
**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, 2022

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
(State or Other Jurisdiction of Incorporation or Organization)

**3611 Valley Centre Drive, Suite 150
San Diego, CA**
(Address of Principal Executive Offices)

95-4523882
(I.R.S. Employer Identification No.)

92130
(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
Common stock, par value \$0.0001 per share

Trading Symbol(s)
AIRG

Name of each exchange on which registered
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 ☐
Non-accelerated filer ☒
Emerging growth company ☐

Accelerated filer ☐
Smaller reporting 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 4, 2022, the registrant had 10,223,536 shares of common stock (par value \$0.0001) outstanding.

AIRGAIN, INC.
Form 10-Q
For the Quarter Ended September 30, 2022

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,190	\$ 14,511
Trade accounts receivable, net	9,452	10,757
Inventory	9,345	8,949
Prepaid expenses and other current assets	2,005	1,272
Total current assets	29,992	35,489
Property and equipment, net	2,816	2,698
Leased right-of-use assets	2,437	2,777
Goodwill	10,845	10,845
Intangible assets, net	11,960	14,229
Other assets	243	352
Total assets	<u>\$ 58,293</u>	<u>\$ 66,390</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 7,827	\$ 5,474
Accrued compensation	2,492	2,013
Accrued liabilities and other	3,007	2,833
Short-term lease liabilities	888	841
Deferred purchase price liabilities	153	8,726
Total current liabilities	14,367	19,887
Deferred tax liability	132	109
Long-term lease liabilities	1,782	2,221
Total liabilities	<u>16,281</u>	<u>22,217</u>
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Common stock and additional paid-in capital, par value \$0.0001, 200,000 shares authorized; 10,765 shares issued and 10,224 shares outstanding at September 30, 2022; and 10,638 shares issued and 10,097 shares outstanding at December 31, 2021.	110,249	106,971
Treasury stock, at cost: 541 shares at September 30, 2022 and December 31, 2021.	(5,364)	(5,364)
Accumulated deficit	(62,873)	(57,434)
Total stockholders' equity	42,012	44,173
Total liabilities and stockholders' equity	<u>\$ 58,293</u>	<u>\$ 66,390</u>

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,	
	2022	2021	2022	2021
Sales	\$ 19,198	\$ 15,455	\$ 56,006	\$ 50,129
Cost of goods sold	11,755	9,909	33,902	30,387
Gross profit	7,443	5,546	22,104	19,742
Operating expenses:				
Research and development	2,901	2,698	9,117	8,130
Sales and marketing	2,808	2,484	8,552	7,412
General and administrative	2,998	3,307	9,738	10,201
Change in fair value of contingent consideration	—	103	—	1,660
Total operating expenses	8,707	8,592	27,407	27,403
Loss from operations	(1,264)	(3,046)	(5,303)	(7,661)
Other expense (income):				
Interest income, net	(26)	(6)	(37)	(21)
Other expense (income)	9	(1)	39	15
Total other (income) expense	(17)	(7)	2	(6)
Loss before income taxes	(1,247)	(3,039)	(5,305)	(7,655)
Income tax expense (benefit)	52	30	134	(2,214)
Net loss	\$ (1,299)	\$ (3,069)	\$ (5,439)	\$ (5,441)
Net loss per share:				
Basic	\$ (0.13)	\$ (0.30)	\$ (0.53)	\$ (0.54)
Diluted	\$ (0.13)	\$ (0.30)	\$ (0.53)	\$ (0.54)
Weighted average shares used in calculating loss per share:				
Basic	10,210	10,082	10,179	9,993
Diluted	10,210	10,082	10,179	9,993

See accompanying notes.

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net loss	\$ (1,299)	\$ (3,069)	\$ (5,439)	\$ (5,441)
Comprehensive loss	<u>\$ (1,299)</u>	<u>\$ (3,069)</u>	<u>\$ (5,439)</u>	<u>\$ (5,441)</u>

See accompanying notes.

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Total stockholders' equity, beginning balance	<u>\$ 42,248</u>	<u>\$ 49,586</u>	<u>\$ 44,173</u>	<u>\$ 47,742</u>
Common stock and additional paid-in capital:				
Balance at beginning of period	109,186	104,572	106,971	100,356
Stock-based compensation	964	1,068	3,043	3,004
Replacement awards issued in relation to acquisition	—	—	—	40
Issuance of shares for stock purchase plan	99	286	235	2,526
Balance at end of period	<u>110,249</u>	<u>105,926</u>	<u>110,249</u>	<u>105,926</u>
Treasury stock:				
Balance, at cost -at beginning of period	(5,364)	(5,267)	(5,364)	(5,267)
Shares repurchased	—	(97)	—	(97)
Balance, at cost -at end of period	<u>(5,364)</u>	<u>(5,364)</u>	<u>(5,364)</u>	<u>(5,364)</u>
Accumulated deficit:				
Balance at beginning of period	(61,574)	(49,719)	(57,434)	(47,347)
Net loss	(1,299)	(3,069)	(5,439)	(5,441)
Balance at end of period	<u>(62,873)</u>	<u>(52,788)</u>	<u>(62,873)</u>	<u>(52,788)</u>
Total stockholders' equity, ending balance	<u>\$ 42,012</u>	<u>\$ 47,774</u>	<u>\$ 42,012</u>	<u>\$ 47,774</u>

See accompanying notes.

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

	Nine months ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (5,439)	\$ (5,441)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	502	389
Loss on disposal of property and equipment	3	-
Amortization of intangible assets	2,269	2,248
Stock-based compensation	3,575	3,004
Change in fair value of contingent consideration	—	1,660
Deferred tax liability	24	(2,285)
Changes in operating assets and liabilities:		
Trade accounts receivable	1,305	(4,442)
Inventory	(396)	(3,859)
Prepaid expenses and other current assets	(733)	104
Other assets	109	(31)
Accounts payable	2,353	2,217
Accrued compensation	(54)	(1,041)
Accrued liabilities and other	(1,383)	568
Lease liabilities	(52)	(12)
Net cash provided by (used in) operating activities	<u>2,083</u>	<u>(6,921)</u>
Cash flows from investing activities:		
Cash paid for acquisition, net of cash acquired	—	(14,185)
Purchases of property and equipment	(634)	(542)
Proceeds from sale of equipment	10	—
Net cash used in investing activities	<u>(624)</u>	<u>(14,727)</u>
Cash flows from financing activities:		
Repurchases of common stock	—	(97)
Cash paid for business acquisition	(7,015)	—
Proceeds from issuance of common stock, net	235	2,526
Net cash (used in) provided by financing activities	<u>(6,780)</u>	<u>2,429</u>
Net decrease in cash, cash equivalents and restricted cash	(5,321)	(19,219)
Cash, cash equivalents, and restricted cash; beginning of period	14,686	38,348
Cash, cash equivalents, and restricted cash; end of period	<u>\$ 9,365</u>	<u>\$ 19,129</u>
Supplemental disclosure of cash flow information:		
Taxes paid	\$ 196	\$ 89
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
Operating lease liabilities resulting from right-of-use assets	\$ 364	\$ —
Accrual of property and equipment	\$ 19	\$ 21
Cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 9,190	\$ 18,954
Restricted cash included in prepaid expenses and other current assets and other assets long term	\$ 175	175
Total cash, cash equivalents, and restricted cash	<u>\$ 9,365</u>	<u>\$ 19,129</u>

See accompanying notes.

