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

FORM 10-K/A

Amendment No. 2

(Mark One)

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

For the fiscal year ended December 31, 2019

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 001-38907

Sonim Technologies, Inc.
(Exact name of Registrant as specified in its Charter)

Delaware (State or other jurisdiction of incorporation or organization)	**94-3336783** (I.R.S. Employer Identification No.)
6836 Bee Cave Road **Building 1, Suite 279** **Austin, TX** (Address of principal executive offices)	**78746** (Zip Code)

Registrant's telephone number, including area code: (650) 378-8100

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	**SONM**	**The Nasdaq Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act:**None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES ☐ NO ☒

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, anon-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on The Nasdaq Stock Market on June 28, 2019 was approximately $106,411,814.

At May 31, 2020, 20,896,692 shares of Common Stock, par value $0.001, of the registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

EXPLANATORY NOTE

This Amendment No. 2 on Form 10-K/A ("Amendment No. 2") amends our Annual Report on Form10-K for the fiscal year ended December 31, 2019 ("Original Filing"), filed with the U.S. Securities and Exchange Commission ("SEC") on March 27, 2020 ("Original Filing Date"), and amended on April 29, 2020 ("Amendment No. 1"), to amend Part II Item 7, "Management's Discussion and Analysis of Financial Condition, Results of Operations and Critical Accounting Policies", to correct information regarding the number of mobile phones we sold during 2019 (from "approximately 320,300" to "approximately 327,000") and the percentages thereof that were sold to our largest customers.

In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended ("Exchange Act"), Part II Item 7 and Item 15 of the Original Filing, as amended by Amendment No.1, are hereby amended and restated in their entirety. This Amendment No. 2 does not amend, modify, or otherwise update any other information in the Original Filing, as amended by Amendment No. 1. In addition, this Amendment No. 2 does not reflect events that may have occurred subsequent to the Original Filing Date.

Pursuant to Rule 12b-15 under the Exchange Act, this Amendment No. 2 also contains new certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, which are attached hereto. Because no financial statements are included in this Amendment No. 2 and this Amendment No. 2 does not contain or amend any disclosure with respect to Items 307 and 308 of Regulation S-K, paragraphs 3, 4, and 5 of the certifications have been omitted.

PART II

Item 7. Management's Discussion and Analysis of Financial Condition, Results of Operations and Critical Accounting Policies.

The following commentary should be read in conjunction with the Consolidated Financial Statements and related notes thereto contained in Part IV of this Annual Report on Form 10-K. This discussion contains forward-looking statements based on current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Item 1A.,"Risk Factors," included in Part I of this Annual Report on Form 10-K.

Company Overview

We are a leading U.S. provider of ultra-rugged mobile phones and accessories designed specifically for task workers physically engaged in their work environments, often in mission-critical roles. We currently sell our ruggedized mobile phones and accessories to three of the four largest wireless carriers in the United States—AT&T, Sprint and Verizon—as well as the three largest wireless carriers in Canada—Bell, Rogers and Telus Mobility. Our phones and accessories connect workers with voice, data, and workflow applications in two end-markets: industrial enterprise and public sector.

We generate revenues from sales of our (i) mobile phones, (ii) industrial-grade accessories and (iii) beginning in 2019, cloud-based software and application services. We sell our mobile phones and accessories primarily to wireless carriers in both the United States and Canada, who then resell our products in conjunction with network services to end customers.

Our first mobile device was introduced and began shipping in low volumes in 2006, primarily in Europe, and in increasing volumes in 2012 in Canada through Bell. In late 2012, we first shipped to U.S. wireless carriers, AT&T and Sprint, but between 2012 and 2017, we had (i) only one or two mobile phones in our product portfolio being sold at any one time, (ii) only a handful of wireless carriers selling such phones and (iii) such phones being sold generally as a non-stocked product. In 2018, three of the four largest U.S. wireless carriers and the three largest Canadian wireless carriers certified certain of our products and decided to stock our entire next generation product portfolio, for the first time in our history, resulting in our revenues increasing by more than 100% from the year ended December 31, 2017 to the year ended December 31, 2019. Revenues have decreased from $135.7 million for the year ended December 31, 2018 to $116.3 million for the year ended December 31, 2019. In 2019, we sold approximately 327,000 mobile phones to wireless carriers with approximately 36%, 31% and 18% sold to AT&T, Sprint and Verizon, respectively, compared to a total of approximately 287,500 to wireless carriers in 2018. In addition to acceptance by these large wireless carriers of our product portfolio, expanded adoption of our mobile phones was driven by increases in awareness over the past several years following sales and marketing efforts directed at wireless carriers, new product launches and the increased focus by carriers, such as AT&T and Verizon on dedicated public safety networks, including FirstNet. We expect to continue unit sales volumes with these wireless carriers and anticipate launching additional products starting in 2020 following customization and certification processes. In March 2019 and April 2019, we launched commercial sales of our XP3 mobile phone on the Sprint network and AT&T network (including FirstNet), respectively, in each case following technical acceptance by the applicable wireless carrier.

Because our U.S. sales channel is primarily comprised of large wireless carriers, the number of customers that we sell to is limited. For the year ended December 31, 2019, approximately 87% of our revenues came from this channel and 66% came from our top four channel partner customers. For the year ended December 31, 2019, our smartphones accounted for approximately 50% of our revenues and our feature phones accounted for approximately 45% of our revenues. To help control and manage the quality, cost and reliability of our supply chain, we directly manage the procurement of all final assembly materials used in our products, which include LCDs, housings, camera modules and antennas. In addition, we complete the final assembly of our devices in our Shenzhen, China facility.

To continue to develop differentiated products to attract and retain customers, we have made significant investments in research and development. While the hardware design of our devices remains generally the same for all wireless carriers, each product must be configured specifically to conform to the requirements of each carrier's network, resulting in higher development expenses as the number of wireless carriers we sell through increases. In addition to the unique configurations, we must go through a technical acceptance process for each device at each wireless carrier before it can be stocked. The acceptance process for each device at each wireless carrier has historically cost up to $1.2 million. Since this task tends to be cyclical in nature, we employ third- party experts on a carrier-by-carrier and product-by-product basis to assist with this acceptance process.

Additional Sonim Subsidiary

On August 21, 2019, Sonim Technologies (Canada), Inc. was incorporated, a fully owned subsidiary of the Company, to aide with sales and post sales services. During the year ended December 31, 2019, immaterial fees were incurred in the set-up of the subsidiary.

