

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2023

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: 001-39613



**ARRAY TECHNOLOGIES, INC.**  
(Exact Name of Registrant as Specified in its Charter)

**Delaware**

(State or Other Jurisdiction)

**83-2747826**

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

**3901 Midway Place NE**

**Albuquerque**

**New Mexico**

**87109**

(Address of principal executive offices)

(Zip Code)

(Registrant's telephone number, including area code)

**(505) 881-7567**

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

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

| Title of each class                    | Trading Symbol(s) | Name of each exchange on which registered |
|----------------------------------------|-------------------|-------------------------------------------|
| <b>Common stock, \$0.001 par value</b> | <b>ARRY</b>       | <b>Nasdaq Global Market</b>               |

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

As of November 3, 2023, there were 151,216,480 shares of common stock, par value \$0.001 per share, issued and outstanding.

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**Array Technologies, Inc.**  
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**PART I—FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**Array Technologies, Inc.**  
**Condensed Consolidated Balance Sheets (unaudited)**  
*(in thousands, except per share and share amounts)*

|                                                                                   | <b>September 30, 2023</b> | <b>December 31, 2022</b> |
|-----------------------------------------------------------------------------------|---------------------------|--------------------------|
| <b>ASSETS</b>                                                                     |                           |                          |
| Current assets:                                                                   |                           |                          |
| Cash and cash equivalents                                                         | \$ 174,010                | \$ 133,901               |
| Accounts receivable, net of allowance of \$ 1,418 and \$ 1,888 , respectively     | 427,664                   | 421,183                  |
| Inventories                                                                       | 216,018                   | 233,159                  |
| Income tax receivables                                                            | 367                       | 3,532                    |
| Prepaid expenses and other                                                        | 45,029                    | 39,434                   |
| Total current assets                                                              | 863,088                   | 831,209                  |
| Property, plant and equipment, net                                                | 29,521                    | 23,174                   |
| Goodwill                                                                          | 426,541                   | 416,184                  |
| Other intangible assets, net                                                      | 353,923                   | 386,364                  |
| Deferred income tax assets                                                        | —                         | 16,466                   |
| Derivative assets                                                                 | 64,130                    | —                        |
| Other assets                                                                      | 41,554                    | 32,655                   |
| Total assets                                                                      | \$ 1,778,757              | \$ 1,706,052             |
| <b>LIABILITIES, REDEEMABLE PERPETUAL PREFERRED STOCK AND STOCKHOLDERS' EQUITY</b> |                           |                          |
| Current liabilities:                                                              |                           |                          |
| Accounts payable                                                                  | \$ 171,730                | \$ 170,430               |
| Accrued expenses and other                                                        | 72,638                    | 54,895                   |
| Accrued warranty reserve                                                          | 2,506                     | 3,690                    |
| Income tax payable                                                                | 6,143                     | 6,881                    |
| Deferred revenue                                                                  | 100,757                   | 178,922                  |
| Current portion of contingent consideration                                       | 1,814                     | 1,200                    |
| Current portion of debt                                                           | 38,767                    | 38,691                   |
| Other current liabilities                                                         | 6,155                     | 10,553                   |
| Total current liabilities                                                         | 400,510                   | 465,262                  |
| Deferred income tax liabilities                                                   | 69,928                    | 72,606                   |
| Contingent consideration, net of current portion                                  | 7,805                     | 7,387                    |
| Other long-term liabilities                                                       | 21,820                    | 14,808                   |
| Long-term warranty                                                                | 3,421                     | 1,786                    |
| Long-term debt, net of current portion                                            | 658,879                   | 720,352                  |

**Array Technologies, Inc.**  
**Condensed Consolidated Balance Sheets (unaudited)** (continued)  
(in thousands, except per share and share amounts)

|                                                                                                                                                                                                                                                                               | <b>September 30, 2023</b> | <b>December 31, 2022</b> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|--------------------------|
| Total liabilities                                                                                                                                                                                                                                                             | 1,162,363                 | 1,282,201                |
| Commitments and contingencies (Note 11)                                                                                                                                                                                                                                       |                           |                          |
| Series A Redeemable Perpetual Preferred Stock of \$ 0.001 par value - 500,000 authorized; 425,956 and 406,389 shares issued as of September 30, 2023 and December 31, 2022, respectively; liquidation preference of \$ 493.1 million and \$ 493.1 million at respective dates | 337,929                   | 299,570                  |
| Stockholders' equity:                                                                                                                                                                                                                                                         |                           |                          |
| Preferred stock of \$ 0.001 par value - 4,500,000 shares authorized; none issued at respective dates                                                                                                                                                                          | —                         | —                        |
| Common stock of \$ 0.001 par value - 1,000,000,000 shares authorized; 151,071,429 and 150,513,104 shares issued at respective dates                                                                                                                                           | 151                       | 150                      |
| Additional paid-in capital                                                                                                                                                                                                                                                    | 407,916                   | 383,176                  |
| Accumulated deficit                                                                                                                                                                                                                                                           | ( 153,316 )               | ( 267,470 )              |
| Accumulated other comprehensive income                                                                                                                                                                                                                                        | 23,714                    | 8,425                    |
| Total stockholders' equity                                                                                                                                                                                                                                                    | 278,465                   | 124,281                  |
| Total liabilities, redeemable perpetual preferred stock and stockholders' equity                                                                                                                                                                                              | \$ 1,778,757              | \$ 1,706,052             |

See accompanying Notes to Condensed Consolidated Financial Statements.

**Array Technologies, Inc.**  
**Condensed Consolidated Statements of Operations (unaudited)**  
*(in thousands, except per share amounts)*

|                                                      | <b>Three Months Ended September 30,</b> |             | <b>Nine Months Ended September 30,</b> |               |
|------------------------------------------------------|-----------------------------------------|-------------|----------------------------------------|---------------|
|                                                      | <b>2023</b>                             | <b>2022</b> | <b>2023</b>                            | <b>2022</b>   |
| Revenue                                              | \$ 350,438                              | \$ 515,024  | \$ 1,234,936                           | \$ 1,235,475  |
| Cost of revenue:                                     |                                         |             |                                        |               |
| Cost of product and service revenue                  | 259,419                                 | 434,801     | 892,696                                | 1,088,719     |
| Amortization of developed technology                 | 3,640                                   | 3,640       | 10,918                                 | 10,918        |
| Total cost of revenue                                | 263,059                                 | 438,441     | 903,614                                | 1,099,637     |
| Gross profit                                         | 87,379                                  | 76,583      | 331,322                                | 135,838       |
| Operating expenses:                                  |                                         |             |                                        |               |
| General and administrative                           | 37,432                                  | 38,703      | 115,825                                | 113,064       |
| Change in fair value of contingent consideration     | 190                                     | ( 572 )     | 2,232                                  | ( 5,981 )     |
| Depreciation and amortization                        | 9,552                                   | 21,258      | 29,361                                 | 63,237        |
| Total operating expenses                             | 47,174                                  | 59,389      | 147,418                                | 170,320       |
| Income (loss) from operations                        | 40,205                                  | 17,194      | 183,904                                | ( 34,482 )    |
| Other (expense) income:                              |                                         |             |                                        |               |
| Other (expense), net                                 | ( 446 )                                 | ( 1,092 )   | ( 127 )                                | ( 2,295 )     |
| Interest income                                      | 3,425                                   | 778         | 6,124                                  | 2,371         |
| Legal settlement                                     | —                                       | 42,750      | —                                      | 42,750        |
| Foreign currency gain (loss)                         | 207                                     | ( 159 )     | 273                                    | 1,968         |
| Change in fair value of derivative assets            | 116                                     | —           | ( 1,140 )                              | —             |
| Interest expense                                     | ( 13,064 )                              | ( 8,831 )   | ( 35,372 )                             | ( 23,812 )    |
| Total other (expense) income                         | ( 9,762 )                               | 33,446      | ( 30,242 )                             | 20,982        |
| Income (loss) before taxes                           | 30,443                                  | 50,640      | 153,662                                | ( 13,500 )    |
| Income tax expense (benefit)                         | 7,229                                   | 9,996       | 39,508                                 | ( 23,183 )    |
| Net income                                           | 23,214                                  | 40,644      | 114,154                                | 9,683         |
| Preferred dividends and accretion                    | 13,091                                  | 12,257      | 38,359                                 | 36,045        |
| Net income (loss) to common shareholders             | \$ 10,123                               | \$ 28,387   | \$ 75,795                              | \$ ( 26,362 ) |
| Income (loss) per common share                       |                                         |             |                                        |               |
| Basic                                                | \$ 0.07                                 | \$ 0.19     | \$ 0.50                                | \$ ( 0.18 )   |
| Diluted                                              | \$ 0.07                                 | \$ 0.19     | \$ 0.50                                | \$ ( 0.18 )   |
| Weighted average number of common shares outstanding |                                         |             |                                        |               |
| Basic                                                | 151,068                                 | 150,322     | 150,865                                | 149,604       |
| Diluted                                              | 152,323                                 | 151,382     | 152,083                                | 149,604       |

**Array Technologies, Inc.**  
**Condensed Consolidated Statements of Operations *(unaudited)***  
*(in thousands, except per share amounts)*

See accompanying Notes to Condensed Consolidated Financial Statements.

**Array Technologies, Inc.**  
**Condensed Consolidated Statements of Comprehensive Income (Loss) (unaudited)**  
*(in thousands)*

|                                                                   | <b>Three Months Ended September<br/>30,</b> |             | <b>Nine Months Ended September<br/>30,</b> |              |
|-------------------------------------------------------------------|---------------------------------------------|-------------|--------------------------------------------|--------------|
|                                                                   | <b>2023</b>                                 | <b>2022</b> | <b>2023</b>                                | <b>2022</b>  |
| Net income                                                        | \$ 23,214                                   | \$ 40,644   | \$ 114,154                                 | \$ 9,683     |
| Change in foreign currency translation adjustments <sup>(1)</sup> | ( 22,495 )                                  | ( 30,807 )  | 15,289                                     | ( 19,340 )   |
| Comprehensive income (loss)                                       | \$ 719                                      | \$ 9,837    | \$ 129,443                                 | \$ ( 9,657 ) |

<sup>(1)</sup> The tax effect on other comprehensive income is not material.

See accompanying Notes to Condensed Consolidated Financial Statements.

**Array Technologies, Inc.**  
**Condensed Consolidated Statements of Changes in Redeemable Perpetual Preferred Stock and Stockholders' Equity**  
*(unaudited)*  
*(in thousands)*

**Three Months Ended September 30, 2023**

| Temporary Equity                              |                | Permanent Equity |        |              |        |                            |                     |                                        |                            |
|-----------------------------------------------|----------------|------------------|--------|--------------|--------|----------------------------|---------------------|----------------------------------------|----------------------------|
| Series A Redeemable Perpetual Preferred Stock |                | Preferred Stock  |        | Common Stock |        | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Income | Total Stockholders' Equity |
| Shares                                        | Amount         | Shares           | Amount | Shares       | Amount |                            |                     |                                        |                            |
| Balance at June 30, 2023                      | 419 \$ 324,838 | —                | \$ —   | 151,049      | \$ 151 | \$ 417,624                 | \$ ( 176,530 )      | \$ 46,209                              | \$ 287,454                 |
| Equity-based compensation                     | — —            | —                | —      | 22           | —      | 3,383                      | —                   | —                                      | 3,383                      |
| Preferred cumulative dividends plus accretion | 7 13,091       | —                | —      | —            | —      | ( 13,091 )                 | —                   | —                                      | ( 13,091 )                 |
| Net income                                    | — —            | —                | —      | —            | —      | —                          | 23,214              | —                                      | 23,214                     |
| Other comprehensive loss                      | — —            | —                | —      | —            | —      | —                          | —                   | ( 22,495 )                             | ( 22,495 )                 |
| Balance at September 30, 2023                 | 426 \$ 337,929 | —                | \$ —   | 151,071      | \$ 151 | \$ 407,916                 | \$ ( 153,316 )      | \$ 23,714                              | \$ 278,465                 |

**Array Technologies, Inc.**  
**Condensed Consolidated Statements of Changes in Redeemable Perpetual Preferred Stock and Stockholders' Equity**  
*(continued)*  
**(unaudited)**  
*(in thousands)*

**Three Months Ended September 30, 2022**

|                                                                        | Temporary Equity                                       |            | Permanent Equity |        |              |        |                                  |                                       |               |                         |
|------------------------------------------------------------------------|--------------------------------------------------------|------------|------------------|--------|--------------|--------|----------------------------------|---------------------------------------|---------------|-------------------------|
|                                                                        | Series A<br>Redeemable<br>Perpetual<br>Preferred Stock |            | Preferred Stock  |        | Common Stock |        |                                  | Accumulated<br>Other<br>Comprehensive |               | Total                   |
|                                                                        | Shares                                                 | Amount     | Shares           | Amount | Shares       | Amount | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit                | Loss          | Stockholders'<br>Equity |
| Balance at June 30, 2022                                               | 413                                                    | \$ 293,974 | —                | —      | 150,279      | \$ 150 | \$ 401,614                       | \$ ( 302,863 )                        | \$ 11,467     | \$ 110,368              |
| Equity-based compensation                                              | —                                                      | —          | —                | —      | 55           | —      | 4,097                            | —                                     | —             | 4,097                   |
| Issuance of Series A Redeemable Perpetual Preferred Stock, net of fees | —                                                      | —          | —                | —      | —            | —      | ( 592 )                          | —                                     | —             | ( 592 )                 |
| Preferred cumulative dividends plus accretion                          | —                                                      | 12,257     | —                | —      | —            | —      | ( 12,257 )                       | —                                     | —             | ( 12,257 )              |
| Dividends paid                                                         | ( 13 )                                                 | ( 18,670 ) | —                | —      | —            | —      | —                                | —                                     | —             | —                       |
| Net income                                                             | —                                                      | —          | —                | —      | —            | —      | —                                | 40,644                                | —             | 40,644                  |
| Other comprehensive loss                                               | —                                                      | —          | —                | —      | —            | —      | —                                | —                                     | ( 30,807 )    | ( 30,807 )              |
| Balance at September 30, 2022                                          | 400                                                    | \$ 287,561 | —                | —      | 150,334      | \$ 150 | \$ 392,862                       | \$ ( 262,219 )                        | \$ ( 19,340 ) | \$ 111,453              |

**Array Technologies, Inc.**  
**Condensed Consolidated Statements of Changes in Redeemable Perpetual Preferred Stock and Stockholders' Equity**  
*(continued)*  
**(unaudited)**  
*(in thousands)*

**Nine Months Ended September 30, 2023**

|                                                                  | Temporary Equity                                       |            | Permanent Equity |        |              |        |                                  |                        |                                                 |                                  |
|------------------------------------------------------------------|--------------------------------------------------------|------------|------------------|--------|--------------|--------|----------------------------------|------------------------|-------------------------------------------------|----------------------------------|
|                                                                  | Series A<br>Redeemable<br>Perpetual<br>Preferred Stock |            | Preferred Stock  |        | Common Stock |        | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Income | Total<br>Stockholders'<br>Equity |
|                                                                  | Shares                                                 | Amount     | Shares           | Amount | Shares       | Amount |                                  |                        |                                                 |                                  |
| Balance at December 31, 2022                                     | 406                                                    | \$ 299,570 | —                | \$ —   | 150,513      | \$ 150 | \$ 383,176                       | \$ ( 267,470 )         | \$ 8,425                                        | \$ 124,281                       |
| Equity-based compensation                                        | —                                                      | —          | —                | —      | 558          | 1      | 11,694                           | —                      | —                                               | 11,695                           |
| Correction of the Capped Call and Put Option errors (see Note 1) | —                                                      | —          | —                | —      | —            | —      | 52,914                           | —                      | —                                               | 52,914                           |
| Preferred cumulative dividends plus accretion                    | 20                                                     | 38,359     | —                | —      | —            | —      | ( 39,868 )                       | —                      | —                                               | ( 39,868 )                       |
| Net income                                                       | —                                                      | —          | —                | —      | —            | —      | —                                | 114,154                | —                                               | 114,154                          |
| Other comprehensive income                                       | —                                                      | —          | —                | —      | —            | —      | —                                | —                      | 15,289                                          | 15,289                           |
| Balance at September 30, 2023                                    | 426                                                    | \$ 337,929 | —                | \$ —   | 151,071      | \$ 151 | \$ 407,916                       | \$ ( 153,316 )         | \$ 23,714                                       | \$ 278,465                       |

