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 June 30, 2023

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission file number: 001-37851

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 stock, par value $0.0001 per share	AIRG	Nasdaq Capital Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§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 August 2, 2023, the registrant had 10,423,964 shares of common stock (par value $0.0001) outstanding.

AIRGAIN, INC.
Form 10-Q
For the Quarter Ended June 30, 2023

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 9,270	$ 11,903
Trade accounts receivable, net	8,626	8,741
Inventories	4,797	4,226
Prepaid expenses and other current assets	1,688	2,284
Total current assets	24,381	27,154
Property and equipment, net	2,544	2,765
Leased right-of-use assets	1,814	2,217
Goodwill	10,845	10,845
Intangible assets, net	9,718	11,203
Other assets	210	216
Total assets	$ 49,512	$ 54,400
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 5,659	$ 6,507
Accrued compensation	1,100	2,874
Accrued liabilities and other	3,527	2,615
Short-term lease liabilities	921	904
Total current liabilities	11,207	12,900
Deferred tax liability	146	139
Long-term lease liabilities	1,080	1,536
Total liabilities	12,433	14,575
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Common stock and additional paid-in capital, par value $0.0001, 200,000 shares authorized; 10,964 shares issued and 10,423 shares outstanding at June 30, 2023; and 10,767 shares issued and 10,226 shares outstanding at December 31, 2022.	113,599	111,282
Treasury stock, at cost: 541 shares at June 30, 2023 and December 31, 2022.	(5,364)	(5,364)
Accumulated deficit	(71,156)	(66,093)
Total stockholders' equity	37,079	39,825
Total liabilities and stockholders' equity	$ 49,512	$ 54,400

See accompanying notes.

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

	Three months ended June 30,		Six months ended June 30,	
	2023	**2022**	**2023**	**2022**
Sales	$ 15,830	$ 19,286	$ 32,274	$ 36,808
Cost of goods sold	9,551	11,793	19,677	22,159
Gross profit	6,279	7,493	12,597	14,649
Operating expenses:				
Research and development	2,590	2,962	5,039	6,204
Sales and marketing	2,305	2,889	5,171	5,744
General and administrative	3,596	3,255	7,389	6,740
Total operating expenses	8,491	9,106	17,599	18,688
Loss from operations	(2,212)	(1,613)	(5,002)	(4,039)
Other (income) expense:				
Interest income, net	(16)	(6)	(34)	(11)
Other expense	11	15	15	30
Total other (income) expense	(5)	9	(19)	19
Loss before income taxes	(2,207)	(1,622)	(4,983)	(4,058)
Income tax (benefit) expense	(2)	(3)	80	82
Net loss	$ (2,205)	$ (1,619)	$ (5,063)	$ (4,140)
Net loss per share:				
Basic	$ (0.21)	$ (0.16)	$ (0.49)	$ (0.41)
Diluted	$ (0.21)	$ (0.16)	$ (0.49)	$ (0.41)
Weighted average shares used in calculating loss per share:				
Basic	10,413	10,219	10,340	10,188
Diluted	10,413	10,219	10,340	10,188

See accompanying notes.

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

	Three months ended June 30,		Six months ended June 30,	
	2023	**2022**	**2023**	**2022**
Net loss	$ (2,205)	$ (1,619)	$ (5,063)	$ (4,140)
Comprehensive loss	$ (2,205)	$ (1,619)	$ (5,063)	$ (4,140)

See accompanying notes.

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

	Three months ended June 30,		Six months ended June 30,	
	2023	**2022**	**2023**	**2022**
Total stockholders' equity, beginning balance	$ 38,300	$ 42,823	$ 39,825	$ 44,173
Common stock and additional paid-in capital:				
Balance at beginning of period	112,615	108,142	111,282	106,971
Stock-based compensation	968	1,028	2,842	2,079
Common stock withheld related to net share settlement of equity awards	(12)	—	(690)	—
Issuance of shares for stock purchase and option plans	28	16	165	136
Balance at end of period	113,599	109,186	113,599	109,186
Treasury stock:				
Balance, at cost -at beginning of period	(5,364)	(5,364)	(5,364)	(5,364)
Balance, at cost -at end of period	(5,364)	(5,364)	(5,364)	(5,364)
Accumulated deficit:				
Balance at beginning of period	(68,951)	(59,955)	(66,093)	(57,434)
Net loss	(2,205)	(1,619)	(5,063)	(4,140)
Balance at end of period	(71,156)	(61,574)	(71,156)	(61,574)
Total stockholders' equity, ending balance	$ 37,079	$ 42,248	$ 37,079	$ 42,248

See accompanying notes.

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

	Six months ended June 30, 2023	Six months ended June 30, 2022
Cash flows from operating activities:		
Net loss	$ (5,063)	$ (4,140)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	342	337
Loss on disposal of property and equipment	11	3
Amortization of intangible assets	1,485	1,513
Stock-based compensation	1,949	2,455
Deferred tax liability	7	18
Changes in operating assets and liabilities:		
Trade accounts receivable	115	935
Inventories	(571)	328
Prepaid expenses and other current assets	596	(554)
Other assets	6	75
Accounts payable	(877)	1,159
Accrued compensation	(880)	(193)
Accrued liabilities and other	912	94
Lease liabilities	(36)	(50)
Net cash (used in) provided by operating activities	(2,004)	1,980
Cash flows from investing activities:		
Purchases of property and equipment	(104)	(174)
Proceeds from sale of equipment	—	10
Net cash used in investing activities	(104)	(164)
Cash flows from financing activities:		
Cash paid for business acquisition contingent consideration	—	(7,015)
Payments for withholding taxes related to net share settlement of equity awards	(690)	—
Issuance of common stock, net	165	136
Net cash used in financing activities	(525)	(6,879)
Net decrease in cash, cash equivalents and restricted cash	(2,633)	(5,063)
Cash, cash equivalents, and restricted cash; beginning of period	12,078	14,686
Cash, cash equivalents, and restricted cash; end of period	$ 9,445	$ 9,623
Supplemental disclosure of cash flow information:		
Income taxes paid	$ 64	$ 110
Supplemental disclosure of non-cash investing and financing activities:		
Operating lease liabilities resulting from right-of-use assets	$ 11	$ 254
Accrual of property and equipment	$ 29	$ 429
Cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	$ 9,270	$ 9,448
Restricted cash included in prepaid expenses and other current assets and other assets long term	175	175
Total cash, cash equivalents, and restricted cash	$ 9,445	$ 9,623

See accompanying notes.

Note 1. Description of Business and Basis of Presentation

Description of Business

Airgain, Inc. was incorporated in the State of California on March 20, 1995; and reincorporated in the State of Delaware on August 17, 2016. Airgain, Inc. together with its subsidiary NimbeLink Corp. are herein refer to as the "Company," "we," or "our". The Company is a leading provider of connectivity solutions including embedded components, external antennas, and integrated systems that enable wireless networking in the consumer, enterprise, and automotive markets. The Company's headquarters is in San Diego, California.

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, 2022, from which the balance sheet information herein was derived. The unaudited 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.

Segment Information

The Company's operations are located primarily in the United States and most of its assets are located in San Diego, California and Plymouth, Minnesota.

The Company operates in one segment related to providing connectivity solutions – embedded components, external antennas, and integrated systems. The Company's chief operating decision-maker is our 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 period financial statements have been reclassified to conform to the presentation of the current period financial statements.

Note 2. Summary of Significant Accounting Policies

During the six months ended June 30, 2023, there have been no material changes to the Company's significant accounting policies as described in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Trade Accounts Receivable

We perform ongoing credit evaluations of our customers and assess each customer's credit worthiness. The policy for determining when receivables are past due or delinquent is based on the contractual terms agreed upon. We monitor collections and payments from our customers and analyze for an allowance for credit losses. The allowance for credit losses is based upon applying an expected credit loss rate to receivables based on the historical loss rate and is adjusted for current conditions, including any specific customer collection issues identified, and economic conditions forecast. Delinquent account balances are written off after management has determined that the likelihood of collection is remote.

Inventories

As of April 2022, all 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 some situations, the Company retains ownership of inventory which is held in third-party contract manufacturing facilities. 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 consolidated balance sheets. In the second quarter of 2022, we closed our facility located in Scottsdale, Arizona where certain of our products were previously manufactured.

Inventory is stated at the lower of cost or net realizable value. For items manufactured by us, cost is determined using the weighted average cost method. For items manufactured by third parties, cost is determined using the first-in, first-out method (FIFO). Any adjustments to reduce the cost of inventories to their net realizable value are recognized in earnings in the current period. Write downs for excess and obsolete inventories are estimated based on product life cycles, quality issues, and historical experience.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, generally three to ten years. The estimated useful lives for leasehold improvements are determined as either the estimated useful life of the asset or the lease term, whichever is shorter. Repairs and maintenance are expensed as incurred. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. When assets are disposed of (or otherwise sold), the cost and related accumulated depreciation are removed from the accounts and any gain or loss on the disposal of property and equipment is classified as other expense (income) in the Company's consolidated statement of operations.

Goodwill

Goodwill represents the excess of cost over fair value of net assets acquired. Goodwill is not amortized but is tested for impairment annually using either a qualitative assessment, and / or quantitative assessment, which is based on comparing the fair value of a reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its fair value, a goodwill impairment loss is recorded. We complete a goodwill impairment test as of December 31 each year or more frequently if we believe indicators of impairment exist.