Airgain, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1. Description of Business and Basis of Presentation

Description of Business

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

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and applicable rules and regulations of the Securities and Exchange Commission (SEC) regarding interim financial reporting. Certain information and note disclosures normally included in the consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Interim financial results are not necessarily indicative of results anticipated for the full year. As such, the information included in this quarterly report on Form 10-Q should be read in conjunction with the financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021, 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.

Segment Information

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

The Company operates in one segment related to providing connectivity solutions – embedded components, external antennas, and integrated systems. The Company's chief operating decision-maker is 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.

Note 2. Summary of Significant Accounting Policies

During the nine months ended September 30, 2022, 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, 2021.

Restricted Cash

As of September 30, 2022, the Company had \$175,000 in cash on deposit to secure certain lease commitments; \$80,000 of which is short-term in nature and recorded in prepaid expenses and other current assets and \$95,000 of which is restricted for more than twelve months and recorded in other assets in the Company's consolidated balance sheet. As of December 31, 2021, the Company had \$175,000 in cash on deposit to secure certain lease commitments; \$40,000 of which is short-term in nature and recorded in prepaid expenses and other current assets and \$135,000 of which is restricted for more than twelve months and 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. No allowance for doubtful accounts was recorded as of September 30, 2022 and December 31, 2021.

Inventory

As of April 2022, all of the Company's products are manufactured by third parties that retain ownership of the inventory until title is transferred to the customer at the shipping point. In some situations, the Company retains ownership of inventory which is held in third party contract manufacturing facilities. In certain instances, shipping terms are delivery-at-place and the Company is responsible for arranging transportation and delivery of goods ready for unloading at the named place. In those instances, the Company bears all risk involved in bringing the goods to the named place and records the related inventory in transit to the customer as inventory on the accompanying consolidated balance sheets. In the second quarter of 2022, the Company closed its facility located in Scottsdale, Arizona where certain of its products were previously manufactured.

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 method (FIFO). Any adjustments to reduce the cost of inventories to their net realizable value are recognized in earnings in the current period. Reserves for excess and obsolete inventories are estimated based on product life cycles, quality issues, and historical experience and were \$15,000 and \$47,000 as of September 30, 2022, and December 31, 2021, respectively.

Business Combinations

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

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

Revenue Recognition

On January 1, 2019, the Company adopted Financial Accounting Standards Board (FASB) ASC Topic 606, Revenue from Contracts with Customers (ASC 606) 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 agreements 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 transfers to customers either when the products are shipped to or received by the customer, based on the terms of the specific agreement with the customer. Revenue from the NimbeLink data subscription plans is recognized over the period of the subscription.

The Company records revenue based on a five-step model in accordance with ASC 606 whereby the company (i) identifies the contract(s) with the customer, (ii) identifies the performance obligations in the contract, (iii) determines the

transaction price, (iv) allocates the transaction price to the performance obligation(s) in the contract and (v) recognizes the revenue when (as) the entity satisfies performance obligations. 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 is recognized either at a "point-in-time" or "over time" based on the terms and conditions in the contract. Revenue from data subscription plans are recognized "over time".

The Company offers return rights and/or pricing credits under certain circumstances. A reserve for potential rights of return of \$146,000 and \$109,000 was recorded as of September 30, 2022 and December 31, 2021, respectively.

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 90 days from delivery.

The Company provides assurance-type warranties on all product sales ranging from one to two years. The estimated warranty costs are accrued for at the time of sale based on historical warranty experience plus any known or expected changes in warranty exposure. The Company has recorded a warranty reserve of \$70,000 and \$58,000 as of September 30, 2022 and December 31, 2021, respectively.

The Company has opted to not disclose the portion of revenues allocated to partially unsatisfied performance obligations, which represent products to be shipped within 12 months under open customer purchase orders, at the end of the current reporting period as allowed under ASC 606. The Company has also elected to record sales commissions when incurred, pursuant to the practical expedient under ASC 340, *Other Assets and Deferred Costs*, as the period over which the sales commission asset that would have been recognized is less than one year.

There were no contract assets as of September 30, 2022 and December 31, 2021. As of September 30, 2022 and December 31, 2021, the Company recorded \$0.3 million and \$0.1 million of contract liabilities, respectively.

Shipping and Transportation Costs

Shipping and other transportation costs expensed as incurred were \$81,000 and \$33,000 for the three months ended September 30, 2022 and 2021, respectively. Shipping and other transportation expenses were \$0.4 million and \$0.1 million for the nine months ended September 30, 2022 and 2021, respectively. These costs are included in sales and marketing expenses in the accompanying consolidated statements of operations.

Fair Value Measurements

The carrying values of the Company's financial instruments, including cash, trade accounts receivable, accounts payable, accrued liabilities and deferred purchase price obligations approximate their fair values due to the short maturity of these instruments.

Fair value measurements are market-based measurements, not entity-specific measurements. Therefore, fair value measurements are determined based on the assumptions that market participants would use in pricing the asset or liability. The Company follows a three-level hierarchy to prioritize the inputs used in the valuation techniques to derive fair values. The basis for fair value measurements for each level within the hierarchy is described below:

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

Recently 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 does not expect the standard to have a significant impact on its financial statements, when adopted.

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 expects this accounting standard option, if elected, will not have a significant impact on its financial statements, but we will continue to monitor any future impact.

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 net 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,		Nine months ended September 30,	
	2022	2021	2022	2021
Numerator:				
Net loss	\$ (1,299)	\$ (3,069)	\$ (5,439)	\$ (5,441)
Denominator:				
Basic weighted average common shares outstanding	10,210	10,082	10,179	9,993
Plus dilutive effect of potential common shares	—	—	—	—
Diluted weighted average common shares outstanding	10,210	10,082	10,179	9,993
Net loss per share:				
Basic	\$ (0.13)	\$ (0.30)	\$ (0.53)	\$ (0.54)
Diluted	\$ (0.13)	\$ (0.30)	\$ (0.53)	\$ (0.54)

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,		Nine months ended September 30,	
	2022	2021	2022	2021
Stock options, restricted stock and performance stock	2,207	1,147	2,033	1,252
Total common stock equivalent shares	2,207	1,147	2,033	1,252

Note 4. Business Combinations

On January 7, 2021, the Company entered into a Stock Purchase Agreement, by and among the Company, NimbeLink Corp., 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 more of a 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 are entitled to receive \$8.0 million in contingent consideration, due to achieving 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	\$	<u>22,745</u>

(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.