**Array Technologies, Inc.**  
**Condensed Consolidated Statements of Changes in Redeemable Perpetual Preferred Stock and Stockholders' Equity**  
*(continued)*  
**(unaudited)**  
*(in thousands)*

**Nine Months Ended September 30, 2022**

|                                                                        | Temporary Equity                              |            | Permanent Equity |        |              |        |                            |                     |                                      |                            |  |
|------------------------------------------------------------------------|-----------------------------------------------|------------|------------------|--------|--------------|--------|----------------------------|---------------------|--------------------------------------|----------------------------|--|
|                                                                        | Series A Redeemable Perpetual Preferred Stock |            |                  |        |              |        |                            |                     |                                      |                            |  |
|                                                                        |                                               |            | Preferred Stock  |        | Common Stock |        |                            |                     |                                      |                            |  |
|                                                                        | Shares                                        | Amount     | Shares           | Amount | Shares       | Amount | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total Stockholders' Equity |  |
| Balance at December 31, 2021                                           | 350                                           | \$ 237,462 | —                | \$ —   | 135,027      | \$ 135 | \$ 202,562                 | \$ ( 271,902 )      | \$ —                                 | \$ ( 69,205 )              |  |
| Equity-based compensation                                              | —                                             | —          | —                | —      | 161          | —      | 11,454                     | —                   | —                                    | 11,454                     |  |
| Issuance of Series A Redeemable Perpetual Preferred Stock, net of fees | 50                                            | 32,724     | —                | —      | 15,146       | 15     | 214,891                    | —                   | —                                    | 214,906                    |  |
| Preferred cumulative dividends plus accretion                          | 13                                            | 36,045     | —                | —      | —            | —      | ( 36,045 )                 | —                   | —                                    | ( 36,045 )                 |  |
| Dividends paid                                                         | ( 13 )                                        | ( 18,670 ) | —                | —      | —            | —      | —                          | —                   | —                                    | —                          |  |
| Net income                                                             | —                                             | —          | —                | —      | —            | —      | —                          | 9,683               | —                                    | 9,683                      |  |
| Other comprehensive income                                             | —                                             | —          | —                | —      | —            | —      | —                          | —                   | ( 19,340 )                           | ( 19,340 )                 |  |
| Balance at September 30, 2022                                          | 400                                           | \$ 287,561 | —                | \$ —   | 150,334      | \$ 150 | \$ 392,862                 | \$ ( 262,219 )      | \$ ( 19,340 )                        | \$ 111,453                 |  |

See accompanying Notes to Condensed Consolidated Financial Statements.

**Array Technologies, Inc.**  
**Condensed Consolidated Statements of Cash Flows (unaudited)**  
*(in thousands)*

|                                                                           | <b>Nine Months Ended September 30,</b> |             |
|---------------------------------------------------------------------------|----------------------------------------|-------------|
|                                                                           | <b>2023</b>                            | <b>2022</b> |
| <b>Operating activities:</b>                                              |                                        |             |
| Net income                                                                | \$ 114,154                             | \$ 9,683    |
| Adjustments to net income:                                                |                                        |             |
| Provision for (recovery of) bad debts                                     | ( 117 )                                | 660         |
| Deferred tax expense (benefit)                                            | 284                                    | ( 36,002 )  |
| Depreciation and amortization                                             | 30,318                                 | 64,039      |
| Amortization of developed technology                                      | 10,918                                 | 10,918      |
| Amortization of debt discount and issuance costs                          | 9,123                                  | 5,003       |
| Equity-based compensation                                                 | 11,695                                 | 11,677      |
| Contingent consideration                                                  | 2,232                                  | ( 5,981 )   |
| Warranty provision                                                        | 451                                    | 4,341       |
| Write-down of inventories                                                 | 4,587                                  | ( 2,333 )   |
| Change in fair value of derivative assets                                 | 1,140                                  | —           |
| Changes in operating assets and liabilities, net of business acquisition: |                                        |             |
| Accounts receivable                                                       | ( 6,364 )                              | ( 139,036 ) |
| Inventories                                                               | 12,554                                 | ( 14,273 )  |
| Income tax receivables                                                    | 3,165                                  | ( 3,610 )   |
| Prepaid expenses and other                                                | ( 2,140 )                              | 16,329      |
| Accounts payable                                                          | 14,443                                 | 42,073      |
| Accrued expenses and other                                                | 18,484                                 | 41,271      |
| Warranty payments                                                         | —                                      | ( 373 )     |
| Income tax payable                                                        | ( 738 )                                | 2,951       |
| Lease liabilities                                                         | ( 8,050 )                              | 1,914       |
| Deferred revenue                                                          | ( 78,165 )                             | 34,772      |
| Net cash provided by operating activities                                 | 137,974                                | 44,023      |
| <b>Investing activities:</b>                                              |                                        |             |
| Purchase of property, plant and equipment                                 | ( 11,615 )                             | ( 6,690 )   |
| Acquisition of STI, net of cash acquired                                  | —                                      | ( 373,816 ) |
| Net cash used in investing activities                                     | ( 11,615 )                             | ( 380,506 ) |
| <b>Financing activities:</b>                                              |                                        |             |
| Proceeds from Series A issuance                                           | —                                      | 33,098      |
| Proceeds from common stock issuance                                       | —                                      | 15,885      |
| Series A equity issuance costs                                            | ( 1,509 )                              | ( 1,167 )   |
| Common stock issuance costs                                               | —                                      | ( 450 )     |
| Dividends on Series A Preferred                                           | —                                      | ( 18,670 )  |
| Payments on revolving credit facility                                     | —                                      | ( 116,000 ) |
| Proceeds from revolving credit facility                                   | —                                      | 116,000     |
| Proceeds from issuance of other debt                                      | 60,516                                 | 39,219      |
| Principal payments on term loan facility                                  | ( 73,225 )                             | —           |

**Array Technologies, Inc.**  
**Condensed Consolidated Statements of Cash Flows (unaudited) (continued)**  
*(in thousands)*

|                                                                      | <b>Nine Months Ended September 30,</b> |                  |
|----------------------------------------------------------------------|----------------------------------------|------------------|
|                                                                      | <b>2023</b>                            | <b>2022</b>      |
| Principal payments on other debt                                     | ( 69,024 )                             | ( 33,286 )       |
| Contingent consideration payments                                    | ( 1,200 )                              | ( 1,483 )        |
| Net cash provided by (used in) financing activities                  | ( 84,442 )                             | 33,146           |
| Effect of exchange rate changes on cash and cash equivalent balances | ( 1,808 )                              | ( 1,555 )        |
| Net change in cash and cash equivalents                              | 40,109                                 | ( 304,892 )      |
| Cash and cash equivalents, beginning of period                       | 133,901                                | 367,670          |
| Cash and cash equivalents, end of period                             | <u>\$ 174,010</u>                      | <u>\$ 62,778</u> |

**Supplemental Cash Flow Information**

|                                             |           |           |
|---------------------------------------------|-----------|-----------|
| Cash paid for interest                      | \$ 36,136 | \$ 22,226 |
| Cash paid for income taxes (net of refunds) | \$ 36,797 | \$ 1,189  |

**Non-cash Investing and Financing Activities**

|                                                 |           |            |
|-------------------------------------------------|-----------|------------|
| Dividends accrued on Series A Preferred         | \$ 19,567 | \$ —       |
| Stock consideration paid for acquisition of STI | \$ —      | \$ 200,224 |

See accompanying Notes to Condensed Consolidated Financial Statements.

## **1. Organization, Business and Out-of-Period Adjustments**

Array Technologies, Inc. (the "Company"), formerly ATI Intermediate Holdings, LLC, is a Delaware corporation formed in December 2018 as a wholly owned subsidiary of ATI Investment Parent, LLC ("Former Parent"). On October 14, 2020, the Company converted from a Delaware limited liability company to a Delaware corporation and changed the Company's name to Array Technologies, Inc. The Company is headquartered in Albuquerque, New Mexico, and manufactures and supplies solar tracking systems and related products for customers across the United States and internationally. The Company, through its wholly-owned subsidiary, ATI Investment Sub, Inc., owns subsidiaries through which it conducts substantially all operations.

### **Acquisition of STI Norland**

On January 11, 2022, the Company acquired 100 % of the share capital of Soluciones Técnicas Integrales Norland, S.L.U., a Spanish private limited liability Company, and its subsidiaries (collectively, "STI") with cash and common stock of the Company (the "STI Acquisition"). The STI Acquisition was accounted for as a business combination.

Upon completion of the STI Acquisition, the Company began operating as two reportable operating segments: the Array legacy operating segment (the "Array Legacy Operations") and the newly acquired operations (the "STI Operations") pertaining to STI.

### **Out-of-Period Adjustment for the Correction of Errors**

During the first quarter of fiscal year 2023, the Company identified certain errors in its previously issued financial statements that have been corrected through a cumulative out-of-period adjustment in the condensed consolidated financial statements as of and for the three months ended March 31, 2023. The Company has concluded that the errors are not material to the previously issued financial statements and the cumulative out-of-period adjustment for the correction of these errors is not material to the financial statements for the three months ended March 31, 2023. Below is a summary of each of the errors corrected and a summary of the cumulative impact.

#### *Capped Calls*

As discussed in Note 10 – Debt of the Company's consolidated financial statements for the fiscal year ended December 31, 2022 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on March 22, 2023, in November 2021 the Company paid \$ 52.9 million to enter into capped call option agreements (the "Capped Calls") to reduce the potential dilution to holders of the Company's common stock after a conversion of the Company's Convertible Notes (as defined below). The Company originally concluded that the Capped Calls met the criteria for equity classification because the Capped Calls are indexed to the Company's common stock, and the Company has discretion to settle the Capped Calls in shares or cash. As a result, the Company originally recorded the amount paid for the Capped Calls as a reduction to additional paid-in capital of \$ 52.9 million, offset by \$ 12.4 million of income taxes.

When the Company entered into the Capped Calls, the Company executed certain side letters (the "Side Letters") with the counterparties that replaced some of the terms described in the primary contract including the volatility inputs used to value the Capped Calls under certain circumstances. Upon further evaluation, the Company has concluded that the modification to the volatility inputs precludes the Capped Calls from being

**Array Technologies, Inc.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

indexed to its own stock because there is the possibility that the Capped Calls will settle at an amount that exceeds fair value and, therefore, prevents the Capped Calls from being classified as equity.

In addition, the Side Letters also provide for certain adjustments to settlement amounts on the basis of holder-specific taxes which are impermissible inputs to the valuation that also prevents the Capped Calls from being indexed to the Company's own stock, and therefore, prevents the Capped Calls from being classified as equity. As a result, for the three months ended March 31, 2023, the Company has concluded that the cash paid for the Capped Calls should have been recorded as an asset of \$ 52.9 million with the asset being subsequently marked to market at the end of each accounting period.

*Additional Closing Purchased Put Option*

As discussed in Note 11 – Redeemable Perpetual Preferred Stock, of the Company's consolidated financial statements for the fiscal year ended December 31, 2022, included in the Company's Annual Report on Form 10-K filed with the SEC on March 22, 2023, in August 2021 the Company entered into a Securities Purchase Agreement (the "SPA") with certain Purchasers (as defined below), which gives the Company the option to require the Purchasers to purchase up to an additional 150,000 shares of Series A Shares (as defined below) and up to 3,375,000 shares of common stock for \$ 148.0 million until June 30, 2023 (the "Put Option"), which has expired. Upon issuance of the Put Option, the Company recorded a reduction to additional paid-in-capital of approximately \$ 12.4 million because the Company originally concluded that the Put Option should be classified as equity.

During the first quarter of 2023, the Company reconsidered the provisions of this option. Because the Series A Shares underlying the Put Option could potentially require redemption under the Certificate of Designations governing the Series A Shares, the Put Option should not have been equity classified. As a result, during the three months ended March 31, 2023, the Company has concluded that the value of the Put Option at inception should have been recorded as an asset of \$ 12.4 million, with the asset being subsequently marked to market at the end of each accounting period.

*Correction of the Capped Calls and Put Option*

The adjustments to correct the Capped Calls and the Put Option at January 1, 2023 resulted in an increase in Derivative assets of \$ 55.7 million, a decrease in Deferred income tax assets of \$ 11.0 million, an increase in additional paid-in-capital of \$ 52.9 million, and a decrease in net income of \$ 8.1 million.

*Goodwill*

In connection with the acquisition of STI, the Company had understated goodwill by \$ 2.0 million and overstated inventory by the same amount that was sold during fiscal 2022. The Company corrected the goodwill balance during the first quarter of fiscal year 2023, resulting in an increase in goodwill and a decrease in cost of goods sold.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting and Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), pursuant to the rules and regulations of the SEC. The unaudited interim financial

statements have been prepared on the same basis as the audited annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for the fair statement of results for the interim periods reported. The results for the three and nine months ended September 30, 2023, are not necessarily indicative of results to be expected for the year ending December 31, 2023, or any other interim periods, or any future year or period. The balance sheet as of December 31, 2022, included herein was derived from the audited financial statements as of that date. Certain disclosures have been condensed or omitted from the interim financial statements. These financial statements should be read in conjunction with the Company's audited financial statements included in the 2022 Annual Report.

Unless expressly stated or the context otherwise requires, the terms "the Company", "we", "us", "our", "Array", and "Array Technologies" refer to Array Technologies, Inc. and its consolidated subsidiaries, and the term "condensed consolidated financial statements" refers to the accompanying unaudited condensed consolidated financial statements contained in this Quarterly Report.

### **Reclassifications**

Beginning in the third quarter of 2023, the Company reclassified amounts recorded for amortization of certain acquired intangible assets in prior presentations from Total operating expenses under the caption "Depreciation and amortization" to Total cost of revenue under the caption "Amortization of developed technology" in the condensed consolidated statements of operations. The Company believes this presentation enhances the comparability of the Company's financial statements to industry peers.

These reclassifications resulted in \$ 3.6 million and \$ 10.9 million recorded to Amortization of developed technology within Total cost of revenue and a \$ 3.6 million and \$ 10.9 million decrease to Depreciation and amortization within Total operating expenses during the three and nine months ended September 30, 2022, respectively.

These reclassifications did not impact the Company's operating income (loss), net income (loss) or earnings (loss) per share for any current or historical periods. These reclassifications also did not impact the condensed consolidated balance sheets or condensed consolidated statements of cash flows.

Beginning in the third quarter of 2023, revenue excludes a \$ 20.1 million Brazil value-added tax benefit, Imposto sobre Circulação de Mercadorias e Serviços ("ICMS"), that has been reclassified and included in cost of revenues in the current year. This reclassification was determined to be appropriate after we evaluated the expected accounting treatment related to future governmental incentives under the Inflation Reduction Act. For the nine months ended September 30, 2022, an ICMS benefit of \$ 8.2 million was included in revenues.

This reclassification had no impact on the Company's gross profit, income (loss) from operations, net income or income (loss) per common share in the current period. These reclassifications also did not impact the condensed consolidated balance sheets or condensed consolidated statements of cash flows.

### **Principles of Consolidation**

The condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated upon consolidation.

**Use of Estimates**

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period.

Actual results may differ from previously estimated amounts, and such differences may be material to the condensed consolidated financial statements; however, management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the consolidated financial statements. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the period they occur.

**Impact of the Ongoing Russian-Ukraine Conflict**

The ongoing Russian-Ukraine conflict has reduced the availability of material that can be sourced in Europe and, as a result, increased logistics costs for the procurement of certain inputs and materials used in our products. We do not know the ultimate severity or duration of the conflict, but we continue to monitor the situation and evaluate our procurement strategy and supply chain as to reduce any negative impact on our business, financial condition and results of operations.

**Inflation**

Inflationary pressures are expected to persist, at least in the near-term, and may negatively impact our results of operations. To mitigate the inflationary pressures on our business, we have implemented selective price increases in certain markets, accelerated productivity initiatives and expanded our supplier base, while continuing to execute on overhead cost containment practices.

