UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2021

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: 001-37851

AIRGAIN, INC.
(Exact name of registrant as specified in its charter)

Delaware	**95-4523882**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
3611 Valley Centre Drive, Suite 150 **San Diego, CA**	**92130**
(Address of Principal Executive Offices)	**(Zip Code)**

(760) 579-0200
(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares, par value $0.0001 per share	AIRG	Nasdaq

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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☒		

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

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

As of May 4, 2021, the registrant had 10,536,756 shares of Common Stock (par value $0.0001) outstanding.

AIRGAIN, INC.
Form 10-Q
For the Quarter Ended March 31, 2021

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Airgain, Inc.
Condensed Consolidated Balance Sheets
(In thousands, except par value)
(Unaudited)

	March 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 21,458	$ 38,173
Trade accounts receivable	9,853	4,782
Inventory	2,409	1,016
Prepaid expenses and other current assets	1,953	1,462
Total current assets	35,673	45,433
Property and equipment, net	2,469	2,377
Leased right-of-use assets	3,340	—
Goodwill	10,845	3,700
Intangible assets, net	16,517	3,168
Other assets	517	249
Total assets	$ 69,361	$ 54,927
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 4,848	$ 2,975
Accrued compensation	1,531	2,655
Accrued liabilities and other	2,145	1,187
Short-term lease liabilities	981	—
Current portion of deferred rent obligation under operating lease	—	39
Total current liabilities	9,505	6,856
Deferred purchase price liabilities	6,686	—
Deferred tax liability	86	58
Long-term lease liabilities	2,686	—
Deferred rent obligation under operating lease	—	271
Total liabilities	18,963	7,185
Commitments and contingencies (note 15)		
Stockholders' equity:		
Common stock and additional paid-in capital, par value $0.0001, 200,000 shares authorized; 10,537 shares issued and 10,003 shares outstanding at March 31, 2021; and 10,318 shares issued and 9,784 shares outstanding at December 31, 2020	102,775	100,356
Treasury stock, at cost: 534 shares at March 31, 2021 and December 31, 2020.	(5,267)	(5,267)
Accumulated deficit	(47,110)	(47,347)
Total stockholders' equity	50,398	47,742
Total liabilities and stockholders' equity	$ 69,361	$ 54,927

See accompanying notes.

Airgain, Inc.
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three months ended March 31,	
	2021	2020
Sales	$ 17,377	$ 11,216
Cost of goods sold	10,480	5,891
Gross profit	6,897	5,325
Operating expenses:		
Research and development	2,706	2,418
Sales and marketing	2,439	1,539
General and administrative	3,633	2,678
Total operating expenses	8,778	6,635
Loss from operations	(1,881)	(1,310)
Other expense (income):		
Interest income, net	(8)	(124)
Other expense	7	—
Total other income	(1)	(124)
Loss before income taxes	(1,880)	(1,186)
Provision (benefit) for income taxes	(2,117)	16
Net income (loss)	$ 237	$ (1,202)
Net income (loss) per share:		
Basic	$ 0.02	$ (0.12)
Diluted	$ 0.02	$ (0.12)
Weighted average shares used in calculating income (loss) per share:		
Basic	9,869	9,690
Diluted	10,839	9,690

See accompanying notes.

Airgain, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(In thousands)
(Unaudited)

	Three months ended March 31,	
	2021	2020
Net income (loss)	$ 237	$ (1,202)
Unrealized loss on available-for-sale securities, net of deferred taxes	—	(15)
Comprehensive income (loss)	$ 237	$ (1,217)

See accompanying notes.

Airgain, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(In thousands)
(Unaudited)

	Three months ended March 31, 2021	Three months ended March 31, 2020
Total stockholders' equity, beginning balance	$ 47,742	$ 47,904
Common stock and additional paid-in capital:		
Balance at beginning of period	100,356	96,623
Stock-based compensation	928	668
Replacement awards issued in relation to acquisition	40	—
Issuance of shares for stock purchase plan	1,451	70
Balance at end of period	102,775	97,361
Treasury stock:		
Balance at beginning of period	(5,267)	(4,659)
Repurchases of common stock	—	(190)
Balance at end of period	(5,267)	(4,849)
Accumulated other comprehensive income (loss):		
Balance at beginning of period	—	8
Other comprehensive income (loss)	—	(15)
Balance at end of period	—	(7)
Accumulated deficit:		
Balance at beginning of period	(47,347)	(44,068)
Net income (loss)	237	(1,202)
Balance at end of period	(47,110)	(45,270)
Total stockholders' equity, ending balance	$ 50,398	$ 47,235

See accompanying notes.

Airgain, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three months ended March 31, 2021	Three months ended March 31, 2020
Cash flows from operating activities:		
Net income (loss)	$ 237	$ (1,202)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	131	122
Amortization of intangible assets	716	164
Amortization of premium (discounts) on investments, net	—	7
Stock-based compensation	928	668
Deferred tax liability	(2,302)	—
Changes in operating assets and liabilities:		
Trade accounts receivable	(3,944)	640
Inventory	278	197
Prepaid expenses and other assets	(451)	238
Other assets	27	—
Accounts payable	1,179	(291)
Accrued compensation	(1,263)	(1,356)
Accrued liabilities and other	527	(44)
Lease liabilities	17	—
Deferred obligation under operating lease	—	(45)
Net cash used in operating activities	(3,920)	(902)
Cash flows from investing activities:		
Cash paid for acquisition, net of cash acquired	(14,185)	—
Purchases of available-for-sale securities	—	(752)
Maturities of available-for-sale securities	—	11,400
Purchases of property and equipment	(61)	(115)
Net cash provided by (used in) investing activities	(14,246)	10,533
Cash flows from financing activities:		
Repurchases of common stock	—	(190)
Proceeds from issuance of common stock, net	1,451	70
Net cash provided by (used in) financing activities	1,451	(120)
Net increase (decrease) in cash, cash equivalents and restricted cash	(16,715)	9,511
Cash, cash equivalents, and restricted cash; beginning of period	38,348	13,197
Cash, cash equivalents, and restricted cash; end of period	$ 21,633	$ 22,708
Supplemental disclosure of cash flow information:		
Taxes paid	$ 38	$ 22
Supplemental disclosure of non-cash investing and financing activities:		
Right-of-use assets recorded upon adoption of ASC 842	$ 3,199	$ —
Leased liabilities recorded upon adoption of ASC 842	$ 3,519	$ —
Accrual of property and equipment	$ 13	$ 21
Cash and cash equivalents	$ 21,458	$ 22,533
Restricted cash included in other assets	175	175
Total cash, cash equivalents, and restricted cash	$ 21,633	$ 22,708

See accompanying notes.

Note 1. Description of Business and Basis of Presentation

Description of Business

Airgain, Inc. (the Company) was incorporated in the State of California on March 20, 1995; and reincorporated in the State of Delaware on August 15, 2016. The Company is a leading provider of advanced wireless connectivity solutions and technologies used to enable high performance wireless networking across a broad range of markets, including consumer, enterprise and automotive. The Company's technologies are deployed in carrier, fleet, enterprise, residential, private, government, and public safety wireless networks and systems, including set-top boxes, access points, routers, modems, gateways, media adapters, portables, digital televisions, sensors, fleet, and asset tracking devices. The Company provides its solutions to the residential wireless local area networking, also known as WLAN, market, supplying to leading carriers, original equipment manufacturers, or OEMs, original design manufacturers, or ODMs, and chipset manufacturers. The Company’s headquarters is in San Diego, California with office space and research, design and test facilities in the United States, United Kingdom, China, and Taiwan.

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and applicable rules and regulations of the Securities and Exchange Commission (SEC) regarding interim financial reporting. Certain information and note disclosures normally included in the consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Interim financial results are not necessarily indicative of results anticipated for the full year. As such, the information included in this quarterly report on Form 10-Q should be read in conjunction with the financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2020, from which the balance sheet information herein was derived. The Condensed Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiary. All intercompany transactions and investments have been eliminated in consolidation.

On January 7, 2021, the Company acquired all of the outstanding stock of NimbeLink Corp., a Delaware corporation (NimbeLink), for an upfront cash purchase price of approximately $15.0 million, subject to working capital and other customary adjustments of approximately $1.0 million as well as $0.7 million in deferred cash payments due to the seller fifteen months after the close of the transaction. In addition, NimbeLink’s former security holders may receive up to $8.0 million in additional consideration, subject to the acquired business's achievement of certain revenue targets in 2021. The transaction was recorded using the purchase method of accounting; accordingly, the results of NimbeLink are included in the Company’s condensed consolidated statements of operations and cash flows for the period subsequent to its acquisition.

The unaudited condensed balance sheet as of December 31, 2020, included herein was derived from the audited financial statements as of that date but does not include all disclosures including notes required by GAAP.

The unaudited condensed consolidated statements of operations for the three months ended March 31, 2021 and 2020, and the consolidated balance sheet data as of March 31, 2021, have been prepared on the same basis as the audited financial statements.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting of normal and recurring adjustments, necessary for a fair presentation of results of the Company’s operations and financial position for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for the full year ending December 31, 2021, or for any future period.

Segment Information

The Company’s operations are located primarily in the United States and most of its assets are located in San Diego, California, Plymouth, Minnesota and Scottsdale, Arizona. The Company operates in one segment related to the sale of wireless connectivity solutions and technologies. The Company’s chief operating decision-maker is its chief executive officer, who reviews operating results on an aggregate basis and manages the Company’s operations as a single operating segment.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the presentation of the current year financial statements including reclassification of accrued vacation, accrued payroll and other payroll accrual balances from accrued liabilities and other to accrued compensation resulting in changes to the comparative condensed consolidated statement of cash flows.

Note 2. Summary of Significant Accounting Policies

During the three months ended March 31, 2021, there have been no material changes to the Company's significant accounting policies as described in the Annual Report on Form 10-K for the fiscal year ended December 31, 2020, with the exception of the Company's adoption of ASC 842, *Leases* as discussed below.

Restricted Cash

As of March 31, 2021, the Company has $0.2 million in cash on deposit to secure certain lease commitments. Restricted cash is recorded in Other assets in the Company's balance sheet.

Trade Accounts Receivable

Trade accounts receivable is adjusted for all known uncollectible accounts. The policy for determining when receivables are past due or delinquent is based on the contractual terms agreed upon. Accounts are written off once all collection efforts have been exhausted. An allowance for doubtful accounts is established when, in the opinion of management, collection of the account is doubtful. No allowance for doubtful accounts was recorded as of March 31, 2021 and December 31, 2020.

Inventory

The majority of the Company's products are manufactured by third parties that retain ownership of the inventory until title is transferred to the customer at the shipping point. In certain instances, shipping terms are delivery at place and the Company is responsible for arranging transportation and delivery of goods ready for unloading at the named place. In those instances, the Company bears all risk involved in bringing the goods to the named place and records the related inventory in transit to the customer as inventory on the accompanying balance sheet. The Company also manufactures certain of its products at its facility located in Scottsdale, Arizona.

Inventory is stated at the lower of cost or net realizable value. For items manufactured by the Company, cost is determined using the weighted average cost method. For items manufactured by third parties, cost is determined using the first-in, first-out (FIFO) method. Any adjustments to reduce the cost of inventories to their net realizable value are recognized in earnings in the current period. As of March 31, 2021, the Company's inventories consist of raw materials of $1.5 million and finished goods of $0.9 million as of March 31, 2021. As of December 31, 2020, inventories consisted of raw materials of $0.8 million and finished goods of $0.2 million, respectively. Provisions for excess and obsolete inventories are estimated based on product life cycles, quality issues, and historical experience and were $10,000 as of March 31, 2021 and December 31, 2020.

Fair Value Measurements

The carrying values of the Company's financial instruments, including cash, trade accounts receivable, accounts payable, and accrued liabilities approximate their fair values due to the short maturity of these instruments. Fair value measurements are market-based measurements, not entity-specific measurements. Therefore, fair value measurements are determined based on the assumptions that market participants would use in pricing the asset or liability. The Company follows a three-level hierarchy to prioritize the inputs used in the valuation techniques to derive fair values. The basis for fair value measurements for each level within the hierarchy is described below:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.
- Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable in active markets.

Business Combinations

The Company applies the provisions of Accounting Standards Codification (ASC) 805, *Business Combinations*, in accounting for its acquisitions. It requires the Company to recognize separately from goodwill the assets acquired and the liabilities assumed, at the acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the acquisition date fair values of the net assets acquired and the liabilities assumed. While the Company uses its best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, as well as the contingent consideration, where applicable, its estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of operations.

In addition, uncertain tax positions and tax-related valuation allowances assumed, if any, in connection with a business combination are initially estimated as of the acquisition date. The Company re-evaluates these items quarterly based upon facts and circumstances that existed as of the acquisition date with any adjustments to the preliminary estimates being recorded to goodwill if identified within the measurement period. Subsequent to the end of the measurement period or final determination of the estimated value of the tax allowance or contingency, whichever comes first, changes to these uncertain tax positions and tax related valuation allowances will affect the income tax provision (benefit) in the consolidated statements of operations and could have a material impact on the results of operations and financial position.

Revenue Recognition

Effective January 1, 2019, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, and the related amendments, which are codified into ASC 606, *Revenue from Contracts with Customers*, using the modified retrospective method. The Company generates revenue mainly from the sale of wireless connectivity solutions and technologies. A portion of revenue is generated from service agreements and data subscription plans with certain customers. The revenue generated from service contracts and data subscription plans is insignificant. The Company recognizes revenue to depict the transfer of control of the promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods or services. Control passes to the customers either when the products are shipped to or received by the customer, based on the terms of the specific agreement with the customer. Revenue from Nimbelink's data subscription plans is recognized over the period of the subscription.