Restructuring and Reduction in Force

In September 2019, the Board of Directors approved, and management commenced and completed, a restructuring plan to reduce operating costs and better align its workforce with the needs of its business. Under the plan, the Company reduced its workforce by 16 employees. Affected employees are eligible to receive severance and COBRA reimbursement payments. In connection with the restructuring, the Company accrued $0.7 million in aggregate restructuring charges related to one-time termination severance payments and other employee-related costs. $0.2 million of the cash payments related to the personnel-related restructuring charges were paid during the second half of 2019, with the remaining $0.5 million to be paid by the second quarter of 2020. The Company may also incur additional costs not currently contemplated due to events that may occur as a result of, or that are associated, with the workforce reductions.

Departure of Certain Officers; Appointment of Certain Officers; and Compensatory Arrangements of Certain Officers

On September 9, 2019, the Company and Mr. James Walker determined that Mr. Walker would cease serving as the Company’s Chief Financial Officer. Mr. Walker was deemed eligible to receive certain severance benefits following his last day of employment pursuant to, and subject to the conditions set forth in, his existing agreements with the Company, all of which have been previously publicly disclosed, as well as extension of his post-separation option exercise period to January 17, 2020.

On September 10, 2019, the Company entered into an employment agreement with Robert Tirva, which was amended on December 18, 2019, which governs the terms of Mr. Tirva’s employment as the Company’s Chief Financial Officer. In this role, Mr. Tirva will serve as the Company’s principal financial officer and principal accounting officer.

On October 29, 2019, the Company and Mr. Robert Plaschke agreed that Mr. Plaschke will cease serving as the Company’s Chief Executive Officer. In connection with Mr. Plaschke’s transition, the Company entered into a Transition and Separation Agreement with Mr. Plaschke pursuant to which he will serve as a Senior Advisor to the Board until April 30, 2020.

On October 29, 2019, the Company entered into an employment agreement with Thomas W. Wilkinson, which governs the terms of Mr. Wilkinson’s employment as the Company’s Chief Executive Officer and member of the board.

Initial Public Offering

On May 9, 2019, our registration statement on FormS-1 (File No. 333-230887) related to our initial public offering (“IPO”) was declared effective by the SEC, and our common stock began trading on The Nasdaq Stock Market LLC (“Nasdaq”) on May 10, 2019. Our IPO closed on May 14, 2019. As a result, our consolidated financial statements as of December 31, 2019 reflects the impact of our IPO.

Key Metrics

We review a variety of key financial metrics to help us evaluate growth trends, establish budgets, measure the effectiveness of our business strategies and assess operational efficiencies. In addition to our financial results determined in accordance with U.S. GAAP, we believe the following non-GAAP and operational measures are useful in evaluating our performance related metrics.

	Year Ended December 31,	
	2019	2018
	(in thousands)	
Smartphones	102	160
Feature Phones	257	151
Total Units Sold	359	311
Adjusted EBITDA	$(12,355)	$6,931
Adjusted Covenant EBITDA	$(11,812)	$7,480

Units Sold

Our smartphones include the XP6, XP7, and XP8 models. The number of smartphone units sold during the year ended December 31, 2019 compared to the year ended December 31, 2018 decreased by 36%, primarily due to a slower than expected sales of our XP8 product at several carriers.

Our feature phones include the XP3, XP5, and XP5s models. The number of feature phone units sold during the year ended December 31, 2019 compared to the year ended December 31, 2018 increased by 70%, primarily due to increased demand for the XP5s from several carriers and the introduction of our newest feature phone, the XP3.

Adjusted EBITDA and Adjusted Covenant EBITDA

We define Adjusted EBITDA as net income (loss) adjusted to exclude the impact of stock-based compensation expense, depreciation and amortization, interest expense, income taxes, change in fair value of warrant liability and one-time restructuring costs. We define Adjusted Covenant EBITDA as Adjusted EBITDA further adjusted to exclude the impact of exchange rate changes. Adjusted EBITDA and Adjusted Covenant EBITDA are useful financial metrics in assessing our operating performance from period to period by excluding certain items that we believe are not representative of our core business, such as certain material non-cash items and other adjustments such as stock-based compensation and changes in the fair value of the warrant liability. We use Adjusted Covenant EBITDA to periodically assess compliance with certain covenants and other provisions under our East West Bank Loan Agreement.

We believe that Adjusted EBITDA and Adjusted Covenant EBITDA, viewed in addition to, and not in lieu of, our reported GAAP results, provide useful information to investors regarding our performance and overall results of operations for various reasons, including:

- non-cash equity grants made to employees at a certain price do not necessarily reflect the performance of our business at such time, and as such, stock-based compensation expense is not a key measure of our operating performance; and
- costs associated with certain events, such as changes in fair value of warrant liability and restructuring costs, are not considered a key measure of our operating performance.

We use Adjusted EBITDA and Adjusted Covenant EBITDA:

- as a measure of operating performance;
- for planning purposes, including the preparation of budgets and forecasts;
- to allocate resources to enhance the financial performance of our business;
- to evaluate the effectiveness of our business strategies;
- to periodically assess compliance with certain covenants and other provisions under the EWB Loan Agreement;

- in communications with our board of directors concerning our financial performance; and
- as a consideration in determining compensation for certain key employees.

Adjusted EBITDA and Adjusted Covenant EBITDA have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations include:

- they do not reflect all cash expenditures, future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, working capital needs;
- they do not reflect interest expense on our debt or the cash requirements necessary to service interest or principal payments; and
- other companies in our industry may define and/or calculate these metrics differently than we do, limiting their usefulness as comparative measures.

Set forth below is a reconciliation from net income (loss) to Adjusted EBITDA and Adjusted Covenant EBITDA for the respective periods:

	2019	2018
	(in thousands)	
Net income (loss)	$(25,834)	$1,277
Depreciation and amortization	3,525	1,850
Stock-based compensation	6,308	252
Interest expense	1,522	1,828
Change in fair value of warrant liability(1)	—	970
Income taxes	1,388	754
Restructuring costs	736	—
Adjusted EBITDA	(12,355)	6,931
Exchange rates	543	549
Adjusted Covenant EBITDA	$(11,812)	$7,480

(1) Prior to the conversion of each share of our then outstanding preferred stock to one share of our common stock effected in November 2018. (including the conversion of preferred stock issuable upon exercise of warrants), the fair value of outstanding warrants to purchase preferred stock was subject to periodic remeasurement, and any change in fair value was recognized as a change in fair value of warrant liability.

Factors Affecting Our Results of Operations

We believe that the growth and future success of our business depend on many factors. While these factors present significant opportunities for our business, they also pose important challenges that we must successfully address in order to improve our results of operations.

