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 SEPTEMBER 30, 2021

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission file number: 001-37851

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

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common 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 November 5, 2021, the registrant had 10,095,181 shares of common stock (par value $0.0001) outstanding.

AIRGAIN, INC.
Form 10-Q
For the Quarter Ended September 30, 2021

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 18,954	$ 38,173
Trade accounts receivable, net	10,351	4,782
Inventory	6,546	1,016
Prepaid expenses and other current assets	1,499	1,462
Total current assets	37,350	45,433
Property and equipment, net	2,698	2,377
Leased right-of-use assets	2,840	—
Goodwill	10,845	3,700
Intangible assets, net	14,985	3,168
Other assets	474	249
Total assets	$ 69,192	$ 54,927
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 5,891	$ 2,975
Accrued compensation	1,753	2,655
Accrued liabilities and other	2,187	1,187
Short-term lease liabilities	864	—
Deferred purchase price liabilities	8,346	—
Current portion of deferred rent obligation under operating lease	—	39
Total current liabilities	19,041	6,856
Deferred tax liability	103	58
Long-term lease liabilities	2,274	—
Deferred rent obligation under operating lease	—	271
Total liabilities	21,418	7,185
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Common stock and additional paid-in capital, par value $0.0001, 200,000 shares authorized; 10,636 shares issued and 10,095 shares outstanding at September 30, 2021; and 10,318 shares issued and 9,784 shares outstanding at December 31, 2020	105,926	100,356
Treasury stock, at cost: 541 shares at September 30, 2021 and 534 shares at December 31, 2020.	(5,364)	(5,267)
Accumulated deficit	(52,788)	(47,347)
Total stockholders' equity	47,774	47,742
Total liabilities and stockholders' equity	$ 69,192	$ 54,927

See accompanying notes.

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Sales	$ 15,455	$ 13,010	$ 50,129	$ 35,672
Cost of goods sold	9,909	6,981	30,387	18,924
Gross profit	5,546	6,029	19,742	16,748
Operating expenses:				
Research and development	2,698	2,231	8,130	6,873
Sales and marketing	2,484	1,559	7,412	4,477
General and administrative	3,307	2,439	10,201	7,506
Change in fair value of contingent consideration	103	—	1,660	—
Total operating expenses	8,592	6,229	27,403	18,856
Loss from operations	(3,046)	(200)	(7,661)	(2,108)
Other expense (income):				
Interest income, net	(6)	(23)	(21)	(194)
Other expense (income)	(1)	—	15	11
Total other income	(7)	(23)	(6)	(183)
Loss before income taxes	(3,039)	(177)	(7,655)	(1,925)
Provision (benefit) for income taxes	30	84	(2,214)	274
Net loss	$ (3,069)	$ (261)	$ (5,441)	$ (2,199)
Net loss per share:				
Basic	$ (0.30)	$ (0.03)	$ (0.54)	$ (0.23)
Diluted	$ (0.30)	$ (0.03)	$ (0.54)	$ (0.23)
Weighted average shares used in calculating loss per share:				
Basic	10,082	9,710	9,993	9,694
Diluted	10,082	9,710	9,993	9,694

See accompanying notes.

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net loss	$ (3,069)	$ (261)	$ (5,441)	$ (2,199)
Unrealized loss on available-for-sale securities, net of deferred taxes	—	(15)	—	(7)
Comprehensive loss	$ (3,069)	$ (276)	$ (5,441)	$ (2,206)

See accompanying notes.

Airgain, Inc.

Condensed Consolidated Statements of Stockholders' Equity

(In thousands)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Total stockholders' equity, beginning balance	$ 49,586	$ 46,779	$ 47,742	$ 47,904
Common stock and additional paid-in capital:				
Balance at beginning of period	104,572	98,036	100,356	96,623
Stock-based compensation	1,068	633	3,004	1,956
Replacement awards issued in relation to acquisition	—	—	40	—
Issuance of shares for stock purchase plan	286	928	2,526	1,018
Balance at end of period	105,926	99,597	105,926	99,597
Treasury stock:				
Balance at beginning of period	(5,267)	(5,267)	(5,267)	(4,659)
Repurchases of common stock	(97)	—	(97)	(608)
Balance at end of period	(5,364)	(5,267)	(5,364)	(5,267)
Accumulated other comprehensive income (loss):				
Balance at beginning of period	—	16	—	8
Unrealized loss on available-for-sale securities, net of deferred taxes	—	(15)	—	(7)
Balance at end of period	—	1	—	1
Accumulated deficit:				
Balance at beginning of period	(49,719)	(46,006)	(47,347)	(44,068)
Net loss	(3,069)	(261)	(5,441)	(2,199)
Balance at end of period	(52,788)	(46,267)	(52,788)	(46,267)
Total stockholders' equity, ending balance	$ 47,774	$ 48,064	$ 47,774	$ 48,064

See accompanying notes.

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

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Cash flows from operating activities:		
Net loss	$ (5,441)	$ (2,199)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	389	348
Loss on disposal of property and equipment	—	11
Amortization of intangible assets	2,248	475
Amortization of premium on investments, net	—	49
Stock-based compensation	3,004	1,956
Change in fair value of contingent consideration	1,660	—
Deferred tax liability	(2,285)	(8)
Changes in operating assets and liabilities:		
Trade accounts receivable	(4,442)	3,474
Inventory	(3,859)	116
Prepaid expenses and other current assets	104	(120)
Other assets	(31)	—
Accounts payable	2,217	(756)
Accrued compensation	(1,041)	(433)
Accrued liabilities and other	568	564
Lease liabilities	(12)	—
Net cash provided by (used in) operating activities	(6,921)	3,477
Cash flows from investing activities:		
Cash paid for acquisition, net of cash acquired	(14,185)	—
Purchases of available-for-sale securities	—	(753)
Maturities of available-for-sale securities	—	20,199
Purchases of property and equipment	(542)	(560)
Net cash provided by (used in) investing activities	(14,727)	18,886
Cash flows from financing activities:		
Repurchases of common stock	(97)	(608)
Proceeds from issuance of common stock, net	2,526	1,018
Net cash provided by financing activities	2,429	410
Net increase (decrease) in cash, cash equivalents and restricted cash	(19,219)	22,773
Cash, cash equivalents, and restricted cash; beginning of period	38,348	13,197
Cash, cash equivalents, and restricted cash; end of period	$ 19,129	$ 35,970
Supplemental disclosure of cash flow information:		
Taxes paid	$ 89	$ 137
Supplemental disclosure of non-cash investing and financing activities:		
Right-of-use assets recorded upon adoption of ASC 842	$ 3,199	$ —
Leased liabilities recorded upon adoption of ASC 842	$ 3,519	$ —
Accrual of property and equipment	$ 21	$ —
Cash and cash equivalents	$ 18,954	$ 35,795
Restricted cash included in other assets	175	175
Total cash, cash equivalents, and restricted cash	$ 19,129	$ 35,970

See accompanying notes.