The Company records revenue based on a five-step model in accordance with ASC 606 whereby the company (i) identifies the contract(s) with the customer, (ii) identifies the performance obligations in the contract, (iii) determines the transaction price, (iv) allocates the transaction price to the performance obligation(s) in the contract and (v) recognizes the revenue when (as) the entity satisfies performance obligations. The Company only applies the five-step model when it is probable that the entity will collect substantially all of the consideration it is entitled to in exchange for the goods or services it transfers to the customer.

For product sales, each purchase order, along with existing customer agreements, when applicable, represents a contract from a customer and each product sold represents a distinct performance obligation. The contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The majority of the Company's revenue is recognized on a "point-in-time" basis when control passes to the customer. The revenue from service contracts and data subscription plans is recognized "over time". A portion of the Company's sales is made through distributors under agreements which allow for pricing credits and/or rights of return under certain circumstances. The Company has recorded a $0.2 million reserve, in accrued and other liabilities as of March 31, 2021, for potential rights of return from distributors.

The Company's contracts with customers do not typically include extended payment terms. Payment terms vary by contract and type of customer and generally range from 30 to 120 days from delivery. The Company provides assurance-type warranties on all product sales ranging from one to two years. The Company accrues for the estimated warranty costs at the time of sale based on historical warranty experience plus any known or expected changes in warranty exposure. Warranty costs including replacement costs for product failures in the field under warranty have been insignificant; accordingly, our warranty reserve is insignificant.

Although customers may place orders for products that are delivered on multiple dates in different quarterly reporting periods; all of the orders are normally scheduled within one year from the order date. The Company has opted to not disclose the portion of revenues allocated to partially unsatisfied performance obligations, which represent products to be shipped within 12 months under open customer purchase orders, at the end of the current reporting period as allowed under ASC 606. The Company has also elected to record sales commissions when incurred, pursuant to the practical expedient under ASC 340, as the period over which the sales commission asset that would have been recognized is less than one year. Shipping and handling costs are immaterial and reported in in operating expenses in the condensed consolidated statement of operations.

There were no contract assets as of March 31, 2021 and December 31, 2020. As of March 31, 2021 and December 31, 2020, the Company recorded $52,000 and $19,000 of contract liabilities, respectively.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize most leases on their balance sheets as lease liabilities, representing a liability to make lease payments, and corresponding right-of-use assets representing its right to use the underlying asset. The Company adopted the new accounting standard using the modified retrospective transition option as of the effective date on January 1, 2021. The adoption of this standard had a material impact on the Company's condensed consolidated balance sheets. The adoption did not have an impact on the Company's consolidated statements of operations.

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes*, as part of its initiative to reduce complexity in accounting standards. The amendments in the ASU include removing exceptions to incremental intraperiod tax allocation of losses and gains from different financial statement components, exceptions to the method of recognizing income taxes on interim period losses, and exceptions to deferred tax liability recognition related to foreign subsidiary investments. In addition, the ASU requires that entities recognize franchise tax based on an incremental method and requires an entity to evaluate the accounting for step-ups in the tax basis of goodwill as inside or outside of a business combination. Based on the Company’s emerging growth company status the amendments in the ASU are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The Company has adopted this standard as of January 1, 2021. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. This standard changes the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. In December 2019, the FASB issued ASU 2019-10, *Effective Dates* which updated the effective dates of adoption of ASU 2016-13. ASU 2016-13 is effective, for Smaller Reporting Companies, for annual and interim periods in fiscal years beginning after December 15, 2022. Companies are required to adopt the standard using a modified retrospective adoption method. The Company continues to evaluate the impact of the standard on its consolidated financial statements.

In May 2019, the FASB issued ASU 2019-05, *Financial Instruments-Credit Losses (Topic 326), Targeted Transition Relief*, which provides entities that have certain instruments within the scope of ASC 326-20, *Financial Instruments-Credit Losses-Measured at Amortized Cost*, with an option to irrevocably elect the fair value option for eligible instruments. The effective date and transition methodology for this standard are the same as in ASU 2016-13. The Company continues to evaluate the impact of the standard on its consolidated financial statements.

Note 3. Net Income (Loss) Per Share

Basic net income (loss) per share is calculated by dividing net income (loss) by the weighted average shares of common stock outstanding for the period. Diluted net income (loss) per share is calculated by dividing net income (loss) by the weighted average shares of common stock outstanding for the period plus amounts representing the dilutive effect of securities that are convertible into common stock. The Company calculates diluted income (loss) per common share using the treasury stock method.

The following table presents the computation of net income (loss) per share (in thousands except per share data):

	Three months ended March 31, 2021	Three months ended March 31, 2020
Numerator:		
Net income (loss)	$ 237	$ (1,202)
Denominator:		
Weighted average common shares outstanding - basic	9,869	9,690
Plus dilutive effect of potential common shares	970	—
Weighted average common shares outstanding - diluted	10,839	9,690
Net income (loss) per share:		
Basic	$ 0.02	$ (0.12)
Diluted	$ 0.02	$ (0.12)

Diluted weighted average common shares outstanding for the three months ended March 31, 2021 includes 25,201 warrants and 945,032 options.

Potentially dilutive securities (in common stock equivalent shares) not included in the calculation of diluted net income (loss) per share because to do so would be anti-dilutive are as follows (in thousands):

	Three months ended March 31,	
	2021	2020
Stock options and restricted stock	371	1,211
Warrants outstanding	—	51
Total	371	1,262

Note 4. Business Combinations

On January 7, 2021, the Company entered into a Stock Purchase Agreement, by and among the Company, NimbeLink, the sellers set forth therein (the Sellers) and Scott Schwalbe in his capacity as seller representative (the Purchase Agreement). NimbeLink is an industrial Internet of Things (IIoT) company focused on the design, development and delivery of edge-based cellular connectivity solutions for enterprise customers. The acquisition of NimbeLink supports the Company's transition toward becoming a more system-level company and will play an important role in the Company's overall growth strategy to broaden market diversification, especially within the IIoT space.

Pursuant to the Purchase Agreement, at the closing on January 7, 2021, the Company acquired all of the outstanding stock of NimbeLink for an upfront cash purchase price of approximately $15.0 million, subject to working capital and other customary adjustments of $1.0 million and $0.7 million in deferred cash payments due to the Sellers fifteen months after the close of the transaction. In addition, NimbeLink’s former security holders may receive up to $8.0 million in contingent consideration, subject to the acquired business's achievement of certain revenue targets in 2021. The Company assumed unvested common stock options of continuing employees and service providers.

Acquisition Consideration

The following table summarizes the fair value of purchase consideration to acquire NimbeLink(in thousands):

Fair value of purchase consideration		
Cash	$	15,991
Deferred payments(1)		728
Contingent consideration(2)		5,986
Replacement options(3)		40
Total purchase consideration	$	22,745

(1) The fair value of the holdback payment was determined by discounting to present value, payments totaling $/ 0.7 million expected to be made to NimbeLink fifteen months after the close of the transaction.
(2) The fair value of contingent consideration is based on applying the Monte Carlo simulation method to forecast achievement under various contingent consideration events which may result in up to $8 million in payments subject to the acquired business’s satisfying certain revenue targets in 2021. Key inputs in the valuation include forecasted revenue, revenue volatility and discount rate. Underlying forecast mathematics were based on Geometric Brownian Motion in a risk-neutral framework and discounted back to the applicable period in which the accumulative thresholds were achieved at discount rates commensurate with the risk and expected payout term of the contingent consideration.
(3) Represents the pre-combination stock compensation expense for replacement options issued to NimbeLink employees.

Preliminary Purchase Price Allocation

The following is an allocation of purchase price as of the January 7, 2021 closing date based upon a preliminary estimate of the fair value of the assets acquired and liabilities assumed by the Company in the acquisition (in thousands):

Purchase price allocation		
Cash	$	1,806
Accounts receivable		1,127
Inventory		1,671
Prepaids and other current assets		141
Property and equipment		151
Right of use assets		402
Other assets		194
Identified intangible assets		14,065
Accounts payable		(654)
Accrued compensation		(139)
Accrued expenses and other current liabilities		(432)
Short-term lease liabilities		(78)
Long-term lease liabilities		(324)
Deferred tax liabilities		(2,330)
Identifiable net assets acquired		15,600
Goodwill		7,145
Total purchase price	$	22,745

The following is a summary of identifiable intangible assets acquired and the related expected lives for the finite-lived intangible assets(in thousands):

Category	**Estimated Life in Years**		**Fair value**
Finite-lived intangible assets			
Market-related intangibles	5	$	1,700
Customer relationships	5		8,950
Developed technology	12		2,600
Covenants to non-compete	2		115
Indefinite-lived intangible assets			
In-process research and development	N/A		700
Total identifiable intangible assets acquired		$	14,065

Assumptions in the Allocations of Purchase Price

Management prepared the purchase price allocations and in doing so considered or relied in part upon reports of a third party valuation expert to calculate the fair value of certain acquired assets, which primarily included identifiable intangible assets and inventory, and the portions of the purchase consideration expected to be paid to NimbeLink securityholders in the future, as described above. Certain NimbeLink securityholders that are employees are not required to remain employed in order to receive the deferred payments and contingent consideration; accordingly, the fair value of the deferred payments and contingent consideration have been accounted for as a portion of the purchase consideration.

Estimates of fair value require management to make significant estimates and assumptions which are preliminary and subject to change upon finalization of the valuation analysis. The goodwill recognized is attributable primarily to the acquired workforce, expected synergies, and other benefits that the Company believes will result from integrating the operations of the NimbeLink business with the operations of the Company. Certain liabilities included in the purchase price allocations are based on management's best estimates of the amounts to be paid or settled and based on information available at the time the purchase price allocations were prepared. Updates to and/or completion of the valuations of certain assets acquired and liabilities assumed and our evaluation of certain income tax positions may result in changes to the recorded amounts of assets and liabilities, with corresponding adjustments to goodwill amounts in subsequent periods. We expect to complete the purchase price allocations within 12 months of the respective acquisition dates.

The fair value of the customer relationships was determined using the multi-period excess earnings method, or MPEEM. MPEEM estimates the value of an intangible asset by quantifying the amount of residual (or excess) cash flows generated by the asset, and discounting those cash flows to the present. Future cash flows for contractual and non-contractual customers were estimated based on forecasted revenue and costs, taking into account the growth rates and contributory charges. The fair value of market-related intangible assets, developed technology, and in-process research and development (IPR&D) was determined using the Relief from Royalty Method. The Relief-from-Royalty method is a specific application of the discounted-cash-flow method, which is a form of the income approach. It is based on the principle that ownership of the intangible asset relieves the owner of the need to pay a royalty to another party in exchange for rights to use the asset. Key assumptions to estimate the hypothetical royalty rate include observable royalty rates, which are royalty rates in negotiated licenses and market-based royalty rates which are royalty rates found in available market data for licenses involving similar assets. Developed technology will begin amortization immediately and IPR&D will begin amortization upon the completion of each project. If any of the projects are abandoned, the Company will be required to impair the related IPR&D asset. The fair value of non-compete intangible assets was estimated using the with-or-without method. The with-and-without method estimates the value of an intangible asset by quantifying the loss of economic profits under a hypothetical condition where only the subject intangible does not exist and needs to be re-created. Projected revenues, operating expenses and cash flows are calculated in each "with" and "without" scenario and the difference in the cash flow is discounted to present value. Inventory was valued at net realizable value. Raw materials were valued at book value and finished goods were valued assuming hypothetical revenues from finished goods adjusted for disposal costs, profit attributable to the seller and holding costs. An inventory step-up of $0.4 million is included in the purchase price allocation above.

The Company assumed liabilities in the acquisition which primarily consist of accrued employee compensation and certain operating liabilities. The liabilities assumed in these acquisitions are included in the respective purchase price allocations above.

Goodwill recorded in connection with the NimbeLink acquisition was $7.1 million. The Company does not expect to deduct any of the acquired goodwill for tax purposes.

Supplemental proforma financial information

The following unaudited pro forma financial information presents the combined results of operations for each of the periods presented as if the NimbeLink acquisition had occurred at the beginning of 2020 (in thousands):

	Three months ended March 31, 2021	2020
Net revenue - pro forma combined	$ 17,409	$ 15,946
Net loss - pro forma combined	236	(1,324)

The following adjustments were included in the unaudited pro forma combined net revenues(in thousands):

	Three months ended March 31, 2021	2020
Net revenue	$ 17,377	$ 11,216
Add: Net revenue - acquired businesses	32	4,730
Net revenues - pro-forma combined	$ 17,409	$ 15,946

The following adjustments were included in the unaudited pro forma combined net income (loss)(in thousands):

	Three months ended March 31, 2021	2020
Net income (loss)	$ 237	$ (1,202)
Add: Results of operations of acquired business	(310)	771
Less: pro forma adjustments		
Amortization of historical intangibles	—	24
Amortization of acquired intangibles	(38)	(587)
Inventory fair value adjustments	353	(353)
Interest income	(6)	—
Interest expense	—	23
Net loss - pro forma combined	$ 236	$ (1,324)

The unaudited pro forma financial information has been adjusted to reflect the amortization expense for acquired intangibles, removal of historical intangible asset amortization and recognition of expense associated with the step-up of inventory.

The pro forma data is presented for illustrative purposes only, and the historical results of NimbeLink are based on its books and records prior to the acquisition, and is not necessarily indicative of the consolidated results of operations of the combined business had the acquisition actually occurred at the beginning of fiscal year 2020. In addition, future results may vary significantly from the pro forma results reflected herein and should not be relied upon as an indication of the results of future operations of the combined business. The unaudited pro forma financial information does not reflect any operating efficiencies and cost savings that may be realized from the integration of the acquired entity. For the three months ended March 31, 2021, $3.2 million of revenue and $0.2 million of net loss included in the Company's condensed consolidated statements of operations was related to NimbeLink. The Company does not consider the revenue and net loss related to the acquired entity to be indicative of results of the acquisition due to integration activities since the acquisition date.