**Business Combinations**

The Company accounts for its business acquisitions under the acquisition method of accounting in accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 805 *Business Combinations* ("ASC 805"). The excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives, and market multiples, amongst other items.

**Foreign Currency Translation Exposure**

The functional currencies of certain of our foreign subsidiaries are their local currencies. Accordingly, we apply period-end exchange rates to translate their assets and liabilities, historical exchange rates to translate their retained earnings, and average exchange rates prevailing during the period to translate their revenues, expenses, gains, and losses into U.S. dollars. We include the associated translation adjustments as a separate component of "Accumulated other comprehensive income (loss)" within stockholders' equity.

Certain of our foreign subsidiaries have local currencies that are different than the subsidiaries functional currencies. When translating from the local currency to the functional currency, monetary assets and liabilities are translated at the current exchange rate resulting in foreign exchange gains or losses, and non-monetary assets are translated at historical exchange rates. Changes in the exchange rates between the functional

currencies of our subsidiaries and the currencies in which monetary financial assets and liabilities are denominated, will create fluctuations in our reported condensed consolidated statements of operations and cash flows.

### Derivative Financial Instruments

Both the Capped Call and the Put Option are accounted for as assets that are recorded at fair value within Derivative assets on the condensed consolidated balance sheets. The changes in fair value to Derivative assets are recorded within change in fair value of derivative assets on the Condensed Consolidated Statements of Operations. See [Note 1 – Organization, Business and Out-of-Period Adjustments](#), for further information. As of June 30, 2023, the Put Option has expired and as a result, the fair value of the Put Option is \$ 0.

### Recent Accounting Pronouncements

In March 2020, the FASB issued Accounting Standards Update (“ASU”) 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (“ASU 2020-04”). ASU 2020-04 contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*, to provide entities with relief during the transition period by deferring the effective date of reference rate reform from December 31, 2022 to December 31, 2024. ASU 2022-06 is effective upon issuance. During the three months ended March 31, 2023, the Company adopted ASU 2020-04 and ASU 2022-06. Simultaneously, the Company elected to apply the debt accounting optional expedient, under which the reporting entity will account for amendments to debt agreements, which sole intent are the replacement of a discontinued reference rate(s), as being not substantial and thus a continuation of the existing contract. There was no significant impact to the Company's condensed consolidated financial statements related to the adoption of ASU 2020-04 and ASU 2022-06. The Company continues to evaluate the impact of the ASU 2020-04 guidance and may apply other elections, as applicable, as additional changes in the market occur.

In March 2023, the Company amended an existing debt agreement to replace the London Interbank Offered Rate (“LIBOR”) interest rate provisions with interest rate provisions based on a forward-looking term rate based on the secured overnight funding rate (“SOFR”) (see [Note 7 – Debt](#)). There were no other changes to the agreement. There was no significant impact to the Company's condensed consolidated financial statements.

### 3. Inventories

Inventories consisted of the following (in thousands):

|                | September 30, 2023 | December 31, 2022 |
|----------------|--------------------|-------------------|
| Raw materials  | \$ 133,726         | \$ 66,574         |
| Finished goods | 82,292             | 166,585           |
| Inventories    | <u>\$ 216,018</u>  | <u>\$ 233,159</u> |

#### 4. Property, Plant and Equipment, Net

Property, plant and equipment consisted of the following (in thousands, except useful lives):

|                                    | Estimated Useful Lives<br>(Years) | September 30, 2023 | December 31, 2022 |
|------------------------------------|-----------------------------------|--------------------|-------------------|
| Land                               | N/A                               | \$ 1,612           | \$ 1,583          |
| Buildings and land improvements    | 15 - 39                           | 9,034              | 7,411             |
| Manufacturing equipment            | 7                                 | 22,223             | 18,983            |
| Furniture, fixtures and equipment  | 5 - 7                             | 4,567              | 3,583             |
| Vehicles                           | 5                                 | 666                | 585               |
| Hardware and software              | 3 - 5                             | 6,161              | 3,706             |
| Assets in progress                 | N/A                               | 6,083              | 5,142             |
| Total                              |                                   | 50,346             | 40,993            |
| Less: accumulated depreciation     |                                   | ( 20,825 )         | ( 17,819 )        |
| Property, plant and equipment, net |                                   | \$ 29,521          | \$ 23,174         |

Depreciation expense was \$ 0.9 million and \$ 0.7 million for the three months ended September 30, 2023 and 2022, respectively, of which \$ 0.4 million was included in cost of revenue in both periods and \$ 0.5 million and \$ 0.3 million, respectively, was included in depreciation and amortization, on the accompanying condensed consolidated statements of operations.

Depreciation expense was \$ 2.4 million and \$ 1.9 million for the nine months ended September 30, 2023 and 2022, respectively, of which \$ 1.0 million and \$ 1.2 million, respectively, was included in cost of revenue and \$ 1.4 million and \$ 0.6 million, respectively, was included in depreciation and amortization on the accompanying condensed consolidated statements of operations.

#### 5. Goodwill and Other Intangible Assets, Net

##### Goodwill

Changes in the carrying amount of goodwill by operating segment during the nine months ended September 30, 2023, consisted of the following (in thousands):

|                                     | Array Legacy<br>Operations <sup>(1)</sup> | STI Operations | Total      |
|-------------------------------------|-------------------------------------------|----------------|------------|
| Beginning balance                   | \$ 69,727                                 | \$ 346,457     | \$ 416,184 |
| Adjustment to goodwill (see Note 1) | —                                         | 2,000          | 2,000      |
| Foreign currency translation        | —                                         | 8,357          | 8,357      |
| Ending balance                      | \$ 69,727                                 | \$ 356,814     | \$ 426,541 |

<sup>(1)</sup> Goodwill attributable to Array Legacy Operations is net of impairment of \$ 51.9 million.

Each quarter the Company evaluates if facts and circumstances indicate that it is more-likely-than-not that the fair value of its reporting units is less than their carrying value, which would require the Company to perform an interim goodwill impairment test. During our most recent evaluation, we concluded there were no indicators of impairment as of September 30, 2023.

**Other Intangible Assets, Net**

Other intangible assets consisted of the following (in thousands, except useful lives):

|                                    | <b>Estimated Useful Lives<br/>(Years)</b> | <b>September 30, 2023</b> | <b>December 31, 2022</b> |
|------------------------------------|-------------------------------------------|---------------------------|--------------------------|
| <b>Amortizable:</b>                |                                           |                           |                          |
| Developed technology               | 14                                        | \$ 203,800                | \$ 203,800               |
| Customer relationships             | 10                                        | 327,008                   | 321,935                  |
| Backlog                            | 1                                         | 52,443                    | 51,015                   |
| Trade name                         | 20                                        | 26,014                    | 25,682                   |
| Total amortizable intangibles      |                                           | 609,265                   | 602,432                  |
| <b>Accumulated amortization:</b>   |                                           |                           |                          |
| Developed technology               |                                           | 105,265                   | 94,347                   |
| Customer relationships             |                                           | 105,697                   | 81,268                   |
| Backlog                            |                                           | 52,443                    | 49,507                   |
| Trade name                         |                                           | 2,237                     | 1,246                    |
| Total accumulated amortization     |                                           | 265,642                   | 226,368                  |
| Total amortizable intangibles, net |                                           | 343,623                   | 376,064                  |
| <b>Non-amortizable:</b>            |                                           |                           |                          |
| Trade name                         |                                           | 10,300                    | 10,300                   |
| Total other intangible assets, net |                                           | \$ 353,923                | \$ 386,364               |

Amortization expense related to intangible assets was \$ 12.6 million and \$ 24.6 million for the three months ended September 30, 2023 and 2022, respectively, of which \$ 3.6 million was included in amortization of developed technology, a component of cost of revenue, in both periods and \$ 9.0 million and \$ 21.0 million, respectively, was included in depreciation and amortization, on the accompanying condensed consolidated statements of operations.

Amortization expense related to intangible assets was \$ 38.8 million and \$ 73.5 million for the nine months ended September 30, 2023 and 2022, respectively, of which \$ 10.9 million was included in amortization of developed technology, a component of cost of revenue, in both periods and \$ 27.9 million and \$ 62.6 million, respectively, was included in depreciation and amortization, on the accompanying condensed consolidated statements of operations.

Estimated future amortization expense of intangible assets as of September 30, 2023, is as follows (in thousands):

|                   | <b>Amount</b>     |
|-------------------|-------------------|
| Remainder of 2023 | \$ 12,384         |
| 2024              | 49,538            |
| 2025              | 49,538            |
| 2026              | 45,232            |
| 2027              | 40,588            |
| Thereafter        | 146,343           |
|                   | <u>\$ 343,623</u> |

Long-lived assets, including both amortizable and non-amortizable intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset group may not be recoverable. As of September 30, 2023, no events or circumstances were noted that would indicate the carrying amount of any of our asset groups may not be recoverable.

## 6. Income Taxes

The Company follows guidance under ASC Topic 740-270 *Income Taxes*, which requires that an estimated annual effective tax rate is applied to year-to-date ordinary income (loss). At the end of each interim period, the Company estimates the effective tax rate expected to be applicable for the full fiscal year. The tax effect of discrete items is recorded in the quarter in which the discrete events occur.

The Company recorded income tax expense of \$ 7.2 million and \$ 10.0 million for the three months ended September 30, 2023 and 2022, respectively, and an expense of \$ 39.5 million and a benefit of \$ 23.2 million for the nine months ended September 30, 2023 and 2022, respectively. The income tax expense for the nine months ended September 30, 2023, was unfavorably impacted by higher income in non-U.S. jurisdictions and an increase in income tax expense related to the Put Option (see [Note 1 – Organization, Business and Out-of-Period Adjustments](#)), partially offset by benefits related to excess equity-based compensation deductions recorded discretely. The tax expense for the nine months ended September 30, 2022, was favorably impacted by losses in non-U.S. jurisdictions which have higher tax rates than the U.S., partially offset by non-deductible expenses.

For the nine months ended September 30, 2023 and 2022, no reserves for uncertain tax positions have been recorded. The Company will continue to monitor this position each interim period.

## 7. Debt

The following table summarizes the Company's total debt (in thousands):

|                                                | September 30, 2023 | December 31, 2022 |
|------------------------------------------------|--------------------|-------------------|
| <b>Senior Secured Credit Facility:</b>         |                    |                   |
| Term loan facility                             | \$ 239,250         | \$ 312,475        |
| Revolving credit facility                      | —                  | —                 |
| Total secured credit facility                  | 239,250            | 312,475           |
| Convertible notes                              | 425,000            | 425,000           |
| Other debt                                     | 55,278             | 51,951            |
| Total principal                                | 719,528            | 789,426           |
| Unamortized discount and issuance costs, total | ( 21,882 )         | ( 30,383 )        |
| Current portion of debt                        | ( 38,767 )         | ( 38,691 )        |
| Total long-term debt, net of current portion   | \$ 658,879         | \$ 720,352        |

### Senior Secured Credit Facility

On October 14, 2020, the Company entered into a credit agreement (as amended, the "Credit Agreement") governing the Company's senior secured credit facility, consisting of (i) a \$ 575 million senior secured 7-year term loan facility (the "Term Loan Facility") and (ii) a \$ 200 million senior secured 5-year revolving credit facility (the "Revolving Credit Facility" and, together with the Term Loan Facility, the "Senior Secured Credit Facility"). The Credit Agreement was amended on February 23, 2021 (the "First Amendment"), on February 26, 2021 (the "Second Amendment") and again on March 2, 2023 (the "Third Amendment"). The single purpose of the Third Amendment in March 2023 was to replace the former discontinued Senior Secured Credit Facility reference rate of LIBOR, with the comparable active reference rate, SOFR. There were no other changes as a result of the Third Amendment.

### Revolving Credit Facility

Under the Revolving Credit Facility, the Company had no outstanding balance as of both September 30, 2023 and December 31, 2022, \$ 24.9 million and \$ 38.8 million in standby letters of credit at September 30, 2023 and December 31, 2022, respectively, and availability of \$ 175.1 million and \$ 161.2 million at September 30, 2023 and December 31, 2022, respectively. In accordance with the Third Amendment, the Revolving Credit Facility pays interest at the Company's election, at either (x) for SOFR Loans at Adjusted Term SOFR (as defined in the Credit Agreement) plus 3.25 % or (y) for Base Rate Loans at the higher of the Prime Rate, one half of 1.00 % above the Federal Funds Rate or the Adjusted Term SOFR for one month interest period, after giving effect to any floor plus 1.00 %, plus 2.25 %.

### Term Loan Facility

The Term Loan Facility had a balance of \$ 239.3 million and \$ 312.5 million as of September 30, 2023 and December 31, 2022, respectively. The balance of the Term Loan Facility is presented in the accompanying condensed consolidated balance sheets, net of debt discount and issuance costs of \$ 12.0 million and \$ 19.1 million as of September 30, 2023 and December 31, 2022, respectively. In accordance with the Third Amendment, the Term Loan Facility pays interest at the Company's election, at either (x) for SOFR Loans at Adjusted Term SOFR (subject to a floor of 0.50 %) plus 3.25 % or (y) for Base Rate Loans at the higher of the

Prime Rate, one half of 1.00 % above the Federal Funds Rate or the Adjusted Term SOFR for one-month interest period, after giving effect to any floor plus 1.00 %, plus 2.25 %. The debt discount and issuance costs are being amortized using the effective interest method and the effective interest rate of the Term Loan Facility as of September 30, 2023, was 9.95 %. The Term Loan Facility has an annual excess cash flow calculation, for which the prescribed formula did not result in requiring the Company to make an advance principal payment for the year ended December 31, 2022.

### **Convertible Notes**

On December 3, 2021 and December 9, 2021, the Company completed a \$ 425.0 million private offering (\$ 375 million and \$ 50 million, respectively), of its 1.00 % Convertible Senior Notes due 2028 (the "Convertible Notes"), resulting in proceeds of \$ 413.3 million (\$ 364.7 million and \$ 48.6 million, respectively), after deducting the original issue discount of 2.75 %. The Convertible Notes were issued pursuant to an indenture, dated December 3, 2021, between the Company and U.S. Bank National Association, as trustee.

The Convertible Notes are senior unsecured obligations of the Company and will mature on December 1, 2028, unless earlier converted, redeemed, or repurchased. The Convertible Notes bear interest at a rate of 1.00 % per year, payable semiannually in arrears on June 1 and December 1 of each year, beginning on June 1, 2022. As of September 30, 2023 and December 31, 2022, the principal balance of the Convertible Notes was \$ 425.0 million with unamortized discount and issuance costs of \$ 9.8 million and \$ 11.3 million, respectively, for a net carrying amount of \$ 415.2 million and \$ 413.8 million, respectively.

The conversion rate for the Notes was initially 41.9054 shares of the Company's common stock per \$ 1,000 principal amount of Notes, which was equivalent to an initial conversion price of approximately \$ 23.86 per share of common stock or 10.1 million shares of common stock. The Convertible Notes were not convertible during the nine months ended September 30, 2023, and none have been converted to date. Also, given that the average market price of the Company's common stock has not exceeded the exercise price since inception, there was no dilutive impact for the three and nine months ended September 30, 2023.

### **Capped Calls**

In connection with the issuances of the Convertible Notes, the Company paid \$ 52.9 million, in aggregate, to enter into capped call option agreements to reduce the potential dilution to holders of the Company's common stock after a conversion of the Convertible Notes. Specifically, upon the exercise of the Capped Call instruments issued pursuant to the agreements (the "Capped Calls"), the Company would receive shares of its common stock equal to approximately 17.8 million shares (a) multiplied by (i) the lower of \$ 36.0200 or the then-current market price of its common stock, less (ii) the applicable exercise price, \$ 23.86 , and (b) divided by the then-current market price of its common stock. The results of this formula are that the Company would receive more shares as the market price of its common stock exceeds the exercise price and approaches the cap, which was initially \$ 36.02 per share.