Other Intangible Assets

The Company’s identifiable intangible assets are comprised of acquired intangibles, developed technologies, customer relationships and non-compete agreements. The cost of the market-related intangible assets with finite lives is amortized on a straight-line basis over the assets’ respective estimated useful lives. The Company periodically re-evaluates the original assumptions and estimated lives of long-lived assets and finite-lived intangible assets. Long-lived assets and finite-lived intangibles are assessed annually for impairment or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If an asset is considered to be impaired, the impairment recognized is equal to the amount by which the carrying value of the asset exceeds its fair value.

Revenue Recognition

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 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 transfers to 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 the NimbeLink 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. We only apply the five-step model when it is probable that we will collect substantially all of the consideration that we are entitled in exchange for the goods or services that we transfer 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. Most of the Company's revenue is recognized on a "point-in-time" basis when control passes to the customer. The revenue from service contracts is recognized either at a "point-in-time" or "over time" based on the terms and conditions in the contract. Revenue from data subscription plans relate to purchased asset trackers with activated data lines, through a third-party service provider. Subscription plans are recognized monthly. Service revenues are earned based on contractual milestones. Prepayments are deferred revenues and are recorded as contract liabilities. We recognize the contract liabilities over service periods ranging from three (3) to eighteen (18) months.

The Company offers return rights and/or pricing credits under certain circumstances. We estimate product returns based on historical sales and return trends and record against revenue and corresponding refund liability.

The Company's contracts with customers do not typically include extended payment terms. Payment terms may vary by contract and type of customer and generally range from 30 to 90 days from delivery.

The Company provides assurance-type warranties on all product sales ranging from one to two years. The estimated warranty costs are accrued for at the time of sale based on historical warranty experience plus any known or expected changes in warranty exposure.

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, *Other Assets and Deferred Costs*, as the period over which the sales commission asset that would have been recognized is less than one year.

There were no contract assets as of June 30, 2023 and December 31, 2022.

Shipping and Transportation Costs

Shipping and other transportation costs expensed as incurred were $0.1 million and $0.2 million for the three months ended June 30, 2023 and 2022, respectively. These costs are included in sales and marketing expenses in the accompanying consolidated statements of operations.

Research and Development Costs

Research and development costs are expensed as incurred.

Advertising Costs

Advertising costs are expensed as incurred. These costs are included in sales and marketing expenses in the accompanying consolidated statements of operations.

Stock-Based Compensation

We recognize compensation costs related to stock options and restricted stock units granted to employees and directors based on the estimated fair value of the awards on the date of grant. We estimate the option grant fair values, and the resulting stock-based compensation expense, using the Black-Scholes option-pricing model. The grant date fair value of stock-based awards are expensed on a straight-line basis over the requisite service period of the entire reward. The Company recognizes forfeitures when incurred.

Fair Value Measurements

The carrying values of the Company's financial instruments, including cash, trade accounts receivable, accounts payable, accrued liabilities and deferred purchase price obligations 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.

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (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. The Company adopted this standard in the first quarter of fiscal 2023; it did not have a material impact on our financial statements.

Recently Issued Accounting Pronouncements

There are no recent accounting pronouncements issued by the FASB that the Company expects would have a material impact on the Company's financial statements.

Note 3. Net Loss Per Share

Basic net loss per share is calculated by dividing net loss available to common stockholders by the weighted average shares of common stock outstanding for the period. Diluted net loss per share is calculated by dividing net 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 loss per common share using the treasury stock method.

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Numerator:				
Net loss	$ (2,205)	$ (1,619)	$ (5,063)	$ (4,140)
Denominator:				
Basic weighted average common shares outstanding	10,413	10,219	10,340	10,188
Plus dilutive effect of potential common shares	—	—	—	—
Diluted weighted average common shares outstanding	10,413	10,219	10,340	10,188
Net loss per share:				
Basic	$ (0.21)	$ (0.16)	$ (0.49)	$ (0.41)
Diluted	$ (0.21)	$ (0.16)	$ (0.49)	$ (0.41)

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Stock options, restricted stock and performance stock	2,413	2,122	2,369	2,032
Common stock equivalent shares	2,413	2,122	2,369	2,032

Note 4. Cash and Cash Equivalents

The following tables show the Company’s cash and cash equivalents by significant investment category (in thousands):

	June 30, 2023		
	Amortized cost	Estimated fair value	Cash and cash equivalents
Cash	$ 9,249	$ 9,249	$ 9,249
Level 1:			
Money market funds	21	$ 21	$ 21
Total	$ 9,270	$ 9,270	$ 9,270

	December 31, 2022		
	Amortized cost	Estimated fair value	Cash and cash equivalents
Cash	$ 8,323	$ 8,323	$ 8,323
Level 1:			
Money market funds	3,580	3,580	3,580
Total	$ 11,903	$ 11,903	$ 11,903

Restricted Cash

As of June 30, 2023 and December 31, 2022, the Company had $175,000 in cash on deposit to secure certain lease commitments; $80,000 of which is short-term in nature and recorded in prepaid expenses and other current assets and $95,000 of which is restricted for more than twelve months and recorded in other assets in the Company's consolidated balance sheet.

Note 5. Inventory

Inventories are comprised of the following (in thousands):

	June 30, 2023	December 31, 2022
Raw materials	$ 921	$ 1,060
Finished goods	3,876	3,166
Total Inventory	$ 4,797	$ 4,226

Consigned inventories, which are included in total inventories, are comprised of the following (in thousands):

	June 30, 2023	December 31, 2022
Raw materials	$ 470	$ 631
Finished goods	2,505	2,272
Total Consigned Inventory	$ 2,975	$ 2,903

Excess and obsolete inventory reserves were $1.0 million and $0.9 million as of June 30, 2023 and December 31, 2022, respectively.

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 ten years for all other property and equipment. Property and equipment consist of the following (in thousands):

	June 30, 2023	December 31, 2022
Manufacturing and testing equipment	$ 5,461	$ 5,194
Leasehold improvements	848	848
Computers and software	502	703
Furniture, fixtures, and equipment	427	409
Construction in process	37	16
Property and equipment, gross	7,275	7,170
Less accumulated depreciation	(4,731)	(4,405)
Property and equipment, net	$ 2,544	$ 2,765

Depreciation expense was $0.2 million for each of the three months ended June 30, 2023 and 2022 and $0.3 million for each of the six months ended June 30, 2023 and 2022.

Note 7. Intangible Assets

Other Intangible Assets

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

	June 30, 2023						
	Weighted average amortization period (in years)	Gross carrying amount		Accumulated amortization		Net carrying amount	
Market related intangibles	5	$	1,820	$	965	$	855
Customer relationships	7		13,780		7,857	$	5,923
Developed technologies	11		4,380		1,440	$	2,940
Covenants to non-compete	2		115		115	$	—
Total intangible assets, net		$	20,095	$	10,377	$	9,718

	December 31, 2022						
	Weighted average amortization period (in years)	Gross carrying amount		Accumulated amortization		Net carrying amount	
Market related intangibles	5	$	1,820	$	795	$	1,025
Customer relationships	7		13,780		6,720		7,060
Developed technologies	11		4,380		1,263		3,117
Covenants to non-compete	2		115		114		1
Total intangible assets, net		$	20,095	$	8,892	$	11,203

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

	Estimated future amortization	
2023 (remaining six months)	$	1,484
2024		2,968
2025		2,958
2026		557
2027		356
Thereafter		1,395
Total	$	9,718

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 $0.8 million for the three months ended June 30, 2023 and 2022, respectively. Amortization expense was $1.5 million and $1.5 million for the six months ended June 30, 2023 and 2022, respectively.

No impairment losses were recorded against the other intangibles during the three months ended June 30, 2023 and 2022.

Goodwill

No impairment losses were recorded against the goodwill during the three months ended June 30, 2023 and 2022.

Note 8. Accrued Liabilities and Other

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

	June 30, 2023	December 31, 2022
Accrued expenses	$ 1,003	$ 815
VAT payable	339	339
Accrued income taxes	197	166
Advanced payments from contract manufacturers	148	210
Contract liabilities	—	32
Goods received not invoiced	1,702	529
Other current liabilities	138	524
Accrued liabilities and other	$ 3,527	$ 2,615

Note 9. Leases

Operating leases

The Company has made certain assumptions and judgements when applying ASC 842, the Company elected not to recognize right-of-use assets and lease liabilities for short-term leases (lease terms of twelve months or less).

Operating lease arrangements primarily consist of office, warehouse and test house leases expiring during different years through 2025. The facility leases have original lease terms of approximately one to five years and may contain options to extend up to 5 years and/or terminate early. Options to extend are included in leased right-of-use assets and lease liabilities in the consolidated balance sheet when we are reasonably certain to renew a lease. Since the implicit rate of such leases is unknown and we may not be reasonably certain to renew 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 June 30, 2023 and December 31, 2022, the weighted average discount rate for operating leases was 3.9%, and the weighted average remaining lease term for operating leases was 2.2 years and 2.7 years, respectively.

The Company has entered into various short-term operating leases, primarily for test houses and office equipment with initial terms of 12 months or less. These short-term leases are not recorded on the Company's consolidated balance sheet and the related short-term lease expense was $27,000 and $42,000, for the three months ended June 30, 2023 and 2022, respectively. Total operating lease cost was $0.2 million each for the three months ended June 30, 2023 and 2022 and $0.5 million each for the six months ended June 30, 2023 and 2022.

