

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

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, 2024

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.)

4445 Eastgate Mall, Suite 200
San Diego, CA 92121
(Address of principal executive offices and 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

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, 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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 ☒

On November 8, 2024, there were 4,871,639 shares of the registrant's common stock, par value \$0.001, outstanding. The foregoing reflects the reverse stock split of the registrant's common stock that became effective on July 17, 2024, and began trading on a post-split adjusted basis on July 18, 2024.

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Cautionary Note about Forward-Looking Statements

This Quarterly Report contains statements that we believe are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Those forward-looking statements are intended to enjoy the protection of the safe harbor for forward-looking statements provided by that act as well as protections afforded by other federal securities laws. Generally, words such as “achieve,” “aim,” “ambitions,” “anticipate,” “believe,” “committed,” “continue,” “could,” “designed,” “estimate,” “expect,” “forecast,” “future,” “goals,” “grow,” “guidance,” “intend,” “likely,” “may,” “milestone,” “objective,” “on track,” “opportunity,” “outlook,” “pending,” “plan,” “position,” “possible,” “potential,” “predict,” “progress,” “roadmap,” “seek,” “should,” “strive,” “targets,” “to be,” “upcoming,” “will,” “would,” and variations of such words and similar expressions identify forward-looking statements, which are not historical in nature. Forward-looking statements may appear throughout this Quarterly Report and other documents we file with the Securities and Exchange Commission (the “SEC”), including without limitation, the following sections:

- (i) Note 8 “Commitments and Contingencies” to our Condensed Consolidated Financial Statements regarding the possible outcome of, and future effect on our financial condition and results of operations of, certain litigations and other proceedings to which we are a party;
- (ii) Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” including the statements with regard to the future changes to our business and our expectations regarding our strategy and new lines of products, future cash requirements, assessment of our liquidity, the availability, uses, sufficiency, and cost of capital resources, and sources of funding, and future products, services, and technologies; and
- (iii) Part I, Item 4. “Controls and Procedures,” including the description of limitations on effectiveness of controls and procedures.

Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those anticipated by these forward-looking statements. These risks and uncertainties include, but are not limited to, the following:

- the availability of cash on hand and other sources of liquidity to fund our operations and grow our business;
- our ability to compete effectively depends on multiple factors and we may not be able to continue to develop solutions to address user needs effectively;
- we may not be able to continue to develop solutions to address user needs effectively, including our next-generation products, which could materially adversely affect our liquidity and our ability to continue operations;
- a small number of customers account for a significant portion of our revenue;
- our entry into the data device sector could divert our management team’s attention from existing products, cause delays in launching our new products, or otherwise have a significant adverse impact on our business, operating results, and financial condition;
- failure to meet the Nasdaq’s continued listing requirements and other Nasdaq rules could adversely affect the price of our common stock and make it more difficult for us to sell securities in a future financing or for you to sell our common stock;
- the financial and operational projections that we may provide from time to time are subject to inherent risks;
- our ability to incorporate emerging technologies into our new consumer products given the lengthy development cycle;
- our ability to adapt to shortened customer lead times and tightened inventory controls from our key customers;
- we are materially dependent on some customer relationships that are characterized by product award letters and the loss of such relationships could harm our business and operating results;
- our quarterly results may vary significantly from period to period;
- we rely primarily on third-party contract manufacturers and partners;
- if our products contain defects or errors, we could incur significant unexpected expenses, experience product returns and lost sales, experience product recalls, suffer damage to our brand and reputation, and be subject to product liability or other claims;
- we are required to undergo a lengthy customization and certification process for each wireless carrier customer;
- we are dependent on the continued services and performance of a concentrated and limited group of senior management and other key personnel;
- we face risks related to the impact of various economic, political, environmental, social, and market events beyond our control that can impact our business and results of operations; and
- other risks and uncertainties described in this Quarterly Report, our most recent Annual Report on Form 10-K, and our other filings with the SEC.

We urge investors to consider all of the risks, uncertainties, and other factors disclosed in these filings carefully in evaluating the forward-looking statements contained in this Quarterly Report. We cannot assure you that the results or developments anticipated by us and reflected or implied by any forward-looking statement contained in this Quarterly Report will be realized or, even if substantially realized, that those results or developments will result in the forecasted or expected consequences for us or affect us, our operations or financial performance as we forecasted or expected. As a result of the matters discussed above and other matters, including changes in facts, assumptions not being realized, or other factors, the actual results relating to the subject matter of any forward-looking statement in this Quarterly Report may differ materially from the anticipated results expressed or implied in that forward-looking statement. The forward-looking statements included in this Quarterly Report are made only as of the date of this Quarterly Report, and we undertake no obligation to update any such statements to reflect subsequent events or circumstances.

As used herein, “Sonim,” the “Company,” “we,” “us,” “our,” and similar terms include Sonim Technologies, Inc. and its subsidiaries, unless the context indicates otherwise.

SONIM TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS EXCEPT SHARE AND
PER SHARE AMOUNTS)

	September 30, 2024	December 31, 2023
	(Unaudited)	
Assets		
Cash and cash equivalents	\$ 9,060	\$ 9,397
Accounts receivable, net	5,240	25,304
Non-trade receivable	4,322	961
Related party receivable	644	—
Inventory	12,374	6,517
Prepaid expenses and other current assets	2,224	1,608
Total current assets	33,864	43,787
Property and equipment, net	239	71
Contract fulfillment assets	12,063	9,232
Other assets	2,981	2,953
Total assets	<u>\$ 49,147</u>	<u>\$ 56,043</u>
Liabilities and stockholders' equity		
Accounts payable	\$ 9,056	\$ 19,847
Accrued liabilities	23,128	12,300
Total current liabilities	32,184	32,147
Income tax payable	1,614	1,528
Total liabilities	33,798	33,675
Commitments and contingencies (Note 8)		
Stockholders' equity		
Common stock, \$0.001 par value per share; 100,000,000 shares authorized: and 4,871,639 and 4,426,867 shares issued and outstanding at September 30, 2024, and December 31, 2023, respectively (*)	5	4
Preferred stock, \$0.001 par value per share, 5,000,000 shares authorized, and no shares issued and outstanding at September 30, 2024, and December 31, 2023, respectively	—	—
Additional paid-in capital (*)	277,338	272,324
Accumulated deficit	(261,994)	(249,960)
Total stockholders' equity	15,349	22,368
Total liabilities and stockholders' equity	<u>\$ 49,147</u>	<u>\$ 56,043</u>

(*) Adjusted retroactively to reflect the 1-for-10 reverse stock split that became effective on July 17, 2024, see Note 1.

The accompanying notes are an integral part of these condensed consolidated financial statements.