Note 1. Description of Business and Basis of Presentation

Description of Business

Airgain, Inc. (the Company) was incorporated in the State of California on March 20, 1995; and reincorporated in the State of Delaware on August 17, 2016. The Company is a leading provider of advanced wireless connectivity solutions and technologies used to enable high performance wireless networking across a broad range of markets, including consumer, enterprise and automotive. The Company's technologies are deployed in carrier, fleet, enterprise, residential, private, government, and public safety wireless networks and systems, including set-top boxes, access points, routers, modems, gateways, media adapters, portables, digital televisions, sensors, fleet, and asset tracking devices. The Company provides its solutions to the residential wireless local area networking, also known as WLAN, market, supplying to leading carriers, original equipment manufacturers (OEMs), original design manufacturers (ODMs) and chipset manufacturers. The Company's headquarters is in San Diego, California with office space and research, design and test facilities in the United States, United Kingdom, China, and Taiwan.

Basis of Presentation and Principles of Consolidation

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

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

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

The unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2021 and 2020, and the consolidated balance sheet data as of September 30, 2021, have been prepared on the same basis as the audited financial statements.

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

Segment Information

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

Use of Estimates

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

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the presentation of the current year financial statements including (i) the reclassification of accrued vacation, accrued payroll and other payroll accrual balances from accrued liabilities and other to accrued compensation resulting in changes to the comparative condensed consolidated statement of cash flows and (ii) the reclassification of disaggregated revenue disclosures by sales channel and geographic location resulting in changes to the comparative results disclosed in Note 17.

Note 2. Summary of Significant Accounting Policies

During the three and nine months ended September 30, 2021, 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, 2020, with the exception of the Company's adoption of Accounting Standards Codification (ASC) 842, *Leases* as discussed below.

Restricted Cash

As of September 30, 2021, the Company had $0.2 million in cash on deposit to secure certain lease commitments. Restricted cash is recorded in other assets in the Company's consolidated balance sheet.

Trade Accounts Receivable

Trade accounts receivable is adjusted for all known uncollectible accounts. The policy for determining when receivables are past due or delinquent is based on the contractual terms agreed upon. Accounts are written off once all collection efforts have been exhausted. An allowance for doubtful accounts is established when, in the opinion of management, collection of the account is doubtful. The Company recorded an allowance for doubtful accounts of $20,000 as of September 30, 2021. No allowance for doubtful accounts was recorded as of December 31, 2020.

Inventory

The majority of the Company's products are manufactured by third parties that retain ownership of the inventory until title is transferred to the customer at the shipping point. In some situations, the Company retains ownership of inventory which is held in third party contact 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 balance sheet. The Company also manufactures certain of its products at its facility located in Scottsdale, Arizona.

Inventory is stated at the lower of cost or net realizable value. For items manufactured by the Company, cost is determined using the weighted average cost method. For items manufactured by third parties, cost is determined using the first-in, first-out (FIFO) method. Any adjustments to reduce the cost of inventories to their net realizable value are recognized in earnings in the current period. As of September 30, 2021, the Company's inventories consisted of raw materials of $5.5 million, work in progress of $0.1 million and finished goods of $1.0 million. $2.2 million of the Company's inventory is located at contract manufacturers. As of December 31, 2020, inventories consisted of raw materials of $0.8 million and finished goods of $0.2 million. Provisions for excess and obsolete inventories are estimated based on product life cycles, quality issues, and historical experience and were $29,000 and $10,000 as of September 30, 2021 and December 31, 2020, respectively.

Fair Value Measurements

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

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable in active markets.

Business Combinations

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

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

Revenue Recognition

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

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

For product sales, each purchase order, along with existing customer agreements, when applicable, represents a contract from a customer and each product sold represents a distinct performance obligation. The contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The majority of the Company’s revenue is recognized on a “point-in-time” basis when control passes to the customer. The revenue from service contracts and data subscription plans is recognized “over time”. A portion of the Company’s sales is made through distributors under agreements which allow for pricing credits and/or rights of return under certain circumstances. A reserve for potential rights of return from distributors of $14,000 was recorded as of September 30, 2021. No reserve for potential return rights of return from distributors was recorded as of December 31, 2020.

The Company’s contracts with customers do not typically include extended payment terms. Payment terms vary by contract and type of customer and generally range from 30 to 120 days from delivery. The Company provides assurance-type warranties on all product sales ranging from one to two years. The Company accrues for the estimated warranty costs at the time of sale based on historical warranty experience plus any known or expected changes in warranty exposure. The Company has recorded a warranty reserve of $15,000 as of September 30, 2021 and $10,000 as of December 31, 2020.

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

There were no contract assets as of September 30, 2021 and December 31, 2020. As of September 30, 2021 and December 31, 2020, the Company recorded $87,000 and $19,000 of contract liabilities, respectively.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize most leases on their balance sheets as lease liabilities, representing a liability to make lease payments, and corresponding right-of-use assets representing its right to use the underlying asset. The Company adopted the new accounting standard using the modified retrospective transition option as of the effective date on January 1, 2021. The adoption of this standard had a material impact on the Company's condensed consolidated balance sheets. The adoption did not have an impact on the Company's consolidated statements of operations. See Note 10 for disclosures related to the adoption of this standard.

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

Recently Issued Accounting Pronouncements

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

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

In April 2021, the FASB issued ASU 2021-04, *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40), Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options*. This guidance clarifies and reduces diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options due to a lack of explicit guidance in the FASB Codification. The ASU 2021-04 is effective for all entities for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2021-04 on its consolidated financial statements.

Note 3. Net Loss Per Share

Basic net loss per share is calculated by dividing net loss 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 September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Numerator:				
Net loss	$ (3,069)	$ (261)	$ (5,441)	$ (2,199)
Denominator:				
Basic weighted average common shares outstanding	10,082	9,710	9,993	9,694
Plus dilutive effect of potential common shares	—	—	—	—
Diluted weighted average common shares outstanding	10,082	9,710	9,993	9,694
Net loss per share:				
Basic	$ (0.30)	$ (0.03)	$ (0.54)	$ (0.23)
Diluted	$ (0.30)	$ (0.03)	$ (0.54)	$ (0.23)

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 September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Stock options and restricted stock	1,147	1,451	1,252	1,622
Warrants outstanding	—	3	—	51
Total common stock equivalent shares	1,147	1,454	1,252	1,673

Note 4. Business Combinations

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

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

Acquisition Consideration

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

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

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

Preliminary Purchase Price Allocation

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

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

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

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

Assumptions in the Allocations of Purchase Price

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

Estimates of fair value require management to make significant estimates and assumptions. The Company recorded an additional $0.1 million and $1.7 million during the three and nine months ended September 30, 2021, respectively, to reflect the fair value of the contingent consideration based on the forecasted revenue targets as of September 30, 2021. Contingent consideration payable as of September 30, 2021 was $7.6 million. The contingent consideration balance was recorded to deferred purchase price liabilities in other current liabilities in the Company's condensed consolidated balance sheet. The change in the fair value of contingent consideration was recorded as a component of operating expenses in the condensed consolidated statement of operations for the three and nine months ended September 30, 2021.