The table below presents aggregate future minimum payments due under leases, reconciled to lease liabilities included in the consolidated balance sheet as of June 30, 2023 (in thousands):

	Estimated future lease obligation
2023 (remaining six months)	$ 498
2024	902
2025	687
Total minimum payments	2,087
Less imputed interest	(88)
Less unrealized translation gain	2
Total lease liabilities	2,001
Less short-term lease liabilities	(921)
Long-term lease liability	$ 1,080

Note 10. Treasury Stock

In 2019, our Board of Directors (the Board) approved a share repurchase program (the Program) pursuant to which the Company could purchase up to $7.0 million of shares of our common stock. The repurchases under the 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 were 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. Since inception of the stock repurchase programs, including prior share repurchase programs, the Company has purchased a total of approximately 541,000 shares for a total cost of $5.4 million. The Program expired in September 2021.

Note 11. Income Taxes

The Company’s effective income tax rate was -1.6% and -2.0% for the six months ended June 30, 2023 and 2022, respectively. The variance from the U.S. federal statutory rate of 21.0% for the six months ended June 30, 2023 was primarily attributable to the utilization of deferred tax attributes that had a full valuation allowance. The variance from the U.S. federal statutory rate of 21.0% for the six months ended June 30, 2022 was primarily attributable to the utilization of deferred tax attributes that had a full valuation allowance.

Management assesses its deferred tax assets quarterly to determine whether all or any portion of the asset is more likely than not unrealizable under Accounting Standards Codification (ASC) Topic 740. 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, 2022, the Company had a valuation allowance against net deferred tax assets of $11.9 million, however, the exclusion of a deferred tax liability generated by goodwill (an indefinite lived intangible) 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.

Note 12. 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.

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

	June 30, 2023	December 31, 2022
Stock options issued and outstanding	2,129	2,065
Stock awards issued and outstanding	766	581
Authorized for grants under the 2016 Equity Incentive Plan(2)	354	507
Authorized for grants under the Inducement Plan(3)	324	294
Authorized for grants under the 2016 Employee Stock Purchase Plan(4)	457	378
	4,030	3,825

(1) The table above excludes 541,000 treasury stock shares as of June 30, 2023 and December 31, 2022.
(2) On January 1, 2023, the number of authorized shares in the 2016 Plan increased by 431,000 shares pursuant to the evergreen provisions of the 2016 Plan.
(3) On February 5, 2021, 300,000 shares were authorized pursuant to the terms of the Inducement Plan.
(4) On January 1, 2023, the number of authorized shares in the 2016 Employee Stock Purchase Plan increased by 100,000 shares pursuant to the evergreen provisions of the 2016 Employee Stock Purchase Plan.

Note 13. Stock Based Compensation

Stock-based compensation expense

Stock-based compensation is recorded in the consolidated statements of operations as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Cost of goods sold	$ 29	$ 22	$ 44	$ 26
Research and development	280	278	517	554
Sales and marketing	115	296	276	583
General and administrative	544	618	1,112	1,292
Total stock-based compensation expense	$ 968	$ 1,214	$ 1,949	$ 2,455

Stock Options

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

	Number of stock options	Weighted average Exercise price	Weighted average Remaining contractual term (in years)	Aggregate Intrinsic Value (in thousands)
Balance at December 31, 2022	2,065	$ 11.78	6.7	$ 758
Granted	267	$ 5.71		
Exercised	(12)	$ 2.30		$ 40
Expired/Forfeited	(191)	$ 13.08		
Balance at June 30, 2023	2,129	$ 10.95	6.4	$ 608
Vested and exercisable at June 30, 2023	1,491	$ 11.45	5.3	$ 541
Vested and expected to vest at June 30, 2023	2,129	$ 10.95	6.4	$ 608

The weighted average grant date fair value of options granted during the six months ended June 30, 2023 was $2.92. The grant-date fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option-pricing model. For stock options vested and expected to vest, the aggregate intrinsic value as of June 30, 2023 was $0.6 million.

At June 30, 2023, there was $2.8 million of unrecognized compensation cost related to unvested stock options granted under the Company’s equity plans that is expected to be recognized over the next 2.6 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
Balance at December 31, 2022	444	$ 11.78
Grants	583	$ 5.27
Vested and released	(284)	$ 8.06
Forfeited	(91)	$ 9.40
Balance at June 30, 2023	652	$ 7.91

As of June 30, 2023, there was $4.3 million of total unrecognized compensation cost related to unvested restricted stock units having a weighted average remaining contractual term of 3.1 years.

Performance Stock Units

The following table summarizes the Company's performance stock unit (PSU) activity during the period indicated (shares in thousands):

	Performance stock units	Weighted average grant date fair value
Balance at December 31, 2022	137	$ 2.09
Grants	—	$ —
Vested and released	—	$ —
Forfeited	(23)	$ 2.20
Balance at June 30, 2023	114	$ 2.07

Service as well as market and performance conditions determine the number of PSUs that the holder will earn from 0% to 150% of the target number of shares. The percentage received is based on the Company common stock price targets over a three-year service period. Additionally, the Company must achieve or exceed 75% of the year to date revenue target measured at the end of the quarter in which the price target is achieved. As of June 30, 2023, there was $0.1

million of total unrecognized compensation cost related to unvested PSUs having a weighted average remaining contractual term of 1.8 years.

We estimate the fair value of PSUs with a market condition using a Monte Carlo simulation model as of the date of grant using historical volatility.

Share-Settled Obligation

During the six months ended June 30, 2023, the Company settled $0.9 million 2022 bonus awards by granting 187,200 immediately vested RSUs.

Employee Stock Purchase Plan (ESPP)

The Company maintains the 2016 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 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.

During the six months ended June 30, 2023, the Company received $0.1 million from the issuance of 21,300 shares under the ESPP.

Note 14. Commitments and Contingencies

Severance and Exit Costs

The following table presents details of the liability we recorded related to severance and exit costs:

	Severance and Exit Costs	
	(In thousands)	
Balance at December 31, 2022	$	—
Accrued to expense		205
Payments		(92)
Balance at March 31, 2023	$	113
Accrued to expense		365
Payments		(71)
Balance at June 30, 2023	$	407

The severance liability is recorded in accrued compensation on the accompanying unaudited condensed consolidated balance sheet. The severance and exit cost were recorded in the relevant operating expense departments in the accompanying unaudited condensed consolidated statement of operations.

Potential product warranty claims

The Company had a general warranty accrual of approximately $0.1 million and $0.2 million as of June 30, 2023 and December 31, 2022, respectively.

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.

Note 15. Concentration of Credit Risk

Concentration of Sales and Accounts Receivable

The following represents customers that accounted for 10% or more of total revenue:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Customer A	24 %	14 %	19 %	14 %
Customer B	14 %	8 %	13 %	8 %
Customer C	9 %	22 %	12 %	19 %
Customer D	9 %	14 %	10 %	15 %
Customer E	6 %	28 %	7 %	28 %

The following represents customers that accounted for 10% or more of total trade accounts receivable:

	June 30, 2023	December 31, 2022
Customer A	21 %	21 %
Customer B	11 %	8 %
Customer C	7 %	12 %
Customer D	5 %	15 %

The allowance for credit losses as of June 30, 2023 and December 31, 2022 was not material.

Concentration of Purchases

During the six months ended June 30, 2023, the Company's products were primarily manufactured by six contract manufacturers with locations in China, Mexico, Minnesota, and Vietnam.

Concentration of Cash

The bank where most of the Company's cash was held was placed into receivership with the FDIC on March 10, 2023. The Company's cash deposits exceeded the FDIC insured limits at that time. However, the Treasury, the Federal Reserve, and the FDIC, as receiver, jointly released a statement that depositors at this specific bank would have access to their funds, including funds in excess of standard FDIC insurance limits. The Company has not experienced losses on these accounts. In the second quarter of 2023, the Company moved most of the deposits out of this institution to several accounts at a larger institutional bank.

Concentration of Property and Equipment

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

	June 30, 2023	December 31, 2022
North America	$ 2,300	$ 2,469
Asia Pacific (APAC)	102	138
Europe, Middle East and Africa (EMEA)	142	158
Property and equipment, net	$ 2,544	$ 2,765

Note 16. Revenue

Disaggregated revenues are as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
By Market Group:				
Enterprise	$ 7,366	$ 9,120	$ 15,803	$ 17,749
Consumer	6,189	5,981	11,321	12,043
Automotive	2,275	4,185	5,150	7,016
Total sales	$ 15,830	$ 19,286	$ 32,274	$ 36,808
By Geography:				
North America	$ 9,438	$ 12,424	$ 19,606	$ 22,903
China (including Hong Kong and Taiwan)	6,059	6,268	12,028	12,727
Rest of the world	333	594	640	1,178
Total sales	$ 15,830	$ 19,286	$ 32,274	$ 36,808

Revenue generated from the United States was $2.8 million and $12.4 million for the three months ended June 30, 2023 and 2022, respectively and $9.3 million and $22.7 million for the six months ended June 30, 2023 and 2022, respectively.

Liability for potential rights of return was approximately $1,900 and $0.3 million as of June 30, 2023 and December 31, 2022, respectively and is included within accrued liabilities in the accompanying unaudited condensed consolidated balance sheets.

The deferred revenues that are recorded as contract liabilities were $0.1 million and $0.2 million as of June 30, 2023 and December 31, 2022, respectively.