SONIM TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net revenues	\$ 15,022	\$ 27,566	\$ 35,656	\$ 80,202
Related party net revenues	—	—	7,658	—
Total net revenues	15,022	27,566	43,314	80,202
Cost of revenues	10,790	21,963	33,211	65,998
Gross profit	4,232	5,603	10,103	14,204
Operating expenses				
Research and development	715	741	1,728	846
Sales and marketing	3,045	2,133	8,756	5,717
General and administrative	2,848	2,041	7,937	5,873
Impairment of contract fulfillment assets	—	—	3,217	—
Total operating expenses	6,608	4,915	21,638	12,436
Income (loss) from operations	(2,376)	688	(11,535)	1,768
Interest expense, net	—	(6)	(17)	(11)
Other expense, net	(19)	(59)	(203)	(213)
Income (loss) before income taxes	(2,395)	623	(11,755)	1,544
Income tax expense	(117)	(96)	(279)	(281)
Net income (loss)	\$ (2,512)	\$ 527	\$ (12,034)	\$ 1,263
Net income (loss) per share:				
Basic ^(*)	\$ (0.52)	\$ 0.12	\$ (2.58)	\$ 0.30
Diluted ^(*)	\$ (0.52)	\$ 0.12	\$ (2.58)	\$ 0.29
Weighted-average shares used in computing net income (loss) per share:				
Basic ^(*)	4,848,999	4,303,931	4,658,193	4,245,717
Diluted ^(*)	4,848,999	4,418,026	4,658,193	4,372,328

(*) Adjusted retroactively to reflect the 1-for-10 reverse stock split that became effective on July 17, 2024, see Note 1.

The accompanying notes are an integral part of these condensed consolidated financial statements.

SONIM TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS EXCEPT SHARE AMOUNTS)
(UNAUDITED)

	Common stock		Additional	Accumulated	Stockholders'
	Shares (*)	Amount	Paid-in	Deficit	Equity
For the Three Months Ended September 30, 2023			Capital		
Balance at July 1, 2023	4,229,786	\$ 4	\$ 270,779	\$ (249,134)	\$ 21,649
Issuance of common stock to settle restricted stock units	29,915	—	—	—	—
Issuance of common stock for payment of services	14,161	1	143	—	144
Issuance of common stock upon exercise of stock options	100,000	1	418	—	419
Stock-based compensation	—	—	371	—	371
Impact of retroactively adjusted reverse stock split	—	(2)	2	—	—
Net income	—	—	—	527	527
Balance at September 30, 2023	<u>4,373,862</u>	<u>\$ 4</u>	<u>\$ 271,713</u>	<u>\$ (248,607)</u>	<u>\$ 23,110</u>

	Common stock		Additional	Accumulated	Stockholders'
	Shares (*)	Amount	Paid-in	Deficit	Equity
For the Three Months Ended September 30, 2024			Capital		
Balance at July 1, 2024	4,827,092	\$ 5	\$ 276,951	\$ (259,482)	\$ 17,474
Issuance of common stock upon exercise of stock options and settlement of restricted stock units, net of taxes withheld	9,384	—	—	—	—
Issuance of common stock, net of issuance costs	35,163	—	14	—	14
Stock-based compensation	—	—	373	—	373
Net loss	—	—	—	(2,512)	(2,512)
Balance at September 30, 2024	<u>4,871,639</u>	<u>\$ 5</u>	<u>\$ 277,338</u>	<u>\$ (261,994)</u>	<u>\$ 15,349</u>

	Common stock		Additional	Accumulated	Stockholders'
	Shares (*)	Amount	Paid-in	Deficit	Equity
For the Nine Months Ended September 30, 2023			Capital		
Balance at January 1, 2023	4,077,469	\$ 41	\$ 269,874	\$ (249,870)	\$ 20,045
Issuance of common stock to settle restricted stock units	31,900	—	—	—	—
Issuance of common stock for payment of services	45,735	1	344	—	345
Issuance of common stock upon exercise of stock options	100,000	1	418	—	419
Stock-based compensation	—	—	1,038	—	1,038
Impact of retroactively adjusted reverse stock split	118,758	(39)	39	—	—
Net income	—	—	—	1,263	1,263
Balance at September 30, 2023	<u>4,373,862</u>	<u>\$ 4</u>	<u>\$ 271,713</u>	<u>\$ (248,607)</u>	<u>\$ 23,110</u>

	Common stock		Additional	Accumulated	Stockholders'
	Shares (*)	Amount	Paid-in	Deficit	Equity
For the Nine Months Ended September 30, 2024			Capital		
Balance at January 1, 2024	4,426,867	\$ 4	\$ 272,324	\$ (249,960)	\$ 22,368
Issuance of common stock upon exercise of stock options and settlement of restricted stock units, net of taxes withheld	59,609	1	52	—	53
Taxes withheld on net settled restricted stock units	—	—	(5)	—	(5)
Issuance of common stock, net of issuance costs	385,163	4	3,794	—	3,798
Stock-based compensation	—	—	1,169	—	1,169
Impact of retroactively adjusted reverse stock split	—	(4)	4	—	—
Net loss	—	—	—	(12,034)	(12,034)
Balance at September 30, 2024	<u>4,871,639</u>	<u>\$ 5</u>	<u>\$ 277,338</u>	<u>\$ (261,994)</u>	<u>\$ 15,349</u>

(*) Adjusted retroactively to reflect the 1-for-10 reverse stock split that became effective on July 17, 2024, see Note 1.

The accompanying notes are an integral part of these condensed consolidated financial statements.

SONIM TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net income (loss)	\$ (12,034)	\$ 1,263
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	2,643	1,250
Stock-based compensation	1,169	1,038
Stock issued for services	—	345
Inventory write-downs	1,013	—
Impairment of contract fulfillment assets	3,217	—
Other	287	(201)
Changes in operating assets and liabilities:		
Accounts receivable	8,579	(7,915)
Non-trade receivable	(3,361)	639
Related party receivable	(644)	—
Inventory	(6,870)	(309)
Prepaid expenses and other current assets	(639)	352
Contract fulfillment assets	(8,643)	(1,973)
Other assets	(125)	(105)
Accounts payable	517	2,130
Accrued liabilities	10,828	(248)
Income tax payable	86	33
Net cash used in operating activities	(3,977)	(3,701)
Cash flows from investing activities:		
Purchase of property and equipment	(206)	(24)
Net cash used in investing activities	(206)	(24)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of issuance costs	3,798	—
Repayment of debt	—	(110)
Proceeds from stock option exercises, net of taxes paid on vested restricted stock units	48	419
Net cash provided by financing activities	3,846	309
Net decrease in cash and cash equivalents	(337)	(3,416)
Cash and cash equivalents at beginning of period	9,397	13,213
Cash and cash equivalents at end of period	\$ 9,060	\$ 9,797
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 17	\$ 11
Cash paid for income taxes	\$ 12	\$ 69
Non-cash activities:		
Receivables transferred to satisfy payables (Note 4)	\$ 11,308	\$ —

The accompanying notes are an integral part of these condensed consolidated financial statements.