The goodwill recognized is attributable primarily to the acquired workforce, expected synergies, and other benefits that the Company believes will result from integrating the operations of the NimbeLink business with the operations of the Company. Certain liabilities included in the purchase price allocations are based on management’s best estimates of the amounts to be paid or settled and based on information available at the time the purchase price allocations were prepared. There have been no adjustments between the preliminary purchase price allocations reflected as of March 31, 2021 and the purchase price allocation reflected as of September 30, 2021.

The fair value of the customer relationships was determined using the multi-period excess earnings method (MPEEM). MPEEM estimates the value of an intangible asset by quantifying the amount of residual (or excess) cash flows generated by the asset, and discounting those cash flows to the present. Future cash flows for contractual and non-contractual customers were estimated based on forecasted revenue and costs, taking into account the growth rates and contributory charges. The fair value of market-related intangible assets, developed technology, and in-process research and development (IPR&D) was determined using the Relief-from-Royalty method. The Relief-from-Royalty method is a specific application of the discounted-cash-flow method, which is a form of the income approach. It is based on the principle that ownership of the intangible asset relieves the owner of the need to pay a royalty to another party in exchange for rights to use the asset. Key assumptions to estimate the hypothetical royalty rate include observable royalty rates, which are royalty rates in negotiated licenses and market-based royalty rates which are royalty rates found in available market data for licenses involving similar assets. Developed technology will begin amortizing immediately and IPR&D will begin amortizing upon the completion of each project. During the nine months ended September 30, 2021, all IPR&D projects were completed and transferred to developed technology, with a twelve-year estimated life. The fair value of non-compete intangible assets was estimated using the with-or-without method. The with-and-without method estimates the value of an intangible asset by quantifying the loss of economic profits under a hypothetical condition where only the subject intangible does not exist and needs to be re-created. Projected revenues, operating expenses and cash flows are calculated in each "with" and "without" scenario and the difference in the cash flow is discounted to present value. Inventory was valued at net realizable value. Raw materials were valued at book value and finished goods were valued assuming hypothetical revenues from finished goods adjusted for disposal costs, profit attributable to the seller and holding costs. An inventory step-up of $0.4 million is included in the purchase price allocation above.

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

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

Supplemental proforma financial information

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net revenue - pro forma combined	$ 15,455	$ 15,323	$ 50,161	$ 45,244
Net loss - pro forma combined	(3,069)	(1,140)	(5,442)	(3,988)

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net revenue	$ 15,455	$ 13,010	$ 50,129	$ 35,672
Add: Net revenue - acquired businesses	—	2,313	32	9,572
Net revenues - pro-forma combined	$ 15,455	$ 15,323	$ 50,161	$ 45,244

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net income (loss)	$ (3,069)	$ (261)	$ (5,441)	$ (2,199)
Add: Results of operations of acquired business	—	(338)	(310)	228
Less: pro forma adjustments				
Amortization of historical intangibles	—	26	—	73
Amortization of acquired intangibles	—	(583)	(38)	(1,800)
Inventory fair value adjustments	—	—	353	(353)
Interest income	—	—	(6)	—
Interest expense	—	16	—	63
Net loss - pro forma combined	$ (3,069)	$ (1,140)	$ (5,442)	$ (3,988)

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

The pro forma data is presented for illustrative purposes only, and the historical results of NimbeLink are based on its books and records prior to the acquisition, and is not necessarily indicative of the consolidated results of operations of the combined business had the acquisition actually occurred at the beginning of fiscal year 2020. In addition, future results may vary significantly from the pro forma results reflected herein and should not be relied upon as an indication of the results of future operations of the combined business. The unaudited pro forma financial information does not reflect any operating efficiencies and cost savings that may be realized from the integration of the acquired entity. Revenue generated from acquired NimbeLink products for the three and nine months ended September 30, 2021 was the main driver of the increase in revenue from the Enterprise market, as disclosed in Note 17. Net income of $0.5 million and $0.4 million for the three and nine months ended September 30, 2021, respectively, was included in the Company's condensed consolidated statements of operations related to NimbeLink. The Company does not consider the revenue and net loss related to the acquired entity to be indicative of results of the acquisition due to integration activities since the acquisition date.

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

Note 5. Cash and Cash Equivalents

The following tables show the Company’s cash and cash equivalents by significant investment category as of September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021		
	Amortized cost	Estimated fair value	Cash and cash equivalents
Cash	$ 7,145	$ 7,145	$ 7,145
Level 1:			
Money market funds	11,809	11,809	11,809
Total	$ 18,954	$ 18,954	$ 18,954

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

Note 6. Property and Equipment

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

	September 30, 2021	December 31, 2020
Computers and software	$ 607	$ 596
Furniture, fixtures, and equipment	400	400
Manufacturing and testing equipment	4,693	3,874
Construction in process	—	120
Leasehold improvements	932	932
Property and equipment, gross	6,632	5,922
Less accumulated depreciation	(3,934)	(3,545)
Property and equipment, net	$ 2,698	$ 2,377

Depreciation expense was $0.1 million for both the three months ended September 30, 2021 and 2020, and $0.4 million and $0.3 million for the nine months ended September 30, 2021 and 2020, respectively.

Note 7. Goodwill and Intangible Assets

The change in the carrying amount of goodwill was as follows (in thousands):

Goodwill as of December 31, 2020	$ 3,700
Goodwill from NimbeLink acquisition	7,145
Goodwill as of September 30, 2021	$ 10,845

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

	September 30, 2021				December 31, 2020		
	Weighted average amortization period (in years)	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Market related intangibles	5	$ 1,820	$ 370	$ 1,450	$ 120	$ 120	$ —
Customer relationships	7	13,780	3,879	9,901	4,830	2,203	2,627
Developed technologies	11	4,380	819	3,561	1,080	539	541
Covenants to non-compete	2	115	42	73	—	—	—
Total intangible assets, net		$ 20,095	$ 5,110	$ 14,985	$ 6,030	$ 2,862	$ 3,168

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

	Estimated future amortization
2021 (remaining three months)	$ 756
2022	3,026
2023	2,969
2024	2,968
2025	2,958
Thereafter	2,308
Total	$ 14,985

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 $0.8 million and $0.2 million for the three months ended September 30, 2021 and 2020, respectively and $2.2 million and $0.5 million for the nine months ended September 30, 2021 and 2020, respectively.