Note 17. Subsequent Events

In August 2023, we applied for employee retention credit (ERC) refunds pursuant to the Coronavirus Aid, Relief and Economic Security Act, totaling $2.5 million, net of professional fees. Pending the Internal Revenue Service's (IRS) review and determination of our eligibility, we anticipate receiving the ERC refunds within the next six months. However, there can be no assurance we will ultimately receive the amounts we currently expect, if any, or the timeframe of any such receipt, based on IRS review or otherwise.

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, 2022 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, 2022.

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, 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

Airgain is a leading provider of wireless connectivity solutions that creates and delivers embedded components, external antennas, and integrated systems across the globe. Airgain simplifies wireless connectivity across a diverse set of devices and markets, from solving complex connectivity issues to speeding time to market to enhancing wireless signals. Our product offering includes three distinct sub-brands. Airgain Embedded™ represents our embedded modems, antennas, and development kits that help design teams bring connected products to market quickly. Airgain Antenna+™ represents our external antennas, such as our fleet and Internet of things (IoT) antennas, that help enhance wireless signals in some of the harshest environments. Airgain Integrated™ represents our fully integrated products, such as our asset trackers, 5G connectivity solutions, and AirgainConnect® platform, that help solve connectivity issues in an organization’s operating environment. Our mission is to connect the world through optimized, integrated wireless solutions.

As a wireless connectivity solution provider with a rich history in radio frequency (RF) technology, we are leveraging our expertise in embedded antennas and embedded modems to effectively transition from a component provider to a wireless systems provider. In 2020, we announced our patented vehicle networking flagship platform – AirgainConnect. Our first product from this platform, the AC-HPUE™ antenna-modem, offers a novel solution for our public safety and automotive fleet markets by improving vehicle networking capabilities and we are developing our next generation products directed towards a broader vehicle market size. We have also designed an entire line of cellular-based, ruggedized asset trackers that deliver real-time location and condition data on assets, whether they are indoors, outdoors or in transit. In addition, we have a robust custom products offering where we design and build integrated products such as cellular routers, large venue WiFi access points, and external cellular modem modules for major original equipment manufacturers (OEMs). Finally, our advanced development team expect to roll out several new products this year designed to improve the 5G customer experience, further helping enable our move into a leadership position in the new wave of technologies and platforms.

After a significant shift in 2022, we transitioned to a fabless model where we use third parties to manufacture our products while maintaining oversight for critical quality, test, and calibration functions. In addition, we maintain a deliberate intellectual property strategy that includes patent and trademark filings in multiple jurisdictions including the United States and other commercially significant markets.

Core Markets

Airgain’s core business primarily focuses on the following three key markets:

- *Enterprise.* 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, massive MIMO, and remote radio heads. In addition, our embedded modems are deployed across various markets with high demand for connectivity, including packaging and logistics, EV charging, smart city and smart building applications, agriculture, asset tracking, and more. We continue to deploy our asset trackers across a variety of transportation, supply chain, cold chain, and other unique applications and we continue to develop WiFi access and other custom products for multiple commercial uses.
- *Consumer.* The consumer market encompasses a large and growing audience of consumers using wireless-enabled devices. 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. Additionally, our antennas support

a comprehensive array of technologies, including WLAN, Wi-Fi, LTE, 5G and LPWAN. In addition, with the roll out of our new 5G connectivity product lines, improving 5G access and customer experience through fixed wireless access (FWA) and repeaters for our service provider customers will be a high growth area for Airgain.

- *Automotive*. In the automotive market, our products are deployed in a wide range of vehicles in the fleet and aftermarket segment, supporting a variety of technologies that include Wi-Fi, LTE, 5G, Satellite and LPWAN. The fleet and aftermarket segments of the automotive market typically consist of applications whereby rugged vehicular wireless routers are paired with external antenna systems to provide connectivity to fixed and mobile assets. Within this unique market segment, there has been a rise in the number of antennas per vehicle, which is especially true in the first responder, utility, agriculture, and service fleet markets where in-vehicle equipment increasingly demands connectivity.

Our Process

With our internal antennas, our design team partner with customers from the early stages of antenna prototyping to device throughput testing in order to facilitate optimal performance and a significant reduction in time to market. Our capabilities include design, custom engineering support, integration, and over-the-air (OTA) testing. Leveraged in combination, these capabilities have resulted in a strong reputation across the OEM, 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 who 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.

With our embedded modems, we offer customer design teams the ability to speed time to market by avoiding the cost and time delays of carrier certification. We combine cellular modules with the electronics and firmware to achieve end-device certification with major carriers. In addition, we offer the ability to futureproof their designs with the ability to update firmware remotely and swap module vendors, all without changing the pin design. By leveraging our embedded modems, customers designing cellular-connected products remove complexity from the design process, reducing the need for large RF engineering teams and launching products much quicker to take advantage of market opportunities.

Macroeconomic conditions

Macroeconomic conditions have continued to create demand softness industrywide, which when combined with excess inventories in our channels, drove year-over-year declines in our Enterprise, Automotive and Consumer markets. These conditions have led to a reduction in visibility to customer demand and an increase in volatility in the management of our business. We remain focused on the execution of our strategic product initiatives and operational efficiencies, as they lay out the foundation of our revenue and profitability growths when market conditions improve.

Factors Affecting Our Operating Results

We believe that our performance and future success depend upon several factors including macroeconomic uncertainties, epidemic diseases, continued recovery from global supply shortages, impact of inflation on consumer spending, our ability to transition from a component provider to a wireless systems provider and to develop technology leadership and expand our markets.

Our performance and future success also depend on factors such as manufacturing costs, continued investments in our growth, our ability to expand into growing addressable markets, including consumer, enterprise, and automotive, the average selling prices 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 solutions for their wireless devices and networks;
- the proliferation of Wi-Fi connected home devices and data intensive applications;
- investments in our growth to address customer needs;
- the impact of the global supply 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;

- international expansion in light of continuing global tensions; and
- ability to successfully integrate past and any future acquisitions.

In addition, inflation generally affects us by increasing our raw material and employee-related costs and other expenses. Our financial condition and results of operations may also be impacted by other factors we may not be able to control, such as uncertain global economic conditions, health pandemics and epidemic diseases, global trade disputes or political instability, as well as conflicts around the world. We do not believe that such factors had a material adverse impact on our results of operations during the six months ended June 30, 2023.

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. 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 Lunar New Year. General weakening of economic conditions may contribute to slower sales. 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 control over 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 product sales at the time of shipment to our customers, provided that all other revenue recognition criteria have been met. Although currently immaterial, we also generate service revenue from agreements to provide design, engineering, and testing services as well as subscription revenue from the sale of data plans.

Cost of Goods Sold

The cost of goods sold reflects the cost of producing antenna, embedded modem and asset tracking products that are shipped for our customers’ devices as well as costs incurred for service agreements. 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, prior to closure in March 2022. The cost of goods sold that we generate from services and subscription revenues primarily includes personnel costs and the cost to maintain data lines.

Operating Expenses

Our operating expenses are classified into three categories: research and development, sales and marketing, general and administrative and subscription revenues. The largest component of expense 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 amortization of leasehold improvements as well as, rent and utility expenses and taxes. 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 and modem 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 costs for certain facilities. We may also incur expenses from 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, 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, advertising, marketing programs, promotional materials, demonstration equipment, travel, recruiting, and allocated costs for certain facilities. We expect sales and marketing expenses to fluctuate as a percentage of total sales.

General and Administrative. General and administrative expenses primarily consist of personnel and facility related costs for our executive, legal, human resource 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 as we grow our operations.

Other Expense (Income)

Interest Income, net. Interest income consists of interest from our cash and cash equivalents offset by interest expense which consists of interest charges on credit card charges and certain vendor bills.

Other Expense. Other expense consists of the loss from disposal of property and equipment, realized foreign exchange gains or losses, and other expenses.

Provision for Income Taxes

Provision for income taxes consists of federal and state 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 and 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 June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Statement of Operations Data (in thousands):				
Sales	$ 15,830	$ 19,286	$ 32,274	$ 36,808
Cost of goods sold	9,551	11,793	19,677	22,159
Gross profit	6,279	7,493	12,597	14,649
Operating expenses:				
Research and development	2,590	2,962	5,039	6,204
Sales and marketing	2,305	2,889	5,171	5,744
General and administrative	3,596	3,255	7,389	6,740
Total operating expenses	8,491	9,106	17,599	18,688
Loss from operations	(2,212)	(1,613)	(5,002)	(4,039)
Other (income) expense	(5)	9	(19)	19
Loss before income taxes	(2,207)	(1,622)	(4,983)	(4,058)
Income tax (benefit) expense	(2)	(3)	80	82
Net loss	$ (2,205)	$ (1,619)	$ (5,063)	$ (4,140)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Statements of Operations Data:				
Sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold	60.3	61.1	61.0	60.2
Gross profit	39.7	38.9	39.0	39.8
Operating expenses:				
Research and development	16.4	15.4	15.6	16.9
Sales and marketing	14.6	15.0	16.0	15.6
General and administrative	22.7	16.9	22.9	18.3
Total operating expenses	53.7	47.3	54.5	50.8
Loss from operations	(14.0)	(8.4)	(15.5)	(11.0)
Other (income) expense	0.1	0.0	(0.1)	(0.0)
Loss before income taxes	(13.9)	(8.4)	(15.4)	(11.0)
Income tax (benefit) expense	(0.0)	(0.0)	0.3	0.2
Net loss	(13.9)%	(8.4)%	(15.7)%	(11.2)%

Comparison of the Three and Six Months Ended June 30, 2023 and 2022 **(dollars in thousands)**

Sales

	Three months ended June 30,			
	2023	2022	$ Change	% Change
Sales	$ 15,830	$ 19,286	$ (3,456)	(17.9)%

	Six months ended June 30,			
	2023	2022	$ Change	% Change
Sales	$ 32,274	$ 36,808	$ (4,534)	(12.3)%

Sales for the three months ended June 30, 2023 decreased $3.5 million or 17.9% compared to the same period in the prior year. Enterprise market sales decreased $1.8 million, to $7.3 million for the three months ended June 30, 2023 from $9.1 million during the same period in the prior year, driven by lower sales of industrial internet-of-things (IIoT) and enterprise access point products. Consumer market sales increased $0.2 million to $6.2 million for the three months ended June 30, 2023 from $6.0 million during the same period in the prior year due to an increase in sales of Wi-Fi 6E products in the second quarter of 2023. Automotive market sales decreased $1.9 million, to $2.3 million for the three months ended June 30, 2023, from $4.2 million during the same period in the prior year driven by a decrease in AirgainConnect HPUE and aftermarket sales.