SONIM TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(In Thousands, except Share and Per Share Amounts)

NOTE 1 — The Company and Its Significant Accounting Policies

Description of Business

Sonim Technologies, Inc. was incorporated in the state of Delaware on August 5, 1999, and is headquartered in San Diego, California. The Company specializes in rugged and durable mobile devices, catering to users who require extra resilience in their professional and personal lives. Initially focusing on handsets and accessories for the enterprise, first responder, and government sectors, Sonim has broadened its offerings to include connected devices for wireless internet access such as mobile hotspots.

In 2023, the Company announced an expanded portfolio which includes next-generation ultra-rugged 5G feature phones, a next-generation rugged smartphone, and a connected solutions portfolio of wireless internet solutions, including wireless modems, mobile hotspots and fixed wireless access routers. Sonim launched a mobile hotspot at the end of the second quarter of 2024 in the United States and Canada, and as of the date of this report, has launched other versions of the mobile hotspots, one with Verizon in the U.S. and one with Telstra in Australia, and two new models of rugged phones in Europe.

A significant revenue driver in 2023 was a tablet developed under Sonim's original design manufacturer ("ODM") model, emphasizing high-volume and low-margin production tailored to a specific customer's needs. Tablet sales concluded in the fourth quarter of 2023 due to its life cycle end, the ODM model was also applied late in the fourth quarter of 2023 for a range of low-priced smartphones with sales ending in the first quarter of 2024. The ODM model does not represent the Company's core business strategy.

Reverse Stock Split

On July 17, 2024, the Company effected a 1-for-10 reverse stock split of its issued and outstanding common stock (the "Reverse Stock Split"). The Company's common stock began trading on the Nasdaq Capital Market on a post-split basis on July 18, 2024. As a result of the Reverse Stock Split, each share of common stock issued and outstanding immediately prior to July 17, 2024, was automatically converted into one-tenth (1/10) of a share of common stock. The Reverse Stock Split affected all common stockholders uniformly and did not alter any stockholder's percentage interest in the Company's equity, except to the extent that the Reverse Stock Split would result in a stockholder owning a fractional share. No fractional shares were issued in connection with the Reverse Stock Split. Stockholders who otherwise would be entitled to receive a fractional share instead were entitled to receive one whole share in lieu of such fractional share.

The Reverse Stock Split did not change the par value of the common stock or the authorized number of shares of common stock. All outstanding stock options, restricted stock units, and warrants entitling their holders to purchase or obtain or convert into shares of our common stock were adjusted, as required by the terms of these securities.

The Company's stockholders' equity, in the aggregate, remained unchanged following the Reverse Stock Split. Net income (loss) per share increased because there were fewer shares of common stock outstanding. There were no other accounting consequences, including changes to the amount of stock-based compensation expense to be recognized in any period, that arose as a result of the Reverse Stock Split.

All common share and per-share amounts in this Form 10-Q have been retroactively restated to reflect the effect of the Reverse Stock Split.

Receivables Financing Agreement

On September 23, 2024, the Company entered into an invoice purchase agreement (the "Receivables Financing Agreement") with LS DE LLC ("LS"), pursuant to which LS will provide receivables factoring to the Company. Pursuant to the terms of the Receivables Financing Agreement, LS will advance 80% of the face value of the receivables being sold by the Company, up to a maximum of \$2,500 of eligible customer invoices from the Company. In consideration of the advances, LS is entitled to receive (i) an invoice purchase fee equal to 0.20% of the face amount of each purchased invoice payable at the time of the purchase and (ii) a daily funds usage fee equal to 0.0388%, payable monthly in arrears on the last day of each month.

The Receivables Financing Agreement has an initial term of twelve (12) months, subject to automatic annual extension unless terminated. Additionally, under certain circumstances and unless waived by LS, the Company will be obligated to pay a missing notation fee of 15% in the event of its failure to affix a certain legend regarding assignment or a misdirected payment fee in the amount of 15%. In the event of the Company's default, the Company's payment obligations will be accelerated, and, in addition to the aforementioned fees payable to LS, the Company will be required to pay the default interest rate of the lesser of 24% per annum or the maximum rate permitted by law until the default is cured or until all Company's obligations are paid in full.

The Company's obligations under the Receivables Financing Agreement are secured by a lien on all of the Company's accounts receivable, inventory, and related property, excluding accounts receivable from certain specified counterparties.

The Receivables Financing Agreement contains representations and warranties by the Company and LS, certain indemnification provisions in favor of LS and customary covenants (including limitations on other debt, liens, acquisitions, investments and dividends), and events of default (including payment defaults, breaches of covenants, a material impairment in LS's security interest or in the collateral, and events relating to bankruptcy or insolvency). The Receivables Financing Agreement can be terminated by either party upon written notice or by LS upon the occurrence of certain events including the Company's default. As of September 30, 2024, there were no borrowings outstanding under the Receivables Financing Agreement.

Liquidity and Ability to Continue as a Going Concern

The Company's condensed consolidated financial statements account for the continuation of its business as a going concern. The Company is subject to the risks and uncertainties associated with the development and release of new products. The Company's principal sources of liquidity as of September 30, 2024, consist of existing cash and cash equivalents totaling \$9,060. The Company believes that it can meet its obligations with this cash over the next twelve months following the filing date of this report.

Basis of presentation and preparation

The condensed consolidated financial statements include the accounts of Sonim Technologies, Inc. and its wholly owned subsidiaries (collectively "Sonim" or the "Company"). Intercompany accounts and transactions have been eliminated. In the opinion of the Company's management, the condensed consolidated financial statements reflect all adjustments, which are normal and recurring in nature, necessary for fair financial statement presentation. The preparation of these condensed consolidated financial statements and accompanying notes in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ materially from those estimates. Certain prior period amounts in the condensed consolidated financial statements and accompanying notes have been reclassified to conform to the current period's presentation. These condensed consolidated financial statements and accompanying notes should be read in conjunction with the Company's annual consolidated financial statements and accompanying notes included in its Annual Report on Form 10-K for the year ended December 31, 2023.

As discussed above, all per share amounts and common shares amounts have been adjusted on a retroactive basis to reflect the effect of the Reverse Stock Split. Proportionate adjustments were made to the per share exercise price and number of shares of common stock issuable under all outstanding stock options, restricted stock units, and warrants. In addition, proportionate adjustments have been made to the number of shares of common stock reserved for the Company's equity incentive awards.

Prior period reclassifications

Certain amounts in prior periods have been reclassified to conform with current period presentation. These reclassifications had no effect on the reported results of operations.