Purchase Price Allocation

The following is an allocation of purchase price as of the closing date based upon an 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
Prepays 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		<u>15,600</u>
Goodwill		7,145
Total purchase price	\$	<u>22,745</u>

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		<u>\$ 14,065</u>

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. Contingent consideration payable as of December 31, 2021, was \$8.0 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 contingent consideration of \$8.0 million and deferred payment of \$0.6 million were paid in April 2022. The remaining deferred payments balance on September 30, 2022 is \$0.1 million.

The goodwill recognized was 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 were 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.

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 began amortizing immediately and IPR&D began amortizing upon the completion of each project. During the three months ended March 31, 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-and-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 were calculated in each "with" and "without" scenario and the difference in the cash flow was 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 was 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 were 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. Also see Note 8, *Intangible Assets* for further information on 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 (in thousands):

September 30, 2022					
	Amortized cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated fair value	Cash and cash equivalents
Cash	\$ 2,595	\$ —	\$ —	\$ 2,595	\$ 2,595
Level 1:					
Money market funds	6,595	—	—	\$ 6,595	\$ 6,595
Total	<u>\$ 9,190</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 9,190</u>	<u>\$ 9,190</u>

December 31, 2021					
	Amortized cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated fair value	Cash and cash equivalents
Cash	\$ 3,702	\$ —	\$ —	\$ 3,702	\$ 3,702
Level 1:					
Money market funds	10,809	—	—	10,809	10,809
Total	<u>\$ 14,511</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 14,511</u>	<u>\$ 14,511</u>

Note 6. Inventory

Inventories are comprised of the following (in thousands):

	September 30, 2022	December 31, 2021
Raw materials	\$ 5,210	\$ 7,908
Finished goods	4,135	1,041
Total Inventory	<u>\$ 9,345</u>	<u>\$ 8,949</u>

As of September 30, 2022 and December 31, 2021, \$4.1 million and \$3.8 million of raw materials, respectively, and \$3.2 million and \$0.4 million of finished goods inventories, respectively, are on consignment at the Company's contract manufacturers.

Note 7. 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, 2022	December 31, 2021
Computers and software	\$ 641	\$ 657
Furniture, fixtures, and equipment	409	398
Manufacturing and testing equipment	5,248	4,700
Construction in process	34	40
Leasehold improvements	979	932
Property and equipment, gross	7,311	6,727
Less accumulated depreciation	(4,494)	(4,029)
Property and equipment, net	<u>\$ 2,816</u>	<u>\$ 2,698</u>

Depreciation expense was \$0.2 million and \$0.1 million for the three months ended September 30, 2022 and 2021, respectively, and \$0.5 million and \$0.4 million for the nine months ended September 30, 2022 and 2021, respectively.

Note 8. Intangible Assets

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

September 30, 2022				
	Weighted average amortization period (in years)	Gross carrying amount	Accumulated amortization	Net carrying amount
Market related intangibles	5	\$ 1,820	\$ 709	\$ 1,111
Customer relationships	7	13,780	6,152	7,628
Developed technologies	11	4,380	1,174	3,206
Covenants to non-compete	2	115	100	15
Total intangible assets, net		<u>\$ 20,095</u>	<u>\$ 8,135</u>	<u>\$ 11,960</u>

December 31, 2021				
	Weighted average amortization period (in years)	Gross carrying amount	Accumulated amortization	Net carrying amount
Market related intangibles	5	\$ 1,820	\$ 454	\$ 1,366
Customer relationships	7	13,780	4,447	9,333
Developed technologies	11	4,380	908	3,472
Covenants to non-compete	2	115	57	58
Total intangible assets, net		<u>\$ 20,095</u>	<u>\$ 5,866</u>	<u>\$ 14,229</u>

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

	Estimated future amortization
2022 (remaining three months)	\$ 757
2023	2,969
2024	2,968
2025	2,958
2026	557
Thereafter	1,751
Total	<u>\$ 11,960</u>

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 each of the three months ended September 30, 2022 and 2021 and \$2.3 million and \$2.2 million for the nine months ended September 30, 2022 and 2021, respectively.

Note 9. Accrued Liabilities and Other

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

	September 30, 2022	December 31, 2021
Advanced payments from contract manufacturers	\$ 979	\$ 682
Accrued expenses	841	1,277
VAT payable	339	339
Accrued income taxes	220	258
Contract liabilities	313	79
Other current liabilities	315	198
Accrued liabilities and other	<u>\$ 3,007</u>	<u>\$ 2,833</u>

Note 10. 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. In April 2021, the Company closed the Line of Credit with Choice.

On February 18, 2022, the Company and its subsidiary NimbeLink entered into a loan and security agreement with Silicon Valley Bank, providing a revolving line of credit for \$4.0 million. The line of credit will only allow for maximum advances of 80% of the aggregate face amount of certain eligible receivables. The line of credit bears an interest rate of WSJ prime (currently 3.5%) plus 1.75% and matures in February 2023. The lender has a first security interest in all of the Company's and NimbeLink's assets, excluding intellectual property, for which the lender has received a negative pledge and includes certain financial and non-financial covenants. The Company is required to pay monthly interest and paid an annual commitment fee of \$15,000 upon signing. As of September 30, 2022, there was no balance owed on the line of credit.

Note 11. Leases

Operating leases

The Company adopted ASC 842, which became effective 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 adopting ASC 842, the Company recognized right-of-use assets and lease liabilities of \$3.2 million and \$3.5 million, respectively, as of January 1, 2021. 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 did not require the Company to 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 (lease terms of twelve months or less).

Operating lease arrangements primarily consist of office, warehouse, and test house leases expiring during different years through 2025. The facility leases have original lease terms of approximately two to five years and may contain options to extend up to 5 years and/or terminate early. Options to extend are included in leased right-of-use assets and lease liabilities in the consolidated balance sheet when the Company is reasonably certain it will renew a lease. Since the implicit rate of such leases is unknown and the Company may not be 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, 2022 and December 31, 2021, the weighted average discount rate for operating leases was 3.9% and 3.6%, respectively, and the weighted average remaining lease term for operating leases was 2.9 years and 3.7 years, respectively.

The Company has entered into various short-term operating leases, primarily for test houses and office equipment with initial terms of 12 months or less. These short-term leases are not recorded on the Company's consolidated balance sheet and the related short-term lease expense was \$21,000 and \$43,000, for the three months ended September 30, 2022 and 2021, respectively. Total operating lease cost was \$0.2 million and \$0.3 million for the three months ended September 30, 2022 and 2021, respectively and \$0.8 million and \$1.0 million for the nine months ended September 30, 2022 and 2021, respectively.