Consequently, if the Convertible Notes are converted, then the number of shares to be issued by the Company would be effectively partially offset by the shares of common stock received by the Company under the Capped Calls as they are exercised. The formula above would be adjusted in the event of certain specified extraordinary events affecting the Company, including: a merger; a tender offer; nationalization, insolvency or delisting of the Company's common stock; changes in law; failure to deliver; insolvency filing; stock splits, combinations, dividends, repurchases or similar events; or an announcement of certain of the preceding actions.

The Company can also elect to receive the equivalent value of cash in lieu of shares of common stock upon settlement, except in certain circumstances. The Capped Calls expire on December 1, 2028, and terminate upon the occurrence of certain extraordinary events such as a merger, tender offer, nationalization, insolvency, delisting, event of default, a change in law, failure to deliver, an announcement of certain of these events, or an early conversion of the Convertible Notes. Although intended to reduce the net number of shares of common stock issued after a conversion of the Convertible Notes, the Capped Calls were separately negotiated transactions, are not a part of the terms of the Convertible Notes, and do not affect the rights of the holders of the Convertible Notes. See [Note 2 – Summary of Significant Accounting Policies](#) for information regarding the accounting for the Capped Calls.

#### **Other Debt**

Other debt consists of the debt obligations of STI. Interest rates on other debt range from 0.55 % to 4.41 % annually. Of the \$ 55.3 million other debt balance, approximately \$ 45.3 million is denominated in Euros and \$ 10.0 million is denominated in Brazilian Real.

### **8. Redeemable Perpetual Preferred Stock**

#### **Series A Redeemable Perpetual Preferred Stock**

The Company entered into a Securities Purchase Agreement (the “SPA”) with certain investors (the “Purchasers”) pursuant to which, on August 11, 2021, the Company issued 350,000 shares of its newly designated Series A Redeemable Perpetual Preferred Stock (the “Series A Shares”) and 7,098,765 shares of the Company’s common stock for an aggregate purchase price of \$ 346.0 million (the “Initial Closing”). Further, pursuant to the SPA, on September 27, 2021, the Company issued and sold to the Purchasers 776,235 shares of common stock for an aggregate purchase price of \$ 0.01 million (the “Prepaid Forward Contract”). The Company used the net proceeds from the initial Closing to repay the \$ 102.0 million outstanding balance under its existing Revolving Credit Facility and prepay \$ 100.0 million of the Company’s Term Loan Facility. The Series A Shares have no maturity date.

The Put Option included in the SPA required the Purchasers to purchase up to an additional 150,000 shares of Series A Shares and up to 3,375,000 shares of common stock (or up to 6,100,000 shares of common stock in the event of certain price-related adjustments) until June 30, 2023, subject to certain equitable adjustments pursuant to any stock dividend, stock split, stock combination, reclassification or similar transaction, for an aggregate purchase price up to \$ 148.0 million (the “Delayed Draw Commitment” or the “Put Option”). The Put Option expired effective June 30, 2023.

On January 7, 2022, pursuant to the Put Option, the Company issued and sold to the Purchasers 50,000 shares of Series A Shares and 1,125,000 shares of the Company’s common stock in an additional closing for an aggregate purchase price of \$ 49.4 million (the “Additional Closing”).

The Company has classified the Series A Shares as temporary equity and is accreting the carrying amount to its full redemption amount from the date of issuance to the earliest redemption date using the effective interest method. Such accretion totaled \$ 18.8 million and \$ 17.2 million for the nine months ended September 30, 2023 and 2022, respectively. Refer to [Note 2 – Summary of Significant Accounting Policies](#) for information regarding the accounting for the Put Option.

### *Dividends*

On or prior to the fifth anniversary of the Initial Closing, the Company may pay dividends on the Series A Shares either in (i) cash at the then-applicable Cash Regular Dividend Rate (as defined below), (ii) through accrual to the Liquidation Preference at the Accrued Regular Dividend Rate of 6.25 % (the “Permitted Accrued Dividends”), or (iii) a combination thereof. Following the fifth anniversary of the Initial Closing, dividends are payable only in cash. To the extent the Company does not declare such dividends and pay in cash following the fifth anniversary of the Initial Closing, the dividends accrue to the Liquidation Preference (“Default Accrued Dividends”) at the then-applicable Cash Regular Dividend Rate plus 200 basis points. In the event there are Default Accrued Dividends outstanding for six consecutive quarters, the Company, at the option of the holders of the Series A Shares, will pay 100 % of the amount of Default Accrued Dividends by delivering to such holder a number of shares of the Company’s common stock equal to the quotient of (i) the amount of Default Accrued Dividends divided by (ii) 95 % of the 30-day VWAP of the Company’s common stock (“Non-Cash Dividend”).

The “Cash Regular Dividend Rate” of the Series A Shares means (i) initially, 5.75 % per annum on the Liquidation Preference and (ii) increased by (a) 50 basis points on each of the fifth, sixth and seventh anniversaries of the Initial Closing and (b) 100 basis points on each of the eighth, ninth and tenth anniversaries of the Initial Closing. The “Accrued Regular Dividend Rate” on the Series A Shares means 6.25 % per annum on the Liquidation Preference.

As used herein, “Liquidation Preference” means, with respect to the Series A Shares, the initial liquidation preference of \$ 1,000 per share, plus accrued dividends of such share at the time of the determination.

During the nine months ended September 30, 2023, the Company accrued dividends on the Series A Shares at the Accrued Regular Dividend rate of 6.25 % totaling \$ 19.6 million. As of September 30, 2023, total accrued and unpaid dividends were \$ 26.0 million.

The Series A Shares have similar characteristics of an “Increasing Rate Security” as described by SEC Staff Accounting Bulletin Topic 5Q, *Increasing Rate Preferred Stock*. As a result, the discount on Series A Shares is considered an unstated dividend cost that is amortized over the period preceding commencement of the perpetual dividend using the effective interest method, by charging imputed dividend cost against retained earnings, or additional paid in capital in the absence of retained earnings, and increasing the carrying amount of the Series A Shares by a corresponding amount. Accordingly, the discount is amortized over five years using the effective yield method.

### *Fees*

During the six months ended June 30, 2023, the Company paid the Purchasers a per annum cash commitment fee totaling \$ 1.5 million on the unpurchased portion of Put Option. The Put Option expired effective June 30, 2023.

## 9. Revenue

The Company disaggregates its revenue from contracts with customers by sales recorded over time and sales recorded at a point in time. The following table presents the Company's disaggregated revenues (in thousands):

|                       | Three Months Ended September 30, |            | Nine Months Ended September 30, |              |
|-----------------------|----------------------------------|------------|---------------------------------|--------------|
|                       | 2023                             | 2022       | 2023                            | 2022         |
| Over time revenue     | \$ 321,154                       | \$ 458,405 | \$ 1,120,526                    | \$ 991,561   |
| Point in time revenue | 29,284                           | 56,619     | 114,410                         | 243,914      |
| Total revenue         | \$ 350,438                       | \$ 515,024 | \$ 1,234,936                    | \$ 1,235,475 |

### Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables ("contract assets"), and deferred revenue ("contract liabilities") on the condensed consolidated balance sheets. The majority of the Company's contract amounts are billed as work progresses, in accordance with agreed-upon contractual terms, which generally coincide with the shipment of one or more phases of the project. Billing sometimes occurs subsequent to revenue recognition, resulting in contract assets. The changes in contract assets and the corresponding amounts recorded in revenue relate to fluctuations in the timing and volume of billings.

Contract assets are recorded within accounts receivable, net on the condensed consolidated balance sheets on a contract-by-contract basis and consisted of the following at the end of each reporting period (in thousands):

|                      | September 30, 2023 | December 31, 2022 |
|----------------------|--------------------|-------------------|
| Unbilled receivables | \$ 74,076          | \$ 101,513        |

The Company also receives advances or deposits from its customers, before revenue is recognized, resulting in contract liabilities. The changes in contract liabilities relate to advanced orders and payments received by the Company.

Contract liabilities are recorded on a contract-by-contract basis and consisted of the following at the end of each reporting period (in thousands):

|                  | September 30, 2023 | December 31, 2022 |
|------------------|--------------------|-------------------|
| Deferred revenue | \$ 100,757         | \$ 178,922        |

During the nine months ended September 30, 2023, the Company converted \$ 153.9 million in deferred revenue to revenue, which represented 86 % of the prior year's deferred revenue balance.

### Bill-and-Hold Arrangements

Revenue recognized for the Company's federal investment tax credit ("ITC") contracts and standalone system component sales is recorded at a point in time and recognized when obligations under the terms of the contract with the Company's customer are satisfied. Generally, this occurs with the transfer of control of the asset, which is typically upon delivery to the customer in line with shipping terms.

In certain situations, the Company recognizes revenue under a bill-and-hold arrangement with its customers. An example of such a situation is when customers purchase material prior to the start of construction of a solar project in order to meet the Five Percent Safe Harbor test to qualify for the ITC. Because the customers lack sufficient storage capacity to accept a large amount of material prior to the start of construction, they request that the Company keep the product in its custody. All bill-and-hold inventory is bundled or palletized in the Company's warehouses, separately identified as not belonging to the Company and ready for immediate transport to the customer project upon request. Additionally, title and risk of loss has passed to the customer and the Company does not have the ability to use the product or direct it to another customer. During the three and nine months ended September 30, 2023, the Company recognized zero and \$ 22.8 million, respectively, in revenue from a single customer for the sale of goods and services that also contained bill-and-hold obligations such as storage, handling and other custodial duties.

#### *Remaining Performance Obligations*

As of September 30, 2023, the Company had \$ 336.2 million of remaining performance obligations. The Company expects to recognize revenue on 100 % of these performance obligations in the next twelve months .

### **10. Earnings Per Share**

The following table sets forth the computation of basic and diluted income (loss) per share (in thousands, except per share amounts):

|                                                   | Three Months Ended September 30, |                  | Nine Months Ended September 30, |                      |
|---------------------------------------------------|----------------------------------|------------------|---------------------------------|----------------------|
|                                                   | 2023                             | 2022             | 2023                            | 2022                 |
| Net income                                        | \$ 23,214                        | \$ 40,644        | \$ 114,154                      | \$ 9,683             |
| Less: preferred dividends and accretion           | 13,091                           | 12,257           | 38,359                          | 36,045               |
| Net income (loss) to common shareholders          | <u>\$ 10,123</u>                 | <u>\$ 28,387</u> | <u>\$ 75,795</u>                | <u>\$ ( 26,362 )</u> |
| Basic:                                            |                                  |                  |                                 |                      |
| Weighted average shares                           | <u>151,068</u>                   | <u>150,322</u>   | <u>150,865</u>                  | <u>149,604</u>       |
| Income (loss) per share                           | <u>\$ 0.07</u>                   | <u>\$ 0.19</u>   | <u>\$ 0.50</u>                  | <u>\$ ( 0.18 )</u>   |
| Diluted:                                          |                                  |                  |                                 |                      |
| Effect of restricted stock and performance awards | 1,255                            | 1,060            | 1,219                           | —                    |
| Weighted average shares                           | <u>152,323</u>                   | <u>151,382</u>   | <u>152,083</u>                  | <u>149,604</u>       |
| Income (loss) per share                           | <u>\$ 0.07</u>                   | <u>\$ 0.19</u>   | <u>\$ 0.50</u>                  | <u>\$ ( 0.18 )</u>   |

Potentially dilutive common shares issuable pursuant to equity-based awards of 108,111 were not included for the nine months ended September 30, 2022, as their potential effect was anti-dilutive given the Company generated a net loss to common shareholders.

There were no potentially dilutive common shares issuable pursuant to the Convertible Notes for both the nine months ended September 30, 2023 and 2022, as the average market price of the Company's common stock has not exceeded the exercise price since their issuance.

## **11. Commitments and Contingencies**

### **Legal Proceedings**

The Company, in the normal course of business, is subject to claims and litigation. The Company reviews the status of each matter and assesses its potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, the Company would accrue a liability for the estimated loss.

On August 30, 2017, the Company filed its first amended complaint in the U.S. District Court for the District of New Mexico against Nextracker LLC, Daniel S. Shugar, Marco Garcia, Flextronics International U.S.A., Inc., Scott Graybeal and Colin Mitchell (collectively, the "Defendants") asserting (among other claims) trade secret misappropriation, tortious interference with contract, fraud, and breach of contract (the "Nextracker Litigation"). On July 15, 2022, the Company settled its claims against Defendants for \$ 42.8 million and received payment on August 4, 2022.

On May 14, 2021, a putative class action was filed in the U.S. District Court for the Southern District of New York (the "Southern District of New York" or the "Court") against the Company and certain officers and directors alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5, promulgated thereunder, and Sections 11, 12(a)(2) and 15 of the Securities Exchange Act of 1933 ("Plymouth Action"). The Plymouth Action alleges misstatements and/or omissions in the Company's registration statements and prospectuses related to the Company's October 2020 initial public offering ("IPO"), the Company's December 2020 offering (the "2020 Follow-On Offering"), and the Company's March 2021 offering (the "2021 Follow-On Offering") during the putative class period of October 14, 2020 through May 11, 2021.

On June 30, 2021, a second putative class action was filed in the Southern District of New York against the Company and certain officers and directors alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5, promulgated thereunder, and Sections 11 and 15 of the Securities Exchange Act of 1933 ("Keippel Action"). The Keippel Action similarly alleged misstatements and/or omissions in certain of the Company's registration statements and prospectuses related to the Company's IPO, the Company's 2020 Follow-On Offering, and the Company's 2021 Follow-On Offering during the putative class period of October 14, 2020 through May 11, 2021. On July 6, 2021, the Court entered an order that the Keippel Action was in all material respects substantially similar to the Plymouth Action that both actions arise out of the same or similar operative facts, and that the parties are substantially the same parties. The Court accordingly consolidated the Keippel Action with the Plymouth Action for all pretrial purposes and, ordered all filings to be made in the Plymouth Action.

On July 16, 2021, a verified derivative complaint was filed in the Southern District of New York against certain officers and directors of the Company ("First SDNY Derivative Action"). The complaint alleges: (1) violations of Section 14(a) of the Securities Exchange Act of 1934 for misleading proxy statements, (2) breach of fiduciary duty, (3) unjust enrichment, (4) abuse of control, (5) gross mismanagement, (6) corporate waste, (7) aiding and abetting breach of fiduciary duty, and (8) contribution under sections 10(b) and 21D of the Securities Exchange Act of 1934.

On July 30, 2021, a second and related verified derivative complaint was filed in the Southern District of New York against certain officers and directors of the Company ("Second SDNY Derivative Action"). The complaint alleges: (1) violations of Section 14(a) of the Securities Exchange Act of 1934 for causing the issuance of a

false/misleading proxy statement, (2) breach of fiduciary duty, and (3) aiding and abetting breaches of fiduciary duty. On August 24, 2021, the Second SDNY Derivative Action was consolidated with the First SDNY Derivative Action (the "Consolidated SDNY Derivative Action"), the Court appointed co-lead counsel, and the case was temporarily stayed pending the entry of an order on all motions to dismiss directed at the pleadings filed in the Plymouth Action. The stay shall remain in effect until the later of (a) the entry of an order on any motions to dismiss the Plymouth Action or, (b) to the extent the complaint in the Plymouth Action is amended, the entry of an order on any motions to dismiss any such amended complaints in the Plymouth Action.

On September 21, 2021, the Court in the Plymouth Action appointed a group comprised of institutional investors Plymouth County Retirement Association and Carpenters Pension Trust Fund for Northern California as lead plaintiffs.

On December 7, 2021, an amended class action complaint was filed by lead plaintiffs in the Plymouth Action against the Company and certain officers and directors alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5, promulgated thereunder, and Sections 11, 12(a)(2), and 15 of the Securities Exchange Act of 1933, on behalf of a putative class of persons and entities that purchased or otherwise acquired the Company's securities during the period from October 14, 2020 through May 11, 2021 (the "Consolidated Amended Complaint"). The Consolidated Amended Complaint alleges misstatements and/or omissions in: (1) certain of the Company's registration statements and prospectuses related to the Company's IPO, the Company's 2020 Follow-On Offering, and the Company's 2021 Follow-On Offering; (2) in the Company's Annual Report on Form 10-K and associated press release announcing results for the fourth quarter and full fiscal year 2020; and (3) in the Company's November 5, 2020 and March 9, 2021 earnings calls.