Related Party Transactions

Effective December 15, 2023, in the ordinary course of business, the Company entered into an agreement pursuant to which the Company would execute various statements of work and sell white label phones under the ODM model arrangement with a related party, in which a family member of our director, Jeffrey Wang, holds indirect interest of approximately 40% (the "ODM Arrangement"). Pursuant to the ODM Arrangement, the Company consummated various transactions during the first quarter of 2024. The Company did not have any sales under the ODM Arrangement during the three months ended June 30, 2024, or September 30, 2024.

Revision of Previously Reported Condensed Consolidated Financial Statements

In connection with the preparation of the condensed consolidated financial statements as of September 30, 2024 and for the three-months and nine-months ended September 30, 2024 and 2023, the Company determined that it did not separately disclose related party revenue under the ODM Arrangement for the three months ended March 31, 2024 and the six-months ended June 30, 2024, or the related party receivable as of March 31, 2024 and June 30, 2024. The Company evaluated the impact of these disclosure errors, considering both qualitative and quantitative factors, and concluded that these errors did not have a material impact on any of the prior periods stated above. However, the Company has elected to revise the prior periods for the separate disclosure of the related party transactions as follows:

Condensed Consolidated Statements of Operations

For the Three Months Ended March 31, 2024			
	As Previously Reported	Adjustment	As Revised
Net revenues	\$ 16,776	\$ (7,658)	\$ 9,118
Related party net revenues	—	7,658	7,658
Total net revenues	\$ 16,776	\$ —	\$ 16,776

Condensed Consolidated Balance Sheet

As of March 31, 2024			
	As Previously Reported	Adjustment	As Revised
Accounts receivable, net	\$ 13,337	\$ (5,817)	\$ 7,520
Related party receivable	—	5,817	5,817

Condensed Consolidated Statements of Operations

For the Six Months Ended June 30, 2024			
	As Previously Reported	Adjustment	As Revised
Net revenues	\$ 28,292	\$ (7,658)	\$ 20,634
Related party net revenues	—	7,658	7,658
Total net revenues	\$ 28,292	\$ —	\$ 28,292

	As of June 30, 2024		
	As Previously Reported	Adjustment	As Revised
Accounts receivable, net	\$ 10,781	\$ (2,647)	\$ 8,134
Related party receivable	—	2,647	2,647

New accounting pronouncements

The Company is an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that an emerging growth company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company’s consolidated financial statements with another public company, which is neither an emerging growth company nor an emerging growth company that has opted out of using the extended transition period, difficult or impossible because of the potential differences in accounting standards used.

Pronouncements adopted in 2024

None.

Pronouncements not yet adopted

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. This ASU was issued to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. This guidance applies to all public entities that are required to report segment information in accordance with Topic 280, Segment Reporting. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted and the guidance should be applied retrospectively. ASU 2023-07 will be effective for the Company for the annual period of its fiscal year ending December 31, 2024. The Company does not anticipate the adoption of this guidance will have a material impact on its condensed consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This ASU was issued to address investor requests for more transparency about income tax information through improvements to income tax disclosure primarily related to the rate reconciliation and income taxes paid information, and to improve the effectiveness of income tax disclosures. This guidance is effective for public entities for annual periods beginning after December 15, 2024. Early adoption is permitted. ASU 2023-09 will be effective for the Company in the first quarter of its fiscal year ending December 31, 2025. The Company is currently evaluating the impact the adoption of this guidance will have on its condensed consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Topic 220): Disaggregation of Income Statement Expenses*. This guidance requires additional disclosure of certain amounts included in the expense captions presented on the Statement of Operations as well as disclosures about selling expenses. The ASU is effective on a prospective basis, with the option for retrospective application, for annual periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating the impact the adoption of this guidance will have on its condensed consolidated financial statements and related disclosures.

NOTE 2 — Revenue Recognition

The Company recognizes revenue primarily from the sale of products, which are primarily mobile phones, mobile hotspots, and related accessories, and the majority of the Company's contracts include only one performance obligation, namely the delivery of product. A performance obligation is a promise 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 Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers. The Company also recognizes revenue from other contracts that may include a combination of products and non-recurring engineering ("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 promises as individual performance obligations if they are concluded as distinct. Performance obligations are considered distinct if they are both capable of being identified and distinct within the context of the contract. In determining whether performance obligations meet the criteria for being distinct, the Company considers a number of factors, such as the degree of interrelation and interdependence between obligations, and whether or not the good or service significantly modifies or transforms another good or service in the contract. During the three and nine months ended September 30, 2024, and 2023, the Company did not have any contracts in which the products and NRE services were concluded to be a single performance obligation. In certain cases, the Company may offer tiered pricing based on volumes purchased for specific products. To date, all tiered pricing provisions have fallen into observable ranges of pricing to existing customers, thus, not resulting in any material right which could be concluded as its own performance obligation. In addition, the Company does not offer material post-contract support services to its customers.

Net revenue for an individual contract is recognized at the related transaction price, which is the amount the Company expects to be entitled to in exchange for transferring the goods and/or services. The transaction price for product sales is calculated as the product selling price, net of variable consideration, which may include estimates for marketing development funds, sales incentives, and price protection and stock rotation rights. The Company records reductions to net revenues related to future product returns based on the Company's expectations and historical experience. Typically, variable consideration does not need to be constrained as estimates are based on specific contract terms. However, the Company continues to assess variable consideration estimates such that it is probable that a significant reversal of revenue will not occur. The transaction price for a contract with multiple performance obligations is allocated to the separate performance obligations on a relative standalone selling price basis. Standalone selling prices for products are determined based on the prices charged to customers, which are directly observable. Standalone selling price of the professional services are mostly based on time and materials. The Company determines its estimates of variable consideration based on historical collection experience with similar payor classes, aged accounts receivable by payor class, terms of payment agreements, correspondence from payors related to revenue audits or reviews, the Company's historical settlement activity of audited and reviewed claims and current economic conditions using the portfolio approach. Revenue is recognized only to the extent that it is probable that a significant reversal of the cumulative amount recognized will not occur in future periods.

Revenue is then recognized for each distinct performance obligation as control is transferred to the customer. Revenue attributable to hardware is recognized at the time control of the product transfers to the customer. Control is generally transferred when the Company has a present right to payment and title and the significant risks and rewards of ownership of products or services are transferred to its customers. For most of the Company's revenue attributable to hardware, control transfers when products are shipped. Revenue attributable to professional services is recognized as the Company performs the professional services for the customer.

Disaggregation of revenue

The following table presents the Company's total net revenues disaggregated by product category:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Smartphones	\$ 7,957	\$ 8,364	\$ 19,910	\$ 23,683
Feature Phones	6,780	4,907	14,839	11,737
White Label Phones (ODM Model) (Related Party)	—	—	7,658	—
White Label Tablets (ODM Model)	—	13,870	—	43,864
Accessories and Other	285	425	907	918
	<u>\$ 15,022</u>	<u>\$ 27,566</u>	<u>\$ 43,314</u>	<u>\$ 80,202</u>

Shipping and handling costs

The Company has elected to account for shipping and handling activities related to contracts with customers as costs to fulfill the promise to transfer the associated products.