Also see Note 7, *Goodwill and Intangible Assets* for further information on goodwill and intangible assets related to the NimbeLink acquisition.

Note 5. Cash and Cash Equivalents

The following tables show the Company's cash and cash equivalents by significant investment category as ofMarch 31, 2021 and December 31, 2020 (in thousands):

March 31, 2021	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Cash and cash equivalents
Cash	$ 5,411	$ —	$ —	$ 5,411	$ 5,411
Level 1:					
Money market funds	16,047	—	—	16,047	16,047
Total	$ 21,458	$ —	$ —	$ 21,458	$ 21,458

December 31, 2020	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Cash and cash equivalents
Cash	$ 2,779	$ —	$ —	$ 2,779	$ 2,779
Level 1:					
Money market funds	35,394	—	—	35,394	35,394
Total	$ 38,173	$ —	$ —	$ 38,173	$ 38,173

Note 6. Property and Equipment

Depreciation and amortization of property and equipment is calculated on the straight-line method based on the shorter of the estimated useful life or the term of the lease for tenant improvements and three to fifteen years for all other property and equipment. Property and equipment consist of the following (in thousands):

	March 31, 2021	December 31, 2020
Computers and software	$ 607	$ 596
Furniture, fixtures, and equipment	400	400
Manufacturing and testing equipment	4,184	3,874
Construction in process	22	120
Leasehold improvements	932	932
Property and equipment, gross	6,145	5,922
Less accumulated depreciation	(3,676)	(3,545)
Property and equipment, net	$ 2,469	$ 2,377

Depreciation expense was $0.1 million for the three months ended March 31, 2021 and 2020, respectively.

Note 7. Goodwill and Intangible Assets

The change in the carrying amount of goodwill during the three months ended March 31, 2021 is as follows(in thousands):

Goodwill as of December 31, 2020	$ 3,700
Goodwill from NimbeLink acquisition	7,145
Goodwill as of March 31, 2021	$ 10,845

The following is a summary of the Company's acquired intangible assets (dollars in thousands):

March 31, 2021	Weighted average amortization period (years)	Gross carrying amount	Accumulated amortization	Intangibles, net
Market related intangibles	5	$ 1,700	$ 80	$ 1,620
Customer relationships	7	13,780	2,743	11,037
Developed technologies	11	3,680	622	3,058
In process research and development	N/A	700	—	700
Covenants to non-compete	2	115	13	102
Tradenames	4	120	120	—
Total intangible assets, net		$ 20,095	$ 3,578	$ 16,517
December 31, 2020				
Customer relationships	10	$ 4,830	$ 2,203	$ 2,627
Developed technologies	9	1,080	539	541
Tradename	3	120	120	—
Total intangible assets, net		$ 6,030	$ 2,862	$ 3,168

The estimated annual amortization of intangible assets for the next five years and thereafter is shown in the following table (in thousands):

	Estimated future amortization
2021 (remaining nine months)	$ 2,286
2022	3,026
2023	2,969
2024	2,968
2025	2,955
Thereafter	2,313
Total	$ 16,517

Actual amortization expense to be reported in future periods could differ from these estimates as a result of acquisitions, divestitures, and asset impairments, among other factors. Amortization expense was $0.7 million and $0.2 million for the three months ended March 31, 2021 and 2020, respectively.

Note 8. Accrued Liabilities and Other

Accrued liabilities and other is comprised of the following (in thousands):

	March 31, 2021	December 31, 2020
Accrued expenses	$ 825	$ 519
VAT payable	339	327
Accrued income taxes	343	182
Other current liabilities	638	159
Accrued liabilities and other	$ 2,145	$ 1,187

Note 9. Notes Payable and Line of Credit

On January 7, 2021, as a result of the Nimbelink acquisition, the Company assumed a revolving line of credit (Line of Credit) with Choice Financial Group (Choice) whereby Choice has made available to the Company a secured credit facility of up to the lesser of (1) $1.5 million or (2) the sum of (a) 80% of the aggregate amount of third party accounts receivable balances, excluding progress billings, foreign receivables, accounts subject to dispute or setoff and doubtful accounts (Eligible Accounts) aged less than 90 days, net of 10% allowance, and (b) 25% of raw materials and finished goods, except those held at named contract manufacturer, after a10% reserve for excess and obsolete inventory. Amounts borrowed under the Line of Credit bear interest at the prime rate plus 1%, payable monthly. The facility is secured by a commercial guarantee and a lien over the property of NimbeLink including inventory, equipment, accounts receivable, investments, deposit accounts, other rights to payment and performance and general intangibles. In the event of violation of the representations, warranties and covenants made in the agreement, the Company may not be able to utilize the Line of Credit or repayment of amounts owed pursuant to the Line of Credit could be accelerated. The Company is currently in compliance with the covenants that it is required to meet during the term of the Line of Credit. No amounts have been borrowed under this facility as of March 31, 2021.

Note 10. Leases

Operating leases

The Company adopted ASC 842 on January 1, 2021, using the effective date transition method, which requires a cumulative-effect adjustment to the opening balance of retained earnings on the effective date. As a result of the adoption of ASC 842, the Company recognized right-of-use assets and lease liabilities of $3.2 million and $3.5 million, respectively, as of the January 1, 2021 effective date. There was no impact to opening retained earnings or to the condensed consolidated statement of operations for the three months ended March 31, 2021.

The Company has made certain assumptions and judgements when applying ASC 842 including the adoption of the package of practical expedients available for transition. The practical expedients allowed the Company to not reassess (i) whether expired or existing contracts contained leases, (ii) lease classification for expired or existing leases and (iii) previously capitalized initial direct costs. The Company also elected not to recognize right-of-use assets and lease liabilities for short-term leases (leases with a term of twelve months or less).

Operating lease arrangements primarily consist of office, warehouse and test house leases expiring at various years through2025. The facility leases have original lease terms of two to seven years and contain options to extend the lease up to5 years or terminate the lease. Options to extend are included in leased right-of-use assets and lease liabilities in the consolidated balance sheet when the Company is reasonably certain it will renew the underlying leases. Since the implicit rate of such leases is unknown and the Company is not reasonably certain to renew its leases, the Company has elected to apply a collateralized incremental borrowing rate to facility leases on the original lease term in calculating the present value of future lease payments. As of March 31, 2021, the weighted average discount rate for operating leases was 3.5% and the weighted average remaining lease term for operating leases was 4.2 years, respectively.

The Company has entered into various short-term operating leases primarily for test houses and office equipment, with an initial term of twelve months or less. These leases are not recorded on the Company's consolidated balance sheet and the related lease expense for these short-term leases is not material.

During the three months ended March 31, 2021, the Company assumed a lease through the acquisition of NimbeLink. The Company recorded a right-of-use asset and lease liability of $0.4 million as of acquisition date, January 7, 2021. No other right-of-use assets were obtained in exchange for lease liabilities during the three months ended March 31, 2021.

Operating lease cost was $0.3 million and $0.2 million for the three months ended March 31, 2021 and 2020, respectively.

The table below presents aggregate future minimum payments due under leases, reconciled to lease liabilities included in the consolidated balance sheet as of March 31, 2021 (in thousands):

Future operating lease obligations		
2021 (remaining)	$	843
2022		894
2023		777
2024		773
2025		673
Total minimum payments		3,960
Less imputed interest		(290)
Less unrealized translation gain		(3)
Total lease liabilities		3,667
Less short-term lease liabilities		(981)
Long-term lease liability	$	2,686

The future minimum lease payments required under operating leases as of December 31, 2020, in accordance with ASC 840, *Leases*, were as follows (in thousands):

Year ending:		
2021	$	992
2022		721
2023		705
2024		689
2025		615
Total	$	3,722

Note 11. Treasury Stock

In August 2017 the Company's Board of Directors (the Board) approved a share repurchase program (the 2017 Program) pursuant to which the Company could purchase up to $7.0 million of shares of its common stock over the twelve-month period following the establishment of the program. The repurchases under the 2017 Program were made from time to time in the open market or in privately negotiated transactions and were funded from the Company's working capital. Repurchases are made in compliance with Rule 10b-18 of the Securities Exchange Act of 1934, as amended, subject to market conditions, available liquidity, cash flow, applicable legal requirements and other factors. On August 7, 2018, the Board approved an extension to the 2017 Program for an additional twelve-month period ending on August 14, 2019.

On September 9, 2019, the Board approved a new share repurchase program (the 2019 Program) pursuant to which the Company could purchase up to $7.0 million of shares of its common stock over the following twelve months. The 2019 Program mirrors all aspects and terms of the 2017 Program as described above. On September 9, 2020, the Board approved an extension to the 2019 Program for an additional twelve-month period ending September 9, 2021.

During the three months ended March 31, 2021, the Company did not repurchase shares of its common stock. Since inception of the 2019 Program through March 31, 2021, the Company repurchased a total of approximately 162,000 shares of the common stock for a total cost of $1.6 million.

Note 12. Income Taxes

The Company's effective income tax rate was 112.6% and (1.4)% for the three months ended March 31, 2021 and 2020, respectively. The variance from the U.S. federal statutory rate of 21% for the three months ended March 31, 2021, was primarily related to the release of the valuation allowance attributable to the acquisition of NimbeLink.

Management assesses its deferred tax assets quarterly to determine whether all or any portion of the asset is more likely than not unrealizable under ASC Topic 740, *Income Taxes*. The Company is required to establish a valuation allowance for any portion of the asset that management concludes is more likely than not to be unrealizable. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company's assessment considers all evidence, both positive and negative, including the nature, frequency and severity of any current and cumulative losses, taxable income in carryback years, the scheduled reversal of deferred tax liabilities, tax planning strategies, and projected future taxable income in making this assessment. As of December 31, 2020, the Company had a valuation allowance against net deferred tax assets but for the exclusion of a deferred tax liability generated by goodwill (an indefinite lived intangible) that may not be considered a future source of taxable income in evaluating the need for a valuation allowance.

In connection with the acquisition of NimbeLink, the Company recorded deferred tax liabilities associated with acquired intangible assets. As a result, for the three months ended March 31, 2021, the Company determined that it is appropriate to release a portion of the Company's valuation allowance.

Note 13. Stockholders' Equity

In August 2016, the Company's Board adopted the 2016 Equity Inventive Plan (the 2016 Plan) for employees, directors and consultants. In February 2021, the Board adopted the 2021 Employment Inducement Incentive Award Plan (Inducement Plan), which provides for grants of equity-based awards. 300,000 shares were initially reserved under the Inducement Plan. In January 2021, in connection with the NimbeLink acquisition, the Company assumed the NimbeLink Corp 2016 Stock Incentive Plan and stock options to purchase 22,871 shares of common stock issuable thereunder.

The following table presents common stock reserved for future issuance[1] (in thousands):

	March 31, 2021	December 31, 2020
Warrants issued and outstanding	10	51
Stock option awards issued and outstanding	2,036	1,760
Authorized for grants under the 2016 Equity Incentive Plan[2]	303	357
Authorized for grants under the Inducement Plan[3]	192	—
Authorized for grants under the 2016 Employee Stock Purchase Plan[4]	343	256
	2,884	2,424

[1] Treasury stock in the amount of 534,000 as of March 31, 2021 and December 31, 2020 are excluded from the table above.
[2] On January 1, 2021, the number of authorized shares in the 2016 Equity Incentive Plan increased by 391,356 shares pursuant to the evergreen provisions of the 2016 Equity Incentive Plan.
[3] On January 7, 2021, 300,000 shares were authorized pursuant to the terms of the Inducement Plan; 110,000 shares were issued under the inducement plan during the three months ended March 31, 2021
[4] On January 1, 2021, the number of authorized shares in the 2016 Employee Stock Purchase Plan increased by 98,000 shares pursuant to the evergreen provisions of the 2016 Employee Stock Purchase Plan.

Note 14. Stock Based Compensation

Stock Options

The following table summarizes the outstanding stock option activity during the period indicated (shares in thousands):

	Number of shares	Weighted average Exercise price	Weighted average Remaining contractual term (years)
Balance at December 31, 2020	1,760	$ 10.07	
Granted	431	23.35	
Exercised	(144)	11.45	
Expired/Forfeited	(11)	11.94	
Balance at March 31, 2021	2,036	12.77	7.8
Vested and exercisable at March 31, 2021	1,028	9.35	6.8
Vested and expected to vest at March 31, 2021	2,036	12.77	7.8

The weighted average grant date fair value of options granted during the three months ended March 31, 2021 and for the year ended December 31, 2020, was $1.23 and $4.30, respectively. For fully vested stock options, the aggregate intrinsic value as of March 31, 2021 and December 31, 2020 was $12.2 million and $8.2 million, respectively. For stock options expected to vest, the aggregate intrinsic value as of March 31, 2021, and December 31, 2020, was $6.2 million and $5.3 million, respectively.

At March 31, 2021 and December 31, 2020, there was $7.0 million and $3.0 million, respectively, of total unrecognized compensation cost related to unvested stock options granted under the Company's equity plans. That cost is expected to be recognized over the next 2.8 years.

Restricted Stock

The following table summarizes the Company's Restricted Stock Unit (RSU) activity during the period indicated (shares in thousands):

	Restricted stock units	Weighted average grant date fair value
Non-vested balance at December 31, 2020	202	$ 10.51
Grants	158	24.23
Vested and released	(61)	10.43
Non-vested balance at March 31, 2021	299	17.75

As of March 31, 2021 and December 31, 2020 there was$5.0 million and $1.5 million, respectively, of total unrecognized compensation cost related to unvested RSUs having a weighted average remaining contractual term of 3.2 years.