On October 17, 2022, the Company and other defendants in the Plymouth Action filed a joint motion to dismiss (the "Motion to Dismiss") the Consolidated Amended Complaint. The lead plaintiff filed a motion opposing the Motion to Dismiss on December 16, 2022, and the Company and other defendants filed a reply in support of the motion to dismiss on January 17, 2023.

On May 19, 2023, the Court in the Plymouth Action granted the Company's Motion to Dismiss. On July 5, 2023, the Court denied the lead plaintiffs' request for leave to amend the Consolidated Amended Complaint and dismissed the Plymouth Action with prejudice.

On August 4, 2023, the lead plaintiffs filed a notice of appeal of the Court's dismissal of the Consolidated Amended Complaint (the "Second Circuit Appeal").

On September 11, 2023, pursuant to a scheduling request filed by lead plaintiffs, the United States Court of Appeals for the Second Circuit ordered lead plaintiffs to file their opening brief in the Second Circuit Appeal by November 17, 2023.

On August 3, 2022, a verified derivative complaint was filed in the Court of Chancery of the State of Delaware (the "Court of Chancery") against certain officers and directors of the Company, asserting claims for: (1) breach of fiduciary duty and (2) unjust enrichment ("First Delaware Derivative Action").

On August 11, 2022, a second verified derivative complaint was filed against certain officers and directors of the Company Court of Chancery, asserting claims for: (1) breach of fiduciary duty; (2) aiding and abetting

breaches of fiduciary duty; (3) waste of corporate assets; (4) unjust enrichment; (5) insider selling; and (6) aiding and abetting insider selling ("Second Delaware Derivative Action").

On September 2, 2022, the Second Delaware Derivative Action was consolidated with the First Delaware Derivative Action (the "Consolidated Delaware Derivative Action"), the Court of Chancery appointed co-lead counsel, and the case was temporarily stayed pending the entry of an order on all motions to dismiss directed at the pleadings filed in the Plymouth Action. The stay shall remain in effect until the later of (a) the entry of an order on the pending motion to dismiss the Consolidated Amended Complaint in the Plymouth Action, (b) to the extent the Consolidated Amended Complaint in the Plymouth Action is further amended, the entry of an order on any motions to dismiss any such amended complaints in the Plymouth Action, or (c) the public announcement of a settlement of the Plymouth Action.

The stays in both the Consolidated SDNY Derivative Action and the Consolidated Delaware Derivative Action remain in place following the dismissal of the Plymouth Action during the pendency of the Second Circuit Appeal.

At this time the Company believes that the likelihood of any material loss related to these matters is remote given the preliminary stage of the claims and strength of the Company's defenses. The Company has not recorded any material loss contingency in the condensed consolidated balance sheets as of September 30, 2023.

### **Contingent Consideration**

#### *Tax Receivable Agreement*

Concurrent with the Former Parent's acquisition of Array Technologies Patent Holdings Co., LLC on July 8, 2016, the Company's operating subsidiary, Array Tech, Inc. (f/k/a Array Technologies, Inc.), entered into a Tax Receivable Agreement (the "TRA") with the former majority shareholder of Array. The TRA is valued based on the future expected payments under the agreement. The TRA provides for the payment by Array Tech, Inc., to the former owners for certain federal, state, local and non-U.S. tax benefits deemed realized in post-closing taxable periods by Array Tech, Inc., from the use of certain deductions generated by the increase in the tax value of the developed technology. The TRA is accounted for as contingent consideration and subsequent changes in fair value of the contingent liability are recognized in contingent consideration on the condensed consolidated statements of operations. As of September 30, 2023 and December 31, 2022, the fair value of the TRA was \$ 9.6 million and \$ 8.6 million, respectively.

Estimating the amount of payments that may be made under the TRA is by nature imprecise. The significant fair value inputs used to estimate the future expected TRA payments to the former owners include the timing of tax payments, a discount rate, book income projections, timing of expected adjustments to calculate taxable income and the projected rate of use for attributes defined in the TRA.

Payments made under the TRA consider tax positions taken by the Company and are due within 125 days following the filing of the Company's U.S. federal and state income tax returns under procedures described in the agreement. The current portion of the TRA liability is based on tax returns. The TRA will continue until all tax benefit payments have been made or the Company elects early termination under the terms described in the TRA.

The following table summarizes the activity related to the estimated TRA liability (in thousands):

|                       | Three Months Ended September 30, |                 | Nine Months Ended September 30, |                 |
|-----------------------|----------------------------------|-----------------|---------------------------------|-----------------|
|                       | 2023                             | 2022            | 2023                            | 2022            |
| Beginning balance     | \$ 9,429                         | \$ 7,685        | \$ 8,587                        | \$ 14,577       |
| Payments              | —                                | —               | ( 1,200 )                       | ( 1,483 )       |
| Fair value adjustment | 190                              | ( 572 )         | 2,232                           | ( 5,981 )       |
| Ending balance        | <u>\$ 9,619</u>                  | <u>\$ 7,113</u> | <u>\$ 9,619</u>                 | <u>\$ 7,113</u> |

The TRA liability requires significant judgment and is classified as Level 3 in the fair value hierarchy.

### Surety Bonds

As of September 30, 2023, the Company posted surety bonds in the total amount of \$ 217.6 million. The Company is required to provide surety bonds to various parties as required for certain transactions initiated during the ordinary course of business to guarantee the Company's performance in accordance with contractual or legal obligations. These off-balance sheet arrangements do not adversely impact the Company's liquidity or capital resources.

## 12. Fair Value of Financial Instruments

The carrying values and estimated fair values of the Company's debt financial instruments were as follows (in thousands):

|                   | September 30, 2023 |            | December 31, 2022 |            |
|-------------------|--------------------|------------|-------------------|------------|
|                   | Carrying Value     | Fair Value | Carrying Value    | Fair Value |
| Convertible Notes | \$ 415,158         | \$ 485,563 | \$ 413,752        | \$ 430,236 |

The fair value of the Convertible Notes is estimated using Level 2 inputs, as they are not registered securities nor listed on any securities exchange but may be traded by qualified institutional buyers.

The following table summarizes the activity related to the Capped Calls (in thousands):

|                                                 | Three Months Ended September 30, |             | Nine Months Ended September 30, |             |
|-------------------------------------------------|----------------------------------|-------------|---------------------------------|-------------|
|                                                 | 2023                             | 2022        | 2023                            | 2022        |
| Beginning balance                               | \$ 64,014                        | \$ —        | \$ —                            | \$ —        |
| Change in fair value gain and loss              | 116                              | —           | ( 1,140 )                       | —           |
| Change due to correction of errors (see Note 1) | —                                | —           | 65,270                          | —           |
| Ending balance                                  | <u>\$ 64,130</u>                 | <u>\$ —</u> | <u>\$ 64,130</u>                | <u>\$ —</u> |

The Capped Calls are valued using a Black-Scholes model, with the most judgmental unobservable input being the volatility measure. The value of the Capped Call is determined using unobservable inputs and is considered to be a Level 3 value in the fair value hierarchy.

The fair value of the Term Loans and Other Debt is estimated using Level 2 inputs. The carrying values of the Term Loans outstanding under the Senior Secured Credit facility recorded in the condensed consolidated balance sheets approximate fair value due to the variable nature of the interest rates.

Other Debt totaling \$ 55.3 million, consists of \$ 40.0 million variable rate obligations and \$ 15.3 million fixed rate obligations. Of the \$ 15.3 million fixed rate obligations, \$ 3.3 million mature in 2023 and \$ 11.9 million mature in 2024. Due to the relative short-term maturity of the fixed rate obligations, the Company believes current carrying value approximates fair value. The carrying value of the \$ 40.0 million variable rate obligations approximate fair value due to the variable nature of the interest rates.

### 13. Equity-Based Compensation

#### 2020 Equity Incentive Plan

On October 14, 2020, the Company's 2020 Equity Incentive Plan (the "2020 Plan") became effective. The 2020 Plan authorized 6,683,919 new shares, subject to adjustments pursuant to the 2020 Plan.

#### Restricted Stock Units

Pursuant to the 2020 Plan, the Company grants restricted stock units ("RSUs") to employees and members of the Company's board of directors. The fair value of the RSUs is determined using the market value of the Company's common stock on the grant date.

RSU activity under the 2020 Plan during the nine months ended September 30, 2023, was as follows:

|                                            | Number of Shares | Weighted Average<br>Grant Date Fair Value |
|--------------------------------------------|------------------|-------------------------------------------|
| Outstanding non-vested, December 31, 2022  | 1,700,824        | \$ 13.81                                  |
| Shares granted                             | 846,559          | 17.90                                     |
| Shares vested                              | ( 564,358 )      | 12.51                                     |
| Shares forfeited                           | ( 135,313 )      | 18.57                                     |
| Outstanding non-vested, September 30, 2023 | 1,847,712        | \$ 15.73                                  |

## Performance Stock Units

The Company has granted performance stock units ("PSUs") to certain employees. The PSUs cliff vest after three years and upon meeting certain revenue and adjusted EPS targets. The PSUs also contain a modifier based on the total stock return ("TSR") compared to a certain index which modifies the number of PSUs that vest. The PSUs were valued using a Monte-Carlo simulation method on the date of grant based on the U.S. Treasury Constant Maturity rates. The following assumptions were used in the Monte Carlo simulation for computing the grant date fair value of the PSUs issued during the nine months ended September 30, 2023 and 2022:

|                         | 2023   | 2022   |
|-------------------------|--------|--------|
| Volatility              | 90 %   | 60 %   |
| Risk-free interest rate | 3.74 % | 2.83 % |
| Dividend yield          | — %    | — %    |

PSU activity under the 2020 Plan during the nine months ended September 30, 2023, was as follows:

|                                            | Number of Shares | Weighted Average Grant Date Fair Value |
|--------------------------------------------|------------------|----------------------------------------|
| Outstanding non-vested, December 31, 2022  | 464,393          | \$ 11.96                               |
| Shares granted                             | 263,594          | 19.22                                  |
| Shares vested                              | —                | —                                      |
| Shares forfeited                           | ( 33,176 )       | 15.15                                  |
| Outstanding non-vested, September 30, 2023 | 694,811          | \$ 14.56                               |

For the three months ended September 30, 2023 and 2022, the Company recognized \$ 3.4 million and \$ 4.2 million, respectively, in equity-based compensation expense. For the nine months ended September 30, 2023 and 2022, the Company recognized \$ 11.9 million and \$ 11.7 million, respectively, in equity-based compensation. At September 30, 2023, the Company had \$ 24.7 million of unrecognized compensation costs related to RSUs and PSUs, which are expected to be recognized over approximately 2.0 years and 2.2 years, respectively.

## 14 Segment Reporting

ASC 280 *Segment Reporting* establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Historically, the Company managed its business on the basis of one operating and reportable segment. Concurrent with the acquisition of STI in January 2022, the Company began operating as two segments; Array Legacy Operations and STI Operations.

The following table provides a reconciliation of certain financial information for the Company's reportable segments to information presented in its condensed consolidated financial statements for the three and nine months ended September 30, 2023 and 2022 (in thousands):

|                         | Three Months Ended September 30, |            | Nine Months Ended September 30, |              |
|-------------------------|----------------------------------|------------|---------------------------------|--------------|
|                         | 2023                             | 2022       | 2023                            | 2022         |
| Revenue:                |                                  |            |                                 |              |
| Array Legacy Operations | \$ 244,857                       | \$ 400,463 | \$ 895,322                      | \$ 998,292   |
| STI Operations          | 105,581                          | 114,561    | 339,614                         | 237,183      |
| Total                   | \$ 350,438                       | \$ 515,024 | \$ 1,234,936                    | \$ 1,235,475 |
| Gross Profit:           |                                  |            |                                 |              |
| Array Legacy Operations | \$ 58,233                        | \$ 60,281  | \$ 241,019                      | \$ 108,111   |
| STI Operations          | 29,146                           | 16,302     | 90,303                          | 27,727       |
| Total                   | \$ 87,379                        | \$ 76,583  | \$ 331,322                      | \$ 135,838   |



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

### **Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and related notes and other financial information included in Part I, "Item 1. Financial Statements" of this Quarterly Report on Form 10-Q (this "Quarterly Report"), as well as our audited financial statements and notes thereto as of and for the year ended December 31, 2022 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2022 ("2022 Annual Report"). Each of the terms the "Company," "Array," "we," or "us" as used herein refers collectively to Array Technologies, Inc. and its wholly owned subsidiaries, unless otherwise stated. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under the sections captioned "Forward-Looking Statements" and "Risk Factors" in this Quarterly Report and our 2022 Annual Report.*

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This report contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to our management. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, technology developments, financing and investment plans, dividend policy, competitive position, industry and regulatory environment, potential growth opportunities and the effects of competition. Forward-looking statements include statements that are not historical facts and can be identified by terms such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "seek," "should," "will," "would" or similar expressions and the negatives of those terms.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Given these uncertainties, you should not place undue reliance on forward-looking statements. Also, forward-looking statements represent our management's beliefs and assumptions only as of the date of this report. You should read this report with the understanding that our actual future results may be materially different from what we expect.

Important factors that could cause actual results to differ materially from our expectations include factors in "Summary Risk Factors" and the "Risk Factors" sections of this Quarterly Report. Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

### **Summary Risk Factors**

Our business is subject to a number of risks that if realized could materially and adversely affect our business, financial conditions, results of operations, cash flows and access to liquidity. These risks are discussed more fully in the "Risk Factors" section of this Quarterly Report and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. Our principal risks include the following:

- if demand for solar energy projects does not continue to grow or grows at a slower rate than we anticipate, our business will suffer;

- the viability and demand for solar energy are impacted by many factors outside of our control, which makes it difficult to predict our future prospects;
- competitive pressures within our industry may harm our business, revenues, growth rates and market share;
- a loss of one or more of our significant customers, their inability to perform under their contracts, or their default in payment, could harm our business and negatively impact revenue, results of operations and cash flow;
- a failure to retain key personnel or a failure to attract additional qualified personnel may affect our ability to achieve our anticipated level of growth and adversely affect our business;
- a drop in the price of electricity derived from the utility grid or from alternative energy sources may harm our business, financial condition, results of operations and prospects;
- we have and may continue to face challenges in our ability to consolidate the financial reporting of our acquired foreign subsidiaries;
- defects or performance problems in our products could result in loss of customers, reputational damage and decreased revenue, and we may face warranty, indemnity and product liability claims arising from defective products;
- we may experience delays, disruptions or quality control problems in our product development operations;
- a further increase in interest rates, or a reduction in the availability of tax equity or project debt capital in the global financial markets could make it difficult for customers to finance the cost of a solar energy system and could reduce the demand for our products;
- changes to tax laws and regulations that are applied adversely to us or our customers could materially adversely affect our business, financial condition, results of operations and prospects;
- existing electric utility industry policies and regulations, and any subsequent changes, may present technical, regulatory and economic barriers to the purchase and use of solar energy systems, which may significantly reduce demand for our products or harm our ability to compete;
- the interruption of the flow of materials from international vendors could disrupt our supply chain, including as a result of the imposition of additional duties, tariffs and other charges or restrictions on imports and exports;
- changes in the global trade environment, including the imposition of import tariffs or other import restrictions, could adversely affect the amount or timing of our revenues, results of operations or cash flows;
- economic, political and market conditions, including the Russian-Ukraine conflict, uncertain credit and global financial markets resulting from increasing inflation and interest rates along with recent bank failures, and the COVID-19 pandemic, have had and could continue to have an adverse effect on our business, results of operations and financial condition, including our revenue growth and profitability, which in turn could adversely affect our stock price;
- the reduction, elimination or expiration of government incentives for, or regulations mandating the use of, renewable energy and solar energy specifically could reduce demand for solar energy systems and harm our business;

- if we fail to, or incur significant costs in order to obtain, maintain, protect, defend or enforce, our intellectual property and other proprietary rights, our business and results of operations could be materially harmed;
- significant changes in the cost of raw materials could adversely affect our financial performance;
- we may be unable to remediate our material weaknesses in a timely manner or at all;
- our substantial indebtedness could adversely affect our financial condition;
- the implementation of the Inflation Reduction Act may not deliver as much growth as we are anticipating, and we may not be able to maximize its benefits; and
- cybersecurity or other data incidents, including unauthorized disclosure of personal or sensitive data or theft of confidential information could harm our business.