Contract costs

Applying the practical expedient, the Company recognizes the incremental costs of obtaining contracts as an expense when incurred when the amortization period of the assets that otherwise would have been recognized is one year or less. These costs are included in sales and marketing expenses.

The non-recurring costs associated with design and development of new products for technical approval represent costs to fulfill a contract pursuant to ASC 340-40, *Other Assets and Deferred Costs*. Accordingly, the Company capitalizes these contract fulfillment costs and amortizes such costs over the estimated period of time they are expected to be recovered, which is typically three to four years, the estimated life of a particular product model. As of September 30, 2024, and December 31, 2023, the net contract fulfillment assets were \$12,063 and \$9,232, respectively.

If the Company determines that such contract fulfillment costs are not expected to be recovered, it records an impairment in the period such determination is made. During the nine months ended September 30, 2024, the Company recorded an impairment of contract fulfillment assets of \$3,217 due to a decrease in projected profit of one of its hotspots and the cancellation of a consumer durable product.

NOTE 3 — Fair Value Measurement

The fair value measurements standard establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the standard are described below:

Level 1—Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2—Inputs to the valuation methodology include:

- Quoted market prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at September 30, 2024, and December 31, 2023.

Money market funds are classified within level 1 of the fair value hierarchy because they are valued using quoted market prices.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Company's assets at fair value:

September 30, 2024				
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds *	\$ 103	\$ —	\$ —	\$ 103

December 31, 2023				
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds *	\$ 102	\$ —	\$ —	\$ 102

* Included in cash and cash equivalents on the condensed consolidated balance sheets.

NOTE 4 — Significant Balance Sheet Components

The following table presents the components of the Company's accounts receivable, net:

	September 30, 2024	December 31, 2023
Trade receivables	\$ 5,689	\$ 25,576
Allowance for credit losses	(449)	(272)
	<u>\$ 5,240</u>	<u>\$ 25,304</u>

The Company determines the probability of default for each pool of receivables with similar risk characteristics. The probability of loss is applied to the value of the receivables and an allowance for potential credit losses is recorded with the offset to credit loss expense.

Trade receivables from the customer that purchased white label tablets from the Company accounts for 52% and 69%, respectively, of accounts receivable, net, at September 30, 2024, and December 31, 2023. One additional customer accounts for 28% of accounts receivable, net, at September 30, 2024. A separate customer accounts for 15% of accounts receivable, net, at December 31, 2023. In October 2023, the Company stopped sales of the white label tablets to its tablet customer as the product reached the end of its life cycle. The tablet customer had a receivable due to the Company of \$17,443 at December 31, 2023. In February 2024, an agreement was executed that transferred \$11,308 of the receivables to the manufacturer of the tablets in exchange for relieving the Company of a \$11,308 accounts payable liability.

The Company has non-trade receivables from manufacturing vendors resulting from the sale of components to vendors who manufacture and assemble final products for the Company.

The following table presents the components of the Company's inventory:

	September 30, 2024	December 31, 2023
Devices – for resale	\$ 5,408	\$ 5,324
Raw materials	6,542	751
Accessories	424	442
	<u>\$ 12,374</u>	<u>\$ 6,517</u>

For certain new products, the Company began purchasing raw materials in 2024 that will be used by the third-party manufacturers to build the products. These purchased parts represent most of the raw materials in inventory at September 30, 2024.

The following table presents the components of the Company's accrued liabilities:

	September 30, 2024	December 31, 2023
Customer allowances	\$ 11,454	\$ 8,148
Contract fulfillment liabilities	4,074	568
Inventory received, not billed	4,324	325
Employee-related liabilities	1,309	1,755
Warranties	519	518
Other	1,448	919
	<u>\$ 23,128</u>	<u>\$ 12,233</u>

NOTE 5 — Stockholders' Equity

Equity Financing

On April 29, 2024, the Company closed on a capital investment of 350,000 shares of common stock and warrants, as adjusted for the Reverse Stock Split, with a single investor for an aggregate purchase price of \$3,850. In connection with the closing, the Company incurred approximately \$66 in issuance costs, which was offset against the proceeds.

Each warrant has an exercise price of \$11.00 per share, as adjusted for the Reverse Stock Split, is immediately exercisable, will expire in five years from the date of issuance, and is subject to customary adjustments for certain transactions affecting the Company's capitalization. The warrants may not be exercised if the aggregate number of shares of common stock beneficially owned by the investor subsequent to the exercise exceeds the specified beneficial ownership limitation provided therein (which is currently 9.99% and may be adjusted upon advance notice).

ATM Offering

On August 6, 2024, the Company entered into a sales agreement (the "Sales Agreement") with Roth Capital Partners, LLC ("Roth"). Pursuant to the Sales Agreement, the Company may sell, at its option, shares of common stock through Roth, as sales agent. Sales of shares of the Company's common stock made pursuant to the Sales Agreement are being made under the Registration Statement on Form S-3 filed on April 9, 2024 (File No. 333-278577) (the "Registration Statement"), which was declared effective by the SEC on May 3, 2024. Subject to the terms and conditions of the Sales Agreement, Roth may sell the shares, if any, only by methods deemed to be an "at the market" offering as defined in Rule 415(a)(4) promulgated under the Securities Act. Roth will be entitled to compensation at a commission rate of 3% of the gross sales price per share sold through it under the Sales Agreement. The Company agreed to provide Roth with customary indemnification and contribution rights, including for liabilities under the Securities Act. In addition, the Company is required to reimburse Roth for certain specified expenses in connection with entering into the Sales Agreement.

The Company has no obligation to sell shares under the Sales Agreement, but it may do so from time to time. During the three months ended September 30, 2024, a total of 35,163 shares of common stock were sold under the Sales Agreement for net proceeds of \$106 after payment of commission fees and other related expenses of \$4.

NOTE 6 — Stock-Based Compensation

Stock-based compensation expense is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cost of revenues	\$ 15	\$ 28	\$ 42	\$ 230
Research and development	15	22	35	22
Sales and marketing	99	90	289	222
General and administrative	244	231	803	564
	<u>\$ 373</u>	<u>\$ 371</u>	<u>\$ 1,169</u>	<u>\$ 1,038</u>

Stock-based compensation in Cost of Revenues relates to employees who focus on supply chain management.