Note 8. Accrued Liabilities and Other

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

	September 30, 2021	December 31, 2020
Accrued expenses	$ 883	$ 519
VAT payable	339	327
Accrued income taxes	143	182
Contract liabilities	87	19
Other current liabilities	735	140
Accrued liabilities and other	$ 2,187	$ 1,187

Note 9. Notes Payable and Line of Credit

On January 7, 2021, as a result of the Nimbelink acquisition, the Company assumed a revolving line of credit (Line of Credit) with Choice Financial Group (Choice) whereby Choice had made available to the Company a secured credit facility of up to the lesser of (1) $1.5 million or (2) the sum of (a) 80% of the aggregate amount of third party accounts receivable balances, excluding progress billings, foreign receivables, accounts subject to dispute or setoff and doubtful accounts (Eligible Accounts) aged less than 90 days, net of 10% allowance, and (b) 25% of raw materials and finished goods, except those held at named contract manufacturer, after a 10% reserve for excess and obsolete inventory. Amounts borrowed under the Line of Credit bore interest at the prime rate plus 1%, payable monthly. The facility was secured by a commercial guarantee and a lien over the property of NimbeLink including inventory, equipment, accounts receivable, investments, deposit accounts, other rights to payment and performance and general intangibles. No amounts were borrowed under this facility during the nine months ended September 30, 2021 and in April 2021, the Company closed the Line of Credit with Choice.

Note 10. Leases

Operating leases

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

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

Operating lease arrangements primarily consist of office, warehouse and test house leases expiring at various years through 2025. The facility leases have original lease terms of two to seven years and contain options to extend the lease up to 5 years or terminate the lease. Options to extend are included in leased right-of-use assets and lease liabilities in the consolidated balance sheet when the Company is reasonably certain it will renew the underlying leases. Since the implicit rate of such leases is unknown and the Company is not reasonably certain to renew its leases, the Company has elected to apply a collateralized incremental borrowing rate to facility leases on the original lease term in calculating the present value of future lease payments. As of September 30, 2021, the weighted average discount rate for operating leases was 3.5% and the weighted average remaining lease term for operating leases was 3.9 years, respectively.

The Company has entered into various short-term operating leases primarily for test houses and office equipment, with an initial term of twelve months or less. These short-term leases are not recorded on the Company's consolidated balance sheet and the related lease expense for these short-term leases was $43,000 and $75,000 for the three and nine months ended September 30, 2021, respectively. Total operating lease cost was $0.3 million for both the three months ended September 30, 2021 and 2020, and $1.0 million and $0.8 million for the nine months ended September 30, 2021 and 2020, respectively.

Through the acquisition of NimbeLink, the Company assumed a lease, which was recorded as a right-of-use asset and lease liability of $0.4 million as of acquisition date. No other right-of-use assets were obtained in exchange for lease liabilities during the nine months ended September 30, 2021.

The table below presents aggregate future minimum payments due under leases, reconciled to lease liabilities included in the consolidated balance sheet as of September 30, 2021 (in thousands):

2021 (remaining three months)	$	279
2022		866
2023		777
2024		773
2025		673
Total minimum payments		3,368
Less imputed interest		(231)
Less unrealized translation gain		1
Total lease liabilities		3,138
Less short-term lease liabilities		(864)
Long-term lease liability	$	2,274

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

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

Note 11. Treasury Stock

In September 2019, the Company's Board of Directors (the Board) approved a share repurchase program (the 2019 Program) pursuant to which the Company could purchase up to $7.0 million of shares of its common stock over the twelve month period following the establishment of the program. The repurchases under the 2019 Program were made from time to time in the open market or in privately negotiated transactions and were funded from the Company's working capital. Repurchases are made in compliance with Rule 10b-18 of the Securities Exchange Act of 1934, as amended, subject to market conditions, available liquidity, cash flow, applicable legal requirements and other factors. In September 2020, the Board approved an extension to the 2019 Program for an additional twelve-month period ending September 2021. The 2019 Program expired in September 2021.

During the three and nine months ended September 30, 2021, the Company repurchased 7,200 shares of its common stock for a total cost of $97,000. Since inception of the 2019 Program through September 30, 2021, the Company repurchased a total of approximately 170,000 shares of the common stock for a total cost of $1.7 million.

Note 12. Income Taxes

The Company's effective income tax rate was 28.9% and (14.2)% for the nine months ended September 30, 2021 and 2020, respectively. The variance from the U.S. federal statutory rate of 21% for the nine months ended September 30, 2021, was primarily related to the release of the valuation allowance attributable to the acquisition of NimbeLink.

Management assesses its deferred tax assets quarterly to determine whether all or any portion of the asset is more likely than not unrealizable under ASC Topic 740 *Income Taxes*. The Company is required to establish a valuation allowance for any portion of the asset that management concludes is more likely than not to be unrealizable. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company's assessment considers all evidence, both positive and negative, including the nature, frequency and severity of any current and cumulative losses, taxable income in carryback years, the scheduled reversal of deferred tax liabilities, tax planning strategies, and projected future taxable income in making this assessment. As of December 31, 2020, the Company had a valuation allowance against net deferred tax assets of $8.5 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. As a result, for the nine months ended September 30, 2021, the Company determined that it is appropriate to release a portion of the Company's valuation allowance.

Note 13. Stockholders' Equity

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

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

	September 30, 2021	December 31, 2020
Warrants issued and outstanding	—	51
Stock option awards issued and outstanding	1,953	1,760
Authorized for grants under the 2016 Equity Incentive Plan[2]	372	357
Authorized for grants under the Inducement Plan[3]	116	—
Authorized for grants under the 2016 Employee Stock Purchase Plan[4]	326	256
	2,767	2,424

[1] The table above excludes 541,000 and 534,000 treasury shares as of September 30, 2021 and December 31, 2020, respectively.

[2] On January 1, 2021, the number of authorized shares in the 2016 Plan increased by 391,000 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; 187,700 shares were issued under the Inducement Plan during the nine months ended September 30, 2021

[4] On January 1, 2021, the number of authorized shares in the 2016 Employee Stock Purchase Plan increased by 98,000 shares pursuant to the evergreen provisions of the 2016 Employee Stock Purchase Plan.