Employee Stock Purchase Plan (ESPP)

The Company maintains the Employee Stock Purchase Plan (ESPP) that provides employees an opportunity to purchase common stock through payroll deductions. The ESPP is implemented through consecutive 6-month offering periods commencing on March 1 and September 1 of each year. The first offering period under the ESPP commenced on March 1, 2019. The purchase price is set at 85% of the fair market value of the Company's common stock on either the first or last trading day of the offering period, whichever is lower. Annual contributions are limited to the lower of 20% of an employee's eligible compensation or such other limits as apply under Section 423 of the Internal Revenue Code. The ESPP is intended to qualify as an employee stock purchase plan for purposes of Section 423 of the Internal Revenue Code.

Based on the 15% discount and the fair value of the option feature of the ESPP, it is considered compensatory. Compensation expense is calculated using the fair value of the employees' purchase rights under the Black-Scholes model. The Company currently uses authorized and unissued shares to satisfy share award exercises.

Under the ESPP the Company received proceeds of $0.1 million from the issuances of approximately 10,000 shares in February 2021.

Stock-based compensation expense

Stock based compensation expense was $0.9 million and $0.7 million for the three months ended March 31, 2021 and 2020, respectively.The stock-based compensation is recorded in the consolidated statements of operations as follows (in thousands):

	Three months ended March 31,	
	2021	**2020**
Cost of goods sold	$ 1	$ —
Research and Development	204	152
Sales and marketing	215	90
General and administrative	508	426
Total stock-based compensation expense	$ 928	$ 668

Note 15. Commitments and Contingencies

(a) Indemnification

In some agreements to which the Company is a party, the Company has agreed to indemnify the other party for certain matters, including, but not limited to, product liability and intellectual property. To date, there have been no known events or circumstances that have resulted in any material costs related to these indemnification provisions and no liabilities have been recorded in the accompanying consolidated financial statements.

(b) Supply Agreement

In September 2020, the Company entered into a supply agreement with a vendor to purchase up to $2.0 million of inventory during the initial term of the agreement through December 31, 2022. As of March 31, 2021, $1.3 million has been paid under this supply agreement.

Note 16. Concentration of Credit Risk

(a) Concentration of Sales and Accounts Receivable

The following represents customers that accounted for 10% or more of total revenue during the three months ended March 31, 2021 and 2020, and customers that accounted for 10% or more of total trade accounts receivable atMarch 31, 2021 and 2020.

	Three months ended March 31,	
	2021	**2020**
Percentage of net revenue		
Customer A	25 %	36 %
Customer B	15	9

	As of March 31,	
	2021	2020
Percentage of gross trade accounts receivable		
Customer A	23 %	37 %
Customer B	20	—
Customer C	10	8

(b) Concentration of Purchases

During the three months ended March 31, 2021, the Company's products were primarily manufactured bythree contract manufacturers in China, one in Myanmar, one in Minnesota and by the Company's Arizona facility.

(c) Concentration of Property and Equipment

The Company's property and equipment, net by geographic region are as follows:

	As of	
	March 31, 2021	December 31, 2020
North America	$ 2,051	$ 1,942
Asia Pacific (APAC)	247	183
Europe, Middle East and Africa (EMEA)	171	252
Property and equipment, net	$ 2,469	$ 2,377

Note 17. Disaggregated Revenue

Disaggregated revenue are as follows (in thousands):

	Three months ended March 31,	
	2021	2020
By Sales Channel:		
Fulfillment distributors	$ 4,206	$ 6,082
OEM/ODM/Contract manufacturer	8,813	4,113
Other	4,358	1,021
Total	$ 17,377	$ 11,216
By Market Group:		
Consumer	$ 10,296	$ 8,463
Enterprise	4,382	802
Automotive	2,699	1,951
Total	$ 17,377	$ 11,216
By Geography:		
China	$ 7,956	$ 5,288
Taiwan	1,953	3,059
North America	6,657	2,456
Rest of the world	811	413
Total	$ 17,377	$ 11,216

Revenue generated from the United States was $6.4 million and $2.3 million for the three months ended March 31, 2021 and 2020, respectively.

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

The following discussion and analysis and the interim unaudited condensed consolidated financial statements included in this quarterly report on Form 10-Q should be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2020 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K for the year ended December 31, 2020.

Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical fact contained in this quarterly report, including statements regarding our future operating results, financial position and cash flows, the impact of COVID-19, our business strategy and plans, and our objectives for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important 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. In some cases, you can identify forward-looking statements by terms such as "may," "will," "would," "could," "should," "expect," "plan," "anticipate," "intend," "target," "project," "contemplate," "believe," "estimate," "predict," "potential" or "continue" or the negative of these terms or other similar expressions. The forward-looking statements in this quarterly report are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, operating results, business strategy, short-term and long-term business operations and objectives. These forward-looking statements speak only as of the date of this quarterly report and are subject to a number of risks, uncertainties and assumptions, including those described in Part II, Item 1A, "Risk Factors." The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

Overview

We are a leading provider of advanced wireless connectivity solutions and technologies used to enable high performance wireless networking across a broad and increasing range of devices and markets, including consumer, enterprise and automotive. Our mission is to connect the world through advanced antenna systems and integrated wireless solutions. Our innovative antenna systems are designed to address key challenges with wireless system performance faced by our customers. We provide solutions to complex Radio Frequency, or RF, engineering challenges to help improve wireless services that require higher throughput, broad coverage footprint, and carrier grade quality.

We are transitioning from a passive antenna and related services provider to a wireless system solutions provider, targeting higher levels of integration and complexity, and therefore, higher selling prices and margins and in 2020 we announced our new patented AirgainConnect® platform. The first product from this platform is the FirstNet Ready™ AirgainConnect AC-HPUE antenna-modem, targeting vehicles used by first responders. The AC-HPUE antenna-modem includes an integrated high-power LTE modem supporting the 3GPP Band 14 HPUE (or high-power user equipment) output power functionality and is certified to run on the AT&T FirstNet network.

On January 7, 2021 we purchased 100% of the outstanding shares of Minnesota-based NimbeLink Corp. NimbeLink is an industrial Internet of Things, or IIoT, company focused on the design, development, and delivery of cellular solutions for enterprise customers. NimbeLink provides carrier-certified embedded modems and asset tracking solutions that minimize or often eliminate RF design and certification time from project schedules, significantly reducing costs and time to market. The acquisition of NimbeLink supports our transition toward becoming a more system-level company and will play an important role in our overall growth strategy to broaden market diversification, especially within the IIoT space. NimbeLink's IIoT expertise puts them squarely in one of our targeted enterprise submarkets and extends the breadth and opportunity for our AirgainConnect platform. Our worldwide salesforce represents a present opportunity to expand NimbeLink's reach and NimbeLink will now gain access to design opportunities they were not previously able to win. The result is an increase in the opportunities for Airgain in the enterprise market and a more diverse offering of products and expertise for our customers.

The consumer market encompasses a large and growing market of consumers using wireless-enabled devices and our antennas are deployed in consumer access points, wireless gateways, Wi-Fi Mesh systems and extenders, smart TVs, smart home devices, and set-top boxes. In the consumer market our antennas support an array of technologies including wireless local area networking, or WLAN, Wi-Fi, LTE, 5G and low power wide area networking, or LPWAN.

The enterprise market is characterized by devices that provide reliable wireless access for high-density environments such as buildings, campuses, transportation terminals and stadiums. Within this market our antennas are deployed across a wide range of systems, devices, and applications that include access points and gateways, fixed wireless access infrastructure, small cells, and remote radio heads. Within this market we support an array of technologies, including Wi-Fi, LTE, 5G and LPWAN.

In the automotive market, our antennas are deployed in a wide range of vehicles to support a variety of wireless connectivity solutions in the fleet and aftermarket segment and support a variety of technologies that include Wi-Fi, 3G, LTE, Satellite and LPWAN. The fleet and aftermarket segment consists of applications whereby rugged vehicular wireless routers are paired with external antenna systems via long coax cables to provide connectivity to fixed and mobile assets. Within the fleet and aftermarket market segment, there has been a rise in the number of antennas per vehicle. This is largely driven by the increasing needs of connectivity across different access technologies that include Wi-Fi, 3G, LTE, 5G and satellite. In January 2021, AT&T launched its MegaRange™ high power feature on the FirstNet network and Airgain announced the nationwide availability of its AirgainConnect AC-HPUE product.

Our design teams partner with customers from the early stages of prototyping to device throughput testing to facilitate optimal performance and quick time to market. Our capabilities include design, custom engineering support, integration, and over-the-air, or OTA, testing. These capabilities have resulted in a strong reputation across the OEM, original design manufacturers, or ODM, and chipset manufacturer ecosystem. Our competencies and strengths have helped us secure design wins used in multiple reference designs from leading Wi-Fi chipset vendors, OEMs, ODMs, chipset manufacturers and service providers rely on these reference designs and our engineering skills to deliver superior throughput performance. We view our relationship with OEM, ODM, chipset manufacturers and service providers as an important attribute to our long-term strategy and success.

We believe demand is growing rapidly for our advanced wireless connectivity solutions and there is a significant market opportunity. As the ability to provide mobile internet access grows, our solutions and expertise become more important to prospects and customers. As a passive component, embedded antennas can be viewed as a commodity. However, our design, engineering, and research show that antenna selection, placement, and testing can have significant improvements in device performance. We believe that we are chosen when performance is a more significant factor than price, and our distinctive focus on superior designs that provide increased range and throughput has allowed us to build a leadership position in the in-home WLAN device market.

COVID-19 Pandemic

The United States and other countries around the world are experiencing a major health pandemic related to COVID-19, which has created considerable instability and disruption in the U.S. and world economies. Governmental authorities in impacted regions are taking actions in an effort to slow COVID-19's spread, resulting in limitations on business operations and consumer and employee travel. In accordance with local regulations, engineering, testing, and production operations in our Scottsdale office, as well as testing operations in our remote facilities, have resumed with protocols in place to prevent and limit the spread of the virus. In each work location, protocols have been established and remain in place, in accordance with local regulations and guidance, in order to minimize the risk to those employees whose presence in the office is necessary. Our salespeople continue to engage with customers in order to secure sales of, and opportunities for, our products and services remotely rather than in-person.

The continued spread of COVID-19 and its related effects on our business have had a material and adverse effect on our business operations. Through the date of this filing, these disruptions or restrictions include restrictions on our ability to travel, temporary closures of our office buildings or the facilities of our customers or suppliers.

The impact of the COVID-19 pandemic on the U.S. and world economies generally, and our future results in particular, could be significant and will largely depend on future developments, which are highly uncertain and cannot be predicted. This includes new information that may emerge concerning COVID-19, the success of vaccinations and other actions taken to contain or treat COVID-19, the roll-out of vaccinations by various domestic and international government agencies and additional reactions by consumers, companies, governmental entities and capital markets.

Factors Affecting Our Operating Results

We believe that our performance and future success depend upon several factors including the growth in sales of AirgainConnect AC-HPUE product and success in integrating NimbeLink and increasing its sales, the impact of the global chip shortage on our business and that of our end customers, as well as historical factors such as manufacturing costs, investments in our growth, our ability to expand into growing addressable markets, including consumer, enterprise, and automotive, the average sales price of our products per device, the number of antennas per device, and our ability to diversify the number of devices that incorporate our antenna products. Our customers are price-conscious and our operating results are affected by pricing pressure which may force us to lower prices below our established list prices. In addition, a few end-customer devices which incorporate our antenna products comprise a significant amount of our sales and the discontinuation or modification of such devices may materially and adversely affect our sales and results of operations. Our ability to maintain or increase our sales depends on among other things, new and existing end-customers selecting our antenna solutions for their wireless devices and networks, the impact of the COVID-19 pandemic, as discussed above, the deployment level of AirgainConnect AC-HPUE, the proliferation of Wi-Fi connected home devices and data intensive applications, trends related to in-house design in our traditional set top market, investments in our growth to address customer needs, the impact of the global chip shortage on our business and that of our end customers, our ability to target new end markets, development of our product offerings and technology solutions and international expansion, as well as our ability to successfully integrate past and any future acquisitions. While each of these areas presents significant opportunities for us, they also pose significant risks and challenges we must successfully address. We discuss many of these risks, uncertainties and other factors in greater detail in the section entitled "Risk Factors" included in this quarterly report on Form 10-Q and in Item 1A of our Annual Report on Form 10-K.

Seasonality

Our operating results historically have not been subject to significant seasonal variations. However, our operating results are affected by how customers make purchasing decisions around local holidays in China. For example, a national holiday the first week of October in China may cause customers to purchase product in the third quarter ahead of their holiday season to account for higher volume requirements in the fourth quarter. In addition, although it is difficult to make broad generalizations, our sales tend to be lower in the first quarter of each year compared to other quarters due to the Chinese New Year. Results for any quarter may not be indicative of the results that may be achieved for the full fiscal year and these patterns may change as a result of general customer demand or product cycles.

Key Components of Our Results of Operations and Financial Condition

Sales

We primarily generate revenue from the sales of our products. We recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods or services. We generally recognize sales at the time of shipment to our customers, provided that all other revenue recognition criteria have been met. Although currently insignificant, we also generate service and subscription revenue derived from agreements to provide design, engineering, and testing services.

Cost of Goods Sold

The cost of goods sold reflects the cost of producing antenna products that are shipped for our customers' devices. This primarily includes manufacturing costs of our products payable to our third-party contract manufacturers, as well as manufacturing costs incurred at our facility in Arizona. The cost of goods sold that we generate from services provided to customers primarily includes personnel costs.