Stock Options

Stock option activity for the nine months ended September 30, 2024, is set forth in the table below and has been adjusted retrospectively for the Reverse Stock Split:

	Options	Weighted average exercise price per share	Weighted average remaining contractual life (in years)	Aggregate Intrinsic Value*
Outstanding at January 1, 2024	514,674	\$ 9.28		
Granted	242,000	5.92		
Exercised	—	—		
Forfeited and Expired	(13,552)	99.29		
Outstanding at September 30, 2024	<u>743,122</u>	\$ 6.55	8.59	\$ —
Vested and Expected to Vest at September 30, 2024	<u>743,122</u>	\$ 6.55	8.59	\$ —
Exercisable at September 30, 2024	<u>283,167</u>	\$ 8.57	8.12	\$ —

* The intrinsic value is calculated as the difference between the exercise price and the fair value of the common stock on the balance sheet date.

As of September 30, 2024, there was approximately \$1,791 of unamortized stock-based compensation cost related to unvested stock options, which is expected to be recognized over a weighted average period of 1.93 years.

Restricted Stock Units

Restricted Stock Unit (“RSU”) activity for the nine months ended September 30, 2024, is set forth in the table below and has been adjusted retrospectively for the Reverse Stock Split:

	RSUs
Outstanding at January 1, 2024	68,185
Granted	38,248
Released	(47,929)
Forfeited	(6,780)
Outstanding at September 30, 2024	51,724

As of September 30, 2024, there was approximately \$259 of unamortized stock-based compensation cost related to unvested RSUs, which is expected to be recognized over a weighted average period of 0.77 years.

NOTE 7 — Income Taxes

For the three months ended September 30, 2024, and 2023, the Company recorded provisions for income taxes of \$117 and \$96, respectively. For the nine months ended September 30, 2024, and 2023, the Company recorded provisions for income taxes of \$279 and \$281, respectively. The Company’s effective income tax rate is negative 2.5% for the nine months ended September 30, 2024, compared to 23.3% for the nine months ended September 30, 2023. The Company’s effective tax rate differs from the U.S. federal statutory tax rate primarily as a result of projected permanent items in the U.S.

The Company’s material income tax jurisdictions are the United States (federal and California), China and India. As a result of net operating loss and credit carryforwards, the Company is subject to audit for tax years 2012 and forward for federal and California purposes. The China and India tax years are open under the statute of limitations from 2013 and forward.

The Company is subject to ongoing tax examinations of its tax returns by the Internal Revenue Service and other tax authorities in various jurisdictions. In accordance with the guidance on the accounting for uncertainty in income taxes, the Company regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of its provision for income taxes. These assessments can require considerable estimates and judgments. As of September 30, 2024, the gross amount of unrecognized tax benefits was approximately \$1.3 million. If the Company’s estimates of income tax liabilities prove to be less than the ultimate assessment, then a further charge to expense would be required. If events occur and the payment of these amounts ultimately proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period in which we determine the liabilities are no longer necessary. The Company does not anticipate any material changes to its uncertain tax positions during the next twelve months.

NOTE 8 — Commitments and Contingencies

Purchase Commitments — The aggregate amount of noncancelable purchase orders as of September 30, 2024, and December 31, 2023, was approximately \$9,999 and \$13,478, respectively, and were related to the purchase of inventory and components for the Company’s devices, and certification services.

Royalty payments — The Company is required to pay per unit royalties to wireless essential patent holders and other providers of integrated technologies on mobile devices delivered, which, in aggregate, amount to less than 5% of net revenues associated with each unit and expire between 2024 and 2033. Royalty expense for the three months ended September 30, 2024, and 2023 was \$336 and \$387, respectively, and for the nine months ended September 30, 2024, and 2023 was \$818 and \$793, respectively. Royalty expense is included in Cost of Revenues. The Company may be required to pay additional royalties to additional patent holders and technology providers on future products.

General litigation — The Company is involved in various legal proceedings arising in the normal course of business. The Company does not believe that the ultimate resolution of these other matters will have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

The results of any future litigation cannot be predicted with certainty and, regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management time and resources and other factors.

Indemnification — Under the terms of its agreements with wireless carriers and other partners, the Company has agreed to provide indemnification for intellectual property infringement claims related to the Company's products sold by them to their end customers. From time to time, the Company receives notices from these wireless carriers and other partners of a claim for infringement of intellectual property rights potentially related to their products. These infringement claims have been settled, dismissed, have not been further pursued by the customers, or are pending further action by the Company.

NOTE 9 — Net Income (Loss) Per Share

The following table sets forth the computation of the Company's basic and diluted net loss per share and has been adjusted retrospectively for the Reverse Stock Split:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator:				
Net income (loss)	\$ (2,512)	\$ 527	\$ (12,034)	\$ 1,263
Denominator:				
Weighted-average shares used in computing net earnings (loss) per share, basic	4,848,999	4,303,931	4,658,193	4,245,717
Net earnings (loss) per share, basic	\$ (0.52)	\$ 0.12	\$ (2.58)	\$ 0.30
Weighted-average shares used in computing net earnings (loss) per share, diluted	4,848,999	4,418,026	4,658,193	4,372,328
Net earnings (loss) per share, diluted	\$ (0.52)	\$ 0.12	\$ (2.58)	\$ 0.29

The dilutive common shares that were used in the calculation of diluted earnings for 2023 are presented in the table below. The 2024 amounts were not used as they were antidilutive. All amounts have been adjusted retroactively for the Reverse Stock Split.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Shares subject to options to purchase common stock	743,122	495,139	743,122	495,139
Unvested restricted stock units	51,724	33,740	51,724	33,740
Shares subject to warrants to purchase common stock	350,001	1	350,001	1
Total	1,144,847	528,880	1,144,847	528,880

NOTE 10 — Entity Level Information

The Company operates in one reporting segment. Operating segments are defined as components of an enterprise about which separate financial information is evaluated regularly by the chief operating decision maker, who is the chief executive officer and the chief financial officer, in deciding how to allocate resources and assessing performance. The Company's chief operating decision maker allocates resources and assesses performance based upon discrete financial information at the consolidated level.

The following table summarizes total net revenues by region based on ship-to destinations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
United States	\$ 11,667	\$ 11,798	\$ 27,999	\$ 25,184
Asia Pacific	98	13,975	7,831	44,541
Canada	3,180	1,706	7,364	7,477
Europe and Middle East	77	87	120	3,000
	<u>\$ 15,022</u>	<u>\$ 27,566</u>	<u>\$ 43,314</u>	<u>\$ 80,202</u>

The following table summarizes the composition of total net revenues:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Product Sales	\$ 15,021	\$ 27,565	\$ 43,306	\$ 80,201
Services	1	1	8	1
	<u>\$ 15,022</u>	<u>\$ 27,566</u>	<u>\$ 43,314</u>	<u>\$ 80,202</u>

Revenue from customers with concentration greater than 10% accounted for approximately the following percentage of total net revenues:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Customer A	37%	35%	40%	26%
Customer B (Related Party)	*	*	18%	*
Customer C	16%	*	12%	*
Customer D	11%	*	*	*
Customer E	*	50%	*	55%

* Customer revenue did not exceed 10% in the respective period.