Note 14. Stock Based Compensation

Stock-based compensation expense

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Cost of goods sold	$ 1	$ —	$ 3	$ —
Research and development	211	124	591	425
Sales and marketing	230	101	658	291
General and administrative	626	409	1,752	1,240
Total stock-based compensation expense	$ 1,068	$ 634	$ 3,004	$ 1,956

Stock Options

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

		Weighted average	
	Number of stock options	Exercise price	Remaining contractual term (in years)
Balance at December 31, 2020	1,760	$ 10.07	7.6
Granted	516	22.43	
Exercised	(226)	11.11	
Expired/Forfeited	(97)	14.26	
Balance at September 30, 2021	1,953	13.00	7.5
Vested and exercisable at September 30, 2021	1,079	9.47	6.5
Vested and expected to vest at September 30, 2021	1,953	13.00	7.5

The weighted average grant date fair value of options granted during the nine months ended September 30, 2021 and for the year ended December 31, 2020, was $10.66 and $4.30, respectively. For stock options vested and expected to vest, the aggregate intrinsic value as of September 30, 2021, and December 31, 2020, was $4.3 million and $13.6 million, respectively.

At September 30, 2021, there was $6.0 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 activity during the period indicated (shares in thousands):

	Restricted stock units	Weighted average grant date fair value
Balance at December 31, 2020	202	$ 10.51
Grants	223	22.28
Vested and released	(61)	10.43
Forfeited	(61)	14.15
Balance at September 30, 2021	303	18.44

As of September 30, 2021, there was $4.6 million of total unrecognized compensation cost related to unvested restricted stock units having a weighted average remaining contractual term of 3.0 years.

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 first offering period under the ESPP commenced on March 1, 2019. The purchase price is set at 85% of the fair market value of the Company's common stock on either the first or last trading day of the offering period, whichever is lower. Annual contributions are limited to the lower of 20% of an employee's eligible compensation or such other limits as apply under Section 423 of the Internal Revenue Code. The ESPP is intended to qualify as an employee stock purchase plan for purposes of Section 423 of the Internal Revenue Code.

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

During the three months ended September 30, 2021, under the ESPP, the Company received $0.2 million from the issuance of approximately 17,000 shares. During the nine months ended September 30, 2021, under the ESPP, the Company received $0.3 million from the issuance of approximately 27,000 shares.

Note 15. Commitments and Contingencies

(a) Indemnification

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

(b) Supply Agreement

In September 2020, the Company entered into a supply agreement with a vendor to purchase up to $2.0 million of inventory during the initial term of the agreement through December 31, 2022. As of September 30, 2021, the purchase commitment had been met and $2.0 million had been paid under this supply agreement.

Note 16. Concentration of Credit Risk

(a) Concentration of Sales and Accounts Receivable

The following represents customers that accounted for 10% or more of total revenue during the three and nine months ended September 30, 2021 and 2020.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Customer A	20%	32%	23%	33%
Customer B	8%	15%	15%	10%
Customer C	13%	5%	13%	6%
Customer D	14%	0%	8%	0%
Customer E	2%	10%	4%	7%

The following represents customers that accounted for 10% or more of total trade accounts receivable at September 30, 2021 and December 31, 2020.

	September 30, 2021	December 31, 2020
Customer A	21%	23%
Customer B	18%	0%
Customer C	11%	17%
Customer D	9%	13%

(b) Concentration of Purchases

During the three and nine months ended September 30, 2021, the Company's products were primarily manufactured by three contract manufacturers with locations in China, one in Vietnam, one in Minnesota and by the Company's Arizona facility.

(c) Concentration of Property and Equipment

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

	September 30, 2021	December 31, 2020
North America	$ 2,233	$ 1,936
Asia Pacific (APAC)	262	249
Europe, Middle East and Africa (EMEA)	203	192
Property and equipment, net	$ 2,698	$ 2,377

Note 17. Disaggregated Revenue

Disaggregated revenue are as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
By Sales Channel:				
Distributors and resellers	$ 8,076	$ 9,406	$ 31,101	$ 23,830
OEM/ODM/Contract manufacturer	2,014	3,244	7,193	10,998
Other	5,365	360	11,835	844
Total sales	$ 15,455	$ 13,010	$ 50,129	$ 35,672
By Market Group:				
Consumer	$ 4,599	$ 10,381	$ 23,800	$ 27,489
Enterprise	8,698	$ 794	19,231	2,575
Automotive	2,158	$ 1,835	7,098	5,608
Total sales	$ 15,455	$ 13,010	$ 50,129	$ 35,672
By Geography:				
China (including Hong Kong and Taiwan)	$ 5,916	$ 9,734	$ 25,025	$ 25,881
North America	8,927	2,434	23,061	7,193
Rest of the world	612	842	2,043	2,598
Total sales	$ 15,455	$ 13,010	$ 50,129	$ 35,672

Enterprise revenue for three and nine months ended September 30, 2021, is primarily comprised of revenue generated from the sale of industrial Internet of Things products that were acquired through the NimbeLink acquisition. Revenue generated from the United States was $8.8 million and $2.4 million for the three months ended September 30, 2021 and 2020, respectively, and $22.5 million and $6.9 million for the nine months ended September 30, 2021 and 2020, respectively.

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

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

Forward-Looking Statements

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

Overview

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

We are transitioning from a passive antenna and related services provider to a wireless system solutions provider, targeting higher levels of integration and complexity, and therefore, higher selling prices and in 2020 we announced our new patented AirgainConnect® platform. The first product from this platform is the FirstNet Ready™ AirgainConnect AC-HPUE antenna-modem, targeting vehicles used by first responders. The AC-HPUE antenna-modem includes an integrated high-power LTE modem supporting the 3GPP Band 14 HPUE (or high-power user equipment) output power functionality and is certified to run on the AT&T FirstNet network. In September 2021, we announced the launch of the second product from the platform, the AC-HPUE-FWA™, the first commercially available fixed wireless access solution, which includes an integrated multi-band high power LTE antenna-modem designed specifically for fixed wireless access.

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

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

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

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

Our engineering design teams work with customers from the early stages of product prototyping to the final stages of device over the air throughput testing to optimize performance and to facilitate quick time to market. Our capabilities include product design, engineering support for customer projects, and wireless performance testing using both advanced RF tools as well as live over the air testing methods. These capabilities allowed our company to develop a strong reputation amongst OEMs, ODMs, as well as tier 1 chipset manufacturers. Our competencies and strengths have helped us secure design wins that come as a direct result of our antenna systems being used in reference designs built by Tier 1 chipset vendors. We view our relationships with OEMs, ODMs, chipset manufacturers, and service providers as an important attribute in this ecosystem and a strong contributor to our long-term strategy for growth and success.