Operating Expenses

Our operating expenses are classified into three categories: research and development, sales and marketing, and general and administrative. For each category, the largest component is personnel costs, which includes salaries, employee benefit costs, bonuses, and stock-based compensation. Operating expenses also include allocated overhead costs for depreciation of equipment, facilities, and information technology. Allocated costs for facilities consist of leasehold improvements and rent. Operating expenses are generally recognized as incurred.

Research and development. Research and development expenses primarily consist of personnel and facility-related costs attributable to our engineering research and development personnel. These expenses include work related to the design, engineering and testing of antenna designs and antenna integration, validation and testing of customer devices. These expenses include salaries, including stock-based compensation, benefits, bonuses, travel, communications, and similar costs, and depreciation and allocated operating expenses such as office supplies, premises expenses, and insurance. We may also incur expenses from outside consultants and for prototyping new antenna solutions. We expect research and development expenses to increase in absolute dollars in future periods as we continue to invest in the development of new solutions and markets and as we invest in improving efficiencies within our supply chain, although our research and development expense may fluctuate as a percentage of total sales.

Sales and marketing. Sales and marketing expenses primarily consist of personnel and facility-related costs for our sales, marketing, and business development personnel, stock-based compensation and bonuses earned by our sales personnel, and commissions earned by our third-party sales representative firms. Sales and marketing expenses also include the costs of trade shows, marketing programs, promotional materials, demonstration equipment, travel, recruiting, and allocated costs for certain facilities. Over the next several quarters we expect sales and marketing expenses to fluctuate as a percentage of sales.

General and administrative. General and administrative expenses primarily consist of personnel and facility-related costs for our executive, finance, and administrative personnel, including stock-based compensation, as well as legal, accounting, and other professional services fees, depreciation, and other corporate expenses. We expect general and administrative expenses to fluctuate over the next several quarters as we grow our operations.

Other Expense (Income)

Interest Income, net. Interest income consists of interest from our cash and cash equivalents.

Other Expense. Other expense consists of other income and realized foreign exchange gains or losses.

Provision for Income Taxes

Provision for income taxes consists of federal, state, and foreign income taxes. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax-planning strategies in making this assessment. It is difficult for us to project future taxable income as the timing and size of sales of our products are variable and difficult to predict. We concluded that it is not more likely than not that we will utilize our deferred tax assets other than those that are offset by reversing temporary differences.

Results of Operations

The following tables set forth our operating results for the periods presented as a percentage of our total sales for those periods. The period-to-period comparison of financial results is not necessarily indicative of financial results to be achieved in future periods.

	Three months ended March 31,	
	2021	2020
Statements of Operations Data:		
Sales	100.0 %	100.0 %
Cost of goods sold	60.3	52.5
Gross profit	39.7	47.5
Operating expenses:		
Research and development	15.6	21.6
Sales and marketing	14.0	13.7
General and administrative	20.9	23.9
Total operating expenses	50.5	59.2
Income (loss) from operations	(10.8)	(11.7)
Other income	(0.0)	(1.1)
Income (loss) before income taxes	(10.8)	(10.6)
Provision for income taxes	(12.2)	0.1
Net income (loss)	1.4 %	10.7 %

Comparison of the Three Months Ended March 31, 2021 and 2020 (dollars in thousands)

Sales

	Three months ended March 31,			
	2021	2020	Increase	% Change
Sales	$ 17,377	$ 11,216	$ 6,161	54.9 %

Sales increased $6.2 million, or 54.9% for the three months ended March 31, 2021, compared to the three months ended March 31, 2020. Revenue from our consumer market increased $1.8 million, from $8.5 million for the three months ended March 31, 2020 to $10.3 million for the three months ended March 31, 2021 due to a gateway design win for a large North American service provider end customer. Revenue from our enterprise market increased $3.6 million, from $0.8 million for the three months ended March 31, 2020 to $4.4 million for the three months ended March 31, 2021 primarily due to revenue generated from NimbeLink. Revenue for our automotive market increased $0.8 million, from $1.9 million for the three months ended March 31, 2020 to $2.7 million for the three months ended March 31, 2021, due to the incremental revenue generated from AirgainConnect product sales launched in the fourth quarter of 2020.

Cost of Goods Sold

	Three months ended March 31,			
	2021	2020	Increase	% Change
Cost of goods sold	$ 10,480	$ 5,891	$ 4,589	77.9 %

Cost of goods sold increased $4.6 million or 77.9%, for the three months ended March 31, 2021, compared to the three months ended March 31, 2020, and was primarily as a result of incremental product costs from shipments of AirgainConnect and NimbeLink devices, amortization of the inventory step-up adjustment and amortization of intangible assets related to the NimbeLink acquisition as well as general increases in production overhead and procurement costs on higher production volumes.

Gross Profit

	Three months ended March 31, 2021	Three months ended March 31, 2020	Increase	% Change
Gross profit	$ 6,897	$ 5,325	$ 1,572	29.5 %
Gross profit (percentage of sales)	39.7 %	47.5 %		(7.8)%

Gross profit as a percentage of sales decreased by 7.8% for the three months ended March 31, 2021, compared to the three months ended March 31, 2020 mostly due to product mix including the sales of NimbeLink devices with lower gross margins, higher amortization costs and inventory step-up charges.

Operating Expenses

	Three months ended March 31, 2021	Three months ended March 31, 2020	Increase	% Change
Operating Expenses				
Research and development	$ 2,706	$ 2,418	$ 288	11.9 %
Sales and marketing	2,439	1,539	900	58.5
General and administrative	3,633	2,678	955	35.7
Total	$ 8,778	$ 6,635	$ 2,143	32.3 %

Research and Development

Research and development expense increased $0.3 million or 11.9% for the three months ended March 31, 2021, compared to the three months ended March 31, 2020. The increase was primarily due to the incremental expenses from NimbeLink as well as higher personnel-related expenses.

Sales and Marketing

Sales and marketing expense increased $0.9 million or 58.5%, for the three months ended March 31, 2021, compared to the three months ended March 31, 2020. The increase was primarily due to the incremental expenses from NimbeLink as well as higher personnel-related expenses, but partially offset by reductions in travel costs.

General and Administrative

General and administrative expense increased by $1.0 million, or 35.7%, for the three months ended March 31, 2021, compared to the three months ended March 31, 2020. The increase was primarily due to the incremental expenses associated with NimbeLink as well as higher personnel-related expenses and higher legal and professional fees related to the NimbeLink acquisition.

Other Expense (Income)

	Three months ended March 31, 2021	Three months ended March 31, 2020	$ Change	% Change
Other expense (income):				
Interest income, net	$ (8)	$ (124)	$ 116	(93.5)%
Other expense	7	—	7	—
Total	$ (1)	$ (124)	$ 123	(99.2)%

Other income decreased $0.1 million for the three months ended March 31, 2021, compared to the three months ended March 31, 2020.The decrease was primarily due to lower interest income resulting from the decrease in short-term investment balances.

Liquidity and Capital Resources

We had cash and cash equivalents and restricted cash of $21.7 million at March 31, 2021.

Before 2013 we had incurred net losses in each year since our inception. As a result, we had an accumulated deficit of $47.1 million at March 31, 2021.

Since inception, we have primarily financed our operations and capital expenditures through private sales of preferred stock, public offerings of our common stock and cash flows from our operations. We have raised an aggregate of $29.5 million in net proceeds from the issuance of our preferred stock and convertible promissory notes and $37.0 million from the sale of common stock in our public offerings.

On January 31, 2018, we entered into a second amended and restated loan and security agreement with Silicon Valley Bank, or the SVB Loan Agreement. Under this agreement, the aggregate principal amount available under the revolving line of credit was $10.0 million and required us to maintain a ratio of cash and cash equivalents plus accounts receivable to outstanding debt under the Loan Agreement minus deferred revenue of 1.25 to 1.00. The SVB Loan Agreement also set a borrowing base limit of 80% of the aggregate face amount of all eligible receivables. The revolving line of credit matured on January 31, 2020 and was not renewed.

On January 7, 2021, as a result of the Nimbelink acquisition, the Company assumed a revolving line of credit (Line of Credit) with Choice Financial Group (Choice) whereby Choice has made available to the Company a secured credit facility of up to the lesser of (1) $1.5 million or (2) the sum of (a) 80% of the aggregate amount of third party accounts receivable balances, excluding progress billings, foreign receivables, accounts subject to dispute or setoff and doubtful accounts (Eligible Accounts) aged less than 90 days, net of 10% allowance, and (b) 25% of raw materials and finished goods, except those held at named contract manufacturer, after a 10% reserve for excess and obsolete inventory. Amounts borrowed under the Line of Credit bear interest at the prime rate plus 1%, payable monthly. The facility is secured by a commercial guarantee and a lien over the property of NimbeLink including inventory, equipment, accounts receivable, investments, deposit accounts, other rights to payment and performance and general intangibles. In the event of violation of the representations, warranties and covenants made in the agreement, the Company may not be able to utilize the Line of Credit or repayment of amounts owed pursuant to the Line of Credit could be accelerated. The Company is currently in compliance with the covenants that it is required to meet during the term of the Line of Credit. No amounts have been borrowed under this facility as of March 31, 2021

In August 2017 our board of directors approved a share repurchase program, or the 2017 Program, pursuant to which we could purchase up to $7.0 million of shares of our common stock over the twelve-month period following the establishment of the program. The repurchases under the 2017 Program were made from time to time in the open market or in privately negotiated transactions and were funded from our working capital. Repurchases are made in compliance with Rule 10b-18 of the Securities Exchange Act of 1934, as amended, subject to market conditions, available liquidity, cash flow, applicable legal requirements and other factors. On August 7, 2018, our board of directors approved an extension to the 2017 Program for an additional twelve-month period ending August 14, 2019.

On September 9, 2019, our board of directors approved a new share repurchase program, or the 2019 Program, pursuant to which we could purchase up to $7.0 million of shares of our common stock over the following twelve months. The 2019 Program mirrors all aspects and terms of our 2017 Program as described above. On September 9, 2020, our board of directors approved an extension to the 2019 Program for an additional twelve-month period ending September 9, 2021.

During the three months ended March 31, 2021, we did not repurchase shares of common stock under the 2019 Program. Since inception of the 2019 Program through March 31, 2021, we have purchased a total of approximately 162,000 shares of common stock for a total cost of $1.6 million.

We plan to continue to invest for long-term growth, including expanding our sales force and engineering organizations and making additional capital expenditures to further penetrate markets both in the United States and internationally, as well as expanding our research and development for new product offerings and technology solutions. We anticipate that these investments will continue to increase in absolute dollars. We believe that our existing cash and cash equivalents balance together with cash proceeds from operations will be sufficient to meet our working capital requirements for at least the next twelve months.

The following table presents a summary of our cash flow activity for the periods set forth below(in thousands):

	Three months ended March 31, 2021	2020
Net cash used in operating activities	$ (3,920)	$ (902)
Net cash provided by (used in) investing activities	(14,246)	10,533
Net cash provided by (used in) financing activities	1,451	(120)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ (16,715)	$ 9,511

Net cash used in operating activities. Net cash used in operating activities was $3.9 million for the three months ended March 31, 2021. This was primarily driven by $0.5 million non-cash expenses and $3.6 million net changes in operating assets and liabilities offset by a net income of $0.2 million.

Net cash provided by (used in) investing activities. Net cash used in investing activities was $14.2 million for the three months ended March 31, 2021. This was primarily driven by $14.2 million in cash paid for the NimbeLink acquisition, net of acquired cash of $1.8 million and $0.1 million in purchases of property and equipment.

Net cash provided by (used in) financing activities. Net cash provided by financing activities was $1.5 million for the three months ended March 31, 2021. This was primarily driven by net proceeds from common stock issuances from equity compensation plans.

Contractual Obligations and Commitments

Other than disclosed below, there were no material changes outside the ordinary course of our business during the three months ended March 31, 2021 to the information regarding our contractual obligations that was disclosed in 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, 2020.

In September 2020, we entered into a supply agreement with a vendor to purchase up to $2.0 million of inventory during the initial term of the agreement through December 31, 2022. As of March 31, 2021, $1.3 million had been paid under this supply agreement.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements (as defined by applicable regulations of the Securities and Exchange Commission) that are reasonably likely to have a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of financial condition and operating results is based on our unaudited condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported sales and expenses during the reporting periods. These items are monitored and analyzed by us for changes in facts and circumstances, and material changes in these estimates could occur in the future. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Changes in estimates are reflected in reported results for the period in which they become known. Actual results may differ materially from these estimates under different assumptions or conditions.

There have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, other than as set forth in Note 2 to the unaudited condensed consolidated financial statements included in this quarterly report.

Recent Accounting Pronouncements

See Note 2, "Summary of Significant Accounting Policies" within the unaudited condensed consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Risk

All of our sales are denominated in U.S. dollars, and therefore, our sales are not currently subject to significant foreign currency risk. To date, foreign currency transaction gains and losses have not been material to our consolidated financial statements, and we have not engaged in any foreign currency hedging transactions.

ITEM 4. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic and current reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable and not absolute assurance of achieving the desired control objectives. In reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. In addition, the design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as of the end of the period covered by this quarterly report on Form 10-Q. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

Except as described below, there have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended March 31, 2021, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

On January 7, 2021, we acquired NimbeLink. We are in the process of integrating the internal controls of the acquired business into our overall system of internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not currently party to any material legal proceedings.