## Overview

We are one of the world's largest manufacturers of ground-mounting tracking systems used in solar energy projects at utility scale. Our principal products are a portfolio of integrated solar tracking systems comprised of steel supports, electric motors, gearboxes and electronic controllers commonly referred to as a single-axis "tracker." Trackers move solar panels throughout the day to maintain an optimal orientation to the sun, which significantly increases their energy production. Solar energy projects that use trackers generate more energy and deliver a lower Levelized Cost of Energy than projects that use "fixed tilt" mounting systems, which do not move. The vast majority of ground mounted solar systems in the U.S. use trackers.

Our flagship tracker uses a patented design that allows one motor to drive multiple rows of solar panels through articulated driveline joints. To avoid infringing on our U.S. patent, our competitors must use designs that we believe are inherently less efficient and reliable. For example, our largest competitor's design requires one motor for each row of solar panels. As a result, we believe our products have greater reliability, lower installation costs, reduced maintenance requirements and competitive manufacturing costs. Our core U.S. patent on a linked-row, rotating gear drive system does not expire until February 5, 2030.

With our acquisition of STI in January 2022, we added a dual-row tracker design to our product portfolio. This tracker uses one motor to drive two connected rows and is ideally suited for sites with irregular and highly angled boundaries or fragmented project areas. To offer a comprehensive set of solutions to the growing market, in September 2022, we also introduced a third tracker product requiring significantly less grading and civil works permitting prior to installation in addition to accommodating uneven terrain. This suite of products extends our target applications and ability to deliver the best utility-scale solar tracker solutions to the market.

We sell our products to engineering, procurement and construction firms ("EPCs") that build solar energy projects and to large solar developers, independent power producers and utilities, often under master supply agreements or multi-year procurement contracts. During the nine months ended September 30, 2023, we derived 72% and 28% of our revenues from customers in the United States and the rest of the world, respectively. As of September 30, 2023, we had shipped more than 70.0 gigawatts of trackers to customers worldwide, including STI.

Our corporate headquarters are located in Albuquerque, New Mexico. As of September 30, 2023, we had 1,058 full-time employees.

### **Acquisition of STI Norland**

On January 11, 2022, the Company completed its acquisition of STI for purchase consideration of \$410.5 million in cash and 13,894,800 shares of the Company's common stock. The fair value of the purchase consideration was \$610.8 million and resulted in the Company owning 100% of the equity interests in STI.

STI generates revenue through the design, manufacture and sale of its utility-scale solar tracker systems to customers in global markets that include Spain, Brazil, U.S. and South Africa. The integration of STI provides us the opportunity to accelerate our international expansion and better address rising global demand for utility-scale solar projects, particularly in developing countries in South America and Africa.

### **Out-of-Period Adjustment for the Correction of Errors**

During the first quarter of fiscal year 2023, the Company identified certain errors in its previously issued financial statements that have been corrected through a cumulative out-of-period adjustment in the condensed consolidated financial statements as of and for the three months ended March 31, 2023. The Company has concluded that the cumulative out-of-period adjustment for the correction of these errors is not material to the financial statements for the three months ended March 31, 2023. A summary of these corrections and a summary of the cumulative impact is provided in [Note 1 – Organization, Business and Out-of-Period Adjustments](#) in Part I of this Quarterly Report.

### **Inflation**

Inflationary pressures are expected to persist, at least in the near-term, and may continue to negatively impact our results of operation. To mitigate the inflationary pressures on our business, we have implemented selective price increases in certain markets, accelerated productivity initiatives and expanded our supplier base, while continuing to execute on overhead cost containment practices.

### **Impact of Potential Solar Module Supply Chain Disruptions**

On April 1, 2022, the U.S. Department of Commerce ("USDOC") initiated anti-circumvention inquiries of the U.S. Solar 1 Orders covering merchandise from Vietnam, Malaysia, Thailand, and Cambodia pursuant to Section 781 of the Tariff Act of 1930. The USDOC issued preliminary determinations in these inquiries on December 1, 2022, affirmatively finding that certain photovoltaic solar cells and modules produced in Vietnam, Malaysia, Thailand, and Cambodia using parts and components from China from certain producers and/or exporters, are circumventing the Solar 1 Orders and therefore should be subject to the antidumping and countervailing duty liabilities arising from those orders.

As a result of the USDOC's investigation, we saw a number of projects in our order book initially delayed; however, on June 6, 2022, President Biden issued an emergency declaration delaying the imposition of any cash deposit or duty payment obligations on merchandise subject to these inquiries until the earlier of (i) the expiration of the order on June 6, 2024, or (ii) termination of the emergency declaration by the President. Merchandise from the four subject countries covered under the scope of these inquiries should therefore not be subject to any antidumping or countervailing duty liabilities under the Solar 1 Orders until the termination of the emergency declaration as long as the importer(s) and exporter(s) follow proper certification procedures that will be implemented by the USDOC. On May 3, 2023, however, the U.S. Senate voted to repeal President Biden's emergency declaration. On May 16, President Biden announced that he had vetoed the U.S. Senate's actions, and the emergency declaration will remain in place until June of 2024.

On August 18, 2023, the USDOC announced the final determinations in the circumvention inquiries of solar cells and modules from China. The USDOC found that certain Chinese producers were shipping solar products through Cambodia, Malaysia, Thailand, and/or Vietnam for minor processing in an attempt to circumvent

antidumping and countervailing duties. The final determination affirms the USDOC's preliminary findings in most respects; however, pursuant to President Biden's June 6, 2022 emergency declaration, duties will not be collected on any solar module and cell imports from these four countries until June 2024. The repeal of the President's emergency declaration, and any affirmative determinations made once the suspension is lifted in any event, would have an adverse effect on the global solar energy marketplace, and as such, an adverse effect on our business, financial condition, and results of operations.

While we do not sell solar modules, the degree of our exposure is dependent on, among other things, the impact of the investigation on the projects that are also intended to use our products, with such impact being largely out of our control. To date, we have seen a number of projects in our order book delayed as a result of the USDOC investigation; however, the ultimate severity or duration of the expected solar panel supply chain disruption or its effects on our clients' solar project development and construction activities remains uncertain. More broadly, legislation has been proposed that would make it easier for domestic companies to obtain affirmative determinations in antidumping and countervailing duties investigations. The proposed USICA/America COMPETES Act, if enacted, could result in future successful petitions that limit imports from Asia and other regions.

Solar panel imports to the U.S. may also be impacted by the Uyghur Forced Labor Prevention Act ("UFLPA") that was signed into law by President Biden on December 23, 2021. According to U.S. Customs and Border Protection, "it establishes a rebuttable presumption that the importation of any goods, wares, articles, and merchandise mined, produced, or manufactured wholly or in part in the Xinjiang Uyghur Autonomous Region of the People's Republic of China, or produced by certain entities, is prohibited by Section 307 of the Tariff Act of 1930 and that such goods, wares, articles, and merchandise are not entitled to entry to the U.S. The presumption applies unless the Commissioner of U.S. Customs and Border Protection determines that the importer of record has complied with specified conditions and, by clear and convincing evidence, that the goods, wares, articles, or merchandise were not produced using forced labor." There continues to be uncertainty in the market around achieving full compliance with UFLPA, whether related to sufficient traceability of materials or other factors. This has created a significant compliance burden and constrained solar panel imports. We cannot currently predict what, if any, impact the UFLPA will have on the overall future supply of solar panels into the U.S. and the related timing and cost of our clients' solar project, development and construction activities. While we do not import or sell solar panels, project delays caused by solar panel constraints may negatively impact our product delivery schedules and future sales, and therefore our business, financial condition, and results of operations.

#### **Antidumping and Countervailing Duty Petitions on Aluminum Extrusions**

On October 4, 2023, domestic producers filed petitions with the USDOC International Trade Commission, seeking antidumping duties on imports of aluminum extrusions from Colombia, the Dominican Republic, Ecuador, India, Indonesia, Italy, Malaysia, Mexico, China, South Korea, Taiwan, Thailand, Turkey, the United Arab Emirates (UAE) and Vietnam, and countervailing duties on such imports from China, Indonesia, Mexico and Turkey.

The merchandise subject to this investigation is aluminum extrusions, regardless of form, finishing or fabrication, whether assembled with other parts or unassembled, whether coated, painted, anodized or thermally improved. Certain components in our trackers, including certain clamps, U-joints, and bearing housings are made using extruded aluminum. It is anticipated that the USDOC will set preliminary countervailing duty rates in March of 2024 and preliminary antidumping rates in May of 2024, with the potential to cover materials imported from December 2023 and February 2024 onward, respectively. We cannot currently predict what, if any, impact the USDOC's investigation will have on the overall future supply of these components. We continue to monitor developments in the investigation and work to mitigate its impact on our

supply chain, but if we are unable to do so, these antidumping and countervailing duties could negatively impact our business, financial condition, and results of operations.

### **Impact of the Ongoing Russian-Ukraine Conflict**

The ongoing Russian-Ukraine conflict has reduced the availability of material that can be sourced in Europe and, as a result, increased logistics costs for the procurement of certain inputs and materials used in our products. We do not know ultimate severity or duration of the conflict, but we continue to monitor the situation and evaluate our procurement strategy and supply chain as to reduce any negative impact on our business, financial condition and results of operations.

### **Performance Measures**

In managing our business and assessing financial performance, we supplement the information provided by the financial statements with other operating metrics. These operating metrics are utilized by our management to evaluate our business, measure our performance, identify trends affecting our business and formulate projections. The primary operating metric we use to evaluate our sales performance and to track market acceptance of our products from year to year is megawatts (“MWs”) shipped generally and the change in MW shipped from period to period specifically. MWs are measured for each individual project and calculated based on the expected output of that project once installed and fully operational.

We also utilize metrics related to price and cost of goods sold per MW, including average selling price (“ASP”) and cost per watt (“CPW”). ASP is calculated by dividing total applicable revenues by total applicable MWs, while CPW is calculated by dividing total applicable costs of goods sold by total applicable MWs. These metrics enable us to evaluate trends in pricing, manufacturing cost and customer profitability.

### **Key Components of Our Results of Operations**

The following discussion describes certain line items in our consolidated statements of operations.

#### **Revenue**

Our operating segments generate revenue from the sale of solar tracking systems, parts and services. Our customers include EPCs, utilities, large solar developers and independent power producers. For each individual solar project, we enter into a contract with our customers covering the price, specifications, delivery dates and warranty for the products being purchased, among other things. Our contractual delivery period for the tracker system and parts can vary from days to several months. Contracts can range in value from hundreds of thousands to tens of millions of dollars.

Our revenue is affected by changes in the volume and ASPs of solar tracking systems purchased by our customers. The quarterly volume and ASP of our systems is driven by the supply of, and demand for, our products, changes in product mix between module type and wattage, geographic mix of our customers, strength of competitors’ product offerings, and availability of government incentives to the end-users of our products.

Our revenue growth is dependent on continued growth in the amount of solar energy projects installed each year as well as our ability to increase our share of demand in each of the geographies where we compete, expanding our global footprint to new evolving markets, growing our production and supply chain capabilities to meet demand, and continuing to develop and introduce new and innovative products that address the changing technology and performance requirements of our customers.

### ***Cost of Revenue and Gross Profit***

Cost of revenue for both segments consists primarily of product costs, including purchased components, as well as costs related to shipping, tariffs, customer support, product warranty, personnel and depreciation of test and manufacturing equipment. Personnel costs in cost of revenue includes both direct labor costs as well as costs attributable to any individuals whose activities relate to the transformation of raw materials or component parts into finished goods or the transportation of materials to the customer.

Some of these costs, primarily personnel and depreciation of test and manufacturing equipment, are not directly affected by sales volume. Our product costs are affected by the underlying cost of raw materials, including steel and aluminum; component costs, including electric motors and gearboxes; technological innovation; economies of scale resulting in lower component costs and improvements in production processes and automation. We do not currently hedge against changes in the price of raw materials. In addition, cost of revenue includes amortization of developed technology.

Gross profit may vary from quarter to quarter and is primarily affected by our ASPs, product costs, product mix, customer mix, geographical mix, shipping method, warranty costs and seasonality.

### ***Operating Expenses***

#### *General and administrative expenses*

General and administrative expenses consist primarily of salaries, benefits and equity-based compensation related to our executive, sales, engineering, finance, human resources, information technology and legal personnel, as well as travel, facility costs, marketing, bad debt provision and professional fees. Further, as a relatively new public company, we may incur additional audit, accounting, tax, legal and other costs related to compliance with applicable securities laws and other regulations, as well as additional insurance, investor relations and other costs associated with being a public company.

#### *Contingent Consideration*

Contingent consideration consists of the changes in fair value of the Taxes Receivable Agreement ("TRA") entered into with Ron P. Corio, a former indirect stockholder, concurrent with the Acquisition of Array Technologies Patent Holdings Co., LLC by our Former Parent, ATI Investment Parent, LLC.

The TRA liability is recorded at fair value and changes in the fair value are recognized in earnings. The TRA will generally provide for the payment by our operating company, Array Tech, Inc. (f/k/a Array Technologies, Inc.), to Ron P. Corio for certain federal, state, local and non-U.S. tax benefits deemed realized in post-closing taxable periods by Array Tech, Inc. from the use of certain deductions generated by the increase in the tax value of the developed technology. Estimating fair value of the TRA is by nature imprecise. The significant fair value inputs used to estimate the future expected TRA payments to Mr. Corio include the timing of tax payments, a discount rate, book income projections, timing of expected adjustments to calculate taxable income and the projected rate of use for attributes defined in the TRA.

#### *Depreciation and Amortization*

Depreciation in our operating expense consists of costs associated with property, plant and equipment ("PP&E") not used in manufacturing of our products. We expect that as we continue to grow both our revenue and our general and administrative personnel, we will require some additional PP&E to support this growth resulting in additional depreciation expense.

Amortization of intangibles consists of customer relationships, contractual backlog, and the STI trade name amortized over their expected period of use.

### **Non-Operating Expenses**

#### *Interest Expense*

Interest expense consists of interest and other charges paid in connection with (i) our \$575 million senior secured 7-year term loan facility (the "Term Loan Facility"), (ii) our \$200 million senior secured 5-year revolving credit facility (the "Revolving Credit Facility" and, together with the Term Loan Facility, the "Senior Secured Credit Facility"), (iii) our 1.00% Convertible Senior Notes due 2028 (the "Convertible Notes"), and (iv) the Other Debt we assumed in connection with the STI Acquisition.

#### *Income Tax Expense*

We are subject to U.S. federal and state and non-U.S. income taxes. As we expand into additional foreign markets, we may be subject to additional foreign tax.