Research and Development

We believe that our performance is significantly dependent on the investments we make in research and development and that we must continue to develop and introduce innovative new products on a two to three-year cycle. While the hardware design of our devices is generally the same for all wireless carriers, each device must be configured to conform to the requirements of each wireless carrier's network, resulting in higher development expenses as the number of wireless carriers we sell through increases. In addition to the design and configuration costs, each device must undergo a multi-month technical approval process at each carrier before it can be certified to be stocked at each carrier. The approval process for each device for each carrier has historically cost between $1-2 million. Prior to commencement of development of a product for certification, we generally do not receive any purchase orders or commitments. Following a carrier's review of product concepts, we may receive a product award letter from that carrier to move forward with the development and certification process, at which time we may begin receiving advance purchase orders or commitments. Since the timing of when we seek technical approval with our wireless carriers tends to be cyclical in nature, quarter-over-quarter expenditures may vary significantly depending on the number of approvals in process during the quarter. If we fail to innovate and enhance our product offerings, our brand, market position and revenues may be adversely affected. If our research and development efforts are not successful, we will not recover these investments that we make.

New Customer Acquisitions

We are focused on continuing to acquire new customers, both in North America and overseas, to support our long-term growth. Historically, we have been dependent on a small number of wireless carriers distributing our products. We have invested, and expect to continue to invest, in our sales and marketing efforts to drive new customer acquisition. In particular, a key part of our strategy is to further expand the use of our solutions over dedicated LTE networks in the public safety market. We will also continue to invest in and expand our international sales teams. As a result, we expect our sales and marketing costs to increase as we seek to acquire new customers. Sales and marketing investments will often occur in advance of any sales benefits from these activities, and it may be difficult for us to determine if we are efficiently allocating our sales and marketing resources.

Seasonality and New Product Introduction

We have historically experienced lower net revenue in our first quarter compared to other quarters in our fiscal year due to seasonal demand associated with the introduction of new products to our lead customers. New product introductions can significantly impact net revenue, gross profit and operating expenses. The timing of product introductions can also impact our net revenue as our wireless carrier customers prepare for a new product launch, and channel inventory of an older product often declines as the launch of a newer product approaches. Net revenue can also be affected when consumers and distributors anticipate a new product introduction. However, neither historical seasonal patterns nor historical patterns of product or service introductions should be considered reliable indicators of our future pattern of product or service introductions, future net sales or financial performance.

Components of Our Results of Operations

The following describes the line items set forth in our consolidated statements of operations.

Revenues

Revenues are recognized on the date that the customer receives the products sold. Any discounts, marketing development funds, product returns or other revenue reductions are treated as offsets to revenues, which is presented on a net basis. We have also historically entered into customer agreements with channel partners that include a combination of products and non-recurring engineering services, or NRE services. When a customer agreement includes NRE services which involve significant design modification and customization of the product software that is essential to the functionality of the hardware, revenues are also recognized according to the contractual milestones in the agreements under ASC 605 or when or as control transfers to the customer under ASC 606. If a milestone is deemed non-substantive, we defer, if applicable, and recognize such non-substantive milestones over the estimated period of performance applicable to each agreement on a straight-line basis, as appropriate. All of our revenues are derived from a single segment.

The Company recognizes revenue primarily from the sale of products, including our mobile phones and accessories, and the majority of the Company's contracts include only one performance obligation, namely the delivery of product. A performance obligation is a commitment in a contract to transfer a distinct good or service to the customer and is defined as the unit of account for revenue recognition under ASC 606. The Company also recognizes revenue from other contracts that may include a combination of products and NRE services or from the provision of solely NRE services. Where there is a combination of products and NRE services, the Company accounts for the commitments as individual performance obligations if they are both capable of being distinct and distinct within the context of the contract.

Our customer agreements with channel partners set forth the terms pursuant to which our channel partners purchase our products for distribution on a purchase order basis. While these arrangements are typically long term, they generally do not contain any firm purchase volume commitments. As a result, our channel partners are not contractually obligated to purchase from us any minimum number of products. However, while our channel partners provide us with demand forecasts under these sales arrangements, we are generally required to satisfy any and all purchase orders delivered to us within specified delivery windows, with limited exceptions (such as orders significantly in excess of forecasts). Our sales arrangements also generally include technical performance standards for our mobile phones and accessories sold, which vary by channel partner. If a technical issue with any of our covered products exceeds certain preset failure thresholds for the relevant performance standard or standards, the channel partner typically has the right to cease selling the product, cancel open purchase orders and levy certain monetary penalties. In addition, our channel partners retain sole discretion in which of their stocked products to offer their customers.

We also offer our channel partners channel marketing and other limited promotional incentives, such as sales volume incentives, in exchange for retail price reductions. Under certain of our customer agreements, we may also offer NRE services in the form of third-party design services relating to the design of materials and software licenses used in the manufacturing of our products.

Cost of Revenues and Gross Profit/Gross Margin

Cost of revenues primarily consists of the following:

- Direct costs consist of raw materials, supplies and sub-assemblies used in the production of our products. We purchase all materials and sub-assemblies from our supply chain directly and do all final assembly and testing at our facility in Shenzhen, China. Direct materials represent the majority of our direct manufacturing expenses.
- Direct labor costs expended in the final assembly and testing of our products. Labor is charged to each product based on the actual time required to build that specific product.
- Other direct costs related to the shipment of the final product to the customer, including such items as shipping costs, royalties on third-party technology included in the product, warranty cost accruals and packaging and handling costs.
- Indirect manufacturing expense associated with producing our products, such as rent on production facilities, depreciation on production equipment and tooling, engineering and support salaries and other indirect manufacturing costs.
- Amortization of NRE expenses is now part of cost of goods as a result of the adoption of ACS 606 in 2019, using the modified retrospective method.

Gross profit is defined as revenues less cost of revenues. Gross margin is gross profit expressed as a percentage of revenues. We expect that our gross margin may fluctuate from period to period, primarily as a result of changes in average selling price, revenue mix among our devices, and manufacturing costs. In addition, we may reserve against the value at which we carry our inventory based upon the device's lifecycle and conditions in the markets in which we sell.

Operating Expenses

Our operating expenses consist of the following categories:

Research and development. Research and development expenses consist primarily of personnel-related expenses, including salaries, bonuses, stock-based compensation and employee benefits. Research and development expenses also include the costs of developing new products and supporting existing products. Research and development activities include the design of new products, refinement of existing products and design of test methodologies to ensure compliance with required specifications, as well as all costs associated with achieving technical acceptance with each product at each carrier. All research and development costs are expensed as incurred. We expect our research and development expenses to increase in absolute dollars as we continue to expand our available solutions.

Sales and marketing. Sales expenses consist primarily of personnel-related expenses, including salaries, bonuses, stock-based compensation, commissions to independent sales representatives, travel costs and employee benefits, as well as field support and customer training costs. Marketing expenses include all social media and collateral print media, and brand development expenses. We expect our sales and marketing costs to increase in absolute dollars as we seek to expand our product lines and customer base and increase brand awareness with end customers.