NOTE 11 — Subsequent Events

On October 1, 2024, the Company signed an agreement with a related party, in which a family member of the Company's director, Jeffrey Wang, holds indirect interest of approximately 40%, to perform non-recurring engineering services in the amount of \$1,000, to be capitalized by the Company as contract fulfillment assets. The agreement was executed in the ordinary course of business.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

You should read the following discussion and analysis of our financial condition and results of operations together with “[Cautionary Note About Forward-Looking Statements](#)” and our condensed consolidated financial statements and related notes included under Item 1 of this Quarterly Report as well as our most recent Annual Report on Form 10-K for the year ended December 31, 2023 as amended, including Part 1, Item 1A “Risk Factors.”

Company Overview

Sonim Technologies, based in the United States, is a leading provider of enterprise 5G solutions, offering a robust portfolio that includes rugged handsets, smartphones, wireless internet devices, software, services, and accessories. These products are engineered for reliable communication in challenging and unpredictable environments, serving sectors such as critical communications, first responders, government, industrial, construction, hospitality, and logistics. We currently have products available at all three U.S. Tier-one carriers – AT&T, T-Mobile and Verizon as well as the three primary carriers in Canada – Bell, Telus and Rogers, and Telstra in Australia. These carriers then resell our products, along with network services, to end customers focusing on two primary end markets: industrial enterprise and public sector.

In 2023, Sonim announced a strategic expansion initiative, focusing on broadening its market reach with new products, geographical markets, and customer segments including enterprise, small and medium business, and prosumers. This strategy is underpinned by a strong emphasis on execution. We have introduced new product categories: Connected Solutions featuring wireless internet products, a next-generation rugged smartphone, and a new range of mid and low-tier professional rugged phones, all boasting IP68, MIL-STD-810H standards, and elements of Sonim's Rugged Performance Standards (RPS), highlighting our value proposition to target markets.

As of the filing of this 10-Q, our recent product launches in Q3 and Q4 include the Sonim H500 series of mobile hotspots available through UScellular, Bell, and Verizon in the U.S. and Canada; the Sonim H700 mobile hotspot with Telstra in Australia; and the XP100 professional rugged phone in Europe available via distribution partners. Additionally, the XP10 is now available in EMEA and Australia, all supported by the comprehensive SonimWare platform and enterprise services.

Geographic market expansion continues with agreements and product availability through new distribution partners in Europe and South Africa, catering to carrier, reseller, and enterprise sales channels. New partners include TCCM, Brodos, Modino, Ingram Micro, and Cernotech, which bolster our presence in these regions. This strategic alignment supports our commitment to offering reliable solutions and expanding our customer base.

During the first half of 2024, the Company was in a transition period, phasing out low margin white label products and commencing selling new products through our carrier channels. Our strategy of moving away from the white label business was accelerated when our manufacturing partners had difficulty maintaining production of our white label products. Revenue in the third quarter of 2024 decreased compared to the third quarter of 2023 due to this transition away from white label products. However, with the launch of new products in the fourth quarter of 2024 and in the first half of 2025, we anticipate significant revenue growth and improved profitability.

During the three and nine months ended September 30, 2024, net revenues were primarily generated from sales of our mobile phones and industrial-grade accessories, predominantly to wireless carriers in the United States and Canada. During the three and nine months ended September 30, 2023, white label tablets revenue comprised a significant portion of our revenue. During the three months ended September 30, 2024, no white label products were sold. The white label products sold in 2023 and the first quarter of 2024 had lower margins compared to Sonim's other offerings.

With the primary sales channels in the U.S. and Canada consisting of large wireless carriers, the Company's customer base is highly concentrated. For the nine months ended September 30, 2024, wireless carriers contributed 73% of our total net revenues, with our top three carrier customers accounting for 59% of our total net revenues. Our rugged smartphones represented 46% of our total net revenues, while feature phones were 34% of our total net revenues and white label phones (related party revenue) were 18% of our total net revenues. For the three months ended September 30, 2024, wireless carriers contributed 82% of our total net revenues, with our top three carrier customers accounting for 62% of our total net revenues. Our rugged smartphones represented 53% of our total net revenues, while feature phones were 45% of our total net revenues.

In alignment with Sonim Technologies' commitment to quality, reliability, and regulatory compliance, we have prioritized our Environmental, Social, and Governance (ESG) and Trade Agreements Act (TAA) initiatives. TAA compliance is crucial in enhancing our market strategy, particularly in expanding opportunities within government and enterprise markets, which demand stringent adherence to regulatory standards. By ensuring our products meet TAA requirements, we reinforce our position as a trusted provider of enterprise 5G solutions.

This initiative underscores our dedication to delivering products that not only meet industry-leading standards but also comply with U.S. federal procurement regulations, thereby enhancing our competitiveness in securing government contracts.

Looking ahead, Sonim is focused on bringing our new products and solutions offering to our expanded portfolio throughout 2025.

Recent Developments

Recent Product Awards

The first step in selling our products through wireless telecommunications carriers is to receive a product award from the carrier. The award documents the intent of the carrier to carry the proposed product and offer it to customers through their stores or online. The carrier and Sonim agree to a launch date that is generally nine months or longer from the date of the product award. After the product award, the Company and its partners complete the design that includes the unique specifications from the carrier, test the device, obtain certification from the carrier to sell the device, and begin full scale manufacturing of the product based on purchase orders issued by the carrier.

As of the filing date of this report, Sonim is completing the development, testing and certification of new products that it expects to launch with various carriers in the fourth quarter of 2024 and in 2025.

Reverse Stock Split

On July 17, 2024, the Company effected a 1-for-10 reverse stock split of its issued and outstanding common stock (the "Reverse Stock Split"). Our common stock began trading on the Nasdaq Capital Market on a post-split basis on July 18, 2024. As a result of the Reverse Stock Split, each share of common stock issued and outstanding immediately prior to July 18, 2024, was automatically converted into one-tenth (1/10) of a share of common stock. The Reverse Stock Split affected all common stockholders uniformly and did not alter any stockholder's percentage interest in the Company's equity, except to the extent that the Reverse Stock Split would result in a stockholder owning a fractional share. No fractional shares were issued in connection with the Reverse Stock Split. Stockholders who otherwise would be entitled to receive a fractional share instead were entitled to receive one whole share in lieu of such fractional share.

The Reverse Stock Split did not change the par value of the common stock or the authorized number of shares of common stock. All outstanding stock options, restricted stock units, and warrants entitling their holders to purchase or obtain or convert into shares of our common stock were adjusted, as required by the terms of these securities.

