million, or ~~48.5%~~ 35.4%, from the corresponding period in the prior fiscal year. Operating loss for the six months ended March 31, 2024 was \$1.3 million, a decrease of \$0.9 million, or 42.5%, from the corresponding period of the prior fiscal year. The decrease in operating loss for both periods was primarily due to an increase in revenue and related gross profits. The decrease for the six months ended March 31, 2024 was also attributable to lower personnel costs attributable to our workforce reduction in the first quarter of fiscal year 2023.

Liquidity and Capital Resources

At ~~December 31, 2023~~ March 31, 2024, we had ~~\$34.0 million~~ \$51.2 million in cash and cash equivalents and short-term investments. For the ~~three~~ six months ended ~~December 31, 2023~~ March 31, 2024, we generated ~~\$2.7 million~~ used \$6.3 million of cash from operating activities. ~~Sources~~ These uses of cash included (i) the removal of ~~\$20.6 million~~ gross profit from the sale of rental equipment is included in investing activities, a (ii) \$5.6 million increase in inventories for the strategic purchase of long lead components needed for use in wireless products, valves and contract manufacturing and (iii) \$3.2 million decrease in other liabilities due to the return of customer deposits and lower accrued

employee compensation costs, partially offset by an increase in our product warranty accrual and (iv) \$0.7 million decrease in accounts payable due to timing of payments to our suppliers. These uses of cash were partially offset by (i) our net income of \$12.7 million \$8.4 million and net non-cash charges of \$4.5 million \$8.5 million resulting from deferred income taxes, depreciation, amortization, accretion, inventory obsolescence, stock-based compensation and provision for credit losses. Other sources of cash included a (i) \$8.0 million \$6.0 million decrease in trade accounts and notes receivable payable primarily due to the timing of collections from customers and (ii) \$1.2 million increase \$0.9 million decrease in other liabilities due to increases assets.

For the six months ended March 31, 2024, we generated cash of \$8.1 million in customer deposits and our product warranty accrual, partially offset by lower accrued employee compensation costs. These sources investing activities. Sources of cash were partially offset by (i) the removal primarily consisted of \$19.4 million gross profit \$30.5 million of proceeds from the sale of rental equipment is included in investing activities, (ii) a \$0.5 million decrease in accounts payable due to timing of payments to our suppliers and (iii) \$4.1 million increase in inventories to meet an increase in demand for our products.

For the three months ended December 31, 2023, we used cash of \$2.7 million in investing activities. Uses equipment. Offsetting sources of cash included (i) \$2.6 million \$15.3 million in purchases of short-term investments, net, (ii) \$3.9 million for additions to our equipment rental fleet and (ii) \$0.8 million (iii) \$3.2 million for additions to our property, plant and equipment. Offsetting these uses of cash was \$0.6 million of proceeds from the sale of rental equipment. We expect cash investments into our rental fleet will be approximately \$5 million \$7 million in fiscal year 2024. We expect our cash investments in our property, plant and equipment will be approximately \$2 million \$5 million in fiscal year 2024. Our capital expenditures are expected to be funded from our cash on hand, internal cash flows, including cash flows from our rental contracts or, if necessary, borrowings under our new credit agreement.

For the three six months ended December 31, 2023 March 31, 2024 we had no cash flows from financing activities.

Our available cash, cash equivalents and short-term investments was \$34.0 million \$51.2 million at December 31, 2023 March 31, 2024, which included \$3.3 million of cash and cash equivalents held by our foreign subsidiaries and branch offices, of which \$1.8 million \$2.0 million was held by our subsidiary in the Russian Federation. In response to sanctions imposed by the U.S. and other countries on the Russian Federation, the Russian government has imposed restrictions on companies' abilities to repatriate or otherwise remit cash from their Russian-based operations to locations outside of Russia. As a result, this cash can be used in our Russian operations, but we may be unable to transfer it out of Russia without incurring substantial costs, if at all. In addition, if we were to repatriate the cash held by our Russian subsidiary, we would be required to accrue and pay taxes on any amount repatriated. During fiscal year 2023, in light of recent volatility in the financial markets, we entered into an IntraFi Cash Service ("ICS") Deposit Placement Agreement with IntraFi Network LLC through our primary bank, Woodforest National Bank. The ICS program offers us access to unlimited Federal Deposit Insurance Corporation ("FDIC") insurance on domestically held cash in excess of \$5.0 million, thereby mitigating our risk of falling outside of FDIC coverage limits.