### **Results of Operations**

The following table sets forth our consolidated statement of operations (dollars in thousands):

|                                                  | Three Months Ended<br>September 30, |            | Increase/(Decrease) |        | Nine Months Ended<br>September 30, |              | Increase/(Decrease) |        |
|--------------------------------------------------|-------------------------------------|------------|---------------------|--------|------------------------------------|--------------|---------------------|--------|
|                                                  | 2023                                | 2022       | \$                  | %      | 2023                               | 2022         | \$                  | %      |
| Revenue                                          | \$ 350,438                          | \$ 515,024 | \$ (164,586)        | (32) % | \$ 1,234,936                       | \$ 1,235,475 | \$ (539)            | — %    |
| Cost of revenue:                                 |                                     |            |                     |        |                                    |              |                     |        |
| Cost of product and service revenue              | 259,419                             | 434,801    | (175,382)           | (40) % | 892,696                            | 1,088,719    | (196,023)           | (18) % |
| Amortization of developed technology             | 3,640                               | 3,640      | —                   | — %    | 10,918                             | 10,918       | —                   | — %    |
| Total cost of revenue                            | 263,059                             | 438,441    | (175,382)           | (40) % | 903,614                            | 1,099,637    | (196,023)           | (18) % |
| Gross profit                                     | 87,379                              | 76,583     | 10,796              | 14 %   | 331,322                            | 135,838      | 195,484             | 144 %  |
| <b>Operating expenses:</b>                       |                                     |            |                     |        |                                    |              |                     |        |
| General and administrative                       | 37,432                              | 38,703     | (1,271)             | (3) %  | 115,825                            | 113,064      | 2,761               | 2 %    |
| Change in fair value of contingent consideration | 190                                 | (572)      | 762                 | 133 %  | 2,232                              | (5,981)      | 8,213               | 137 %  |
| Depreciation and amortization                    | 9,552                               | 21,258     | (11,706)            | (55) % | 29,361                             | 63,237       | (33,876)            | (54) % |
| Total operating expenses                         | 47,174                              | 59,389     | (12,215)            | (21) % | 147,418                            | 170,320      | (22,902)            | (13) % |

|                                           |                  |                  |                    |        |                   |                 |                   |        |
|-------------------------------------------|------------------|------------------|--------------------|--------|-------------------|-----------------|-------------------|--------|
| Income (loss) from operations             | 40,205           | 17,194           | 23,011             | 134 %  | 183,904           | (34,482)        | 218,386           | 633 %  |
| <b>Other (expense) income:</b>            |                  |                  |                    |        |                   |                 |                   |        |
| Other (expense), net                      | (446)            | (1,092)          | 646                | 59 %   | (127)             | (2,295)         | 2,168             | (94)%  |
| Interest income                           | 3,425            | 778              | 2,647              | (340)% | 6,124             | 2,371           | 3,753             | 158 %  |
| Legal settlement                          | —                | 42,750           | (42,750)           | (100)% | —                 | 42,750          | (42,750)          | (100)% |
| Foreign currency gain (loss)              | 207              | (159)            | 366                | 230 %  | 273               | 1,968           | (1,695)           | (86)%  |
| Change in fair value of derivative assets | 116              | —                | 116                | 100 %  | (1,140)           | —               | (1,140)           | (100)% |
| Interest expense                          | (13,064)         | (8,831)          | (4,233)            | (48)%  | (35,372)          | (23,812)        | (11,560)          | (49)%  |
| Total other (expense) income              | (9,762)          | 33,446           | (43,208)           | (129)% | (30,242)          | 20,982          | (51,224)          | (244)% |
| Income (loss) before taxes                | 30,443           | 50,640           | (20,197)           | (40)%  | 153,662           | (13,500)        | 167,162           | 1238 % |
| Income tax expense (benefit)              | 7,229            | 9,996            | (2,767)            | (28)%  | 39,508            | (23,183)        | 62,691            | 270 %  |
| Net income                                | <u>\$ 23,214</u> | <u>\$ 40,644</u> | <u>\$ (17,430)</u> | (43)%  | <u>\$ 114,154</u> | <u>\$ 9,683</u> | <u>\$ 104,471</u> | 1079 % |

The following table provides details on our operating results by reportable segment for the respective periods (dollars in thousands):

|                         | Three Months Ended<br>September 30, |                   | Increase/(Decrease) |        | Nine Months Ended<br>September 30, |                     | Increase/(Decrease) |        |
|-------------------------|-------------------------------------|-------------------|---------------------|--------|------------------------------------|---------------------|---------------------|--------|
|                         | 2023                                | 2022              | \$                  | %      | 2023                               | 2022                | \$                  | %      |
| <b>Revenue:</b>         |                                     |                   |                     |        |                                    |                     |                     |        |
| Array Legacy Operations | \$ 244,857                          | \$ 400,463        | \$ (155,606)        | (39) % | \$ 895,322                         | \$ 998,292          | \$ (102,970)        | (10) % |
| STI Operations          | 105,581                             | 114,561           | (8,980)             | (8) %  | 339,614                            | 237,183             | 102,431             | 43 %   |
| Total Revenue           | <u>\$ 350,438</u>                   | <u>\$ 515,024</u> | <u>\$ (164,586)</u> | (32) % | <u>\$ 1,234,936</u>                | <u>\$ 1,235,475</u> | <u>\$ (539)</u>     | — %    |

#### Gross Profit

|                         |                  |                  |                  |       |                   |                   |                   |       |
|-------------------------|------------------|------------------|------------------|-------|-------------------|-------------------|-------------------|-------|
| Array Legacy Operations | \$ 58,233        | \$ 60,281        | \$ (2,048)       | (3) % | \$ 241,019        | \$ 108,111        | \$ 132,908        | 123 % |
| STI Operations          | 29,146           | 16,302           | 12,844           | 79 %  | 90,303            | 27,727            | 62,576            | 226 % |
| Total Gross Profit      | <u>\$ 87,379</u> | <u>\$ 76,583</u> | <u>\$ 10,796</u> | 14 %  | <u>\$ 331,322</u> | <u>\$ 135,838</u> | <u>\$ 195,484</u> | 144 % |

#### Comparison of the three months ended September 30, 2023 and 2022

##### Revenue

Consolidated revenue decreased \$164.6 million, or 32%, driven primarily by a decrease in both Array Legacy Operations of 39% and STI Operations of 8%.

The decrease in revenue in Array Legacy Operations was driven by a 33% reduction in the number of MWs shipped due to project delays from our customers, as well as a 9% reduction in ASP due to lower input costs for materials and logistics.

The decrease in revenue in STI Operations was driven by a decrease in the number of megawatts shipped, most notably in the Brazil region, which offset lower ASP due to a smaller percentage of construction services being offered.

### ***Cost of Revenue and Gross Profit***

Consolidated cost of revenue decreased by \$175.4 million, or 40%, driven primarily by a reduction in revenue combined with lower input costs.

Consolidated gross profit increased by \$10.8 million, or 14%. As a percentage of revenue, consolidated gross profit increased to 25% for the three months ended September 30, 2023, as compared to 15% during the same period in the prior year. Both operating segments had increases in gross profit as a percent of revenue.

Array Legacy Operations gross profit decreased by \$2.0 million, or 3%. As a percentage of revenue, gross profit increased to 24% from 15% for the three months ended September 30, 2023 and 2022, respectively. The increase in gross profit as a percent of revenue was driven by an improvement in pass through pricing to customers, in addition to cost savings due to improved raw materials pricing and lower logistics rates, as well as a higher proportion of higher margin non-tracker revenue.

STI Operations gross profit increased by \$12.8 million, or 79%. As a percentage of revenue, gross profit for STI Operations increased to 28% from 14% for the three months ended September 30, 2023 and 2022, respectively, driven primarily by improved pass through pricing, cost savings opportunities on raw materials and a reduced impact of lower margin construction related services provided.

### ***Operating Expenses:***

#### ***General and Administrative***

Consolidated general and administrative expenses decreased by \$1.3 million, or 3%. In the third quarter of 2022, the Company incurred \$4.9 million in professional fees related to the STI acquisition for which there were no comparable expenses in the current year. Excluding those fees, expense was up primarily due to an increase in payroll and related costs, driven by an increase in headcount.

#### ***Contingent Consideration***

Consolidated contingent consideration expense increased by \$0.8 million, or 133%, as a result of the increased valuation of the TRA liability.

#### ***Depreciation and Amortization***

Consolidated depreciation and amortization decreased by \$11.7 million or 55%, due to the decrease in the amortization of intangibles of \$12.0 million, as the backlog purchased as part of the STI Acquisition had a one-year life and was fully amortized in the first quarter of 2023.

### ***Interest Expense***

Consolidated interest expense increased by \$4.2 million, or 48%, primarily due to increased variable interest rates charged on our Term Loan Facility as well as the acceleration of \$2.5 million of non-cash interest expense related to an unscheduled principal payment made against the outstanding Term Loan balance.

We expect interest expense to be higher for the remainder of 2023 compared to 2022 as a result of continued higher variable interest rates.

#### ***Income Tax Expense (Benefit)***

Consolidated income tax decreased by \$2.8 million, or 28%. The Company recorded income tax expense of \$7.2 million for the three months ended September 30, 2023, compared to income tax expense of \$10.0 million for the three months ended September 30, 2022. Our effective tax rate was 23.7% for the three months ended September 30, 2023, and 19.7% for the three months ended September 30, 2022. The tax expense for the three months ended September 30, 2023, was unfavorably impacted by higher income in non-U.S. jurisdictions which have higher tax rates than the U.S. and non-deductible expenses. The tax expense for the three months ended September 30, 2022, which includes \$8.7 million related to the legal settlement discretely recorded in the period, was favorably impacted by losses in non-U.S. jurisdictions which have higher tax rates than the U.S., partially offset by non-deductible expenses.

#### ***Net Income***

Consolidated net income decreased by \$17.4 million, or 43%, driven by a \$164.6 million decrease in consolidated revenue and the nonrecurrence in the current year of a \$42.8 million legal settlement gain recognized by Array Legacy Operations during the three months ended September 30, 2022.

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

##### ***Revenue***

Consolidated revenue was flat year over year, driven by an increase in STI Operations of \$102.4 million, offset by a decrease in Array Legacy Operations of \$103.0 million.

The \$102.4 million, or 43%, revenue increase in STI Operations was driven by an increase in the number of megawatts shipped, most notably in the Brazil region, which offset lower ASP due to a smaller percentage of construction services being offered.

The \$103.0 million, or 10%, revenue decrease in Array Legacy Operations was driven by a decrease in the number of megawatts shipped, due primarily to project delays from our customers.

##### ***Cost of Revenue and Gross Profit***

Consolidated cost of revenue decreased by \$196.0 million, or 18%, driven primarily by a reduction in revenue combined with a decrease in input costs.

Consolidated gross profit increased by \$195.5 million, or 144%. As a percentage of revenue, consolidated gross profit increased to 27% for the nine months ended September 30, 2023, as compared to 11% during the same period in the prior year. The increase in gross profit dollars was driven by cost savings opportunities and lower overall costs in logistics and raw materials, a higher proportion of higher margin non-tracker revenue and a decrease in lower margin construction related services.

Array Legacy Operations gross profit increased by \$132.9 million, or 123%. As a percentage of revenue, gross profit at Array Legacy Operations increased to 27% from 11% for the nine months ended September 30, 2023 and 2022, respectively. The increase in gross profit as a percent of revenue was driven by an improvement in pass through pricing to customers, in addition to cost savings opportunities in logistics and raw materials, as well as a higher proportion of higher margin non-tracker revenue.

STI Operations gross profit increased by \$62.6 million, or 226%. As a percentage of revenue, gross profit for STI Operations increased to 27% from 12% for the nine months ended September 30, 2023 and 2022, respectively, driven primarily by improved pass through pricing and a reduced impact of lower margin construction related services provided.

**Operating Expenses:**

*General and Administrative*

Consolidated general and administrative expenses increased by \$2.8 million, or 2%. The increase was driven by higher payroll and related expenses incurred to increase headcount in support of our growth and innovation strategy. These increases were partially offset by no acquisition related expenses in 2023 compared to expenses related to the STI Acquisition in 2022.

*Contingent Consideration*

Consolidated contingent consideration expense increased by \$8.2 million, or 137% as a result of the increased valuation of the TRA liability, which was driven by a decrease in the credit spread used in the valuation, consistent with the overall downward trend of credit spreads subsequent to 2022.

*Depreciation and Amortization*

Consolidated depreciation and amortization decreased by \$33.9 million, or 54%, due to the decrease in the amortization of intangibles of \$34.7 million, as the backlog purchased as part of the STI Acquisition had a one-year life and was fully amortized as of the first quarter of 2023.

**Interest Expense**

Consolidated interest expense increased by \$11.6 million, or 49%, primarily due to increased variable interest rates charged on our Term Loan Facility as well as the acceleration of \$3.6 million of non-cash interest expense related to unscheduled principal payments made against the outstanding Term Loan balance.

**Income Tax Expense (Benefit)**

Consolidated income tax increased by \$62.7 million, or 270%. The Company recorded income tax expense of \$39.5 million for the nine months ended September 30, 2023, compared to a benefit of \$23.2 million for the nine months ended September 30, 2022. Our effective tax rate was 25.7% and 171.7% for the nine months ended September 30, 2023 and 2022, respectively. The tax expense for the nine months ended September 30, 2023, was unfavorably impacted by higher income in non-U.S. jurisdictions and an increase in income tax expense related to the Put Option, partially offset by benefits related to excess stock compensation deductions recorded discretely during the period. The tax benefit for the nine months ended September 30, 2022, which includes \$8.7 million related to the legal settlement discretely recorded in the period, was favorably impacted by losses in non-U.S. jurisdictions which have higher tax rates than the U.S., partially offset by non-deductible expenses.

**Net Income**

Consolidated net income increased by \$104.5 million, or 1,079%, driven by a 144% increase in consolidated gross profit margin and a \$22.9 million reduction in operating expenses, partially offset by a \$62.7 million increase in income tax expense and the nonrecurrence in the current year of a \$42.8 million legal settlement gain recognized by Array Legacy Operations during the three months ended September 30, 2022.

## Liquidity and Capital Resources

### Cash Flows (in thousands)

|                                                              | Nine Months Ended September 30, |              |
|--------------------------------------------------------------|---------------------------------|--------------|
|                                                              | 2023                            | 2022         |
| Net cash provided by operating activities                    | \$ 137,974                      | \$ 44,023    |
| Net cash used in investing activities                        | (11,615)                        | (380,506)    |
| Net cash (used in) provided by financing activities          | (84,442)                        | 33,146       |
| Effect of exchange rate changes on cash and cash equivalents | (1,808)                         | (1,555)      |
| Net change in cash and cash equivalents                      | \$ 40,109                       | \$ (304,892) |

We have historically financed our operations primarily with the proceeds from contributions, operating cash flows and short and long-term borrowings. Our ability to generate positive cash flow from operations is dependent on the strength our gross margins as well as our ability to quickly turn our working capital. Based on our past performance and current expectations, we believe that operating cash flows will be sufficient to meet our future cash needs.

As of September 30, 2023, our cash balance was \$174.0 million, of which \$62.5 million was held outside the U.S., and net working capital was \$462.6 million. We had outstanding borrowings of \$239.3 million under our \$575 million Term Loan Facility and \$175.1 million available to us under our \$200 million Revolving Credit Facility.

The Company continually monitors and reviews its liquidity position and funding needs. Management believes that the Company's ability to generate operating cash flows in the future and available borrowing capacity under its Senior Secured Credit Facility will be sufficient to meet its future liquidity needs.

### Operating Activities

For the nine months ended September 30, 2023, cash provided by operating activities was \$138.0 million, of which \$184.8 million was generated from net income as adjusted for the impact of non-cash expenses, consisting primarily of depreciation and amortization, equity-based compensation, amortization of developed technology, and amortization of debt discount and issuance costs. Increases in accrued expenses and other of \$18.5 million, accounts payable of \$14.4 million, and inventory of \$12.6 million, were partially offset by decreases in deferred revenue of \$78.2 million and accounts receivable of \$6.4 million.

For the nine months ended September 30, 2022, cash provided by operating activities was \$44.0 million, primarily due to an increase in net income and the Company being awarded and paid a settlement from Nextracker LLC, for \$42.8 million for the Nextracker Litigation. In addition, accounts payable and accruals increased cash by \$42.2 million and \$41.3 million, respectively, driven by higher expenses associated with higher sales, offset by a use from accounts receivable of \$139.0 million driven primarily by higher sales.

### Investing Activities

For the nine months ended September 30, 2023, net cash used in investing activities was \$11.6 million, all of which was related to the purchase of property, plant and equipment.

For the nine months ended September 30, 2022, net cash used in investing activities was \$380.5 million, primarily due to cash used in the STI Acquisition.

### **Financing Activities**

For the nine months ended September 30, 2023, net cash provided by financing activities was \$84.4 million, driven primarily by \$73.2 million in payments on our Term Loan and a \$8.5 million net reduction of other debt.

For the nine months ended September 30, 2022, net cash provided by financing activities was \$33.1 million, of which \$48.4 million related to proceeds from the Additional Closing in January 2022 offset by a dividend payment of \$18.4 million on the Series A preferred stock.