ITEM 1A. RISK FACTORS

A description of the risk factors associated with our business is included in the Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020. There have been no material changes to such risk factors, other than changes to the risk factors set forth below. In evaluating our business, you should carefully consider the risk factors discussed in our Annual Report on Form 10-K. The occurrence of any of the risks discussed in such filings, or other events that we do not currently anticipate or that we currently deem immaterial, could harm our business, prospects, financial condition and results of operations. In that case the trading price of our common stock could decline, and you may lose all or part of your investment.

Our operating results may fluctuate significantly, which makes our future operating results difficult to predict and could cause our operating results to fall below expectations or our guidance.

Our quarterly and annual operating results have fluctuated in the past and may fluctuate significantly in the future, which makes it difficult for us to predict our future operating results. The timing and size of sales of our products are variable and difficult to predict and can result in fluctuations in our net sales from period to period. In addition, our budgeted expense levels depend in part on our expectations of future sales. Because any substantial adjustment to expenses to account for lower levels of sales is difficult and takes time, we may not be able to reduce our costs sufficiently to compensate for an unexpected shortfall in net sales, and even a small shortfall in net sales could disproportionately and adversely affect our operating margin and operating results for a given quarter.
Our operating results may also fluctuate due to a variety of other factors, many of which are outside of our control, including the changing and volatile U.S., European, Asian and global economic environments, and any of which may cause our stock price to fluctuate. Besides the other risks in this “Risk Factors” section and discussed in our Annual Report on Form 10-K, factors that may affect our operating results include:

- fluctuations in demand for our products and services;
- the inherent complexity, length and associated unpredictability of product development windows and product lifecycles;
- the timing and extent of investment in our targeted growth markets and the timing and amount of sales in such markets;
- changes in customers’ budgets for technology purchases and delays in their purchasing cycles;
- supply constraints, including delays in production, supply shortages and related limitations on our ability to obtain necessary components in our supply chain;
- seasonal fluctuations around local holidays in China affecting how customers make purchasing decisions;
- delays or difficulties in the integration of the NimbeLink acquisition;
- changing market conditions;
- any significant changes in the competitive dynamics of our markets, including new entrants, or further consolidation; the timing of product releases or upgrades by us or by our competitors;
- our ability to develop, introduce and ship in a timely manner new products and product enhancements and anticipate future market demands that meet our customers’ requirements;
- public health crises such as the COVID-19 pandemic; and
- increasing uncertainty of international relations and tariffs.

The cumulative effects of the factors above could result in large fluctuations and unpredictability in our quarterly and annual operating results. For example, the ongoing tension on global trade and macroenvironment are impacting the whole supply chain to varying degrees, which, in addition to the slowdown in customer specific product rollouts, has negatively affected our business and may continue to do so. In the first quarter of 2021 and continuing into the second quarter of 2021, a global chip shortage has caused a delay in customer specific rollouts as well as a delay in our ability to source required components for certain of our NimbeLink products. The result of these supply chain interruptions may cause a delay in our sales, as well as lead to fluctuations in timing of our supply chain purchases as well look to secure components in advance to account for longer lead times, and ultimately lead to higher prices from our suppliers which could negatively affect gross margins. As a result, comparing our operating results on a period-to-period basis may not be meaningful. You should not rely on our past results as an indication of future performance.

We may experience delays in obtaining product from manufacturers and may not be a high priority for our manufacturers.

The ability and willingness of our contract manufacturers to perform is largely outside of our control. We believe that our orders may not represent a material portion of our contract manufacturers' total orders and, as a result, fulfilling our orders may not be a priority if our contract manufacturers are constrained in their abilities or resources to fulfill all of their customer obligations in a timely manner. If any of our contract manufacturers suffers an interruption in its business, experiences delays, disruptions, or quality control problems in its manufacturing operations or we have to change or add additional contract manufacturers, our ability to ship products to our customers would be delayed and our sales could become volatile and our cost of sales may increase. For example, in the fourth quarter of 2020, we experienced a disruption in our supply chain for certain components located in Asia and continuing into 2021 we experienced varying increases in lead times required to secure certain necessary components in our supply chain due to the global chip shortage, which we expect to continue in future periods. In addition, NimbeLink is currently undergoing a supplier transition for certain products from existing manufacturers in the United States and China to Vietnam. While the facility in Vietnam is an affiliate of the existing manufacturer in China and meets the required qualifications, we may experience delays or quality issues as we begin to ramp up the new facility. Additionally, any or all of the following could either limit supply or increase costs, directly or indirectly, to us or our contract manufacturers:

- labor strikes or shortages;
- financial problems of either contract manufacturers or component suppliers;
- reservation of manufacturing capacity at our contract manufactures by other companies, inside or outside of our industry;
- changes or uncertainty in tariffs, economic sanctions, and other trade barriers or political unrest in regions where manufacturers are located, such as recent developments in Myanmar; and
- industry consolidation occurring within one or more component supplier markets, such as the semiconductor market.

If supply chain interruptions continue to occur as a result of COVID-19, macroeconomic trends or otherwise, it could have a material impact on our sales and business and those of our customers.

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

Unregistered Sales of Equity Securities

There were no unregistered sales of equity securities during the period covered by this report.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1(1)	Amended and Restated Certificate of Incorporation
3.2(1)	Amended and Restated Bylaws
4.1(2)	Specimen stock certificate evidencing the shares of common stock
4.2(2)	Form of Warrant issued to Northland Securities, Inc. in connection with the initial public offering of our common stock
4.3(3)	Description of Registered Securities
10.1(4)†	Stock Purchase Agreement, dated January 7,2021, by and among Airgain, Inc, NimbeLink Corp., the sellers set forth therein, and Scott Schwalbe in his capacity as seller representative
10.2#	Employment agreement effective as of February 18, 2021 between Airgain Inc. and Morad Sbahi
10.3(5)#	Airgain Inc. 2021 Employment Inducement Incentive Award Plan.
10.4(5)#	Form of Stock Option Agreement Under the Airgain, Inc., 2021 Employment Inducement Inventive Award Plan.
10.5(6)#	NimbeLink Corp. 2016 Stock Incentive Plan
31.1*	Certification of Principal Executive Officer pursuant to Rules 13a-14 and 15d-14 promulgated pursuant to the Securities Exchange Act of 1934, as amended
31.2*	Certification of Principal Financial Officer pursuant to Rules 13a-14 and 15d-14 promulgated pursuant to the Securities Exchange Act of 1934, as amended
32.1*	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

(1) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed with the SEC on August 17, 2016.

(2) Incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (Registration No. 333- 212542), filed with the SEC on July 29, 2016.

(3) Incorporated by reference to the Registrant's Annual Report on Form 10-K, filed with the SEC on February 28, 2020.

(4) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed with the SEC on January 7, 2021.

(5) Incorporated by reference to the Registrant's Annual Report on Form 10-K, filed with the SEC on February 19, 2021.

(6) Incorporated by reference to the Registrant's Annual Report on Form S-8, filed with the SEC on March 3, 2021.

* These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and are not to be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

† Certain schedules referenced in the Stock Purchase Agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished supplementally to the Securities and Exchange Commission upon request. Portions of this exhibit (indicated by asterisks) have been omitted pursuant to Regulation S-K, Item 601(b)(10). Such omitted information is not material and would likely cause competitive harm to the registrant if publicly disclosed.

# Indicates management contract or compensatory plan.

SIGNATURES

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

	AIRGAIN, INC.
Date: May 6, 2021	/s/ Jacob Suen
	Jacob Suen President and Chief Executive Officer (principal executive officer)
Date: May 6, 2021	/s/ David B. Lyle
	David B. Lyle Chief Financial Officer and Secretary (principal financial and accounting officer)

Exhibit 10.2

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT ("Agreement"), effective as of February 18, 2021 (the "Effective Date"), is made by and between AIRGAIN, INC. (the "Company"), and MORAD SBAHI ("Employee").

WHEREAS, Employee is employed by the Company;

WHEREAS, the Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its shareholders to continue to employ Employee as the Company's Senior Vice-President, Global Product and Marketing under the following revised terms and conditions; and

WHEREAS, Employee desires to continue to be employed by the Company as the Company's Senior Vice-President, Global Product and Marketing and to accept such revised terms and conditions of employment as are contained in this Agreement.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and for other good and valuable consideration, the receipt of which is mutually acknowledged, the Company and Employee (individually a "Party" and together the "Parties") agree as follows:

1.AGREEMENT

a.Effective Date.

Employee's employment under the terms of this Agreement shall commence on the Effective Date.

b.At-will Employment.

Employee's employment relationship with the Company under this Agreement ("Employment") is at-will, terminable at any time and for any reason by either the Company or Employee. While certain sections of this Agreement describe events that could occur at a particular time in the future, nothing in this Agreement shall be construed as a guarantee of employment of any length.

c.Employment Duties.

a.Title/Responsibilities. Employee shall be the Senior Vice-President, Global Product and Marketing of the Company, reporting to the Chief Executive Officer (the "Supervising Officer") of the Company. Employee shall perform all of the duties and responsibilities of such offices set forth in the Bylaws of the Company and those commonly associated with such offices and such further duties and responsibilities as may from time to time be assigned to him by the Board or the Supervising Officer.

b.Full-Time Attention. Employee shall devote his full time, attention, energy and skills to the Company during the period he is employed under this Agreement.

c.Policy Compliance. Employee shall comply with all of the Company's policies, practices and procedures, as well as, all applicable laws. As a condition of his advancement to the position provided under this Agreement and those items provided under

Section 4 to which Employee was not previously entitled, Employee will execute and deliver to the Company the Employee Proprietary Information and Inventions Assignment Agreement (the "Employee Proprietary Information and Inventions Assignment Agreement") attached hereto as Exhibit 1.

e. Compensation.

a. Base Salary. The Company shall pay Employee a base salary of $244,365 per year, or such higher amount as the Board may determine from time to time, less applicable federal and state withholding taxes, in accordance with the Company's regular payroll practices (the "Base Salary").

b. Annual Bonus Compensation. In addition to the Base Salary, Employee will be eligible to receive an incentive bonus (the "Bonus") at an initial target of sixty percent (60%) of his Base Salary (the "Target Bonus").

c. Effective Date Equity Awards.

i. As soon as practicable following the Effective Date, subject to approval by the Board or its Compensation Committee, the Company shall grant to Employee stock options to purchase an aggregate of 20,000 shares of the Company's common stock (the "Stock Option"). The Stock Option shall be granted pursuant to the Company's 2016 Incentive Award Plan (the "Plan"). The Stock Option will have an exercise price per share equal to the then-current fair market value per share of the common stock of the Company (as determined pursuant to the Plan) on the date of grant. The Stock Option shall be an incentive stock option to the extent permitted under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). The Stock Option shall have a ten-year term. The Stock Option shall vest as follows: 25% of the original number of shares subject to the Stock Option shall vest on the first anniversary of the Effective Date, and 1/48th of the original number of shares subject to the Stock Option shall vest following each one-month period thereafter, subject to Employee's continued service to the Company through each such vesting date, so that all of the shares subject to the Stock Option shall be vested on the fourth anniversary of the Effective Date. The Stock Option shall be subject to the terms and conditions of the Plan and the award agreement pursuant to which such award is granted.

ii. As soon as practicable following the Effective Date, subject to approval by the Board or its Compensation Committee, the Company shall grant to Employee 8,000 restricted stock units (the "RSUs"). The RSUs shall vest as follows: 25% of the original number of shares subject to the RSUs shall vest on each of March 1, 2022, 2023, 2024 and 2025, subject to Employee's continued service to the Company through each such vesting date. The RSUs shall be granted pursuant to the Plan. The RSUs shall be subject to the terms and conditions of the Plan and the award agreement pursuant to which such award is granted.

iii. Notwithstanding the foregoing, the Stock Option and the RSUs (and all Equity Awards held by Employee (as defined below)) shall become fully vested and/or exercisable, in the event of Employee's termination of employment by the Company without Cause (as defined below), or Employee's Resignation for Good Reason (as defined below), in each case following a Change in Control (as defined below). In addition, with respect to Equity Awards granted on or after the Effective Date, all such Equity Awards held by Employee shall become fully vested in the event of Employee's termination of employment by the Company without Cause, or Employee's Resignation for Good Reason, in each case within sixty (60) days prior to a Change in Control or at any time following a Change in Control. For the avoidance of doubt, any acceleration in the event of Employee's termination of employment by the Company without Cause or Employee's Resignation for Good Reason within sixty (60) days prior to a Change in Control will be effective on the date of the Change in Control occurring within such sixty (60) day period following such termination. For purposes of this Agreement, "Equity Awards" means all stock options, restricted stock, restricted stock units and such other awards granted pursuant to the Company's stock option and equity incentive award plans or agreements and any shares of stock issued upon exercise thereof, including the Stock Option and the RSUs.

d. Additional Equity Awards. Employee shall be entitled to participate in any equity or other employee benefit plan that is generally available to senior executive officers, as distinguished from general management, of the Company. Except as otherwise provided in this Agreement, Employee's participation in and benefits under any such plan shall be on the terms and subject to the conditions specified in the governing document of the particular plan.

e. Employee Benefits. Employee shall be entitled to participate in all employee benefit plans, programs and arrangements maintained by the Company and made available to employees generally, including, without limitation, bonus, retirement, profit sharing and savings plans and medical, disability, dental, life and accidental death and dismemberment insurance plans.

f. Reimbursement of Expenses. During his Employment with the Company, Employee shall be entitled to reimbursement for all reasonable and necessary business expenses incurred on behalf of the Company, including without limitation, travel and entertainment expenses, business supplies and communication expenses, in accordance with the Company's policies and procedures.

f. Voluntary Resignation or Termination for "Cause".