General and administrative. General and administrative expenses consist primarily of personnel-related expenses, including salaries, bonuses, stock-based compensation, travel costs and employee benefits, as well as professional and consulting fees, legal fees, trade shows, depreciation expense and occupancy costs. We expect our general and administrative expenses to increase in absolute dollars as we expand our organization to better support our customers and our anticipated growth. Additionally, these expenses will increase as we establish the necessary infrastructure to operate effectively as a public company.

Income taxes. As part of the process of preparing our consolidated financial statements we are required to estimate our taxes in each of the jurisdictions in which we operate. We account for income taxes in accordance with the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on temporary differences between the financial reporting and income tax bases of assets and liabilities and the tax effects of operating loss and credit carryforwards using the enacted tax rates expected to apply in the periods of expected settlement. In addition, this method requires a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Provision for Income Taxes (in thousands, except percentages)	**2019**	**2018**	**$ Change**	**% Change**
Provision for Income Taxes (in thousands, except percentages)				
Provision for Income Taxes	$1,388	$754	$ 634	84.09%

We recognized an expense for income taxes of $1.4 million during 2019 as compared to an expense of $0.8 million during 2018. The increase in tax expense in 2019 was primarily due to the Company's increase in earnings in the foreign subsidiaries and uncertain tax position accrual.

Results of Operations

Years Ended December 31, 2019 and 2018:

See Note 2 – Adoption of ASC 606 was made using the modified retrospective and is not fully comparative in the table below.

The following tables present key components of our results of operations for the respective periods (In thousands):

	Year Ended December 31,		**2019 vs 2018**	
	2019	**2018**	**Increase (Decrease)**	**%**
	(in thousands)			
Net revenues	$116,251	$135,665	$ (19,414)	-14.3%
Cost of revenues	81,742	87,576	(5,834)	-6.7%
Gross profit	34,509	48,089	(13,580)	-28.2%

Operating expenses:				
Research and development	26,064	23,247	2,817	12.1%
Sales and marketing	13,908	12,228	1,680	13.7%
General and administrative	16,182	7,220	8,962	124.1%
Restructuring costs	736	—	736	100.0%
Total operating expense	56,890	42,695	14,195	33.2%
Income (loss) from operations	(22,381)	5,394	(27,775)	-514.9%
Interest expense	(1,522)	(1,828)	306	-16.7%
Change in fair value of warrant liability	—	(970)	970	-100.0%
Other expense, net	(543)	(565)	22	-3.9%
Income (loss) before income taxes	(24,446)	2,031	(26,477)	-1303.6%
Income tax expense	(1,388)	(754)	(634)	84.1%
Net income (loss)	$(25,834)	$ 1,277	$(27,111)	-2123.0%

Net revenues. Net revenues for the year ended December 31, 2019 decreased by $19.4 million, or 14.3%, to $116.3 million compared to $135.7 million for the year ended December 31, 2018. The decrease in net revenues was primarily attributable to a lower overall average selling price as a result of the change in product mix in 2019 compared to 2018 along with a significant decrease in professional service fees from $5.0 million in 2018 to $0.4 million in 2019.

Cost of revenues. Total cost of revenues for the year ended December 31, 2019 decreased $5.8 million, or 6.7%, to $81.7 million, or 70.3% of revenues, compared to $87.6 million, or 64.6% of revenues for the year ended December 31, 2018. This decrease was primarily attributable to related decrease in net revenues.

Gross profit and margin. Gross profit for the year ended December 31, 2019 decreased $13.6 million, or 28.2%, to $34.5 million, or 29.7% of revenues, from $48.1 million, or 35.4% of revenues for the year ended December 31, 2018. This decrease was primarily attributable to lower revenues related to a lower average sales price and a one-time reserve adjustment relating to the aging of materials and finished goods, losses resulting from minimum purchase commitment of $3.1 million and the amortization of NRE expenses of $1.5 million as a result of the adoption of ACS 606.

Research and development. Research and development expenses for the year ended December 31, 2019 increased by $2.8 million or 12.1%, to $26.1 million compared to $23.3 million for the year ended December 31, 2018. These expenses increased primarily due to the $2.9 million increase in employee headcount related expenses, prior to restructuring, a $1.2 million increase in costs associated with the XP3 product launch, a $0.8 million increase in consulting, a $0.3 million increase in travel expense and a $0.2 million increase for IDC office rent, partially offset by $2.7 million for the ACS 606 adjustment of capitalized fulfillment costs now flowing through cost of revenues.

Sales and marketing. Sales and marketing expenses for the year ended December 31, 2019 increased by $1.7 million, or 13.7% to $13.9 million compared to $12.2 million for the year ended December 31, 2018. These increases were primarily attributable to a $0.7 million increase in employee headcount, prior to restructuring, a $0.7 million increase related to the expansion of our customer support department, and $0.3 million of related stock compensation expense.

General and administrative. General and administrative expenses for the year ended December 31, 2019 increased by $9.0 million, or 124.1% to $16.2 million compared to $7.2 million for the year ended December 31, 2018. These expenses increased primarily due to a $5.1 million increase of stock compensation in connection with the IPO for the Chief Executive Officer and Chief Financial Officer, a $1.1 million increase of directors and officers insurance, a $0.9 million increase in legal fees, a $0.8 million increase of employee compensation and hiring of new consultants, $0.7 million of increased accounting fees, and a $0.5 million increase for office rent.

Restructuring costs. In September 2019, the Board of Directors approved, and management commenced and completed, a restructuring plan to reduce operating costs and better align its workforce with the needs of its business. Under the plan, we reduced our workforce by 16 employees. Affected employees are eligible to receive severance and COBRA reimbursement payments. During the year ended December 31, 2019, we recorded a one-time charge related to restructuring costs totaling $0.7 million.

Interest expense/Other expense, net Interest expense/other expense decreased by $0.3 million, or 20.6%, to $2.1 million, for the year ended December 31, 2019, from $2.4 million for the year ended December 31, 2018. The decrease is a result of lower financing expenses.

Income tax expense. Income tax expense increased by $0.6 million, or 84%, to $1.4 million, for the year ended December 31, 2019, from $0.8 million, for the year ended December 31, 2018.

Adjusted EBITDA. Adjusted EBITDA was a loss of $12.4 million, for the year ended December 31, 2019 compared to net income of $6.9 million, for the year ended December 31, 2018.
Net income (loss). The net loss for December 31, 2019 was $25.8 million compared to net income of $1.3 million for December 31, 2018.The increase in net loss is a result of a decrease in revenues of $19 million and increased costs associated with the IPO of $5.2 million, restructuring costs of $0.7 million and overall increase in headcount and office administrative expenses.