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

COVID-19 Pandemic

The United States and other countries around the world continue to experience a major health pandemic related to COVID-19, which has created considerable instability and disruption in the U.S. and world economies. Governmental authorities in impacted regions where the disease is still widespread or has reemerged have taken, and continue to take, actions in an effort to slow COVID-19's spread, resulting in limitations on business operations and consumer and employee travel. In accordance with local regulations and guidance, operations in all of our offices and our remote facilities have resumed with protocols in place to prevent and limit the spread of the virus and minimize the risk to our employees. Our salespeople continue to engage with customers in order to secure sales of, and opportunities for, our products and services remotely, but also with some in-person activities.

The continued spread of COVID-19 and its related effects on our business have had a material and adverse effect on our business operations, including restrictions on our ability to travel, temporary closures of our office buildings and the facilities of our customers or suppliers. In addition, power shortages in parts of China experienced as people return to work and industries ramp back up in capacity, which has affected deliveries of raw materials and components for our contract manufacturers in China. COVID-19 is also affecting container availability leading to delays in shipping and increases in our shipping costs.

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

Factors Affecting Our Operating Results

We believe that our performance and future success depend upon several factors including continuing effects of COVID-19 on our customers product rollouts, success in integrating NimbeLink product sales, the impact of the global supply shortage including chip shortages, supply constraints relating to other materials and potential increasing shipping costs on our business and that of our end customers, and the growth in sales of AirgainConnect AC-HPUE product. Additionally, inflation and its effects on several of our component prices, as well as historical factors such as manufacturing costs, investments in our growth, our ability to expand into growing addressable markets, including consumer, enterprise, and automotive, the average sales price of our products per device, the number of antennas per device, and our ability to diversify the number of devices that incorporate our antenna products will also affect our performance and future success. 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 wireless system solutions, the impact of the COVID-19 pandemic, as discussed above, the deployment level of AirgainConnect AC-HPUE, the proliferation of Wi-Fi connected home devices and data intensive applications, trends related to in-house design in our traditional set top market, investments in our growth to address customer needs, the impact of the global 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 and international expansion, as well as our ability to successfully integrate past and any future acquisitions. While each of these areas presents significant opportunities for us, they also pose significant risks and challenges we must successfully address. We discuss many of these risks, uncertainties and other factors in greater detail in the section entitled “Risk Factors” included in this quarterly report on Form 10-Q and in Item 1A of our Annual Report on Form 10-K.

Seasonality

Our operating results historically have not been subject to significant seasonal variations. However, our operating results are affected by how customers make purchasing decisions around local holidays in China. Although it is difficult to make broad generalizations, our sales tend to be lower in the first quarter of each year compared to other quarters due to the Chinese New Year. Results for any quarter may not be indicative of the results that may be achieved for the full fiscal year and these patterns may change as a result of general customer demand or product cycles.

Key Components of Our Results of Operations and Financial Condition

Sales

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

Cost of Goods Sold

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

Operating Expenses

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

Research and development. Research and development expenses primarily consist of personnel and facility-related costs attributable to our engineering research and development personnel. These expenses include work related to the design, engineering and testing of antenna 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 outside consultants and for prototyping new antenna solutions. We expect research and development expenses to increase in absolute dollars in future periods as we continue to invest in the development of new solutions and markets and as we invest in improving efficiencies within our supply chain, although our research and development expense may fluctuate as a percentage of total sales.

Sales and marketing. Sales and marketing expenses primarily consist of personnel and facility-related costs for our sales, marketing, and business development personnel, stock-based compensation and commissions earned by our sales personnel and our third-party sales representative firms. Sales and marketing expenses also include the costs of trade shows, marketing programs, promotional materials, demonstration equipment, travel, and allocated costs for certain facilities. Over the next several quarters 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, finance, legal, human resources and administrative personnel, including stock-based compensation, as well as accounting, legal and other professional services fees, depreciation, and other corporate expenses. We expect general and administrative expenses to fluctuate over the next several quarters as we grow our operations.

Change in fair value of contingent consideration. The fair value of contingent consideration associated with the NimbeLink acquisition is remeasured at each reporting period based on the forecasted revenue targets. The change in the fair value of contingent consideration is recorded to operating expenses. See Note 4 of the Notes to Condensed Consolidated Financial Statements contained within this quarterly report for further information.

Other Income

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

Other Income. Other income consists of other income, net of other expenses as well as realized foreign exchange gains or losses.

Provision for Income Taxes

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

Results of Operations

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Statements of Operations Data:				
Sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	64.1	53.7	60.6	53.1
Gross profit	35.9	46.3	39.4	46.9
Operating expenses:				
Research and development	17.4	17.1	16.2	19.3
Sales and marketing	16.1	12.0	14.8	12.6
General and administrative	21.4	18.8	20.3	21.0
Change in fair value of contingent consideration	0.7	—	3.3	—
Total operating expenses	55.6	47.9	54.7	52.9
Loss from operations	(19.7)	(1.6)	(15.3)	(6.0)
Other income	-	(0.2)	(0.0)	0.5
Loss before income taxes	(19.7)	(1.4)	(15.3)	(5.5)
Provision for income taxes	-	0.6	(4.4)	0.8
Net loss	(19.7)%	(2.0)%	(10.9)%	(6.3)%

Comparison of the Three and Nine Months Ended September 30, 2021 and 2020 (dollars in thousands)

Sales

	Three months ended September 30, 2021	Three months ended September 30, 2020	$ Change	% Change
Sales	$ 15,455	$ 13,010	$ 2,445	18.8 %

	Nine months ended September 30, 2021	Nine months ended September 30, 2020	$ Change	% Change
Sales	$ 50,129	$ 35,672	$ 14,457	40.5 %

Sales increased $2.4 million, or 18.8% for the three months ended September 30, 2021, compared to the three months ended September 30, 2020. Revenue from our consumer market decreased $5.8 million, to $4.6 million for the three months ended September 30, 2021 from $10.4 million for the three months ended September 30, 2020 primarily due to the global supply shortage as well as the declining volume from a near end of life product. Revenue from our enterprise market increased $7.9 million, to $8.7 million for the three months ended September 30, 2021 from $0.8 million for the three months ended September 30, 2020 primarily due to revenue generated from the sale of industrial IoT products and services. Revenue for our automotive market grew approximately $0.4 million to $2.2 million for the three months ended September 30, 2021, from $1.8 million due to incremental revenue generated from AirgainConnect product sales launched in the fourth quarter of 2020.