Sales for the six months ended June 30, 2023 decreased $4.5 million or 12.3% compared to the same period in the prior year. Enterprise market sales decreased $2.0 million, to $15.8 million for the six months ended June 30, 2023 from $17.8 million during the same period in the prior year, driven mostly by lower sales of IIoT products. Consumer market sales decreased $0.7 million to $11.3 to million for the six months ended June 30, 2023 from $12.0 million during the same period in the prior year due to demand softness in the first quarter of 2023, partially offset by increased WiFi 6E sales in the second quarter of 2023. Automotive market sales decreased $1.8 million to $5.2 million for the six months ended June 30, 2023, from $7.0 million during the same period in the prior year driven by a decrease in AirgainConnect HPUE and aftermarket sales.

Cost of Goods Sold

	Three months ended June 30,			
	2023	2022	$ Change	% Change
Cost of goods sold	$ 9,551	$ 11,793	$ (2,242)	(19.0)%

	Six months ended June 30,			
	2023	2022	$ Change	% Change
Cost of goods sold	$ 19,677	$ 22,159	$ (2,482)	(11.2)%

Cost of goods sold for the three months ended June 30, 2023 decreased $2.2 million or 19.0% compared to the same period in the prior year. The decline was primarily due to sales decline.

Cost of goods sold for the six months ended June 30, 2023 decreased $2.5 million or 11.2% compared to the same period in the prior year. The decline was due to sales decline.

Gross Profit

	Three months ended June 30,			
	2023	2022	$ Change	% Change
Gross profit	$ 6,279	$ 7,493	$ (1,214)	(16.2)%
Gross profit (percentage of sales)	39.7%	38.9%		0.8%

	Six months ended June 30,			
	2023	2022	$ Change	% Change
Gross profit	$ 12,597	$ 14,649	$ (2,052)	(14.0)%
Gross profit (percentage of sales)	39.0%	39.8%		(0.8)%

Gross profit for the three months ended June 30, 2023 decreased $1.2 million or 16.2%, compared to the same period in the prior year, driven by lower sales. Gross profit as a percentage of sales for the three months ended June 30, 2023 increased by 80 basis points compared to the same period in the prior year primarily due to a favorable consumer sales mix.

Gross profit for the six months ended June 30, 2023 decreased $2.1 million or 14.0%, compared to the same period in the prior year, driven by lower sales. Gross profit as a percentage of sales for the six months ended June 30, 2023 decreased by 80 basis points compared to the same period in the prior year primarily due to an unfavorable enterprise product sales mix.

Operating Expenses

	Three months ended June 30,			
	2023	2022	$ Change	% Change
Research and development	$ 2,590	$ 2,962	$ (372)	(12.6)%
Sales and marketing	2,305	2,889	(584)	(20.2)%
General and administrative	3,596	3,255	341	10.5%
Total operating expenses	$ 8,491	$ 9,106	$ (615)	(6.8)%

	Six months ended June 30,			
	2023	2022	$ Change	% Change
Research and development	$ 5,039	$ 6,204	$ (1,165)	(18.8)%
Sales and marketing	5,171	5,744	(573)	(10.0)%
General and administrative	7,389	6,740	649	9.6%
Total operating expenses	$ 17,599	$ 18,688	$ (1,089)	(5.8)%

Operating expenses for the three months ended June 30, 2023 decreased $0.6 million or 6.8% compared to the same period in the prior year. The decrease was primarily driven by lower company-wide people costs, professional outsourced services and marketing expenses.

Operating expenses for the six months ended June 30, 2023 decreased $1.1 million or 5.8% compared to the same period in the prior year. The decrease was primarily driven by lower company-wide people costs and professional outsourced services.

Other (Income) Expense

	Three months ended June 30,			
	2023	2022	$ Change	% Change
Interest income, net	$ (16)	$ (6)	$ (10)	166.7 %
Other expense	11	15	(4)	(26.7)%
Total other (income) expense	$ (5)	$ 9	$ (14)	(155.6)%

	Six months ended June 30,			
	2023	2022	$ Change	% Change
Interest income, net	$ (34)	$ (11)	$ (23)	209.1 %
Other expense	15	30	(15)	(50.0)%
Total other (income) expense	$ (19)	$ 19	$ (38)	(200.0)%

Other expense for the three and six months ended June 30, 2023, consists primarily of foreign currency transaction losses.

Income Tax Expense

	Three months ended June 30,			
	2023	2022	$ Change	% Change
Income Tax (benefit)	$ (2)	$ (3)	$ 1	(33.3)%

	Six months ended June 30,			
	2023	2022	$ Change	% Change
Income Tax expense	$ 80	$ 82	$ (2)	(2.4)%

Income tax benefit for the three months ended June 30, 2023 decreased $1,000 or (33.3)% compared to the same period in the prior year.

Income tax expense for the six months ended June 30, 2023 decreased $2,000 or 2.4% compared to the same period in the prior year.

Liquidity and Capital Resources

We had cash and cash equivalents of $9.3 million at June 30, 2023.

Prior to 2013 and for the years ended 2018, 2020, 2021 and 2022, we have incurred net losses. As a result, we have an accumulated deficit of $71.2 million at June 30, 2023.

In February 2022, we and our subsidiary NimbeLink Corp entered into a loan and security agreement with Silicon Valley Bank, pursuant to which we together had a revolving line of credit for $4.0 million. The line of credit expired in February 2023.

We plan to continue to invest for long-term growth, including expanding our sales force and engineering 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 12 months.

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

	Six months ended June 30,	
	2023	2022
Net cash (used in) provided by operating activities	$ (2,004)	$ 1,980
Net cash used in investing activities	(104)	(164)
Net cash used in financing activities	(525)	(6,879)
Net decrease in cash, cash equivalents and restricted cash	$ (2,633)	$ (5,063)

Net cash used in operating activities. Net cash used by operating activities was $2.0 million for the six months ended June 30, 2023. This was primarily driven by the net loss of $5.1 million and a $0.7 million net change in operating assets and liabilities, offset by $3.8 million in non-cash expenses.

Net cash used in investing activities. Net cash used in investing activities of $0.1 million for each of the six months ended June 30, 2023 was for purchases of property and equipment.

Net cash used in financing activities. Net cash used in financing activities of $0.5 million for the six months ended June 30, 2023, was primarily to pay taxes for net share settlement of restricted stock units, partially offset by proceeds from common stock issuances under the ESPP.

Employee Retention Credit

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law providing an employee retention credit (ERC), which is a refundable tax credit against certain employment taxes on qualified wages. The Taxpayer Certainty and Disaster Tax Relief Act of 2020, the American Rescue Plan Act of 2021 and the Infrastructure Investment and Jobs Act amended the qualifications for eligible employers who could apply and extended the availability of the ERC employment taxes on qualified wages paid after December 31, 2020 through September 30, 2021. We believe that we qualify for application of the ERC on qualified wages from the second quarter of 2020 through the third quarter of 2021.

In August 2023, we applied for ERC refunds, totaling $2.5 million, net of professional fees. Pending the Internal Revenue Service's (IRS) review and determination of our eligibility, we anticipate receiving the ERC refunds within the next six months. However, there can be no assurance we will ultimately receive the amounts we currently expect, if any, or the timeframe of any such receipt, based on IRS review or otherwise.

Contractual Obligations and Commitments

There have been no material changes outside the ordinary course of our business during the six months ended June 30, 2023, 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, 2022.

Critical Accounting Estimates

Our management's discussion and analysis of financial condition and operating results is based on our 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 were no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Significant Judgments and Estimates," in our Annual Report on Form 10-K for the year ended December 31, 2022.

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

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item.

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 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

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 six months ended June 30, 2023, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may be a party to legal proceedings and subject to claims incident in the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we believe that the final outcome of these matters will not have a material adverse effect on our financial condition or business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

ITEM 1A. RISK FACTORS

A description of the risk factors associated with our business is included in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022. There have been no material changes to such risk factors. 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.

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

Unregistered Sales of Equity Securities

None.

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(2)	Amended and Restated Bylaws
4.1(3)	Specimen stock certificate evidencing the shares of common stock
10.1	Release Agreement, effective as of June 12, 2023, between Airgain, Inc. and Morad Sbahi
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 pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification 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 the Registrant’s Current Report on Form 8-K, filed with the SEC on February 6, 2023.