### **Series A Redeemable Perpetual Preferred Stock**

On August 10, 2021, we entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with certain investors (the "Purchasers"). Pursuant to the Securities Purchase Agreement, on August 11, 2021, we issued and sold to the Purchaser 350,000 shares of a newly designated Series A Redeemable Perpetual Preferred Stock, par value \$0.001 per share (the "Series A Shares"), having the powers, designations, preferences, and other rights set forth in the Certificate of Designations, and 7,098,765 shares of our common stock, par value \$0.001 per share, for an aggregate purchase price of \$346.0 million. Further, pursuant to the Securities Purchase Agreement, and subject to the terms and conditions set forth therein, as amended, we have issued and sold to the Purchasers 776,235 shares of common stock for an aggregate purchase price of \$776.

In January 2022, we issued 50,000 of Series A Shares, and 1,125,000 shares of our common stock in the Additional Closing for an aggregate purchase price of \$49.4 million.

For more information related to the Series A Shares, see [Note 8 – Redeemable Perpetual Preferred Stock](#), to the accompanying condensed consolidated financial statements.

### **Debt Obligations**

For a discussion of our debt obligations see [Note 7 – Debt](#) to our condensed consolidated financial statements included in this Quarterly Report.

### **Surety Bonds**

We are required to provide surety bonds to various parties as required for certain transactions initiated during the ordinary course of business to guarantee our performance in accordance with contractual or legal obligations. As of September 30, 2023, we posted surety bonds in the total amount of approximately \$217.6 million. These off-balance sheet arrangements do not adversely impact our liquidity or capital resources.

### **Critical Accounting Policies and Significant Management Estimates**

Our condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the ("U.S. GAAP"). In connection with the preparation of our condensed consolidated financial statements, we are required to make assumptions and estimates about future events and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our condensed consolidated financial statements are prepared. On a regular basis, we review the accounting policies, assumptions, estimates and judgments to ensure that our condensed consolidated financial statements are presented fairly and in accordance with U.S. GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates. To the extent that there are material differences between

these estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

We consider an accounting policy to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the condensed consolidated financial statements.

#### *Fair Value of Financial Instruments*

The capped call option agreements associated with conversion of the Convertible Notes (the “Capped Calls”) are accounted for as an asset that is recorded at fair value within Derivative assets in the consolidated balance sheets. The changes in fair value to Derivative assets are recorded within change in fair value of derivative assets in the Condensed Consolidated Statements of Operations. See [Note 1 – Organization, Business and Out of Period Adjustments](#), and [Note 2 – Summary of Significant Accounting Policies](#), of the condensed consolidated financial statements for further information regarding the accounting of these instruments.

The Capped Calls are valued using a Black-Scholes model, with the most judgmental non-observable input being the volatility measure. Changes in the assumptions around the volatility can cause significant changes in the estimated fair value of the Capped Call.

#### **Adoption of New and Recently Issued Accounting Pronouncements**

Refer to [Note 2 – Summary of Significant Accounting Policies](#) to our condensed consolidated financial statements for a discussion of adoption of new and recently issued accounting pronouncements.

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

##### *Customer Financing Exposure*

We are also indirectly exposed to interest rate risk because many of our customers depend on debt financings to purchase our product. An increase in interest rates could make it challenging for our customers to obtain the capital necessary to make such purchases on favorable terms, or at all. Such factors could reduce demand or lower the price we can charge for our product, thereby reducing our net sales and gross profit.

##### *Commodity and Component Risk*

We are exposed to price risks for the raw materials, components, logistics services, and energy costs used in the manufacturing and transportation of our product. Additionally, some of our raw materials and components are sourced from a limited number of suppliers or a single supplier. We evaluate our suppliers using a robust qualification process. In some cases, we also enter into long-term supply contracts for raw materials and components. Accordingly, we are exposed to price changes in the raw materials and components used in our product. In addition, the failure of a key supplier could disrupt our supply chain, which could result in higher prices and/or a disruption in our manufacturing process. We may be unable to pass along changes in the costs of the raw materials and components for our product, or the costs associated with logistics services for the distribution of our product, to our customers and may be in default of our delivery obligations if we experience a manufacturing disruption.

## Item 4. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures.

We maintain “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2023. Based upon the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were not effective at a reasonable assurance level, due to the material weaknesses previously identified and disclosed in our 2022 Annual Report and listed below. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting (“ICFR”) such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Management determined that the previously disclosed material weaknesses in its ICFR continue to exist at September 30, 2023. Specifically:

*Control Environment, Risk Assessment and Monitoring Activities* – We did not maintain appropriately designed entity-level controls impacting the control environment and effective monitoring controls to prevent or detect material misstatements to the consolidated financial statements. These deficiencies were attributed to (i) a lack of a sufficient number of qualified resources and inadequate oversight and accountability over the performance of control activities, (ii) ineffective identification and assessment of risks to properly design and implement relevant controls, and (iii) ineffective evaluation and determination as to whether the components of internal control were present and functioning.

*Control Activities* – These material weaknesses contributed to the following additional material weaknesses within certain business processes:

- *Inventory* – We did not appropriately design, implement, and execute controls over the existence, accuracy, and cutoff of inventory.
- *Revenue Recognition* – We did not appropriately design, implement and maintain effective controls over revenue recognition, relating to the proper application of Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*.
- *Accounts Receivable* – We did not appropriately design, implement and maintain effective controls over the existence of accounts receivable. Specifically, we did not design certain controls at an appropriate precision level to ensure the identification of material misstatements.
- *Financial Reporting, Consolidation and Business Combination* – We did not appropriately design, implement and maintain effective controls over the financial reporting process. Specifically, we did not maintain effective controls related to (i) preparation of consolidated financial statements, (ii) the accounting for the business combination, including management review controls over the valuation and

purchase price allocation, at an appropriate level of precision to detect a material misstatement, and (iii) consolidation of our subsidiaries. In addition, we did not maintain sufficient appropriate audit evidence to demonstrate execution of the related controls.

- *Foreign Currency* – We did not appropriately design, implement, and execute controls over foreign currency, including (i) lack of identifying and recording our foreign subsidiaries' goodwill and intangibles balances in the proper functional currency in our consolidated financial statements, and (ii) performing proper foreign currency translations. This resulted in the restatement of the Company's interim unaudited condensed consolidated financial statements.
- *STI* - As 2023 is the first year STI is required to be Sarbanes-Oxley Act of 2002 compliant, management is in the process of conducting a formal ICFR assessment of STI and has identified material weaknesses in STI's ICFR as follows:
  - We did not design, implement and monitor general information technology controls in the areas of program change management, user access, and segregation of duties for systems supporting substantially all of STI's internal control processes.
  - We did not design and implement formal accounting policies, procedures and controls across substantially all of STI's business processes to achieve timely, complete and accurate financial accounting, reporting, and disclosures.

After giving full consideration to these material weaknesses, and the additional analyses and other procedures that we performed to ensure that our condensed consolidated financial statements included in this Quarterly Report were prepared in accordance with U.S. GAAP, our management has concluded that our condensed consolidated financial statements present fairly, in all material respects, our financial position, results of operations and cash flows for the periods disclosed in conformity with U.S. GAAP.

#### ***Remediation Plan for Existing Material Weaknesses***

We are in the process of, and continue to focus on, designing and implementing effective measures to strengthen our ICFR and remediate the material weaknesses. Our planned remediation efforts include the following:

*Control Environment, Risk Assessment and Monitoring* – We have hired and will continue to hire additional resources throughout 2023 in accounting and IT to supplement our existing capabilities and capacity; and we will concentrate on retaining key accounting, IT, and operational personnel. In 2023, we have engaged an outside global consulting firm to support our continued enhancement of the design and operation of monitoring controls and other activities that will allow us to timely assess the design and the operating effectiveness of our ICFR. In addition to enhancing our ICFR overall, the consulting firm has been specifically focused on the identification of new controls and the improvement of existing controls related to STI, inventory management, revenue recognition and accounts receivable as well as business combination controls for future acquisitions.

#### ***Control Activities:***

- *Inventory* – We continue to implement planned information system enhancements and the expansion of current information system capabilities, which will result in improved reliance on automated controls and less reliance on manual controls. Additionally, we are enhancing existing controls and are implementing new controls over the accounting, processing and recording of inventory. Specifically, we have strengthened the operation of control activities over inventory-in-transit, deploying multiple levels of review and validation of information and supporting documentation. We expect to deploy final phases of information system enhancements by the end of 2023.

- *Revenue Recognition and Accounts Receivable* – We continue to evaluate our information system capabilities in order to reduce the manual calculations within the revenue recognition business processes. We have begun to deploy information systems enhancements targeted at eliminating manual processes. Additionally, we are enhancing the design of existing controls to ensure completeness and accuracy of underlying source data for revenue recognition and customer billing, as well as designing monitoring controls to increase oversight and timely detection of potential errors. Lastly, we will continue to supplement our accounting staff with more experienced personnel which will enable us to incorporate an additional level of review.
- *Foreign Currency* – We have implemented information system enhancements which will automate this previously manual process. We will utilize the enhancements in parallel with our manual process for the near term until the enhancements are fully deployed and the process is completely automated. We have continued to enhance the design of existing controls and processes related to the foreign currency translation process and over the consolidation of foreign entities into our condensed consolidated financial statements.
- *Other Areas* – We are in the process of remediation activities, including enhancing the design and operating effectiveness of controls around our ICFR. We are actively working with an outside global consulting firm to assist us with (i) reviewing our current processes, procedures, and systems to assess our ICFR to identify opportunities to enhance the design of controls to address relevant risks identified by management, and (ii) enhancing and implementing protocols to retain sufficient documentary evidence of operating effectiveness of such controls. Additional activities in process include the following:
  - Continuing to enhance and formalize our accounting and business operations policies, procedures, and controls to achieve complete, accurate, and timely financial accounting, reporting and necessary disclosures;
  - Enhancing policies and procedures to retain adequate documentary evidence for relevant management review controls over certain business processes including precision of review and evidence of review procedures performed to demonstrate effective operation of such controls; and
  - Developing monitoring controls and protocols that will allow us to timely assess the design and the operating effectiveness of controls over financial reporting and make necessary changes to the design of controls, if any.

While these actions currently in process are subject to ongoing management evaluation and will require validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles, we are committed to the continuous improvement of our internal control over financial reporting and will continue to review our internal control over financial reporting.

#### **Changes in Internal Control over Financial Reporting**

Other than as discussed above, there were no other changes to our internal control over financial reporting during the three months ended September 30, 2023, that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II—OTHER INFORMATION**

## **Item 1. Legal Proceedings**

See [Note 11 – Commitments and Contingencies](#) under the heading “Legal Proceedings” of our condensed consolidated financial statements for legal proceedings and related matters. In addition to the lawsuits described in Note 11 to our condensed consolidated financial statements, from time to time we may be involved in claims arising in the ordinary course of business. To our knowledge, other than the cases described in Note 11 to our condensed consolidated financial statements, no material legal proceedings, governmental actions, investigations or claims are currently pending against us or involve us that, in the opinion of our management, could reasonably be expected to have a material adverse effect on our business and financial condition.

## **Item 1A. Risk Factors**

Except to the extent additional factual information disclosed elsewhere in this Quarterly Report relates to such risk factors (including, without limitation, the matters discussed in [Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”](#)) there were no material changes to the risk factors disclosed in Part I, Item 1A, in our [2022 Annual Report](#).

## **Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities**

None.

## **Item 3. Defaults Upon Senior Securities**

None.

## **Item 4. Mine Safety Disclosures**

Not applicable.

## **Item 5. Other Information**

During the third quarter of 2023, certain of our directors and officers (as defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) entered into contracts, instructions or written plans for the purchase or sale of our securities that are intended to satisfy the conditions specified in Rule 10b5-1(c) under the Exchange Act for an affirmative defense against liability for trading in securities on the basis of material nonpublic information. We refer to these contracts, instructions, and written plans as “Trading Plans ” and each one as a “Trading Plan.”

The following table sets forth the material terms of these Trading Plans:

| Director/Officer                          | Action & Date of Action       | Commencement of Trading Period | Scheduled Termination of Trading Period <sup>(1)</sup> | Security Covered | Maximum Number of Securities to be Purchased or Sold Pursuant to the Rule 10b5-1 Trading Plan <sup>(2)</sup> | Covers Purchase or Sale? |
|-------------------------------------------|-------------------------------|--------------------------------|--------------------------------------------------------|------------------|--------------------------------------------------------------------------------------------------------------|--------------------------|
| Kevin Hosteller , Chief Executive Officer | Adoption<br>September 5, 2023 | January 12, 2024               | August 30, 2024                                        | Common Stock     | 50,511                                                                                                       | Sale                     |

(1) The plans are subject to earlier termination under certain circumstances specified in the plans, including upon the sale or purchase (as applicable) of all shares subject to the plan and upon either party to a plan giving notice of termination within the time prescribed under the plan.

(2) Subject to adjustments for stock splits, stock combinations, stock dividends and other similar changes to our common stock.

## Item 6. Exhibits

| Number  | Exhibit Description                                                                                                                                            | Form | Date       | No. |
|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|------|------------|-----|
| 3.1     | <a href="#">Amended and Restated Certificate of Incorporation of Array Technologies, Inc., dated October 19, 2020</a>                                          | 8-K  | 10/19/2020 | 3.1 |
| 3.2     | <a href="#">Amended and Restated Bylaws of Array Technologies, Inc., dated October 19, 2020</a>                                                                | 8-K  | 10/19/2020 | 3.2 |
| 3.3     | <a href="#">Certificate of Designations of Series A Perpetual Preferred Stock</a>                                                                              | 8-K  | 8/11/2021  | 3.1 |
| 31.1*   | <a href="#">Certification of the Chief Executive Officer, as required by Section 302 of the Sarbanes- Oxley Act of 2002 (18 U.S.C. 1350)</a>                   |      |            |     |
| 31.2*   | <a href="#">Certification of the Chief Financial Officer, as required by Section 302 of the Sarbanes- Oxley Act of 2002 (18 U.S.C. 1350)</a>                   |      |            |     |
| 32.1**  | <a href="#">Certification of the Chief Executive Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)</a>                    |      |            |     |
| 32.2**  | <a href="#">Certification of the Chief Financial Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)</a>                    |      |            |     |
| 101.INS | XBRL Instance Document – the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document |      |            |     |
| 101.SCH | XBRL Taxonomy Extension Schema Document                                                                                                                        |      |            |     |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document                                                                                                          |      |            |     |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document                                                                                                           |      |            |     |

| Number  | Exhibit Description                                    | Form | Date | No. |
|---------|--------------------------------------------------------|------|------|-----|
| 101.LAB | XBRL Taxonomy Extension Presentation Linkbase Document |      |      |     |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |      |      |     |
| 104     | Cover Page Interactive Data Files                      |      |      |     |

\* Filed herewith

\*\* Furnished herewith

## SIGNATURES

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

Array Technologies, Inc.

By: /s/ Kevin G. Hostetler  
Kevin G. Hostetler  
Chief Executive Officer

Date: November 7, 2023

By: /s/ Nipul Patel  
Nipul Patel  
Chief Financial Officer

Date: November 7, 2023

**EXHIBIT 31.1**

**CERTIFICATION BY CHIEF EXECUTIVE OFFICER PURSUANT TO  
RULE 13a-14(a) AND 15d-14(a) UNDER THE EXCHANGE ACT**

I, Kevin G. Hostetler, certify that:

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

/s/ Kevin G. Hostetler

Kevin G. Hostetler

Chief Executive Officer

Date: November 7, 2023

**EXHIBIT 31.2**

**CERTIFICATION BY CHIEF FINANCIAL OFFICER PURSUANT TO  
RULE 13a-14(a) AND 15d-14(a) UNDER THE EXCHANGE ACT**

I, Nipul Patel, certify that:

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

/s/ Nipul Patel

Nipul Patel

Chief Financial Officer

Date: November 7, 2023

**EXHIBIT 32.1**

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

In connection with this Quarterly Report of Array Technologies, Inc. (the "Company") filed on Form 10-Q for the period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin G. Hostetler, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ Kevin G. Hostetler

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Kevin G. Hostetler

Chief Executive Officer

Date: November 7, 2023

**EXHIBIT 32.2**

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

In connection with this Quarterly Report of Array Technologies, Inc. (the "Company") filed on Form 10-Q for the period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nipul Patel, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ Nipul Patel

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Nipul Patel

Chief Financial Officer

Date: November 7, 2023