Sales increased $14.5 million, or 40.5% for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020. Revenue from our consumer market decreased $3.7 million, to $23.8 million for the nine months ended September 30, 2021 from $27.5 million for the nine months ended September 30, 2020 primarily due to the global supply shortage as well as the declining volume from a near end of life product. Revenue from our enterprise market increased $16.7 million, to $19.2 million for the nine months ended September 30, 2021 from $2.6 million for the nine months ended September 30, 2020 primarily due to revenue generated from a ramp in the sale of industrial IoT products and services. Revenue for our automotive market increased $1.5 million, to $7.1 million for the nine months ended September 30, 2021 from $5.6 million for the nine months ended September 30, 2020, primarily due to the incremental revenue generated from AirgainConnect product sales launched in the fourth quarter of 2020.

Cost of Goods Sold

	Three months ended September 30, 2021	Three months ended September 30, 2020	$ Change	% Change
Cost of goods sold	$ 9,909	$ 6,981	$ 2,928	41.9 %

	Nine months ended September 30, 2021	Nine months ended September 30, 2020	$ Change	% Change
Cost of goods sold	$ 30,387	$ 18,924	$ 11,463	60.6 %

Cost of goods sold increased $2.9 million or 41.9%, for the three months ended September 30, 2021, compared to the three months ended September 30, 2020, and was primarily due to the incremental volume and related costs from the sale of industrial IoT and AirgainConnect products, higher production and freight costs, and higher amortization of intangible assets as a result of the NimbeLink acquisition.

Cost of goods sold increased $11.5 million or 60.6%, for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020, and was primarily due to the incremental product costs related to industrial IoT and AirgainConnect products, amortization of the inventory step-up adjustment and amortization of intangible assets related to the NimbeLink acquisition as well as general increases in production and freight costs.

Gross Profit

	Three months ended September 30, 2021	Three months ended September 30, 2020	$ Change	% Change
Gross profit	$ 5,546	$ 6,029	$ (483)	(8.0)%
Gross profit (percentage of sales)	35.9%	46.3%		(10.4)%

	Nine months ended September 30, 2021	Nine months ended September 30, 2020	$ Change	% Change
Gross profit	$ 19,742	$ 16,748	$ 2,994	17.9%
Gross profit (percentage of sales)	39.4%	46.9%		(7.5)%

Gross profit as a percentage of sales decreased by 10.4% for the three months ended September 30, 2021, compared to the three months ended September 30, 2020, primarily due to changes in the product mix including the sales of industrial IoT and AirgainConnect products which yield lower gross margins, and higher intangible asset amortization associated with the NimbeLink acquisition.

Gross profit as a percentage of sales decreased by 7.5% for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020, primarily due to changes in the product mix including the sales of industrial IoT and AirgainConnect products which yield lower gross margins, as well as an inventory step-up adjustment and higher intangible asset amortization costs associated with the NimbeLink acquisition.

Operating Expenses

	Three months ended September 30, 2021	Three months ended September 30, 2020	$ Change	% Change
Operating Expenses				
Research and development	$ 2,698	$ 2,231	$ 467	20.9%
Sales and marketing	2,484	1,559	925	59.3
General and administrative	3,307	2,439	868	35.6
Change in fair value of contingent consideration	103	—	103	—
Total operating expenses	$ 8,592	$ 6,229	$ 2,363	37.9%

	Nine months ended September 30, 2021	Nine months ended September 30, 2020	$ Change	% Change
Operating Expenses				
Research and development	$ 8,130	$ 6,873	$ 1,257	18.3%
Sales and marketing	7,412	4,477	2,935	65.6
General and administrative	10,201	7,506	2,695	35.9
Change in fair value of contingent consideration	1,660	—	1,660	—
Total operating expenses	$ 27,403	$ 18,856	$ 8,547	45.3%

Research and Development

Research and development expense increased $0.5 million or 20.9% for the three months ended September 30, 2021, compared to the three months ended September 30, 2020. The increase was primarily due to the acquisition of NimbeLink on January 7, 2021 which resulted in added headcount, facilities and IT expenses offset by decreased product development costs.

Research and development expense increased $1.3 million or 18.3% for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020. The increase was primarily due to the acquisition of NimbeLink on January 7, 2021 which resulted in added headcount, facilities and IT expenses offset by decreased product development costs.

Sales and Marketing

Sales and marketing expense increased $0.9 million or 59.3%, for the three months ended September 30, 2021, compared to the three months ended September 30, 2020. The increase was primarily due to the acquisition of NimbeLink on January 7, 2021 which resulted in added headcount, facilities and IT expenses as well as higher advertising and promotion expenses.

Sales and marketing expense increased $2.9 million or 65.6%, for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020. The increase was primarily due to the acquisition of NimbeLink on January 7, 2021 which resulted in added headcount, facilities and IT expenses partially offset by reductions in travel and marketing expenses.

General and Administrative

General and administrative expense increased by $0.9 million, or 35.6%, for the three months ended September 30, 2021, compared to the three months ended September 30, 2020. The increase was primarily due to the acquisition of NimbeLink on January 7, 2021 which resulted in added headcount, facilities and IT expenses as well as higher outsourced service costs.

General and administrative expense increased by $2.7 million, or 35.9%, for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020. The increase was primarily due to the acquisition of NimbeLink on January 7, 2021 which resulted in added headcount, facilities and IT expenses as well as higher outsourced service costs and travel expenses.

Change in Fair Value of Contingent Consideration

During the three and nine months ended September 30, 2021, we recorded a change in fair value of contingent consideration related to the NimbeLink acquisition of $0.1 million and 1.7 million, respectively, based on the forecasted revenue targets as of September 30, 2021.

Other Income

	Three months ended September 30,			
	2021	2020	$ Change	% Change
Other expense (income):				
Interest income, net	$ (6)	$ (23)	$ 17	(73.9)%
Other expense	(1)	—	(1)	—
Total other income	$ (7)	$ (23)	$ 16	(69.6)%

	Nine months ended September 30,			
	2021	2020	$ Change	% Change
Other expense (income):				
Interest income, net	$ (21)	$ (194)	$ 173	(89.2)%
Other expense	15	11	4	36.4
Total other income	$ (6)	$ (183)	$ 177	(96.7)%

For both the three and nine months ended September 30, 2021, total other income decreased slightly primarily due to lower interest income resulting from the decrease in short-term investment balances.

Liquidity and Capital Resources

We had cash, cash equivalents and restricted cash of $19.1 million at September 30, 2021.

Before 2013 we had incurred net losses in each year since our inception. As a result, we had an accumulated deficit of $52.8 million at September 30, 2021.