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, 2022 (in thousands):

	Estimated future lease obligation
2022 (remaining three months)	\$ 258
2023	974
2024	902
2025	687
Total minimum payments	2,821
Less imputed interest	(158)
Less unrealized translation gain	7
Total lease liabilities	2,670
Less short-term lease liabilities	(888)
Long-term lease liability	\$ 1,782

Note 12. Treasury Stock

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

Note 13. Income Taxes

The Company's effective income tax rate was -2.5% and 28.9% for the nine months ended September 30, 2022 and 2021, respectively. The variance from the U.S. federal statutory rate of 21.0% for the nine months ended September 30, 2022 was primarily attributable to the utilization of deferred tax attributes that had a full valuation allowance. The variance from the U.S. federal statutory rate of 21% for the three 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. 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, 2021, the Company had a valuation allowance against net deferred tax assets of \$9.5 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.

Note 14. Stockholders' Equity

In August 2016, the Company's Board adopted the 2016 Equity Incentive 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, 2022	December 31, 2021
Stock options issued and outstanding	1,978	2,000
Stock awards issued and outstanding	483	—
Authorized for grants under the 2016 Equity Incentive Plan ⁽²⁾	549	332
Authorized for grants under the Inducement Plan ⁽³⁾	40	81
Authorized for grants under the 2016 Employee Stock Purchase Plan ⁽⁴⁾	378	326
	3,428	2,739

⁽¹⁾ The table above excludes 541,000 treasury stock shares as of September 30, 2022 and December 31, 2021.

⁽²⁾ On January 1, 2022, the number of authorized shares in the 2016 Plan increased by 404,000 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; 76,000 shares were issued under the Inducement Plan during the nine months ended September 30, 2022.

⁽⁴⁾ On January 1, 2022, the number of authorized shares in the 2016 Employee Stock Purchase Plan increased by 100,000 shares pursuant to the evergreen provisions of the 2016 Employee Stock Purchase Plan.

Note 15. 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,	
	2022	2021	2022	2021
Cost of goods sold	\$ 36	\$ 1	\$ 71	\$ 3
Research and development	255	211	800	591
Sales and marketing	273	230	856	658
General and administrative	556	626	1,848	1,752
Total stock-based compensation expense	<u>\$ 1,120</u>	<u>\$ 1,068</u>	<u>\$ 3,575</u>	<u>\$ 3,004</u>

Stock Options

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

	Number of stock options	Weighted average	
		Exercise price	Remaining contractual term (in years)
Balance at December 31, 2021	2,000	\$ 12.79	7.3
Granted	314	\$ 9.23	
Exercised	(9)	\$ 2.30	
Expired/Forfeited	(327)	\$ 13.38	
Balance at September 30, 2022	<u>1,978</u>	\$ 12.18	6.7
Vested and exercisable at September 30, 2022	1,334	\$ 11.33	5.8
Vested and expected to vest at September 30, 2022	1,978	\$ 12.18	6.7

The weighted average grant date fair value of options granted during the nine months ended September 30, 2022 was \$4.87. For stock options vested and expected to vest, the aggregate intrinsic value as of September 30, 2022 and December 31, 2021, was \$0.9 million and \$2.2 million, respectively.

At September 30, 2022, there was \$3.9 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 2.4 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, 2021	333	\$ 17.55
Grants	147	\$ 9.02
Vested and released	(85)	\$ 17.71
Forfeited	(86)	\$ 15.51
Balance at September 30, 2022	309	\$ 14.01

As of September 30, 2022, there was \$3.3 million of total unrecognized compensation cost related to unvested restricted stock units having a weighted average remaining contractual term of 2.6 years.

Performance Stock Units

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

	Performance stock units	Weighted average grant date fair value
Balance at December 31, 2021	—	\$ —
Grants	174	\$ 2.20
Vested and released	—	\$ —
Forfeited	—	\$ —
Balance at September 30, 2022	174	\$ 2.20

Service as well as market and performance conditions determine the number of PSUs that the holder will earn from 0% to 150% of the target number of shares. The percentage received is based on the Company common stock price targets over a three-year service period. Additionally, the Company must achieve or exceed 75% of the year to date revenue target measured at the end of the quarter in which the price target is achieved. As of September 30, 2022, there was \$0.3 million of total unrecognized compensation cost related to unvested PSUs having a weighted average remaining contractual term of 1.5 years.

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

Share-Settled Obligation

Share-based compensation expense for the three and nine months ended September 30, 2022 was \$0.2 million and \$0.5 million, respectively for the liability classified restricted stock unit payout obligation related to the 2022 executive bonus accrual. The bonus accrual is based on probable achievement on financial and other performance targets.

Employee Stock Purchase Plan (ESPP)

The Company maintains the 2016 Employee Stock Purchase Plan (ESPP) that provides employees an opportunity to purchase common stock through payroll deductions. The ESPP is implemented through consecutive 6-month offering periods commencing on March 1 and September 1 of each year. The purchase price is set at 85% of the fair market value of the Company's common stock on either the first or last trading day of the offering period, whichever is lower. Annual contributions are limited to the lower of 20% of an employee's eligible compensation or such other limits as apply under Section 423 of the Internal Revenue Code. The ESPP is intended to qualify as an employee stock purchase plan for purposes of Section 423 of the Internal Revenue Code.

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

During the nine months ended September 30, 2022, the Company received \$0.4 million from the issuance of 47,852 shares under the ESPP.

Note 16. Commitments and Contingencies

Facilities shut down

In the second quarter of 2022, the Company completed the move of its in-house manufacturing operations to external contract manufacturers and shut down its Arizona manufacturing operations where aftermarket fleet and AirgainConnect products were produced. The Company does not expect to incur lease exit costs as the Arizona lease expired in April 2022. In addition, the Company reduced headcount for the United Kingdom research and sales teams. The United Kingdom lease expires in September 2022. In total, the Company incurred and paid severance costs \$122,624 for the nine months ended September 30, 2022, primarily related to Arizona and the United Kingdom. The company incurred no severance cost during the three months ended September 30, 2022.

Potential product warranty claims

As of September 30, 2022, the Company reserved approximately \$70,000 of general warranty.

Indemnification

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

Note 17. Concentration of Credit Risk

Concentration of Sales and Accounts Receivable

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Customer A	13 %	13 %	17 %	13 %
Customer B	12 %	4 %	12 %	3 %
Customer C	12 %	8 %	13 %	15 %
Customer D	9 %	14 %	7 %	8 %

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

	September 30, 2022	December 31, 2021
Customer A	18 %	29 %
Customer B	16 %	11 %
Customer C	13 %	3 %

Concentration of Purchases

During the three and nine months ended September 30, 2022, the Company's products were primarily manufactured by five contract manufacturers with locations in China, Mexico, Minnesota, and Vietnam and at the Company's Arizona facility (see Note 16).