Liquidity and Capital Resources

Historically, we have funded operations from a combination of private equity financings, convertible loans from existing investors and borrowings under loan agreements. As of December 31, 2019, and 2018, we had an aggregate of $10.1 million and $13.1 million, respectively, of principal and deferred accrued interest outstanding under the B. Riley Convertible Note.

Under the B. Riley Convertible Note issued by the Company pursuant to the Subordinated Term Loan and Security agreement (the “Riley Loan Agreement”), we have borrowed an aggregate principal amount of $12.0 million on a subordinated secured basis. Borrowings bear interest at 10% per year; interest amounts accrued and compounded into principal outstanding until October 2018, following which we are required to pay periodic interest in cash. The B. Riley Convertible Note matures on September 1, 2022. Borrowings under the B. Riley Convertible Note are secured by a subordinated lien on substantially all of our assets, subject to permitted liens. The principal amount of indebtedness under the B. Riley Convertible Note is convertible into shares of our common stock at $8.87 per share. Between the first and second anniversary of the original issue date of the note, between the second and the third anniversary of the original issue date of the note, following the third anniversary of the original issue date of the note and following the fourth anniversary of the original issue date of the note, B. Riley Principal Investments, LLC may elect to convert 75.0%, 50.0%, 25.0% and 12.5%,respectively, of the then-outstanding total principal amount and accrued interest outstanding under the note at the conversion price per share of $8.87. We have the right to prepay amounts under the B. Riley Convertible Note at any time with a 2.0% prepayment fee if paid off before October 2019, a 1.0% prepayment fee if paid off between October 2019 and October 2020 and no prepayment fee thereafter. The prepayment fees are waived if the outstanding principal balance does not fall below $10.0 million following prepayment. Following prepayment, the outstanding principal balance fell below the $10.0 million threshold and we paid a minimal prepayment fee. We have classified the debt as a current liability from a long-term liability based on the occurrence of a material adverse change in our business, however B. Riley Principal Investments LLC has not commenced enforcement of its rights thereunder. Upon the occurrence and during the continuance of an event of default under the Riley Loan Agreement, B. Riley Principal Investments has the option, among other things, to accelerate the debt and foreclose upon the assets pledged as collateral, any of which could severely affect our liquidity and significantly harm our business. In addition, we are unable to borrow under the EWB facility during the continuance of an event of default thereunder or under the Riley Loan Agreement, which could severely affect our liquidity and significantly harm our business.

We maintain a credit line with East West Bank (“EWB”) pursuant to the EWB Loan Agreement. In the future, we may borrow up to $8.0 million under the line of credit available under the EWB Loan Agreement; provided that we are not then in default and we maintain amounts on deposit with EWB equal to any amounts borrowed under the EWB Loan Agreement. As of December 31, 2019, no amounts were outstanding under the EWB Loan Agreement. As of December 31, 2019, we were in default under the EWB Loan Agreement for a number of reasons, including the occurrence of a material adverse change and failure to provide notice of certain events. Borrowings under the EWB Loan Agreement bear interest at 1.0% plus the prime lending rate. Borrowings under the EWB Loan

Agreement are secured by a senior lien on substantially all of our assets, including inventory and receivables, subject to permitted liens. In the event of a default under the EWB Loan Agreement, entities affiliated with B. Riley Financial and Investec Investments (UK) Limited, two of our stockholders, have the right to purchase the indebtedness under the EWB Loan Agreement at par and to exercise remedies for the default, in their discretion, as the holders of the indebtedness.

The EWB Loan Agreement contains certain negative and affirmative covenants as well as financial covenants, including covenants that restrict our ability to, among other things, incur or prepay indebtedness on subordinated debt, dispose of assets, engage in mergers and consolidations, make acquisitions or other investments, exceed annual capital expenditure limits, as defined, and make changes in the nature of the business. Objective events of default, therein, include, without limitation, nonpayment of principal, interest or other obligations, violation of the covenants, insolvency, and court-ordered judgments. Audited financial statements are required to be submitted to the lenders no later than 120 days after year end. In particular, we are required to maintain a minimum availability under the line of credit under the EWB Loan Agreement of $750,000 and maintain a fixed charge coverage ratio, defined as the sum of Adjusted Covenant EBITDA plus capital expenditures minus taxes and dividends over fixed charges, of at least 1.05 to 1.00 as of the last of each month. In 2018, the financial covenants were amended to temporarily suspend the obligation to comply with the minimum fixed charge coverage ratio through September 30, 2018, to increase the minimum fixed charge coverage ratio as of December 31, 2019.

In 2018, the financial covenants were amended to permanently remove the requirement to maintain positive Adjusted Covenant EBITDA. As a result, as of the period ended March 31, 2018, we were no longer subject to this Adjusted Covenant EBITDA financial covenant. In October 2019, the financial covenants were amended to suspend the obligation to comply with the minimum fixed charge coverage ratio through the maturity date, which was amended to February 28, 2020, a cash block was placed on interest payments under our subordinated debt under the B. Riley Convertible Note and the establishment of a blocked account was mandated, following which we may request revolving advances up to the amount on deposit in such blocked account in EWB's discretion. In February 2020, the cash block on interest payments under the B. Riley Convertible Note was removed and the maturity date was amended to April 30, 2020.

As of December 31, 2019, and 2018, no amounts were outstanding under the EWB Loan Agreement. As of both December 31, 2019 and 2018, the Company had remaining borrowing capacity of up to $8.0 million against the line of credit, provided that such borrowings are conditioned upon us not being in default and are otherwise subject to the terms and conditions of the EWB Loan Agreement. As of 2019, we were not in compliance with one of the financial covenants, specifically the fixed charge coverage ratio, however, EWB waived such noncompliance in October 2019 by amending the EWB Loan Agreement through February 2020. EWB subsequently extended waiver to May 2020.

Cash and cash equivalents as of December 31, 2019 was $11.3 million, or $1.7 million lower than net cash of $13.0 million at December 31, 2018. The decrease was driven primarily by the use of cash in operating activities.

Cash Flows

The following table summarizes our sources and uses of cash for the periods presented:

	2019	2018
Net cash provided by (used in) operating activities	$(33,523)	$ 3,861
Net cash used in investing activities	(1,356)	(2,545)
Net cash provided by financing activities	33,128	10,152

Cash flows from operating activities

For the year ended December 31, 2019, cash used in operating activities was $33.5 million, primarily attributable to a net loss of $25.8 million and a net cash outflow of $20.9 million from changes in our net operating assets and liabilities, partially offset by non-cash charges of $13.5 million, and non-cash revenue of $0.3 million under our trade-in guarantee program. Non-cash charges primarily consisted of $6.3 million in stock-based compensation,

$3.1 million in inventory write-downs, and $3.5 million in depreciation and amortization. The net cash outflow in our net operating assets and liabilities was primarily due to a $20.1 million decrease in accounts payable, a $3.7 million decrease in prepaid expenses, a decrease in accounts receivable of $8.8 million, partially offset by a $3.6 million decrease in deferred revenue, an increase in other assets of $3.9 million, and an increase in income tax payable of $1.2 million.