On July 26, 2023, we entered into a credit agreement ("the Agreement") with Woodforest National Bank, as sole lender. The Agreement refinanced our credit agreement dated May 6, 2022, with Amerisource Funding, Inc., as administrative agent and as a lender, and Woodforest National Bank, as a lender. The Agreement provides a revolving credit facility with a maximum availability of \$15 million. Availability under the Agreement is determined based upon a borrowing base comprised of certain of our domestic assets which include (i) 80% of eligible accounts receivable, plus (ii) 90% of eligible foreign insured accounts, plus (iii) 25% of eligible inventory plus (iv) 50% of the orderly liquidation value of eligible equipment, in each case subject to certain limitations and adjustments. Interest shall accrue on outstanding borrowings at a rate equal to Term SOFR (Secured Overnight Financing Rate) plus a margin equal to 3.25% per annum. We are required to make monthly interest payments on borrowed funds. The Agreement is secured by substantially all of our assets, except for certain excluded property. The Agreement requires us to maintain a minimum (i) consolidated tangible net worth of \$100 million, (ii) liquidity of \$5 million, and (iii) current ratio no less than 2.00 to 1.00, in each case tested quarterly. The Agreement also requires us to maintain a springing minimum interest coverage ratio of 1.50 to 1.00, tested quarterly whenever there is an outstanding balance on the revolving credit facility. The Agreement expires in July 2025.

At December 31, 2023 March 31, 2024 we had no outstanding borrowings under the Agreement and our borrowing base availability under the Agreement was \$14.9 million \$11.3 million after consideration of a \$0.1 million outstanding letter of credit. We were in compliance with all covenants under the Agreement. We do not currently anticipate the need to borrow under the Agreement, however, we may decide to do so in the future, if needed.

Our total available cash, cash equivalents and short-term investments did not significantly change increased \$17.5 million during the three six months ended December 31, 2023. Our current accounts March 31, 2024, largely due to the collection of an account receivable includes \$28.7 related to our first quarter 2024 Mariner™ sale. We expect to receive these funds in the second quarter of fiscal year 2024. In the absence of future profitable results of operations, we may need to rely on other sources of liquidity to fund our future operations, including executed rental contracts, available borrowings under the Agreement through its expiration in July 2025, leveraging or sales of real estate assets, sales of rental assets and other liquidity sources which may be available to us. We currently believe that our cash, cash equivalents and short-term investments will be sufficient to finance any future operating losses and planned capital expenditures through the next twelve months.

We do not have any obligations which meet the definition of an off-balance sheet arrangement and which have or are reasonably likely to have a current or future effect on our financial statements or the items contained therein that are material to investors.

Contractual Obligations

Contingent Compensation Costs

In connection with the acquisition of Aquana in July 2021, we are subject to additional contingent cash payments to the former members of Aquana over a six-year earn-out period. The contingent payments, if any, will be derived from certain eligible revenue generated during the earn-out period from products and services sold by Aquana. There is no maximum limit to the contingent cash payments that could be made. The merger agreement with Aquana requires the continued employment of a certain key employee and former member of Aquana for the first four years of the six year earn-out period for any of Aquana's former members to be eligible to any earn-out payments. In accordance with ASC 805, *Business Combinations*, due to the continued employment requirement, no liability has been recorded for the estimated fair value of contingent earn-out payments for this transaction. Earn-outs achieved, if any, will be recorded as compensation expense when incurred.

See Note 13 to our consolidated financial statements in this Quarterly Report on Form 10-Q for more information on our contractual contingencies.

Critical Accounting Estimates

During the **three** six months ended **December 31, 2023** **March 31, 2024**, there has been no material change to our critical accounting estimates discussed in Item 7 of our Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

Recent Accounting Pronouncements

Please refer to Note 1 to our consolidated financial statements contained in this Quarterly Report on Form 10-Q for a discussion of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item, in accordance with Item 305(e) of Regulation S-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining a system of disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified under the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). Notwithstanding the foregoing, there can be no assurance that our disclosure controls and procedures will detect or uncover all failures of persons within our Company and consolidated subsidiaries to report material information otherwise required to be set forth in our reports.