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

* 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.

SIGNATURE

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

	AIRGAIN, INC.
Date: August 10, 2023	/s/ Jacob Suen
	Jacob Suen President and Chief Executive Officer (principal executive officer)
Date: August 10, 2023	/s/ Michael Elbaz
	Michael Elbaz Chief Financial Officer (principal financial and accounting officer)

Exhibit 10.1

RELEASE AGREEMENT

This Release Agreement (the "**Agreement**") is entered into by and between Morad Sbahi ("**Employee**") and Airgain, Inc. (the "**Company**"), effective as of the Effective Date (as defined below).

Recitals

WHEREAS, Employee is a party to that certain employment agreement with the Company, dated February 18, 2021, as amended by that certain letter agreement with the Company, dated November 9, 2022 (collectively, the "**Employment Agreement**");

WHEREAS, Employee has resigned from all positions he holds with the Company, including his position as Chief Revenue Officer, effective as of June 12, 2023 (the "**Termination Date**"); and

WHEREAS, Employee acknowledges that, but for his agreement to execute this Agreement, he will not be eligible for the Termination Benefits (as defined below) on the terms and conditions set forth herein.

NOW THEREFORE, in consideration of, and subject to, the Termination Benefits payable to Employee described in Section 3 below, 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:

Agreement

1. Effective Date. This Agreement shall become effective upon the occurrence of both of the following events: (a) execution of the Agreement by Employee, and (b) expiration of the revocation period applicable under Section 6 below without Employee having given notice of revocation. The date of the last to occur of the foregoing events shall be referred to in this Agreement as the "**Effective Date**." Unless the Effective Date occurs on or before the date that is thirty (30) days following the Termination Date, this Agreement shall be null and void. The parties agree that any material or immaterial changes to this Agreement shall not extend the deadline for the occurrence of the Effective Date.

2. Termination of Employment.

   a. The Termination Date will be the termination date of Employee's employment with the Company and any of its affiliates for all purposes. Employee hereby confirms his termination from all positions he holds with the Company, including his position as Chief Revenue Officer, effective as of the Termination Date. As of the Termination Date, the Company shall process for Employee his final paycheck, reflecting (i) Employee's earned but unpaid base salary through the Termination Date, and (ii) all accrued, unused vacation and/or paid time off due to Employee through the Termination Date, payable according to the requirements in the Employee's work location. This Agreement constitutes the written notice of termination by the Company as required under the Employment Agreement.

   b. The Company, within thirty (30) days after the Termination Date, will reimburse Employee for any and all reasonable and necessary business expenses incurred by Employee in connection with the performance of Employee's job duties prior to the Termination Date, which expenses shall be submitted to the Company with supporting receipts and/or documentation no later than ten (10) days after the Termination Date.

   c. Except as set forth in Section 3(c) below, Employee's entitlement to health benefits from the Company, and eligibility to participate in the Company's health benefit plans, shall cease on the last day of the calendar month during which the Termination Date occurs, except to the extent Employee elects to and is eligible to receive continued healthcare coverage pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), for himself and any covered dependents. Employee's entitlement to other benefits from the Company, and eligibility to participate in the Company's other benefit plans, shall cease on the Termination Date.

3. <u>Termination Benefits</u>. In consideration for Employee's agreement to be bound by the terms of this Agreement, including but not limited to the release of claims in Section 6, but subject to Employee's compliance with this Agreement, including Section 9, the Company agrees to provide Employee the following termination benefits (the "**Termination Benefits**"):

a. a one-time lump sum cash payment in the amount of $275,000, equal to twelve (12) months of Employee's base salary, payable on the first payroll date that is thirty (30) days following the Termination Date (the "**Termination Benefit Payment Date**");

b. a one-time lump sum cash payment in the amount of $40,685, representing Employee's pro-rated target annual bonus for 2023 for the portion of such year during which Employee was actively employed, payable in a lump sum on the Termination Benefit Payment Date; and

c. for the period beginning on the Termination Date and ending on the date which is twelve (12) full months following the Termination Date (or, if earlier, the date on which the applicable continuation period under COBRA expires) (the "**COBRA Coverage Period**"), the Company provide Employee and his eligible dependents who were covered under the Company's health insurance plans as of the Termination Date with health (including medical and dental) insurance benefits substantially similar to those provided to Employee and his dependents immediately prior to the Termination Date. 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 Internal Revenue Code of 1986, as amended (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 Termination Date (calculated by reference to the premium as of the Termination Date) as currently taxable compensation in substantially equal monthly installments over the COBRA Coverage Period (or the remaining portion thereof). To be eligible for COBRA, **Employee has the responsibility to enroll in COBRA within the legally required time as the Company cannot do so on Employee's behalf.**

The Termination Benefits shall be the exclusive severance benefits to which Employee is entitled, unless Employee has breached the provisions of this Agreement, in which case Section 9(e) shall apply. Employee understands that Employee will not be entitled to the Termination Benefits if the Effective Date does not occur on or before the date that is thirty (30) days following the Termination Date.

4. <u>Equity Awards</u>. Employee was previously granted restricted stock units ("**RSUs**") and stock options to purchase shares of the Company's common stock. Pursuant to the RSU agreements and stock option agreements governing such RSUs and stock options and the Company's equity plan under which they were granted, as of the Termination Date, all of Employee's unvested RSUs and stock options shall terminate. Following the Termination Date, Employee's vested stock options and the post-termination exercise period shall be governed by the terms and conditions of the stock option agreements and the Company's equity plans under which such vested stock options were granted.

5. <u>Warranty</u>. Employee acknowledges that, other than the compensation set forth in Section 2 above and the Termination Benefits set forth in Section 3 above, Employee has received all wages, accrued but unused vacation pay, and other compensation or benefits due to Employee as a result of Employee's employment with and termination from the Company, including any amounts due to him under the Employment Agreement. Employee specifically acknowledges and agrees that the Company does not have any further obligations to Employee for any compensation under the Employment Agreement.

6. <u>Release of Known and Unknown Claims By Employee</u>.

a. In exchange for the Termination Benefits set forth in Section 3 above, and in consideration of the further agreements and promises set forth herein, 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 etseq.; 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 etseq.; 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 law or under any applicable insurance policy with respect to Employee’s liability as an employee, director or officer of the Company;

v. Claims based on any right Employee may have to enforce the Company’s executory obligations under this Agreement;

vi. Claims Employee may have to vested or earned compensation and benefits;

vii. Claims for 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;

viii. Employee’s right to communicate or cooperate with any government agency; or

ix. Any other Claims that cannot be released as a matter of law.

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 THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, 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.

c. Employee acknowledges that this Agreement was presented to him on June 13, 2023, 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 Agreement, and Employee has had sufficient time to consider the terms of this Agreement. Employee represents and acknowledges that if Employee executes this Agreement 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 Agreement, Employee has the right to revoke it within seven (7) days after his execution of it. Employee understands that this Agreement will not become effective and enforceable unless the seven (7) day revocation period passes and Employee does not revoke the Agreement in writing. Employee understands that this Agreement may not be revoked after the seven (7) day revocation period has passed. Employee also understands that any revocation of this Agreement must be made in writing and delivered to the Chief Executive Officer of the Company at its principal place of business within the seven (7) day period.

e. Employee understands that this Agreement 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 the Termination Benefits unless this Agreement is effective on or before the date that is thirty (30) days following the Termination Date.

g. 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.

7. Additional Representations and Warranties By Employee. Employee represents that Employee has no pending complaints or charges against the Company Releasees, or any of them, with any state or federal court, or any local, state or federal agency, division, or department based on any event(s) occurring prior to the date Employee signs this Agreement. Subject to Section 9(g) below, Employee further represents that Employee will not in the future, file, participate in, encourage, instigate or assist in the prosecution of any claim, complaints, charges or in any lawsuit by any party in any state or federal court against the Company Releasees, or any of them, unless such aid or assistance is ordered by a court or government agency or sought by compulsory legal process, claiming that the Company Releasees, or any of them, have violated any local, state or federal laws, statutes, ordinances or regulations based upon events occurring prior to the execution of this Agreement.

8. Knowing and Voluntary. Employee represents and agrees that, prior to signing this Agreement, Employee has had the opportunity to discuss the terms of this Agreement with legal counsel of Employee's choosing. Employee further represents and agrees that Employee is entering into this

Agreement knowingly and voluntarily. Employee affirms that no promise was made to cause Employee to enter into this Agreement, other than what is promised in this Agreement. Employee further confirms that Employee has not relied upon any other statement or representation by anyone other than what is in this Agreement as a basis for Employee's agreement.