For the year ended December 31, 2018, cash provided by operating activities was $3.9 million, primarily attributable to net income of $1.3 million and non-cash charges of $4.2 million, partially offset by a net cash outflow of $1.1 million from changes in our net operating assets and liabilities, and non-cash revenue of $0.5 million under our trade-in guarantee program. Non-cash charges primarily consisted of $1.8 million in depreciation and amortization, $1.0 million for the change in fair value of warrant liability, $1.0 million in interest expense, and $0.3 million in stock-based compensation. The net cash outflow in our net operating assets and liabilities was primarily due to an $8.1 million increase in accounts receivable, a $12.8 million increase in inventory, and a $4.1 million increase in prepaid expenses and other current assets, partially offset by a $16.0 million increase in accounts payable, a $7.4 million increase in accrued expenses, and a $0.4 million increase in income tax payable.

Cash flows from investing activities

For the year ended December 31, 2019, cash used in investing activities was $1.4 million, primarily attributable to purchases of property and equipment of $1.0 million and tooling development and purchases of software licenses of $0.4 million.

For the year ended December 31, 2018, cash used in investing activities was $2.5 million, attributable to tooling development and purchases of software licenses of $1.7 million and purchases of property and equipment of $0.8 million.

Cash flows from financing activities

For the year ended December 31, 2019, cash provided by financing activities was $33.1 million, primarily attributable to proceeds from issuance of common stock upon IPO, net of costs, of $36.8 million, proceeds from issuance of common stock, net of costs, of $1.6 million, proceeds from exercise of warrants, stock options and ESPP of $0.3 million, partially offset by the repayment of long-term debt of $3.7 million and taxes paid on net issuance of restricted stock award of $1.9 million.

For the year ended December 31, 2018, cash provided by financing activities was $10.2 million, attributable primarily to net proceeds from additional net borrowings under the B. Riley Convertible Note of $5.0 million, and net proceeds from a private equity financing of shares of our common stock for an aggregate of $8.3 million in November and December 2018, partially offset by the net repayment on our lines of credit of $2.9 million. In addition, during 2018, the borrowing capacity under our line of credit with EWB was increased from $6.0 million to $8.0 million.

Our consolidated financial statements account for the continuation of our business as a going concern. We are subject to the risks and uncertainties associated with the development and release of new products. Our principal sources of liquidity as of December 31, 2019 consist of existing cash and cash equivalents totaling $11.3 million, which includes the impact of approximately $36.8 million in proceeds from our initial public offering of common stock that closed in May 2019. During the year ended December 31, 2019, we used approximately $33.5 million of cash for operating activities. Due to these conditions, along with reductions in our current revenue run rate, substantial doubt exists as to our ability to continue as a going concern for one year from the date our financial statements are available. Our audited consolidated financial statements have been prepared assuming we will continue as a going concern and do not include any adjustments that might be necessary should we be unable to continue as a going concern.

After evaluation of the aforementioned conditions, we believe our current resources, along with expected proceeds from forecasted billings, will provide sufficient funding for planned operations into the third quarter of 2020. Our new management team is in the process of outlining a revised strategy for the Company and its forward-looking operations to address the ongoing business in light of our liquidity concerns. If we cannot grow our revenue run-rate or enhance our operating model, we might be forced to make additional reductions in our operating expenses, which could adversely affect our ability to implement our business plan and ultimately our viability as a Company. If necessary, we will seek to raise additional capital from the sale of equity securities or the incurrence of indebtedness to allow us to continue operations. There can be no assurance that additional financing will be available to us on acceptable terms, or at all. Additionally, if we issue additional equity securities to raise funds, whether to existing investors or others, the ownership percentage of our existing stockholders would be reduced. New investors may demand rights, preferences or privileges senior to those of existing holders of common stock. Additionally, we may be limited as to the amount of funds we can raise pursuant to SEC rules and the continued listing requirements of Nasdaq.

Off-Balance Sheet Arrangements

As of December 31, 2019, and 2018, we had not entered into anyoff-balance sheet arrangements and did not have any holdings in variable interest entities.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions for the reported amounts of assets, liabilities, revenues, expenses and related disclosures. Our estimates are based on our 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. Actual results may differ from these estimates under different assumptions or conditions and any such differences may be material. The worldwide spread of the COVID-19 virus is expected to result in a global slowdown of economic activity which is likely to decrease demand for a broad variety of goods and services, including from our customers, while also disrupting sales channels and marketing activities for an unknown period of time until the disease is contained. We expect this to have a negative impact on our sales and our results of operations, the size and duration of which we are currently unable to predict. In preparing our consolidated financial statements in accordance with GAAP, we are required to make estimates, assumptions and judgments that affect the amounts reported in our financial statements and the accompanying disclosures. Estimates and assumptions about future events and their effects cannot be determined with certainty and therefore require the exercise of judgment. As of the date of issuance of these financial statements, we are not aware of any specific event or circumstance that would require us to update our estimates, judgments or revise the carrying value of our assets or liabilities. These estimates may change, as new events occur and additional information is obtained, and are recognized in the consolidated financial statements as soon as they become known. Actual results could differ from those estimates and any such differences may be material to our financial statements

While our significant accounting policies are more fully described in the Note 1 to our consolidated financial statements appearing elsewhere in this prospectus, we believe the following discussion addresses our most critical accounting policies, which are those that are most important to our financial condition and results of operations and require our most difficult, subjective and complex judgments.

Revenue Recognition

The Company adopted the requirements of Accounting Standards Codification ("ASC")2014-09, Revenue from Contracts with Customers (Topic 606), effective January 1, 2019, using the modified retrospective method. Under the modified retrospective method, this guidance is applied to those contracts which were not completed as of January 1, 2019 and the prior period comparable financial information continues to be presented under the guidance of ASC 605, Revenue Recognition. Refer to New Accounting Pronouncements, Pronouncements adopted in 2019, for a discussion of the effect of the adoption of Topic 606.

Under Topic 606, revenue is recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To determine revenue recognition for its arrangements, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. See Note 2, Revenue Recognition, for additional information.

Revenues from the sale of our mobile phones and accessories is recognized when all of the following conditions per Accounting Standards Codification, or ASC, Topic 605, *Revenue Recognition*, or ASC 605, are met: (i) there is persuasive evidence of an arrangement; (ii) the product has been delivered to the customer; (iii) the collection of the fees is reasonably assured; and (iv) the amount of fees to be paid by the customer is fixed or determinable. Terms of product sales are generally FOB destination. Revenue recognition also incorporates allowances for discounts, price protection, returns and customer incentives that can be reasonably estimated.