In connection with the preparation of this Quarterly Report on Form 10-Q, we carried out an evaluation under the supervision and with the participation of our management, including the CEO and CFO, as of **December 31, 2023** **March 31, 2024**, of the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on that evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective as of **December 31, 2023** **March 31, 2024**.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the fiscal quarter ended **December 31, 2023** **March 31, 2024** that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 6. Exhibits

The following exhibits are filed with this Report on Form 10-Q or are incorporated by reference

3.1 [Amended and Restated Certificate of Formation of Geospace Technologies Corporation \(incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, filed May 8, 2015\).](#)

3.2	Amended and Restated Bylaws of Geospace Technologies Corporation (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed August 8, 2019).
31.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934.
31.2*	Certification of the Chief Financial Officer pursuant Rule 13a-14(a) under the Securities and Exchange Act of 1934.
32.1**	Certification of the Chief Executive Officer pursuant 18 U.S.C. Section 1350.
32.2**	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
101*	The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2023 March 31, 2024 , formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Consolidated Balance Sheets at December 31, 2023 March 31, 2024 and September 30, 2023 , (ii) the Consolidated Statements of Operations for the three and six months ended December 31, 2023 March 31, 2024 and 2022, 2023 , (iii) the Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended December 31, 2023 March 31, 2024 and 2022, 2023 , (iv) the Consolidated Statements of Stockholders' Equity for the three and six months ended December 31, 2023 March 31, 2024 and 2022, 2023 , (v) the Consolidated Statements of Cash Flows for the three six months ended December 31, 2023 March 31, 2024 and 2022, 2023 and (vi) Notes to Consolidated Financial Statements.
104*	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2023 March 31, 2024 formatted in Inline XBRL and contained in Exhibit 101.

* Filed with this Quarterly Report on Form 10-Q

** Furnished with this Quarterly Report on Form 10-Q

SIGNATURES

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

GEOSPACE TECHNOLOGIES CORPORATION

Date: **February 8, May 10, 2024**

By: /s/ Walter R. Wheeler

Walter R. Wheeler, President
and Chief Executive Officer
(duly authorized officer)

Date: **February 8, 2024 May 10, 2024**

By: /s/ Robert L. Curda

Robert L. Curda, Vice President,
Chief Financial Officer and Secretary
(principal financial officer)

20

Exhibit 31.1

CERTIFICATIONS

I, Walter R. Wheeler, certify that:

REFINITIV CORPORATE DISCLOSURES | www.refinitiv.com | Contact Us

27/31

REFINITIV 

©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

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

February 8, May 10, 2024

/s/ Walter R. Wheeler

Name: Walter R. Wheeler
Title: President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Robert L. Curda, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Geospace Technologies Corporation;

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

February 8, May 10, 2024

/s/ Robert L. Curda

Name:	Robert L. Curda
Title:	Vice President, Chief Financial Officer & Secretary

Exhibit 32.1

Informational Addendum to Report on Form 10-Q
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Not Filed Pursuant to the Securities Exchange Act of 1934

The undersigned President and Chief Executive Officer of Geospace Technologies Corporation does hereby certify as follows:

Solely for the purpose of meeting the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and solely to the extent this certification may be applicable to this Report on Form 10-Q, the undersigned hereby certifies that this Report on Form 10-Q fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in this Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Geospace Technologies Corporation.

/s/ Walter R. Wheeler

Name: Walter R. Wheeler
Title: President and Chief Executive Officer
February 8, May 10, 2024

Exhibit 32.2

Informational Addendum to Report on Form 10-Q
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Not Filed Pursuant to the Securities Exchange Act of 1934

The undersigned Vice President, Chief Financial Officer and Secretary of Geospace Technologies Corporation does hereby certify as follows:

Solely for the purpose of meeting the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and solely to the extent this certification may be applicable to this Report on Form 10-Q, the undersigned hereby certifies that this Report on Form 10-Q fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in this Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Geospace Technologies Corporation.

/s/ Robert L. Curda

Name: Robert L. Curda
Title: Vice President, Chief Financial Officer & Secretary
February 8, May 10, 2024

DISCLAIMER

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

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