a. Payment upon Voluntary Resignation other than for Good Reason or Termination for Cause. If Employee voluntarily resigns his Employment other than for Good Reason or if Employee is terminated for Cause, the Company shall pay Employee the following: (i) all accrued and unpaid Base Salary, if any is due, through the date of termination and any vacation which is accrued but unused as of such date; (ii) Employee's business expenses that are reimbursable pursuant to this Agreement and Company policies, but which have not been reimbursed by the Company as of the date of termination; and (iii) the Employee's Bonus compensation for the calendar year immediately preceding the year in which the date of termination occurs if such Bonus has been determined but not paid as of the date of termination (payable at the time such Bonus would otherwise have been paid to Employee, but in no event later than March 15 of the year in which the date of termination occurs) (collectively, the "Accrued Obligations"). Employee shall not be eligible for severance payments under Sections 6, 7 or 8 below, or any continuation of benefits (other than as required by law), or any other compensation pursuant to this Agreement or otherwise.

b. Definition of "Cause". As set forth above, the employment relationship between the Parties is at-will, terminable at any time by either Party for any reason or no reason. The termination may nonetheless be for "Cause". For purposes of this Agreement, "Cause" is defined as the Company's good faith determination of: (i) Employee's material breach of this Agreement or the Employee Proprietary Information and Inventions Assignment Agreement or the definitive agreements relating to the Equity Awards referenced in Section 4(c) above; (ii) Employee's continued substantial and material failure or refusal to perform according to, or to comply with, the policies, procedures or practices established by the Company; (iii) the appropriation (or attempted appropriation) of a material business opportunity of the Company, including attempting to secure or securing any personal profit in connection with any transaction entered into on behalf of the Company; (iv) the misappropriation (or attempted appropriation) of any of the Company's funds or property of any kind; (v) willful gross misconduct; or (vi) Employee's conviction of a felony involving moral turpitude that is likely to inflict or has inflicted material injury on the business of the Company; provided, however, that except for Cause being the result of item (vi) above, the Company shall provide written notice to Employee, which notice specifically identifies the nature of the alleged Cause claimed by the Company with enough specificity for Employee to be able to cure, and Employee shall thereafter have fifteen (15) days to cure the purported ground(s) for Cause.

c. Definition of "Good Reason". For purposes of this Agreement, "Good Reason" and "Resignation for Good Reason" are defined as:

i. a material reduction in Employee's authority, duties or responsibilities relative to Employee's authority, duties or responsibilities in effect immediately prior to such reduction;

ii. a material reduction by the Company in Employee's Base Salary relative to Employee's Base Salary in effect immediately prior to such reduction (and the Parties agree that a reduction of ten percent (10%) or more will be considered material for purposes of this clause (ii)), other than a general reduction in the base salaries of similarly situated employees of the Company;

iii. a material change in the geographic location at which Employee must perform his duties (and the Company and Employee agree that any requirement that Employee be based at any place outside a 25-mile radius of his or her place of employment as of the Effective Date, except for reasonably required travel on the Company's or any successor's or affiliate's business that is not materially greater than such travel requirements prior to the Effective Date, shall be considered a material change); or

iv. the Company's material breach of this Agreement;

provided, however, that Employee must provide written notice to the Board of the condition that could constitute a "Good Reason" event within ninety (90) days of the initial existence of such condition and such condition must not have been remedied by the Company within thirty (30) days (the "Cure Period") of such written notice. Employee's Resignation for Good Reason must occur within six (6) months following the initial existence of such condition.

g. Termination Without "Cause" or "Resignation for Good Reason". In the event Employee is terminated without Cause or resigns for Good Reason, Employee shall be entitled to:

a. the Accrued Obligations; plus

b. subject to Employee's execution and non-revocation of a full and final Release (as defined in Section 9 below) and Employee's continued compliance with the Employee Proprietary Information and Inventions Assignment Agreement, severance pay in an amount equal to the sum of (i) twelve (12) months' Base Salary as in effect immediately prior to the date of termination, plus (ii) an amount equal to Employee's Target Bonus for the calendar year during which the date of termination occurs, prorated for such portion of the calendar year during which such termination occurs that has elapsed through the date of termination, payable in a lump sum on the date that is thirty (30) days following the date of termination; plus

c. subject to Employee's execution and non-revocation of a full and final Release and Employee's continued compliance with the Employee Proprietary Information and Inventions Assignment Agreement, for the period beginning on the date of Employee's termination of employment and ending on the date which is twelve (12) full months following the date of Employee's termination of employment (or, if earlier, the date on which the applicable continuation period under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA") expires) (the "COBRA Coverage Period"), the Company shall arrange to provide Employee and his eligible dependents who were covered under the Company's health insurance plans as of the date of Employee's termination of employment with health (including medical and dental) insurance benefits substantially similar to those provided to Employee and his dependents immediately prior to the date of such termination. If the Company is not reasonably able to continue health insurance benefits coverage under the Company's insurance plans, the Company shall provide substantially equivalent coverage under other third-party insurance sources. If any of the Company's health benefits are self-funded as of the date of Employee's termination of employment, or if the Company cannot provide the foregoing benefits in a manner that is exempt from or otherwise compliant with applicable law (including, without limitation, Section 409A of the Code and Section 2716 of the Public Health Service Act), instead of providing continued health insurance benefits as set forth above, the Company shall instead pay to Employee an amount equal to the monthly premium payment for Employee and his eligible dependents who were covered under the Company's health plans as of the date of Employee's termination of employment (calculated by reference to the premium as of the date of termination) as currently taxable compensation in substantially equal monthly installments over the COBRA Coverage Period (or the remaining portion thereof).

g. Employee's Disability or Death. Employee's employment shall terminate automatically in the event of Employee's death or termination of employment by reason of his "Disability." In the event of Employee's death or termination of employment as a result of

Employee's Disability, Employee or his heirs shall be entitled to (a) the Accrued Obligations, plus (b) payment of an amount equal to Employee's "earned" Bonus for the calendar year during which Employee's date of termination occurs calculated as of the date of termination (wherein "earned" means that Employee has met the applicable bonus metrics as of date of such termination, as determined by the Board), prorated for such portion of the calendar year during which such termination occurs that has elapsed through the date of termination, payable in a lump sum on the date that is thirty (30) days following the date of termination. For purposes of this Agreement, "Disability" shall mean the Employee's failure to perform his duties hereunder, for a period of not less than one hundred twenty (120) consecutive days because of Employee's incapacitation due to physical or mental injury, disability, or illness.

h. Change in Control Termination.

a. Payment Upon Change in Control Termination. In the event of a "Change in Control Termination", as defined below, Employee shall be entitled to:

i. the Accrued Obligations; plus

ii. subject to Employee's execution and non-revocation of a full and final Release and Employee's continued compliance with the Employee Proprietary Information and Inventions Assignment Agreement, severance pay in an amount equal to the sum of (a) twelve (12) months' Base Salary as in effect immediately prior to the date of termination, plus (b) Employee's Target Bonus for the calendar year during which such date of termination occurs, payable in a lump sum on the date that is thirty (30) days following the date of termination; plus

iii. subject to Employee's execution and non-revocation of a full and final Release and Employee's continued compliance with the Employee Proprietary Information and Inventions Assignment Agreement, for the period beginning on the date of Employee's termination of employment and ending on the date which is eighteen (18) full months following the date of Employee's termination of employment (or, if earlier, the date on which the applicable continuation period under COBRA expires) (the "CIC COBRA Coverage Period"), the Company shall arrange to provide Employee and his eligible dependents who were covered under the Company's health insurance plans as of the date of Employee's termination of employment with health (including medical and dental) insurance benefits substantially similar to those provided to Employee and his dependents immediately prior to the date of such termination. If the Company is not reasonably able to continue health insurance benefits coverage under the Company's insurance plans, the Company shall provide substantially equivalent coverage under other third-party insurance sources. If any of the Company's health benefits are self-funded as of the date of Employee's termination of employment, or if the Company cannot provide the foregoing benefits in a manner that is exempt from or otherwise compliant with applicable law (including, without limitation, Section 409A of the Code and Section 2716 of the Public Health Service Act), instead of providing continued health insurance benefits as set forth above, the Company shall instead pay to Employee an amount equal to the monthly premium payment for Employee and his eligible dependents who were covered under the Company's health plans as of the date of Employee's termination of employment (calculated by reference to the premium as of the date of termination) as currently taxable compensation in substantially equal monthly installments over the CIC COBRA Coverage Period (or the remaining portion thereof).

b. Definition of "Change in Control Termination". A "Change in Control Termination" occurs if Employee (i) is terminated without Cause, or (ii) terminates his employment pursuant to a Resignation for Good Reason, in each case within twelve (12) months following a "Change in Control" (as defined below). For purposes of this Agreement, a "Change in Control" means and includes each of the following:

i. A transaction or series of transactions (other than an offering of the Company's common stock to the general public through a registration statement filed with the Securities and Exchange Commission or a transaction or series of transactions that meets the requirements of clauses (x) and (y) of subsection (iii) below) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than fifty percent (50%) of the total combined voting power of the Company's securities outstanding immediately after such acquisition; or

ii. During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in subsections (i) or (iii)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the two (2)-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

iii. The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (A) a merger, consolidation, reorganization, or business combination or (B) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (C) the acquisition of assets or stock of another entity, in each case other than a transaction:

x. which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

y. after which no person or group beneficially owns voting securities representing fifty percent (50%) or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this clause (y) as beneficially owning fifty percent (50%) or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction.

In addition, if a Change in Control constitutes a payment event with respect to any payment under this Agreement which provides for the deferral of compensation and is subject to Section 409A of the Code, the transaction or event described in clause (i), (ii) or (iii) with respect to such payment must also constitute a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5) to the extent required by Section 409A of the Code.

j. Release. Notwithstanding any provision to the contrary in this Agreement, no amount shall be paid or benefit provided pursuant to Section 6 or Section 8 (other than the Accrued Obligations) and no accelerated vesting of the Equity Awards shall occur as a result of Employee's termination of employment pursuant to Section 4(c) unless, on or prior to the thirtieth (30^{th}) day following the date of Employee's termination of employment, an effective general release of claims agreement (the "Release") in substantially the form attached hereto as Exhibit 2 has been executed by Employee and remains effective on such date and any applicable revocation period thereunder has expired.

k. Notices. Any reports, notices or other communications required or permitted to be given by either Party hereto, shall be given in writing by personal delivery, overnight courier service, or by registered or certified mail, postage prepaid, return receipt requested, addressed to the Company at its principal executive offices and to Employee at his most recent address on the Company's payroll records.

l.Notice of Termination. Any purported termination of Employment by the Company or the Employee shall be communicated by written Notice of Termination to the other Party. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which indicates, if applicable, the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated. For purposes of this Agreement, no such purported termination of employment shall be effective without delivery of such a Notice of Termination.

m.General Provisions.

a.Governing Law; Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to the conflicts of laws principles thereof. Employee and the Company agree that any litigation regarding this Agreement shall be conducted in San Diego, California. Employee and the Company hereby consent to the jurisdiction of the courts of the State of California and the United States District Court for the Southern District of California.

b.Assignment; Assumption by Successor. The rights of the Company under this Agreement may, without the consent of Employee, be assigned by the Company, in its sole and unfettered discretion, to any person, firm, corporation or other business entity which at any time, whether by purchase, merger or otherwise, directly or indirectly, acquires all or substantially all of the assets or business of the Company. The Company will require any successor (whether direct or indirect, by purchase, merger or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and to agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place; provided, however, that no such assumption shall relieve the Company of its obligations hereunder. As used in this Agreement, the "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

c.No Waiver of Breach. The failure to enforce any provision of this Agreement shall not be construed as a waiver of any such provision, nor prevent a Party thereafter from enforcing the provision or any other provision of this Agreement. The rights granted the Parties are cumulative, and the election of one shall not constitute a waiver of such Party's right to assert all other legal and equitable remedies available under the circumstances.

d.Severability. The provisions of this Agreement are severable, and if any provision shall be held to be invalid or otherwise unenforceable, in whole or in part, the remainder of the provisions, or enforceable parts of this Agreement, shall not be affected.

e.Entire Agreement. This Agreement and the Employee Proprietary Information and Inventions Assignment Agreement constitute the entire agreement of the Parties with respect to the subject matter of this Agreement and supersede all prior and contemporaneous negotiations, agreements and understandings between the Parties, whether oral or written, including, without limitation, any offer letter between the parties.

f.Modifications and Waivers. No modification or waiver of this Agreement shall be valid unless in writing, signed by the Party against whom such modification or waiver

||

is sought to be enforced.

g.Amendment. This Agreement may be amended or supplemented only by a writing signed by both of the Parties hereto.

h.Duplicate Counterparts; Facsimile. This Agreement may be executed in duplicate counterparts, each of which shall be deemed an original; provided, however, such counterparts shall together constitute only one agreement. Facsimile signatures or signatures sent via electronic mail shall be as effective as original signatures.

i.Interpretation. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

j.Non-transferability of Interest. None of the rights of Employee to receive any form of compensation payable pursuant to this Agreement shall be assignable or transferable except through a testamentary disposition or by the laws of descent and distribution upon the death of Employee. Any attempted assignment, transfer, conveyance, or other disposition (other than as aforesaid) of any interest in the rights of Employee to receive any form of compensation to be made by the Company pursuant to this Agreement shall be void.

k.Construction. The language in all parts of this Agreement shall in all cases be construed simply, according to its fair meaning, and not strictly for or against any of the parties hereto. Without limitation, there shall be no presumption against any party on the ground that such party was responsible for drafting this Agreement or any part thereof.

l.Section 409A.