The Company recognizes revenue primarily from the sale of products, including our mobile phones and accessories. The Company also recognizes revenue from other contractual arrangements that may include a combination of products and Non-Recurring Engineering ("NRE") services or from the provision of solely NRE services.

Revenue recognition incorporates discounts, price protection and customer incentives. In addition to cooperative marketing and other incentive programs, the Company has arrangements with some distributors, which allow for price protection and limited rights of return, generally through stock rotation programs. Under the price protection programs, the Company gives distributors credits for the difference between the original price paid and the Company's then current price. Under the stock rotation programs, certain distributors are able to exchange certain products based on the number of qualified purchases made during the period.

Stock-Based Compensation

We account for stock-based payments at fair value. The fair value of stock options is measured using the Black-Scholes option-pricing model. For share-based awards that vest subject to the satisfaction of a service requirement, the fair value measurement date for stock-based compensation awards is the date of grant and the expense is recognized on a straight-line basis, over the vesting period. We account for forfeitures as they occur. The fair value of each stock option grant is determined using the methods and assumptions discussed below (see "—Fair Value of Common Stock"). Each of these inputs is subjective and generally requires significant judgment and estimation by management.

- *Expected term*. The expected term represents the period that stock-based awards are expected to be outstanding. Our historical share option exercise information is limited due to a lack of sufficient data points and does not provide a reasonable basis upon which to estimate an expected term. The expected term for option grants is therefore determined using the simplified method. The simplified method deems the expected term to be the midpoint between the vesting date and the contractual life of the stock-based awards.
- *Expected volatility*. The expected volatility is derived from the historical stock volatilities of comparable peer public companies within our industry that are considered to be comparable to our business over a period equivalent to the expected term of the stock-based awards, since there has been no trading history of our common stock. Given the absence of a public trading market for our common stock, our board of directors exercised their judgment and considered a number of objective and subjective factors to determine the best estimate of the fair value of our common stock, including valuations performed by an independent third party, developments in our operations, sales of preferred stock, the prices, rights, preferences and privileges of our preferred stock relative to the common stock, actual operating results and financial performance and capital resources, the conditions in the our industry and the economy and capital markets in general, the stock price performance and volatility of comparable public companies, the likelihood of achieving a liquidity event for shares of our common stock underlying these stock options, such as an initial public offering or sale of our company, and the lack of liquidity of our common stock, among other factors. After the closing of this offering, our board of directors will determine the fair value of each share of underlying common stock based on the closing price of our common stock as reported on the date of the grant. Our board of directors intended all options granted to be exercisable at a price per share not less than the per share fair value of our common stock underlying those options on the grant date.
- *Risk-free interest rate*. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date of grant forzero-coupon U.S. Treasury notes with maturities approximately equal to the stock-based awards' expected term.

- *Expected dividend yield*. The expected dividend yield is zero as we have not paid nor do we anticipate paying any dividends on our common stock in the foreseeable future.

Fair Value of Common Stock

Historically, for all periods prior to this initial public offering, the fair values of the shares of our common stock underlying our share-based awards were estimated on each grant date by our board of directors. In order to determine the fair value of our common stock underlying option grants, our board of directors considered, among other things, valuations of our common stock prepared by an independent third-party valuation firm in accordance with the guidance provided by the American Institute of Certified Public Accountants Practice Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*.

The fair value of our common stock was estimated by first estimating our aggregate implied equity value using a weighting of discounted cash flows method (income approach) and comparable public companies method (market approach). Prior to the conversion of all of our outstanding preferred stock into common stock, an option pricing model, or OPM, was used to allocate the total equity value to the different classes of equity according to their rights and privileges. To apply the OPM, we estimated the expected time to liquidity, volatility and risk-free rate.

Given the absence of a public trading market for our common stock, our board of directors exercised their judgment and considered a number of objective and subjective factors to determine the best estimate of the fair value of our common stock, including valuations performed by an independent third party, developments in our operations, sales of preferred stock, the prices, rights, preferences and privileges of our preferred stock relative to the common stock, actual operating results and financial performance and capital resources, the conditions in the our industry and the economy and capital markets in general, the stock price performance and volatility of comparable public companies, the likelihood of achieving a liquidity event for shares of our common stock underlying these stock options, such as an initial public offering or sale of our company, and the lack of liquidity of our common stock, among other factors. After the closing of this offering, our board of directors will determine the fair value of each share of underlying common stock based on the closing price of our common stock as reported on the date of the grant. Our board of directors intended all options granted to be exercisable at a price per share not less than the per share fair value of our common stock underlying those options on the grant date.

Provision for Income Taxes

The provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. We record a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations in multiple tax jurisdictions. We may be periodically reviewed by domestic and foreign tax authorities regarding the amount of taxes due. These reviews may include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the exposure associated with various filing positions, we record estimated reserves when it is more likely than not that an uncertain tax position will not be sustained upon examination by a taxing authority. Such estimates are subject to change.

Inventory Valuation

We report inventories at the lower of cost or net realizable value, in accordance with the adoption of Accounting Standards Update Codification 330, *Inventory (Topic 330): Simplifying the Measurement of Inventory.* Cost is determined using a first-in, first-out method, or FIFO, and includes materials, labor, shipping and manufacturing overhead related to the purchase and production of inventories. Net realizable value is the estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation.

Warranty Reserves

We provide standard warranty coverage on our accessories and devices for one and three years, respectively, providing labor and parts necessary to repair the systems during the warranty period. We account for the estimated warranty cost as a charge to cost of revenues when revenue is recognized. The estimated warranty cost is based on historical product performance and field expenses. We update this estimate periodically. The actual product performance and/or field expense profiles may differ, and in those cases we adjust warranty accruals accordingly.

Convertible Preferred Stock Warrant Liability

Prior to the November 2018 conversion of all our preferred stock into common stock, we accounted for our freestanding warrants to purchase shares of our convertible preferred stock as liabilities at fair value upon issuance primarily because the shares underlying the warrants contain contingent redemption features outside our control. The warrants were subject to re-measurement at each balance sheet date with any change in fair value being recognized as the change in fair value of warrant liability. Subsequent to this conversion, the remaining convertible preferred stock warrants became warrants to purchase common stock and the related liability was reclassified to additional paid-in capital, a component of stockholders' equity (deficit).

Recently Issued and Adopted Accounting Pronouncements and Critical Accounting Policies and Estimates

See "Note 1 – The Company and Its Significant Accounting Policies" of "Notes to the Consolidated Financial Statements" under the caption Recently Issued Accounting Pronouncements and Recently Adopted Accounting Pronouncements.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

The following documents are filed as part of this report:

1. **Financial Statements.** See Part II, Item 8 of our Annual Report on Form10-K for the year ended December 31, 2019, which was originally filed with the SEC on March 27, 2020.
2. **Financial Statement Schedules.** Schedules are omitted because they are not required or applicable, or the required information is included in the Financial Statements or related notes.
3. **Exhibits.** The Exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of, or furnished with, this report.