9. Continuing Obligations. In consideration of the agreements by the Company under this Agreement, Employee hereby agrees as follows:

a. Proprietary Information.

i. During the term of Employee's employment, Employee may have received and otherwise been exposed, directly or indirectly, to confidential and proprietary information of the Company whether in graphic, written, electronic or oral form, including without limitation information relating to the Company's business, strategies, designs, products, services and technologies and any derivatives, improvements and enhancements relating to any of the foregoing, or to the Company's suppliers, customers or business partners (collectively "**Proprietary Information**"). Proprietary Information may be identified at the time of disclosure as confidential or proprietary or information which by its context would reasonably be deemed to be confidential or proprietary. "**Proprietary Information**" may also include without limitation (a)(i) unpublished patent disclosures and patent applications and other filings, know-how, trade secrets, works of authorship and other intellectual property, as well as any information regarding ideas, Inventions (as defined in Section 9(b)), technology, and processes, including without limitation assays, sketches, schematics, techniques, drawings, designs, descriptions, specifications and technical documentation, (ii) specifications, protocols, models, designs, equipment, engineering, algorithms, software programs, software source documents, formulae, (iii) information concerning or resulting from any research and development or other project, including without limitation, experimental work, product development plans, regulatory compliance information, and research, development and regulatory strategies, and (iv) business and financial information, including without limitation purchasing, procurement, manufacturing, customer lists, information relating to investors, employees, business and contractual relationships, business forecasts, sales and merchandising, business and marketing plans, product plans, and business strategies, including without limitation information the Company provides regarding third parties, such as, but not limited to, suppliers, customers, employees, investors, or vendors; and (b) any other information, to the extent such information contains, reflects or is based upon any of the foregoing Proprietary Information. The Proprietary Information may also include information of a third party that is disclosed to Employee by the Company or such third party at the Company's direction.

ii. Employee acknowledges the confidential and secret character of the Proprietary Information, and agrees that the Proprietary Information is the sole, exclusive and valuable property of the Company. Accordingly, Employee agrees not to use the Proprietary Information, and not to disclose all or any part of the Proprietary Information in any form to any third party, without the prior written consent of the Company on a case-by-case basis. Employee agrees to cease using and to return to the Company all whole and partial copies and derivatives of the Proprietary Information, whether in Employee's possession or under his direct or indirect control, as of the Termination Date. Employee understands that his obligations of nondisclosure with respect to Proprietary Information shall not apply to information that he can establish by competent proof (x) was actually in the public domain at the time of disclosure or enters the public domain following disclosure other than as a result of a breach of this Agreement, (y) is already in Employee's possession without breach of any obligations of confidentiality at the time of disclosure by the Company as shown by Employee's files and records immediately prior to the time of disclosure, or (z) is obtained by Employee from a third party not under confidentiality obligations and without a breach of any obligations of confidentiality. If Employee becomes compelled by law, regulation (including without limitation the rules of any applicable securities exchange), court order, or other governmental authority to disclose the Proprietary Information, Employee shall, to the extent possible and permissible under applicable law, first give the Company prompt notice. Employee agrees to cooperate reasonably with the Company in any proceeding to obtain a protective order or other remedy. If such protective order or other remedy is not obtained, Employee shall only disclose that portion of such Proprietary Information required to be disclosed, in the opinion of Employee's legal counsel. Employee shall request that confidential treatment be accorded such Proprietary Information, where available. Compulsory disclosures made pursuant to this section shall not relieve Employee of his obligations of confidentiality and non-use with respect to non-compulsory disclosures. Employee shall promptly notify any officer of the Company if he learns of any possible unauthorized use or disclosure of Proprietary Information and shall cooperate fully with the Company to enforce its rights in such information.

iii. Employee acknowledges and agrees that all notes, memoranda, reports, drawings, blueprints, manuals, materials, data, emails and other papers and records of every kind, or other tangible or intangible materials which shall have or shall come into Employee's possession in the course of his employment with the Company, relating to any Proprietary Information, shall be the sole and exclusive property of the Company and he hereby assign any rights or interests he may have obtained or may in the future obtain in any of the foregoing. By signing below, Employee represents and warrants that he has returned to the Company all Company Proprietary Information, property and any other lists, books and records of, or in connection with, the Company's business, and all other property belonging to the Company, including, without limitation, his Company-issued laptop, documents (hard copy or electronic files), it being distinctly understood that all such lists, books and records, and other documents, are the property of the Company. Employee's compliance with this Section 9(a)(iii) shall be a condition to his receipt of the Termination Benefits.

b. Inventions.

i. For purposes of this Agreement, an "**Invention**" shall mean any idea, invention or work of authorship, including, without limitation, any documentation, formula, design, device, code, method, software, technique, process, discovery, concept, improvement, enhancement, development, machine or contribution, in each case whether or not patentable or copyrightable. Employee will, and hereby does, assign to the Company, without requirement of further writing, without royalty or any other further consideration, Employee entire right, title and interest throughout the world in and to all Inventions created, conceived, made, developed, and/or reduced to practice by Employee at any time during the course of his employment by the Company and all intellectual property rights therein. Employee hereby waives, and agrees to waive, any moral rights he may have in any copyrightable work Employee has created on behalf of the Company. Employee also hereby agrees, that for a period of one year after the Termination Date, Employee shall disclose to the Company any Inventions that he creates, conceives, makes, develops, reduces to practice or works on that relate to the work he performed for the Company. The Company agrees that it will use commercially reasonable measures to keep Inventions disclosed to it pursuant to this Section 9(b)(i) that do not constitute Inventions to be owned by the Company in confidence and shall not use any Inventions for its own advantage, unless in either case those Inventions are assigned or assignable to the Company pursuant to this Section 9(b)(i) or otherwise.

ii. The obligations to assign Inventions set forth in Section 9(b)(i) apply with respect to all Inventions (a) whether or not such Inventions are conceived, made, developed or worked on by Employee during his regular hours of employment with the Company; (b) whether or not the Invention was made at the suggestion of the Company; (c) whether or not the Invention was reduced to drawings, written description, documentation, models or other tangible form; and (d) whether or not the Invention is related to the general line of business engaged in by the Company, but do not apply to Inventions that (x) Employee develops entirely on his own time or without using the Company's equipment, supplies, facilities or Proprietary Information; (y) do not relate to the Company's business, or actual or demonstrably anticipated research or development of the Company at the time of conception or reduction to practice of the Invention; and (z) do not result from and are not related to any work performed by Employee for the Company. Employee further understands that, to the extent this Agreement shall be construed in accordance with the laws of any state which precludes a requirement in an employee agreement to assign certain classes of inventions made by an employee, Section 9(b)(i) shall be interpreted not to apply to any Invention which a court rules and/or the Company agrees falls within such classes.

iii. Employee agrees to assist the Company in obtaining, maintaining and enforcing patents, invention assignments and copyright assignments, and other proprietary rights in connection with any Invention covered by Section 9(b)(i), and will otherwise assist the Company as reasonably required by the Company to perfect in the Company the rights, title and other interests in his work product granted to the Company under this Agreement (both in the United States and foreign countries). Employee further agrees that his obligations under this Section 9(b)(iii) shall continue beyond the Termination Date, but if Employee is requested by the Company to render such assistance after the Termination Date, he shall be entitled to a fair and reasonable rate of compensation for such assistance, and to reimbursement of any expenses incurred at the request of the Company relating to such assistance. If the Company is unable for any reason, after reasonable effort, to secure Employee's signature on any document needed in connection with the actions specified above, Employee hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as his agent and attorney in fact, which appointment is coupled with an interest, to act for and in his behalf to execute, verify and file any such documents and to do all other lawfully permitted acts to further the purposes of this Section 9(b) with the same legal force and effect as if executed by him.

iv. Employee represents and warrants that he is not required, and he has not been required during the course of work for the Company or its predecessors, to assign Inventions under any other contracts that are now or were previously in existence between him and any other person or entity. Employee further represents that (a) he is not obligated under any consulting, employment or other agreement that would affect the Company's rights or his duties under this Agreement, (b) there is no action, investigation, or proceeding pending or threatened, or any basis therefor known to Employee involving his prior employment or any consultancy or the use of any information or techniques alleged to be proprietary to any former employer, and (c) the performance of his duties as an employee did not breach, or constitute a default under any agreement to which he is bound. Employee has not used or disclosed to the Company any confidential, trade secret or other proprietary information of any previous employer or other person to which he is not lawfully entitled. As indicated on Exhibit A, there are no Inventions made or conceived by Employee prior to his employment with the Company which he desires to be excluded from this Agreement ("**Background Technology**").Without limiting his obligations or representations under this Section 9(b), if Employee used any Background Technology in the course of his employment or incorporated any Background Technology in any product, service or other offering of the Company, Employee hereby grants the Company a non-exclusive, royalty-free, perpetual and irrevocable, worldwide right to use and sublicense the use of Background Technology for the purpose of developing, marketing, selling and supporting Company technology, products and services, either directly or through multiple tiers of distribution, but not for the purpose of marketing Background Technology separately from Company products or services.

v. Employee acknowledges that all original works of authorship which were or are made by him (solely or jointly with others) within the scope of his employment with the Company and which are eligible for copyright protection are "works made for hire" as that term is defined in the United States Copyright Act (17 U.S.C., Section 101).

c. Non-Competition. For a period of one year immediately following the Termination Date, Employee will not, directly or indirectly, for his own benefit or for the benefit of any other individual or entity other than the Company: (i) operate, conduct, or engage in, or prepare to operate, conduct, or engage in the Business; (ii) own, finance, or invest in (except as the holder of not more than one percent of the outstanding stock of a publicly-held company) any Business, or (iii) participate in, render services to, or assist any person or entity that engages in or is preparing to engage in the Business in any capacity (whether as an employee, consultant, contractor, partner, officer, director, or otherwise) (x) which involves the same or similar types of services Employee performed for the Company at any time during the last two years of his employment with the Company or (y) in which he could reasonably be expected to use or disclose Proprietary Information, in each case (i), (ii), or (iii) in the Restricted Territory.