Concentration of Property and Equipment

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

	September 30, 2022	December 31, 2021
North America	\$ 2,494	\$ 2,288
Asia Pacific (APAC)	152	217
Europe, Middle East and Africa (EMEA)	170	193
Property and equipment, net	<u>\$ 2,816</u>	<u>\$ 2,698</u>

Note 18. Disaggregated Revenue

Disaggregated revenue are as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
By Sales Channel:				
Distributors and resellers	\$ 6,851	\$ 8,076	\$ 28,417	\$ 31,101
OEM/ODM/Contract manufacturer	7,164	2,014	13,818	7,193
Other	5,183	5,365	13,771	11,835
Total sales	<u>\$ 19,198</u>	<u>\$ 15,455</u>	<u>\$ 56,006</u>	<u>\$ 50,129</u>
By Market Group:				
Consumer	\$ 7,334	\$ 4,599	\$ 19,377	\$ 23,800
Enterprise	6,747	8,698	24,496	19,231
Automotive	5,117	2,158	\$ 12,133	7,098
Total sales	<u>\$ 19,198</u>	<u>\$ 15,455</u>	<u>\$ 56,006</u>	<u>\$ 50,129</u>
By Geography:				
China (including Hong Kong and Taiwan)	\$ 7,443	\$ 5,916	\$ 20,170	\$ 25,025
North America	11,128	8,927	34,031	23,061
Rest of the world	627	612	1,805	2,043
Total sales	<u>\$ 19,198</u>	<u>\$ 15,455</u>	<u>\$ 56,006</u>	<u>\$ 50,129</u>

Revenue generated from the United States was \$11.0 million and \$8.8 million for the three months ended September 30, 2022 and 2021, respectively, and \$33.7 million and \$22.5 million for the nine months ended September 30, 2022 and 2021, respectively.

Note 19. Subsequent Events

Appointment of Chief Financial Officer and Secretary

On October 17, 2022, the board of directors of the Company appointed Michael Elbaz as the Company's Chief Financial Officer and Secretary. Upon his appointment, Mr. Elbaz replaced Jacob Suen, the Company's President and Chief Executive Officer, as principal financial and accounting officer for filings under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended.

Appointment of Chief Revenue Officer

On November 9, 2022, the board of directors of the Company appointed Morad Sbahi as the Company's Chief Revenue Officer. Mr. Sbahi previously was the Company's Senior Vice President of Global Product and Marketing.

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, 2021 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, 2021.

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

Airgain simplifies wireless connectivity across a diverse set of devices and markets, from solving complex connectivity issues to speeding time to market to enhancing wireless signals. We segment our product offering into three, distinct sub-brands. Airgain Embedded represents our embedded modems, antennas, and development kits that are designed to help design teams bring connected products to market quickly. Airgain Integrated represents our fully-integrated, off-the-shelf products, such as our asset trackers and AirgainConnect® platform, that help solve connectivity issues in an organization's operating environment. Airgain Antenna+ represents our external antennas, such as our fleet and IoT antennas, that help enhance wireless signals in some of the harshest environments. Our mission is to connect the world through optimized integrated wireless solutions.

As a wireless connectivity solution provider with a rich history in radio frequency technology, we are leveraging our expertise in embedded antennas and embedded modems to effectively transition from a components provider to a wireless systems provider. In 2020, we announced our patented new flagship platform – AirgainConnect®. Our first product from this platform, the AC-HPUE™ antenna-modem offers a novel solution for our public safety and automotive fleet markets by vastly improving vehicle networking capabilities. We are currently designing the next generation of products for the AirgainConnect platform, leveraging our learnings from the AC-HPUE deployment, where such products are intended to target domestic applications beyond first responders and will also target international markets.

NimbeLink Acquisition

On January 7, 2021, we purchased 100% of the outstanding shares of Minnesota-based NimbeLink Corp. NimbeLink is an industrial Internet of Things, or IIoT, company focused on the design, development, and delivery of cellular solutions for enterprise customers. NimbeLink provides carrier-certified embedded modems and asset tracking solutions that minimize or often eliminate RF design and certification time from project schedules, significantly reducing costs and time to market.

The acquisition of NimbeLink supports our transition toward becoming more of a system-level company and will play an important role in our overall growth strategy to broaden market diversification, particularly within the industrial IoT space. NimbeLink's industrial IoT expertise fits squarely into one of our targeted enterprise submarkets. Our worldwide salesforce offers an opportunity to expand the reach of NimbeLink products and also provides access to considerable design opportunities that were previously unavailable for NimbeLink products. The result is a substantial increase in the opportunities for us in the enterprise market and a more diverse offering of products and expertise for our customers.

Core Markets

The consumer market encompasses a large and growing audience of consumers using wireless-enabled devices. Our antennas are deployed in consumer access points, wireless gateways, Wi-Fi Mesh systems and extenders, smart TVs, smart home devices, and set-top boxes. Additionally, our antennas support a comprehensive array of coveted technologies, including WLAN, Wi-Fi, LTE, 5G and LPWAN. In addition, our embedded modems provide critical connectivity for consumer products that include smart coffee makers, smart refrigerators, aerial drones, e-bikes and e-scooters, and more.

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. In addition, our embedded modems are deployed across various markets with high demand for connectivity, including packaging and logistics, EV charging, smart city and smart building applications, agriculture, and more. Our products are intentionally positioned to significantly increase our growth in this specialized market.

In the automotive market, our products are deployed in a wide range of vehicles to support a variety of wireless connectivity solutions in the fleet and aftermarket segment, supporting a variety of technologies that include Wi-Fi, 3G, LTE, 5G, Satellite and LPWAN. The fleet and aftermarket segment of the automotive market consists of applications whereby rugged vehicular wireless routers are paired with external antenna systems to provide connectivity to fixed and mobile assets. Within this unique market segment, there has been a rise in the number of antennas per vehicle. Currently, the majority of our revenues are derived from fleet and aftermarket sales and going forward, our strategy is to augment our current sales in the automotive aftermarket with design wins and sales, including follow-on products in the AirgainConnect family that are designed to address broader market segments in Automotive aftermarket both domestically and internationally.

Our Process

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

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

Growth in demand for LTE, 5G, Wi-Fi 6/6E/7, LPWAN, IoT, HPUE, and many other technologies are driving significant increases in demand for our products. Every connected product needs a modem or wireless protocol and an antenna. As wireless technologies advance, the need for additional antennas and modems grows. In addition, as the trend toward smart homes, buildings, factories, and cities grows, connectivity becomes the backbone of life as we know it. From a police car patrolling the streets to a tractor plowing a farmer's field, our world is more connected than it has ever been. With our broad portfolio of products that make wireless simple, Airgain is connecting the world.

COVID-19 Pandemic

The United States and other countries around the world are experiencing a major health pandemic related to COVID-19, which has created considerable instability and disruption in the U.S. and world economies. The continued spread of COVID-19 and its related effects on our business have had a material and adverse effect on our business operations. Through the date of this filing, these disruptions or restrictions include restrictions on our ability to travel to certain locations, temporary closures of our customer or supplier facilities, and through third quarter 2022 disruptions with certain components in our supply chain located in Asia as well as those of our customers. To address these challenges, we have identified and will continue to identify proactive purchases of long lead time inventory to mitigate global supply chain issues. Such disruptions to our customers have had a negative impact on our sales and operating results during 2022 and may continue to have a negative effect on our operating results in future quarters.

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.