Exhibit Index

Exhibit Number	Description	Form	File No.	Incorporated by Exhibit Reference	Filing Date
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	8-K	001-38907	3.1	May 17, 2019
3.4	Amended and Restated Bylaws of the Registrant.	S-1	001-38907	3.4	April 15, 2019
4.1	Form of Common Stock Certificate of the Registrant	S-1/A	333-230887	4.1	April 29, 2019
4.2	Amended and Restated Investor Rights Agreement, by and between the Registrant and the investors listed on Exhibit A thereto, dated November 21, 2012, as amended.	S-1	333-230887	4.2	April 15, 2019
4.3	Securities Purchase Agreement, by and between the Registrant and the purchasers listed on Exhibit A thereto, dated November 2, 2018	S-1	333-230887	4.3	April 15, 2019
4.4	Description of the Registrant's Securities	10-K	001-38907	4.4	March 27, 2020
10.1	2012 Equity Incentive Plan and forms of agreements thereunder	S-1	333-230887	10.1	April 15, 2019
10.2	2019 Equity Incentive Plan and forms of agreements thereunder	S-1/A	333-230887	10.2	April 29, 2019
10.3	2019 Employee Stock Purchase Plan	S-1/A	333-230887	10.3	April 29, 2019
10.4	Form of Indemnification Agreement, by and between the Registrant and each of its directors and executive officers.	S-1	333-230887	10.4	April 15, 2019
10.7	Employment Agreement, by and between the Registrant and Charles Becher, dated February 7, 2019.	S-1	333-230887	10.7	April 15, 2019
10.8	Office Lease Agreement, by and between the Registrant and BCSP Crossroads Property LLC, dated May 25, 2006, as amended.	S-1	333-230887	10.8	April 15, 2019
10.9	English language summary of Shenzhen Warehouse Lease Agreement, by and between Sonim Technologies (Shenzhen) Ltd. and Shenzhen Gaoxinqi Industrial Park Management Co., Ltd., dated February 14, 2016, as amended	S-1/A	333-230887	10.9	April 29, 2019

10.10	English language summary of Shenzhen Plant Lease Agreement, by and between Sonim Technologies (Shenzhen) Ltd. and Shenzhen Gaoxinqi Industrial Park Management Co., Ltd., dated April 10, 2016, as amended.	S-1/A	333-230887	10.10	April 29, 2019
10.11+	Amended and Restated Global Patent License Agreement, by and between Telefonaktiebolaget LM Ericsson (Publ) and the Registrant, effective as of January 1, 2017.	S-1	333-230887	10.11	April 15, 2019
10.12	Patent License Agreement, by and between Nokia Corporation and the Registrant, effective as of September 23, 2008, as amended.	S-1/A	333-230887	10.12	April 29, 2019
10.13	English language summary of Shenzhen Lease Agreement, by and between Sonim Technologies (Shenzhen) Ltd. and Shenzhen Gaoxinqi Industrial Park Management Co., Ltd., dated August 28, 2018.	S-1/A	333-230887	10.13	April 29, 2019
10.14	English language summary of Shenzhen Lease Agreement, by and between Sonim Technologies (Shenzhen) Ltd. and Shenzhen Gaoxinqi Industrial Park Management Co., Ltd., dated January 15, 2019.	S-1/A	333-230887	10.14	April 29, 2019
10.15	Separation Agreement by and between the Registrant and James Walker dated September 9, 2019.	10-Q	001-38907	10.1	November 12, 2019
10.16	Employment Agreement by and between the Registrant and Robert Tirva, dated September 9, 2019.	10-Q	001-38907	10.2	November 12, 2019
10.17	Transition and Separation Agreement by and between the Registrant and Robert Plaschke, dated October 29, 2019.	10-K	001-38907	10.17	March 27, 2020
10.18	Employment Agreement by and between the Registrant and Thomas Wilkinson, dated October 29, 2019.	10-K	001-38907	10.18	March 27, 2020
10.19	Transaction Bonus Plan.	10-K	001-38907	10.19	March 27, 2020
10.20	Subordinated Term Loan and Security Agreement between B. Riley Principal Investments, LLC and the Registrant dated October 23, 2017.	10-K	001-38907	10.20	March 27, 2020
10.21	First Amendment to the Subordinated Term Loan and Security Agreement between B. Riley Principal Investments, LLC and the Registrant dated March 30, 2018.	10-K	001-38907	10.21	March 27, 2020
10.22	Amended and Restated Subordinated Secured Convertible Promissory Note dated April 9, 2018.	10-K	001-38907	10.22	March 27, 2020

10.23	Amendment to Employment Agreement by and between the Registrant and Robert Tirva, dated December 18, 2019.	10-K/A	001-38907	10.23	April 29, 2020
21.1	Subsidiaries of the Registrant.	10-K	001-38907	21.1	March 27, 2020
23.1	Consent of Independent Registered Public Accounting Firm.	10-K	001-38907	23.1	March 27, 2020
24.1	Power of Attorney (included on signature page to this Annual Report on Form 10-K).	10-K	001-38907	Signature Page	March 27, 2020
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	10-K	001-38907	31.1	March 27, 2020
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	10-K	001-38907	31.2	March 27, 2020
31.3	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.4	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.5*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				*
31.6*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				*
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	10-K	001-38907	32.1	March 27, 2020
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	10-K	001-38907	32.2	March 27, 2020

* Filed herewith.
** Compensatory plan or management contract
\+ Portion of this exhibit (indicated by asterisks) have been omitted as the Registrant has determined that (i) the omitted information is not material and (ii) the omitted information would likely cause competitive harm to the Registrant if publicly disclosed.
++ Furnished herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Amendment No. 2 to the Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized

		Sonim Technologies, Inc.
Date: June 2, 2020	By:	/s/ Robert Tirva
		Robert Tirva
		Chief Financial Officer

Exhibit 31.5

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Thomas W. Wilkinson, certify that:

1. I have reviewed this Amendment No. 2 to the Annual Report onForm 10-K of Sonim Technologies, Inc.; and

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.

Date: June 2, 2020

By: /s/ Thomas W. Wilkinson
Thomas W. Wilkinson
Chief Executive Officer

Exhibit 31.6

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Robert Tirva, certify that:

1. I have reviewed this Amendment No. 2 to the Annual Report onForm 10-K of Sonim Technologies, Inc.; and

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.

Date: June 2, 2020

By: /s/ Robert Tirva
Robert Tirva
Chief Financial Officer