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

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

On January 7, 2021, as a result of the Nimbelink acquisition, we assumed a revolving line of credit, or the Line of Credit, with Choice Financial Group, or Choice, whereby Choice had made available to Airgain a secured credit facility of up to the lesser of (1) $1.5 million or (2) the sum of (a) 80% of the aggregate amount of third party accounts receivable balances, excluding progress billings, foreign receivables, accounts subject to dispute or setoff and doubtful accounts (Eligible Accounts) aged less than 90 days, net of 10% allowance, and (b) 25% of raw materials and finished goods, except those held at named contract manufacturer, after a 10% reserve for excess and obsolete inventory. Amounts borrowed under the Line of Credit bore interest at the prime rate plus 1%, payable monthly. The facility was secured by a commercial guarantee and a lien over the property of NimbeLink including inventory, equipment, accounts receivable, investments, deposit accounts, other rights to payment and performance and general intangibles. In April 2021, we closed the Line of Credit with Choice.

In September 2019, our Board of Directors, or the Board, approved a share repurchase program, or the 2019 Program, pursuant to which we could purchase up to $7.0 million of shares of its common stock over the twelve month period following the establishment of the program. The repurchases under the 2019 Program were made from time to time in the open market or in privately negotiated transactions and were funded from our working capital. Repurchases are made in compliance with Rule 10b-18 of the Securities Exchange Act of 1934, as amended, subject to market conditions, available liquidity, cash flow, applicable legal requirements and other factors. In September 2020, the Board approved an extension to the 2019 Program for an additional twelve-month period ending September 9, 2021. The 2019 Program expired in September 2021.

During the three and nine months ended September 30, 2021, we repurchased 7,200 shares of common stock under the 2019 Program. Since inception of the 2019 Program through September 30, 2021, we have purchased a total of approximately 170,000 shares of common stock for a total cost of $1.7 million.

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

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

	Nine months ended September 30,	
	2021	2020
Net cash provided by (used in) operating activities	$ (6,921)	$ 3,477
Net cash provided by (used in) investing activities	(14,727)	18,886
Net cash provided by financing activities	2,429	410
Net increase (decrease) in cash, cash equivalents and restricted cash	$ (19,219)	$ 22,773

Net cash provided by (used in) operating activities. Net cash used in operating activities was $6.9 million for the nine months ended September 30, 2021. This was driven by a net loss of $5.4 million and $6.5 million net change in operating assets and liabilities, partially offset by $5.0 million in non-cash expenses.

Net cash provided by (used in) investing activities. Net cash used in investing activities was $14.7 million for the nine months ended September 30, 2021. This was primarily driven by $14.2 million in cash paid for the NimbeLink acquisition, net of acquired cash of $1.8 million and $0.5 million in purchases of property and equipment.

Net cash provided by financing activities. Net cash provided by financing activities was $2.4 million for the nine months ended September 30, 2021. This was primarily driven by net proceeds of $2.5 million from common stock issuances from equity compensation plans offset by share repurchases of $0.1 million.

Contractual Obligations and Commitments

Other than disclosed below, there were no material changes outside the ordinary course of our business during the nine months ended September 30, 2021 to the information regarding our contractual obligations that was disclosed in Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2020.

In September 2020, we entered into a supply agreement with a vendor to purchase up to $2.0 million of inventory during the initial term of the agreement through December 31, 2022. As of September 30, 2021, the purchase commitment had been met and $2.0 million had been paid under this supply agreement.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Significant Judgments and Estimates

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

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

Recent Accounting Pronouncements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of September 30, 2021, there have been no material changes surrounding our market risk, including interest rate risk, foreign currency exchange risk, and inflation risk, from the discussion provided in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2020.

ITEM 4. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

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

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

Changes in Internal Control Over Financial Reporting

Except as described below, there have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended September 30, 2021, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not currently party to any material legal proceedings.

ITEM 1A. RISK FACTORS

A description of the risk factors associated with our business is included in the Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020. There have been no material changes to such risk factors, other than as previously reported in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 and as set forth below. In evaluating our business, you should carefully consider the risk factors discussed in our Annual Report on Form 10-K. The occurrence of any of the risks discussed in such filings, or other events that we do not currently anticipate or that we currently deem immaterial, could harm our business, prospects, financial condition and results of operations. In that case the trading price of our common stock could decline, and you may lose all or part of your investment.

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

Our quarterly and annual operating results have fluctuated in the past and may fluctuate significantly in the future, which makes it difficult for us to predict our future operating results. The timing and size of sales of our products are variable and difficult to predict and can result in fluctuations in our net sales from period to period. In addition, our budgeted expense levels depend in part on our expectations of future sales. Because any substantial adjustment to expenses to account for lower levels of sales is difficult and takes time, we may not be able to reduce our costs sufficiently to compensate for an unexpected shortfall in net sales, and even a small shortfall in net sales could disproportionately and adversely affect our operating margin and operating results for a given quarter.

Our operating results may also fluctuate due to a variety of other factors, many of which are outside of our control, including the changing and volatile U.S., European, Asian and global economic environments, and any of which may cause our stock price to fluctuate. Besides the other risks in this “Risk Factors” section and discussed in our Annual Report on Form 10-K, factors that may affect our operating results include:

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

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

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

Effective as of August 9, 2021, our board of directors adopted an amendment and restatement of our bylaws, pursuant to which a new Article XI was added, which provides that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended.

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
4.2(3)	Form of Warrant issued to Northland Securities, Inc. in connection with the initial public offering of our common stock
4.3(4)	Description of Registered Securities
31.1*	Certification of Principal Executive Officer pursuant to Rules 13a-14 and 15d-14 promulgated pursuant to the Securities Exchange Act of 1934, as amended
31.2*	Certification of Principal Financial Officer pursuant to Rules 13a-14 and 15d-14 promulgated pursuant to the Securities Exchange Act of 1934, as amended
32.1*	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

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

(2) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, filed with the SEC on August 10, 2021.

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

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

* 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.

SIGNATURES

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

	AIRGAIN, INC.
Date: November 9, 2021	/s/ Jacob Suen
	Jacob Suen President and Chief Executive Officer (principal executive officer)
Date: November 9, 2021	/s/ David B. Lyle
	David B. Lyle Chief Financial Officer and Secretary (principal financial and accounting officer)

Exhibit 31.1

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

I, Jacob Suen, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

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

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

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

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

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

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

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

Date: November 9, 2021

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

Exhibit 31.2

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

I, David B. Lyle, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: November 9, 2021	/s/ David B. Lyle
	David B. Lyle
	Chief Financial Officer and Secretary
	(principal financial and accounting officer)

Exhibit 32.1

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

In connection with the quarterly report of Airgain, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jacob Suen, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: November 9, 2021

/s/ Jacob Suen
Jacob Suen
President and Chief Executive Officer

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

Exhibit 32.2

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

In connection with the quarterly report of Airgain, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David B. Lyle, Chief Financial Officer and Secretary of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: November 9, 2021

/s/ David B. Lyle

David B. Lyle

Chief Financial Officer and Secretary

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