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 customer product rollouts, continuation of the global supply shortages, our ability to mitigate against such shortages through proactive advance purchases of long lead time inventory, the growth in sales of AC-HPUE and follow on products in the AirgainConnect family, or other related products, continued improved performance of our contract manufacturers and success in expanding NimbeLink opportunities and sales.

Our performance and future success also depend on factors such as manufacturing costs, continued investments in our growth, our ability to expand into growing addressable markets, including consumer, enterprise, and automotive, the average selling prices of our products per device, the number of antennas per device, and our ability to diversify the number of devices that incorporate our antenna products. Our customers are price conscious, and our operating results are affected by pricing pressure which may force us to lower prices below our established list prices. In addition, a few end-customer devices which incorporate our antenna products comprise a significant amount of our sales, and the discontinuation or modification of such devices may materially and adversely affect our sales and results of operations. Our ability to maintain or increase our sales depends on, among other things, new and existing end-customers selecting our antenna solutions for their wireless devices and networks, the impact of the COVID-19 pandemic, as discussed above, the deployment level, performance and customer satisfaction of AC-HPUE and any follow on products in the AirgainConnect family, 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.

In addition, inflation generally affects us by increasing our raw material and employee-related costs and other expenses. Our financial condition and results of operations may also be impacted by other factors we may not be able to control, such as uncertain global economic conditions, global trade disputes or political instability, as well as conflicts around the world. We do not believe that such factors had a material adverse impact on our results of operations during the three months ended September 30, 2022.

While each of these areas presents significant opportunities for us, they also pose significant risks and challenges we must successfully address. We discuss many of these risks, uncertainties and other factors in greater detail in the section entitled "Risk Factors" included in this quarterly report on Form 10-Q and in Item 1A of our Annual Report on Form 10-K.

Seasonality

Our operating results historically have not been subject to significant seasonal variations. However, our operating results are affected by how customers make purchasing decisions around local holidays in China. Although it is difficult to make broad generalizations, our sales tend to be lower in the first quarter of each year compared to other quarters due to the Lunar New Year. 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 because of general customer demand or product cycles.

Key Components of Our Results of Operations and Financial Condition

Sales

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

Cost of Goods Sold

The cost of goods sold reflects the cost of producing antenna, embedded modem and asset tracking products that are shipped for our customers' devices as well as costs incurred for service agreements. This primarily includes manufacturing costs of our products payable to our third-party contract manufacturers, as well as manufacturing costs incurred at our facility in Arizona, prior to closure in March 2022. The cost of goods sold that we generate from services provided to customers primarily includes personnel costs and the cost to maintain data lines.

Operating Expenses

Our operating expenses are classified into three categories: research and development, sales and marketing, and general and administrative. The largest component for these categories is personnel costs, which includes salaries, employee benefit costs, bonuses, and stock-based compensation. Each of the three categories include allocation of overhead costs for depreciation, facilities, and information technology expenses. Allocation of facilities expenses consists of amortization of leasehold improvements as well as, rent and utility expenses and taxes. Operating expenses are generally recognized as incurred.

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

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

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

Other Expense (Income)

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

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

Provision for Income Taxes

Provision for income taxes consists of federal, 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,	
	2022	2021	2022	2021
Statement of Operations Data:				
Sales	\$ 19,198	\$ 15,455	\$ 56,006	\$ 50,129
Cost of goods sold	11,755	9,909	33,902	30,387
Gross profit	7,443	5,546	22,104	19,742
Operating expenses:				
Research and development	2,901	2,698	9,117	8,130
Sales and marketing	2,808	2,484	8,552	7,412
General and administrative	2,998	3,307	9,738	10,201
Change in fair value of contingent consideration	—	103	—	1,660
Total operating expenses	8,707	8,592	27,407	27,403
Loss from operations	(1,264)	(3,046)	(5,303)	(7,661)
Other (income) expense	(17)	(7)	2	(6)
Loss before income taxes	(1,247)	(3,039)	(5,305)	(7,655)
Income tax expense (benefit)	52	30	134	(2,214)
Net loss	<u>\$ (1,299)</u>	<u>\$ (3,069)</u>	<u>\$ (5,439)</u>	<u>\$ (5,441)</u>

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Statements of Operations Data:				
Sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold	61.2	64.1	60.5	60.6
Gross profit	38.8	35.9	39.5	39.4
Operating expenses:				
Research and development	15.1	17.4	16.3	16.2
Sales and marketing	14.6	16.1	15.2	14.8
General and administrative	15.6	21.4	17.4	20.4
Change in fair value of contingent consideration	—	0.7	-	3.3
Total operating expenses	45.4	55.6	48.9	54.7
Loss from operations	(6.6)	(19.7)	(9.5)	(15.3)
Other (income) expense	(0.1)	(0.0)	0.0	(0.0)
Loss before income taxes	(6.5)	(19.7)	(9.5)	(15.3)
Income tax expense (benefit)	0.3	0.2	0.2	(4.4)
Net loss	<u>(6.8)%</u>	<u>(19.9)%</u>	<u>(9.7)%</u>	<u>(10.9)%</u>

Comparison of the Three and Nine Months Ended September 30, 2022 and 2021 (dollars in thousands)

Sales

	Three months ended September 30,			
	2022	2021	\$ Change	% Change
Sales	\$ 19,198	\$ 15,455	\$ 3,743	24.2 %

	Nine months ended September 30,			
	2022	2021	\$ Change	% Change
Sales	\$ 56,006	\$ 50,129	\$ 5,877	11.7 %

Sales increased for the three months ended September 30, 2022, compared to the same period in the prior year. Revenue from our consumer market increased \$2.7 million to \$7.3 million for the current quarter from \$4.6 million for the same period in the prior year, primarily due to easing of global supply shortages impacting our customers' product rollout and sales. Revenue for our automotive market increased \$2.9 million to \$5.1 million for the current quarter, from \$2.2 million for the same period in the prior year, primarily due to higher aftermarket sales. These increases were partially offset by a \$1.9 million decrease of our enterprise market revenue to \$6.8 million for the current quarter from \$8.7 million for the same period in the prior year, primarily due to lower sales of industrial IoT products and enterprise Wi-Fi access point products.

Sales increased for the nine months ended September 30, 2022, compared to the same period in the prior year. Revenue from our enterprise market increased \$5.3 million, to \$24.5 million for the current nine months from \$19.2 million for the same period in the prior year, primarily due to higher revenues generated from the sale of industrial IoT products and enterprise Wi-Fi access point products during the first half of 2022. Revenue for our automotive market increased \$5.0 to \$12.1 million for the current nine months, from \$7.1 million for the same period in the prior year, primarily due to higher aftermarket and AC-HPUE sales. These increases were offset by a \$4.4 million decrease of our consumer market revenue to \$19.4 million for the current nine months from \$23.8 million for the same period in the prior year, primarily due to weakness caused by global supply shortages impacting our customers' product sales during the first half of 2022.