i. Notwithstanding anything to the contrary in this Agreement, no payment or benefit to be paid or provided to Employee upon his termination of employment, if any, pursuant to this Agreement that, when considered together with any other payments or benefits, are considered deferred compensation under Section 409A (together, the "Deferred Payments") will be paid or otherwise provided until Employee has a "separation from service" within the meaning of Section 409A. Similarly, no amounts payable to Employee, if any, pursuant to this Agreement that otherwise would be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9) will be payable until Employee has a "separation from service" within the meaning of Section 409A.

ii. Notwithstanding anything to the contrary in this Agreement, if Employee is a "specified employee" within the meaning of Section 409A at the time of Employee's termination of employment (other than due to death), then the Deferred Payments that are payable within the first six (6) months following Employee's separation from service, will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of Employee's separation from service. All subsequent Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Employee dies following Employee's separation from service, but prior to the six (6) month anniversary of the separation from service, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of Employee's death and all other Deferred Payments will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under this Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

iii. Any amount paid under this Agreement that satisfies the requirements of the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations will not constitute a Deferred Payment for purposes of clauses (i) and (ii) above.

iv. Any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the limits set forth therein will not constitute a Deferred Payment for purposes of clauses (i) and (ii) above.

v. This Agreement is intended to be written, administered, interpreted and construed in a manner such that no payment or benefits provided under the Agreement become subject to (A) the gross income inclusion set forth within Code Section 409A(a)(1)(A) or (B) the interest and additional tax set forth within Code Section 409A(a)(1)(B) (together, referred to herein as the "Section 409A Penalties"), including, where appropriate, the construction of defined terms to have meanings that would not cause the imposition of Section 409A Penalties. In no event shall the Company be required to provide a tax gross-up payment to Employee or otherwise reimburse Employee with respect to Section 409A Penalties. The Company and Employee agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any Section 409A Penalties on Employee.

vi. Any reimbursement of expenses or in-kind benefits payable under this Agreement shall be made in accordance with Treasury Regulation Section 1.409A-3(i)(1)(iv) and shall be paid on or before the last day of Employee's taxable year following the taxable year in which Employee incurred the expenses. The amount of expenses reimbursed or in-kind benefits payable in one year shall not affect the amount eligible for reimbursement or in-kind benefits payable in any other taxable year of Employee's, and Employee's right to reimbursement for such amounts shall not be subject to liquidation or exchange for any other benefit.

m. Whistleblower Provision. Nothing herein shall be construed to prohibit Employee from communicating directly with, cooperating with, or providing information to, any government regulator, including, but not limited to, the U.S. Securities and Exchange

Commission, the U.S. Commodity Futures Trading Commission, or the U.S. Department of Justice. Employee acknowledges that the Company has provided Employee with the following notice of immunity rights in compliance with the requirements of the Defend Trade Secrets Act: (i) Employee shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of proprietary information of the Company that is made in confidence to a Federal, State, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, (ii) Employee shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of proprietary information of the Company that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal and (iii) if Employee files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Employee may disclose the proprietary information to my attorney and use the proprietary information in the court proceeding, if Employee files any document containing the proprietary information under seal, and does not disclose the proprietary information, except pursuant to court order.

(Signature Page Follows)

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date(s) set forth below.

AIRGAIN, INC.

Dated: By: ______________________________

Name: ______________________________

Title: ______________________________

EMPLOYEE

Dated: ____________________________________
MORAD SBAHI

||

EXHIBIT 1

EMPLOYEE PROPRIETARY INFORMATION AND INVENTIONS ASSIGNMENT AGREEMENT

[Attached]

EXHIBIT 2

GENERAL RELEASE OF CLAIMS

[*The language in this Release may change based on legal developments and evolving best practices; this form is provided as an example of what will be included in the final Release document.*]

This General Release of Claims ("Release") is entered into as of this _____ day of ________, ______, between MORAD SBAHI ("Employee"), and AIRGAIN, INC., a Delaware corporation (the "Company") (collectively referred to herein as the "Parties").

WHEREAS, Employee and the Company are parties to that certain Employment Agreement effective as of February 18, 2021 (the "Agreement");

WHEREAS, the Parties agree that Employee is entitled to certain severance benefits under the Agreement, subject to Employee's execution of this Release; and

WHEREAS, the Company and Employee now wish to fully and finally to resolve all matters between them.

NOW, THEREFORE, in consideration of, and subject to, the severance benefits payable to Employee pursuant to the Agreement, the adequacy of which is hereby acknowledged by Employee, and which Employee acknowledges that he would not otherwise be entitled to receive, Employee and the Company hereby agree as follows:

1. General Release of Claims by Employee.

(a) Employee, on behalf of himself and his executors, heirs, administrators, representatives and assigns, hereby agrees to release and forever discharge the Company and all predecessors, successors and their respective parent corporations, affiliates, related, and/or subsidiary entities, and all of their past and present investors, directors, shareholders, officers, general or limited partners, employees, attorneys, agents and representatives, and the employee benefit plans in which Employee is or has been a participant by virtue of his employment with or service to the Company (collectively, the "Company Releasees"), from any and all claims, debts, demands, accounts, judgments, rights, causes of action, equitable relief, damages, costs, charges, complaints, obligations, promises, agreements, controversies, suits, expenses, compensation, responsibility and liability of every kind and character whatsoever (including attorneys' fees and costs), whether in law or equity, known or unknown, asserted or unasserted, suspected or unsuspected (collectively, "Claims"), which Employee has or may have had against such entities based on any events or circumstances arising or occurring on or prior to the date hereof or on or prior to the date hereof, arising directly or indirectly out of, relating to, or in any other way involving in any manner whatsoever Employee's employment by or service to the Company or the termination thereof, including any and all claims arising under federal, state, or local laws relating to employment, including without limitation claims of wrongful discharge, breach of express or implied contract, fraud, misrepresentation, defamation, or liability in tort, and claims of any kind that may be brought in any court or administrative agency including, without limitation, claims under Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. Section 2000, et seq.; the Americans with Disabilities Act, as amended, 42 U.S.C. § 12101 et seq.; the Rehabilitation Act of 1973, as amended, 29 U.S.C. § 701 et seq.; the Civil Rights Act of 1866, and the Civil Rights Act of 1991; 42 U.S.C. Section 1981, et seq.; the Age Discrimination in Employment Act, as amended, 29 U.S.C. Section 621, et seq. (the "ADEA"); the Equal Pay Act, as amended, 29 U.S.C. Section 206(d); regulations of the Office of Federal Contract Compliance, 41 C.F.R. Section 60, et seq.; the Family and Medical Leave Act, as amended, 29 U.S.C. § 2601 et seq.; the Fair Labor Standards Act of 1938, as amended, 29 U.S.C. § 201 et seq.; the Employee Retirement Income Security Act, as amended, 29 U.S.C. § 1001 et seq.; and the California Fair Employment and Housing Act, California Government Code Section 12940, et seq.

Notwithstanding the generality of the foregoing, Employee does not release the following claims:

(i) Claims for unemployment compensation or any state disability insurance benefits pursuant to the terms of applicable state law;

(ii) Claims for workers' compensation insurance benefits under the terms of any worker's compensation insurance policy or fund of the Company;

(iii) Claims pursuant to the terms and conditions of the federal law known as COBRA;

(iv) Claims for indemnity under the bylaws of the Company, as provided for by California or Delaware law or under any applicable indemnification agreement or insurance policy with respect to Employee's liability as an employee, director or officer of the Company;

(v) Employee's right to bring to the attention of the Equal Employment Opportunity Commission or the California Department of Fair Employment and Housing or any other federal, state or local government agency claims of discrimination, or from participating in an investigation or proceeding conducted by the Equal Employment Opportunity Commission or any other federal, state or local government agency; provided, however, that Employee does release his right to secure any damages for alleged discriminatory treatment;

(vi) Claims based on any right Employee may have to enforce the Company's executory obligations under the Agreement;

(vii) Claims Employee may have to vested or earned compensation and benefits; and

(viii) Employee's right to communicate or cooperate with any government agency.

(b) EMPLOYEE ACKNOWLEDGES THAT HE HAS BEEN ADVISED OF AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

BEING AWARE OF SAID CODE SECTION, EMPLOYEE HEREBY EXPRESSLY WAIVES ANY RIGHTS HE MAY HAVE THEREUNDER, AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

[Note: Clauses (c), (d) and (e) apply only if Employee is age 40 or older at time of termination]

(c) Employee acknowledges that this Release was presented to him on the date indicated above and that Employee is entitled to have twenty-one (21) days' time in which to consider it. Employee further acknowledges that the Company has advised him that he is waiving his rights under the ADEA, and that Employee should consult with an attorney of his choice before signing this Release, and Employee has had sufficient time to consider the terms of this Release. Employee represents and acknowledges that if Employee executes this Release before twenty-one (21) days have elapsed, Employee does so knowingly, voluntarily, and upon the advice and with the approval of Employee's legal counsel (if any), and that Employee voluntarily waives any remaining consideration period.

(d) Employee understands that after executing this Release, Employee has the right to revoke it within seven (7) days after his execution of it. Employee understands that this Release will not become effective and enforceable unless the seven (7) day revocation period passes and Employee does not revoke the Release in writing. Employee understands that this Release may not be revoked after the seven (7) day revocation period has passed. Employee also understands that any revocation of this Release must be made in writing and delivered to the Company at its principal place of business within the seven (7) day period.

(e) Employee understands that this Release shall become effective, irrevocable, and binding upon Employee on the eighth (8^{th}) day after his execution of it, so long as Employee has not revoked it within the time period and in the manner specified in clause (d) above.

(f) Employee further understands that Employee will not be given any severance benefits under the Agreement unless this Release is effective on or before the date that is thirty (30) days following the date of Employee's termination of employment.

2. <u>No Assignment</u>. Employee represents and warrants to the Company Releasees that there has been no assignment or other transfer of any interest in any Claim that Employee may

have against the Company Releasees. Employee agrees to indemnify and hold harmless the Company Releasees from any liability, claims, demands, damages, costs, expenses and attorneys' fees incurred as a result of any such assignment or transfer from Employee.

3. Whistleblower Provision. Nothing herein shall be construed to prohibit Employee from communicating directly with, cooperating with, or providing information to, any government regulator, including, but not limited to, the U.S. Securities and Exchange Commission, the U.S. Commodity Futures Trading Commission, or the U.S. Department of Justice. Employee acknowledges that the Company has provided Employee with the following notice of immunity rights in compliance with the requirements of the Defend Trade Secrets Act: (i) Employee shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of proprietary information of the Company that is made in confidence to a Federal, State, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, (ii) Employee shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of proprietary information of the Company that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal and (iii) if Employee files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Employee may disclose the proprietary information to my attorney and use the proprietary information in the court proceeding, if Employee files any document containing the proprietary information under seal, and does not disclose the proprietary information, except pursuant to court order.

4. Severability. In the event any provision of this Release is found to be unenforceable by an arbitrator or court of competent jurisdiction, such provision shall be deemed modified to the extent necessary to allow enforceability of the provision as so limited, it being intended that the parties shall receive the benefit contemplated herein to the fullest extent permitted by law. If a deemed modification is not satisfactory in the judgment of such arbitrator or court, the unenforceable provision shall be deemed deleted, and the validity and enforceability of the remaining provisions shall not be affected thereby.

5. Interpretation; Construction. The headings set forth in this Release are for convenience only and shall not be used in interpreting this Agreement. This Release has been drafted by legal counsel representing the Company, but Employee has participated in the negotiation of its terms. Furthermore, Employee acknowledges that Employee has had an opportunity to review and revise the Release and have it reviewed by legal counsel, if desired, and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Release. Either party's failure to enforce any provision of this Release shall not in any way be construed as a waiver of any such provision, or prevent that party thereafter from enforcing each and every other provision of this Release.

6. Governing Law; Venue. This Release shall be governed by and construed in accordance with the laws of the State of California without regard to the conflicts of laws principles thereof. Employee and the Company agree that any litigation regarding this Release shall be conducted in San Diego, California. Employee and the Company hereby consent to the

jurisdiction of the courts of the State of California and the United States District Court for the Southern District of California.

7. Entire Agreement. This Release and the Agreement constitute the entire agreement of the Parties in respect of the subject matter contained herein and therein and supersede all prior or simultaneous representations, discussions, negotiations and agreements, whether written or oral. This Release may be amended or modified only with the written consent of Employee and an authorized representative of the Company. No oral waiver, amendment or modification will be effective under any circumstances whatsoever.

8. Counterparts. This Release may be executed in multiple counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

(Signature Page Follows)

IN WITNESS WHEREOF, the Parties have executed this Release as of the date(s) set forth below.

AIRGAIN, INC.

Dated: By: ______________________________

Name: ______________________________

Title: ______________________________

EMPLOYEE

Dated: ____________________________________
MORAD SBAHI

Exhibit 31.1

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

I, Jacob Suen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Airgain, 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.

Date: May 6, 2021	/s/ Jacob Suen
	Jacob Suen President and Chief Executive Officer (principal executive officer)

Exhibit 31.2

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

I, David B. Lyle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Airgain, 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)) (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.

Date: May 6, 2021	/s/ David B. Lyle
	David B. Lyle
	Chief Financial Officer and Secretary
	(principal financial and accounting officer)

Exhibit 32.1

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

In connection with the quarterly report of Airgain, Inc. (the “Company”) on Form 10-Q for the quarter ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jacob Suen, President and 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), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: May 6, 2021	/s/ Jacob Suen
	Jacob Suen
	President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

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

In connection with the quarterly report of Airgain, Inc. (the “Company”) on Form 10-Q for the quarter ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David B. Lyle, Chief Financial Officer and Secretary 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), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: May 6, 2021	/s/ David B. Lyle
	David B. Lyle
	Chief Financial Officer and Secretary

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.