d. Non-Solicitation of Company Personnel. For a period of one year immediately following the Termination Date, Employee will not, directly or indirectly, for his own benefit or for the benefit of any other individual or entity: (i) employ or hire any Company Personnel in any capacity (whether as an employee, contractor, consultant or otherwise); (ii) solicit or attempt to solicit for employment or hire any Company Personnel in any capacity; (iii) entice or induce any Company Personnel to leave his or her or their employment with the Company; or (iv) otherwise negatively interfere with the Company's relationship with any Company Personnel. Notwithstanding the foregoing, a general solicitation or advertisement for job opportunities that Employee may publish without targeting any Company Personnel shall not be considered a violation of this Section 9(d).

e. Non-Solicitation of Company Customer. For a period of one year immediately following the Termination Date, Employee will not, directly or indirectly, for his own benefit or for the benefit of any other individual or entity: (i) solicit business from, or offer to provide products or services that are similar to any product or service provided or that could be provided by the Company or that are otherwise competitive with the Business to, any Company Customer; (ii) cause or encourage any Company Customer to reduce or cease doing business with the Company, or (iii) otherwise negatively interfere with the Company's relationships with any Company Customer.

f. Non-disparagement. Subject to Section 9(g), Employee agrees that neither he nor anyone acting by, through, under or in concert with him shall disparage or otherwise communicate negative statements or opinions about the Company, its board members, officers, employees, shareholders, agents or businesses. Nothing in this Section 9(d) shall prohibit Employee from testifying in any legal proceeding in which his or her testimony is compelled by law or court order and no breach of this provision shall occur due to any accurate, legally compelled testimony.

g. Remedy in the Event of Breach. In addition to all other rights and remedies available to the Company under law or in equity, the Company shall be entitled to cease all Termination Benefits to Employee in the event of Employee's breach of this Section 9. Employee hereby consents to notification by the Company to Employee's new employer or other party for whom Employee works about Employee's rights and obligations under this Agreement.

h. Interpretation. If any restriction set forth in the Restrictive Covenants is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

i. Whistleblower Provision; Other Protections. 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 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 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 Employee's 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. In addition, nothing in this Agreement shall prevent Employee from (x) communicating directly with, cooperating with, or providing information to, or receiving financial awards from, any federal, state or local government agency, including without limitation the U.S. Securities and Exchange Commission, the U.S. Commodity Futures Trading Commission, the U.S. Department of Justice, the U.S. Equal Employment Opportunity Commission, or the U.S. National Labor Relations Board, without notifying or seeking permission from the Company, (y) exercising any rights Employee may have under Section 7 of the U.S. National Labor Relations Act, such as the right to engage in concerted activity, including collective action or discussion concerning wages or working conditions, or (z) discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination based on a protected characteristic or any other conduct that Employee has reason to believe is unlawful.

j. Definitions. For purposes of this Section 9:

i. The term “**Business**” means any business or part thereof that develops, manufactures, markets, licenses, sells or provides any product or service that competes with any product or service developed, manufactured, marketed, licensed, sold or provided, or planned to be developed, manufactured, marketed, licensed, sold or provided, by the Company, in each case at any time during Employee’s employment or engagement with the Company.

ii. The term “**Company**” means not only Airgain, Inc., but also any company, partnership or entity which, directly or indirectly, controls, is controlled by or is under common control with Airgain, Inc.

iii. The term “**Company Customer**” means any individual or entity who (a) is, or was at any time during the one year period prior to the Termination Date, a customer, supplier, or vendor of the Company of whom Employee learned, with whom Employee had business contact or about whom Employee obtained Proprietary Information at any time during his employment or engagement with the Company, or (b) is a prospective customer, supplier, or vendor of the Company of whom Employee learned, with whom Employee had business contact, or about whom Employee obtained Proprietary Information as part of a solicitation of business on behalf of the Company at any time during the one year period prior to the Termination Date.

iv. The term “**Company Personnel**” means any individual or entity who is or was at any time during the six months period prior to Employee’s solicitation or other activity prohibited by Section 9(d), employed or engaged (whether as an employee, consultant, independent contractor or in any other capacity) by the Company.

v. The term “**Restricted Territory**” means each city, county, state, territory and country in which (i) Employee provided services or had a material presence or influence at any time during the last two years of his employment or engagement with the Company or (ii) the Company is engaged in or has plans to engage in the Business as of the Termination Date.

10. Severability. In the event any provision of this Agreement 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.

11. Interpretation; Construction. The headings set forth in this Agreement are for convenience only and shall not be used in interpreting this Agreement. This Agreement 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 Agreement 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 Agreement. Either party’s failure to enforce any provision of this Agreement 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 Agreement.

12. Governing Law; Venue. This Agreement will be governed by and construed in accordance with the laws of the State of Florida without regard to the conflicts of law provisions thereof. Employee and the Company agree that any litigation regarding this Agreement shall be conducted in Brevard County, Florida. Employee and the Company hereby consent to the jurisdiction of the courts of the State of Florida and the United States District Court for the Middle District of Florida.

13. Entire Agreement; Modification. This Agreement constitutes the entire understanding between the parties with respect to its subject matter, superseding all prior agreements and understandings, written or oral, with respect to its subject matter, including, without limitation, the Employment Agreement; provided, however, that any prior agreement between Employee and the Company related to confidential or proprietary information, inventions assignments, noncompetition, non-solicitation or other similar restrictive covenants shall not be superseded to the extent more favorable to the Company than this Agreement and Employee shall continue to be bound by the terms of any such agreements. This Agreement may not be amended or modified, nor any provision hereof waived, other than by a writing signed by Employee and an authorized representative of the Company.

14. Counterparts; Facsimile or .pdf Signatures. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, all of which together shall constitute one and the same instrument. This Agreement may be executed and delivered by facsimile or by .pdf file and upon such delivery the facsimile or .pdf signature will be deemed to have the same effect as if the original signature had been delivered to the other party.

15. Survival. The covenants, agreements, representations and warranties contained in or made in this Agreement shall survive the Termination Date or any termination of this Agreement.

16. Third-Party Beneficiaries. Except as expressly set forth herein, this Agreement does not create, and shall not be construed as creating, any rights enforceable by any person not a party to this Agreement.

17. Notices. Any notice required or permitted by this Agreement shall be in writing and shall be delivered as follows with notice deemed given as indicated: (a) by personal delivery when delivered personally; (b) by overnight courier upon written verification of receipt; (c) by email, telecopy or facsimile transmission upon acknowledgment of receipt of electronic transmission; or (d) by certified or registered mail, return receipt requested, upon verification of receipt. Notice shall be sent to Employee at the address listed on the Company's personnel records and to the Company at its principal place of business, or such other address as either party may specify in writing.

18. 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.

19. Tax Withholding; Right to Seek Independent Advice. Employee understands and agrees that all payments under this Agreement will be subject to appropriate tax withholding and other deductions, as and to the extent required by law. Employee acknowledges and agrees that neither the Company nor the Company's counsel has provided any legal or tax advice to Employee and that Employee is free to, and is hereby advised to, consult with a legal or tax advisor of Employee's choosing.

20. Section 409A. This Agreement is not intended to provide for any deferral of compensation subject to Section 409A of the Code. To the extent applicable, this Agreement shall be interpreted in accordance with Code Section 409A and Department of Treasury regulations and other interpretive guidance issued thereunder consistent with the foregoing intention. Any reimbursements 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 reimbursements or in-kind benefits provided under this Agreement during any taxable year of Employee's will not affect such amounts provided 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. Each series of installment payments made under this Agreement is hereby designated as a series of "separate payments" within the meaning of Section 409A of the Code. The parties acknowledge that the Termination Date will be the date of Employee's "separation from service" for purposes of Section 409A of the Code.

[Signature Page Follows]

THE UNDERSIGNED AGREE TO THE TERMS OF THIS AGREEMENT AND VOLUNTARILY ENTER INTO IT WITH THE INTENT TO BE BOUND THEREBY.

Dated: June 29, 2023

/s/ Morad Sbahi
MORAD SBAHI

Dated: June 30, 2023

AIRGAIN, INC.

By: /s/Jacob Suen
Name: Jacob Suen
Title: Chief Executive Officer

EXHIBIT A

PREVIOUS INVENTIONS

1. Except as listed in Section 2 below, the following is a complete list of all inventions or improvements relevant to the subject matter of my employment by Airgain, Inc. (the "**Company**") that were made or conceived or first reduced to practice by me alone or jointly with others prior to my engagement by the Company:

☑ No inventions or improvements.

□ See below:

□ Additional sheets attached.

2. Due to a prior confidentiality agreement, I cannot complete the disclosure under Section 1 above with respect to inventions or improvements generally listed below, the proprietary rights and duty of confidentiality with respect to which I owe to the following party(ies):

Invention or Improvement	**Party(ies)**	**Relationship**
1.		
2.		
3.		

□ Additional sheets attached.

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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2023

/s/ Jacob Suen
Jacob Suen
President and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

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

I, Michael Elbaz, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2023

/s/ Michael Elbaz
Michael Elbaz
Chief Financial Officer and Secretary
(principal financial 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 June 30, 2023, 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: August 10, 2023

/s/ Jacob Suen
Jacob Suen
President and Chief Executive Officer
(principal 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 June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael Elbaz, 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: August 10, 2023	/s/ Michael Elbaz
	Michael Elbaz
	Chief Financial Officer and Secretary
	(principal financial 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.