Cost of Goods Sold

	Three months ended September 30,			
	2022	2021	\$ Change	% Change
Cost of goods sold	\$ 11,755	\$ 9,909	\$ 1,846	18.6 %

	Nine months ended September 30,			
	2022	2021	\$ Change	% Change
Cost of goods sold	\$ 33,902	\$ 30,387	\$ 3,515	11.6 %

Cost of goods sold increased \$1.8 million for the three months ended September 30, 2022 compared to the same period in the prior year. This increase was mainly due to sales growth, but at a lower pace due to favorable sales mix and lower manufacturing costs.

Cost of goods sold increased \$3.5 million for the nine months ended September 30, 2022 compared to the same period in the prior year. This increase was mainly due to sales growth, but grew at a lower rate due to the first quarter 2021 inventory step-up adjustment of \$0.4 million and overall lower manufacturing costs in 2022.

Gross Profit

	Three months ended September 30,			
	2022	2021	\$ Change	% Change
Gross profit	\$ 7,443	\$ 5,546	\$ 1,897	34.2 %
Gross profit (percentage of sales)	38.8 %	35.9 %		2.9 %

	Nine months ended September 30,			
	2022	2021	\$ Change	% Change
Gross profit	\$ 22,104	\$ 19,742	\$ 2,362	12.0 %
Gross profit (percentage of sales)	39.5 %	39.4 %		0.1 %

Gross profit as a percentage of sales increased by 2.9% for the three months ended September 30, 2022 compared to the same period in the prior year, primarily due to a favorable consumer revenue mix and aftermarket margin improvements.

Gross profit as a percentage of sales increased by 0.1% for the nine months ended September 30, 2022 compared to the same period in the prior year as unfavorable consumer revenue mix was offset by the effect of first quarter 2021 inventory step-up adjustment and gross margin improvements.

Operating Expenses

	Three months ended September 30,			
	2022	2021	\$ Change	% Change
Research and development	\$ 2,901	\$ 2,698	\$ 203	7.5 %
Sales and marketing	2,808	2,484	324	13.0 %
General and administrative	2,998	3,307	(309)	(9.3) %
Change in fair value of contingent consideration	—	103	(103)	(100.0) %
Total operating expenses	\$ 8,707	\$ 8,592	\$ 115	1.3 %

	Nine months ended September 30,			
	2022	2021	\$ Change	% Change
Research and development	\$ 9,117	\$ 8,130	\$ 987	12.1 %
Sales and marketing	8,552	7,412	1,140	15.4 %
General and administrative	9,738	10,201	(463)	(4.5) %
Change in fair value of contingent consideration	—	1,660	(1,660)	(100.0) %
Total operating expenses	\$ 27,407	\$ 27,403	\$ 4	0.0 %

Research and Development

Research and development expense increased \$0.2 million or 7.5% for the three months ended September 30, 2022, compared to the same period in the prior year. The increase was primarily due to higher product development expenses.

Research and development expense increased \$1.0 million or 12.1% for the nine months ended September 30, 2022, compared to the same period in the prior year. The increase was primarily due to higher personnel-related costs. Contributing to the increase of research and development expense was higher product development and engineering service expenses.

Sales and Marketing

Sales and marketing expense increased \$0.3 million or 13.0%, for the three months ended September 30, 2022, compared to the same period in the prior year. The increase was primarily due to higher people costs and increased advertising and tradeshow expenses.

Sales and marketing expense increased \$1.1 million or 15.4%, for the nine months ended September 30, 2022, compared to the same period in the prior year. The increase was primarily due to higher people costs and advertising, tradeshow and external services.

General and Administrative

General and administrative expense decreased \$0.3 million or 9.3% for the three months ended September 30, 2022, compared to the same period in the prior year. The decrease was primarily due to lower people costs and outsourced services.

General and administrative expense decreased \$0.5 million or 4.5% for the nine months ended September 30, 2022, compared to the same period in the prior year. The decrease was due to lower people costs and higher general and administrative expense allocation to other departments.

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 \$1.7 million based on the forecasted revenue targets as of September 30, 2021.

Other (Income) Expense

	Three months ended September 30,			
	2022	2021	\$ Change	% Change
Interest income, net	\$ (26)	\$ (6)	\$ (20)	333.3%
Other expense	9	(1)	10	(1,000.0)
Total other income	<u>\$ (17)</u>	<u>\$ (7)</u>	<u>\$ (10)</u>	<u>142.9%</u>

	Nine months ended September 30,			
	2022	2021	\$ Change	% Change
Interest income, net	\$ (37)	\$ (21)	\$ (16)	76.2%
Other expense	39	15	24	160.0
Total other expense (income)	<u>\$ 2</u>	<u>\$ (6)</u>	<u>\$ 8</u>	<u>(133.3)%</u>

Other expense for the three and nine months ended September 30, 2022, consists primarily of credit card interest expense.

Liquidity and Capital Resources

We had cash and cash equivalents of \$9.2 million at September 30, 2022.

Before 2013 we had incurred net losses in each year since our inception and have incurred net losses for the years ended 2018, 2020, and 2021. As a result, we had an accumulated deficit of \$62.9 million at September 30, 2022.

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 February 18, 2022, we and our subsidiary NimbeLink Corp entered into a loan and security agreement with Silicon Valley Bank, pursuant to which we together have a revolving line of credit for \$4.0 million. As of September 30, 2022, there was no balance owed on the line of credit. The line of credit will only allow for maximum advances of 80% of the aggregate face amount of certain eligible receivables. The line of credit bears an interest rate of WSJ prime (currently 3.25%) plus 1.75%, and matures in February 2023. The lender has a first security interest in all of our and NimbeLink's assets, excluding intellectual property, for which the lender has received a negative pledge.

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 12 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 were made in compliance with Rule 10b-18 of the Securities Exchange Act of 1934, as amended, subject to market conditions, available liquidity, cash flow, applicable legal requirements and other factors. In September 2020, the Board approved an extension

to the 2019 Program for an additional 12 month period ending September 9, 2021. Upon expiration of the program, our Board has not authorized a new repurchase program, but may do so in the future.

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 12 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,	
	2022	2021
Net cash provided by (used in) operating activities	\$ 2,083	\$ (6,921)
Net cash used in investing activities	(624)	(14,727)
Net cash (used in) provided by financing activities	(6,780)	2,429
Net decrease in cash, cash equivalents and restricted cash	<u>\$ (5,321)</u>	<u>\$ (19,219)</u>

Net cash provided by operating activities. Net cash provided by operating activities was \$2.1 million for the nine months ended September 30, 2022. This was primarily driven by \$6.4 million in non-cash expenses and \$1.1 million net change in operating assets and liabilities, offset by the net loss of \$5.4 million.

Net cash used in investing activities. Net cash used in investing activities of \$0.6 million for the nine months ended September 30, 2022, was primarily for purchases of property and equipment.

Net cash used in financing activities. Net cash used in financing activities of \$6.8 million for the nine months ended September 30, 2022, was primarily to pay business acquisition, partially offset by proceeds from common stock issuances under the ESPP and offset by taxes paid from the net restricted shares issued upon vesting.

Contractual Obligations and Commitments

There have been no material changes outside the ordinary course of our business during the nine months ended September 30, 2022, 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, 2021.

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 were no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Significant Judgments and Estimates," in our Annual Report on Form 10-K for the year ended December 31, 2021.

Recent Accounting Pronouncements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and are not required to provide the information under this item.

ITEM 4. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

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

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

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the nine months ended September 30, 2022, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

A description of the risk factors associated with our business is included in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021. There have been no material changes to such risk factors. In evaluating our business, you should carefully consider the risk factors discussed in our Annual Report on Form 10-K, other than as set forth below. 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 future success depends on our ability to develop and successfully introduce new and enhanced products and services for the wireless market that meet the needs of our customers.

Our sales depend on our ability to anticipate our existing and prospective customers' needs and develop products that address those needs. Our future success will depend on our ability to introduce new products for the wireless market, anticipate improvements and enhancements in wireless technology and wireless standards, and to develop products that are competitive in the rapidly changing wireless industry. In furtherance of these efforts, we expect to invest significantly in ongoing research and development. If we do not adequately fund our research and development efforts, or if our research and development investments do not translate into material enhancements to our antenna products, we may not be able to compete effectively and our business, results of operations, and financial condition may be harmed. As we transition to a wireless systems solutions provider, we anticipate the need to increase our investment in research and development to stay on the leading edge of next generation development and to align ourselves with the rapidly evolving technology needs of the industry. Moreover, the introduction of new products and product enhancements will require coordination of our efforts with those of our customers, suppliers, and manufacturers to rapidly achieve volume production and to support those products when they are in the field. We expect these coordination efforts to increase substantially in the future as we work with chipset vendors and OEM partners on new proof-of-concept and reference designs earlier in the development cycle. If we fail to coordinate these efforts, develop product enhancements or introduce new products that meet the needs of our customers as scheduled, our operating results will be materially and adversely affected, and our business and prospects will be harmed. We cannot assure that product introductions will meet the anticipated release schedules or that our wireless products will be competitive in the market.

In May 2020 we announced the AirgainConnect platform, including AirgainConnect AC-HPUE, an integrated FirstNet Ready™ high-power LTE modem. The introduction of the AirgainConnect platform represents a new platform that integrates high-power mobile modem technology with an antenna into the same package, enabling performance for 4G and 5G communications. The introduction of the new AirgainConnect platform, and the transition to a more expansive level of advanced product solutions, will require coordination of efforts and increased time and resources. If we fail to gain market acceptance with our customers, suppliers and manufacturers, our operating results will be materially and adversely affected, and our business and prospects will be harmed. In the third quarter of 2022, AT&T ceased special promotional service credits related to our AC-HPUE product, which has adversely affected and may continue to adversely affect sales of that product. In addition, while we plan to rollout follow-on products for the AirgainConnect platform, we may not [MB(2)] be able to successfully develop such products and, even if do, such products may not achieve meaningful market acceptance.

Furthermore, given the rapidly evolving nature of the wireless market, there can be no assurance our products and technology will not be rendered obsolete by alternative or competing technologies. The markets in which we operate are characterized by changing technology and evolving industry standards, which includes the introduction and implementation of Wi-Fi 6 and emerging 5G cellular standards. Despite years of experience in meeting customer design requirements with the latest in technological solutions, we may not be successful in identifying, developing and marketing products or systems that respond to rapid technological change, evolving technical standards and systems developed by others. Our competitors may develop technology that better meets the needs of our customers. If we do not continue to

develop, manufacture and market innovative technologies or applications that meet customers' requirements, sales may suffer, and our business may not continue to grow in line with historical rates or at all.

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

Appointment of Chief Revenue Officer

Effective November 7, 2022, our board of directors appointed Morad Sbahi as our Chief Revenue Officer. Mr. Sbahi previously was our Senior Vice President of Global Product and Marketing from February 2021 until his appointment as Chief Revenue Officer. Prior to that, Mr. Sbahi served as the Vice President of Corporate Strategy since February 2020 and General Manager of EMEA from 2013-2020. Before joining Airgain, Mr. Sbahi served as General Manager, EMEA for SMC Networks, Inc., and in other management positions with Broadcom, Texas Instruments, Applied Micro Circuits, and Ubee Interactive. Mr. Sbahi holds a BS in electrical engineering from Virginia Tech and an MBA from the Warwick Business School.

There are no family relationships between Mr. Sbahi and any director or executive officer of the company, and he has no direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K.

In connection with this new role, we entered into an amendment to his employment agreement, dated February 18, 2021, or the Employment Agreement, reflecting his new position, pursuant to which he will receive an annual base salary of \$275,000 and will be eligible to receive an annual incentive bonus at an initial target of 60% of his annual base salary. Mr. Sbahi's annual bonus for 2022 will be prorated for the portion of the year in his new position.

In connection with the commencement of his new role on November 9, 2022, Mr. Sbahi received stock options to purchase up to 50,000 shares of our common stock under our 2016 Incentive Award Plan, or the Plan. The stock options have an exercise price per share equal to the closing price of our common stock on the Nasdaq Stock Market on the date of grant. The stock options will vest over a four-year period, subject to Mr. Sbahi's continued service to us through the applicable vesting dates. The stock options have a term of ten years from the date of grant. In addition, in connection with his new role, on November 9, 2022, Mr. Sbahi received 50,000 restricted stock units, or RSUs, under the Plan. The RSUs will vest over a four-year period, subject to Mr. Sbahi's continued service to us through the applicable vesting dates. The stock options and RSUs shall become fully vested in connection with certain qualifying terminations of service within 60 days prior to or following a change in control of the company, as described in the Employment Agreement.

The foregoing description of the amendment to Mr. Sbahi's Employment Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the amendment, which will be filed as an exhibit to the Company's Annual Report on Form 10-K to be filed with respect to the fiscal year ended December 31, 2022, and his existing Employment Agreement, which was filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, filed with the SEC on May 6, 2021.

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

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

(2) Incorporated by reference to the Registrant's 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.

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

SIGNATURE

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

AIRGAIN, INC.

Date: November 14, 2022

/s/ Jacob Suen

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

Date: November 14, 2022

/s/ Michael Elbaz

Michael Elbaz
Chief Financial Officer
(principal financial and accounting officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL 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. I am 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 my 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. I have disclosed, based on my 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 14, 2022

/s/ Jacob Suen

Jacob Suen

President and Chief Executive Officer
(principal executive officer)

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

I, Michael Elbaz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Airgain, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 my 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. I have disclosed, based on my 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 14, 2022

/s/ Michael Elbaz

Michael Elbaz
Chief Financial Officer
(principal financial officer and accounting officer)

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, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jacob Suen, 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 14, 2022

/s/ Jacob Suen

Jacob Suen

President and Chief Executive Officer
(principal executive officer)

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

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, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Elbaz, 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 14, 2022

/s/ Michael Elbaz

Michael Elbaz
Chief Financial Officer
(principal financial officer and accounting 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.