All common share and per-share amounts in this Form 10-Q have been retroactively restated to reflect the effect of the Reverse Stock Split.

Equity Financing

On April 29, 2024, we consummated a private placement with a single investor and sold 350,000 shares of our common stock (as adjusted for the Reverse Stock Split) and warrants to purchase up to 350,000 shares of our common stock for an exercise price of \$11.00 per share (as adjusted for the Reverse Stock Split) for an aggregate purchase price of \$3.85 million. We used the net proceeds from the private placement for working capital and general corporate purposes. The shares of our common stock sold in the private placement (including those underlying the warrants) are subject to registration rights and may not be transferred or sold until 180 days after the closing, or October 29, 2024, subject to customary limited exceptions.

ATM Offering

On August 6, 2024, the Company entered into a sales agreement (the “Sales Agreement”) with Roth Capital Partners, LLC (“Roth”). Pursuant to the Sales Agreement, the Company may sell, at its option, up to an aggregate of \$8.9 million in shares of common stock through Roth, as sales agent. Sales of shares of our common stock made pursuant to the Sales Agreement are being made under the effective Registration Statement on Form S-3. Roth is entitled to compensation at a commission rate of 3% of the gross sales price per share. For additional information, refer to Note 5 — Stockholders’ Equity to the condensed consolidated financial statements contained within this report under the title “ATM Offering.”

We have no obligation to sell shares under the Sales Agreement, but we may do so from time to time. During the three months ended September 30, 2024, a total of 35,163 shares of common stock were sold under the Sales Agreement for net proceeds of \$0.1 million after payment of commission fees and other related expenses of \$4,000. As of September 30, 2024, the Company had approximately \$8.8 million of common stock remaining available for sale under the ATM Sales Agreement.

Receivables Financing Agreement

To improve its liquidity during seasonally high working capital periods, on September 23, 2024, the Company entered into an invoice purchase agreement (the “Receivables Financing Agreement”) with LS DE LLC (“LS”), pursuant to which LS will provide receivables factoring to the Company, pursuant to which LS will advance 80% of the face value of the receivables being sold by the Company, up to a maximum of \$2.5 million of eligible customer invoices from the Company. As of September 30, 2024, we did not have any outstanding commitments under the Receivables Financing Agreement. For additional information, refer to Note 1—The Company and Its Significant Accounting Policies to the condensed consolidated financial statements contained within this report under the title “Receivables Financing Agreement.”

Impairment of Contract Fulfillment Assets

The non-recurring costs associated with design and development of new products for technical approval represent costs to fulfill a contract pursuant to ASC 340-40, *Other Assets and Deferred Costs*. Accordingly, the Company capitalizes these contract fulfillment costs and amortizes such costs over the estimated period of time that the product will be sold, which is typically three to four years. As of September 30, 2024, and December 31, 2023, the net contract fulfillment assets were \$12,063 and \$9,232, respectively.

If the Company determines that such contract fulfillment costs are not expected to be recovered, it records an impairment in the period such determination is made. During the nine months ended September 30, 2024, the Company recorded an impairment of contract fulfillment assets of \$3,217 due to a decrease in projected profit of one of its hotspots and the cancellation of a consumer durable product. This product was cancelled because higher than anticipated manufacturing costs eliminated the expected profit margin on the product.

Compliance with Nasdaq Listing Rules

On September 14, 2023, the Company received a letter from the Listing Qualifications Department (the “Staff”) of The Nasdaq Stock Market, LLC (“Nasdaq”) notifying it that, because the bid price for its common stock had fallen below \$1.00 per share for 30 consecutive business days, the Company no longer complied with the \$1.00 minimum bid price requirement set forth in Nasdaq Listing Rule 5550(a)(2) (the “Bid Price Rule”) for continued listing. On August 2, 2024, the Company received a letter from the Staff notifying the Company that it had regained compliance with the Bid Price Rule.

Results of Operations

The results of operations for the third quarter of 2024 are not necessarily indicative of the operating results to be expected for the full year or in any future period. Historically, we have experienced higher revenues following the release of new products and their sales with additional carriers and distributors. Additionally, we are actively expanding our Connected Solutions business, and the future demand of our Connected Solutions customers has not been reflected in our historical financial statements.

The following tables present key components of our results of operations (dollars in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2023	Increase (Decrease)	%	2024	2023	Increase (Decrease)	%
Net revenues	\$ 15,022	\$ 27,566	\$ (12,544)	(46)%	\$ 35,656	\$ 80,202	\$ (44,546)	(56)%
Related party net revenues	—	—	—	N/A	7,658	—	7,658	N/A
Total net revenues	15,022	27,566	(12,544)	(46)%	43,314	80,202	(36,888)	(46)%
Cost of revenues	10,790	21,963	(11,173)	(51)%	33,211	65,998	(32,787)	(50)%
Gross profit	4,232	5,603	(1,371)	(24)%	10,103	14,204	(4,101)	(29)%
Operating expenses								
Research and development	715	741	(26)	(4)%	1,728	846	882	104%
Sales and marketing	3,045	2,133	912	43%	8,756	5,717	3,039	53%
General and administrative	2,848	2,041	807	40%	7,937	5,873	2,064	35%
Impairment of contract fulfillment assets	—	—	—	N/A	3,217	—	3,217	N/A
Total operating expenses	6,608	4,915	1,693	34%	21,638	12,436	9,202	74%
Income (loss) from operations	(2,376)	688	(3,064)	(445)%	(11,535)	1,768	(13,303)	(752)%
Interest expense, net	—	(6)	6	(100)%	(17)	(11)	(6)	55%
Other expense, net	(19)	(59)	40	(68)%	(203)	(213)	10	(5)%
Income (loss) before income taxes	(2,395)	623	(3,018)	(484)%	(11,755)	1,544	(13,299)	(861)%
Income tax expense	(117)	(96)	(21)	22%	(279)	(281)	2	(1)%
Net income (loss)	\$ (2,512)	\$ 527	\$ (3,039)	(577)%	\$ (12,034)	\$ 1,263	\$ (13,297)	(1,053)%

Total Net Revenues

Total net revenues for the three months ended September 30, 2024, decreased by \$12.5 million compared to 2023 because 2023 included \$13.9 million in revenue from the white label tablets and the tablet sales ended in the fourth quarter of 2023. The Company had planned to exit the white label business in 2024 but our strategy of moving away from the white label business was accelerated when our manufacturing partners had difficulty maintaining production of our white label products. The 2024 year has been a transition period, marked by the ending of our white label business and the start of the launches of our hotspots and new rugged smartphone. Revenue is expected to increase in 2025 as we launch new products.

Total net revenues for the nine months ended September 30, 2024, decreased by \$36.9 million compared to 2023 because 2023 had \$43.9 million in white label tablet revenue, which was partially offset by \$7.7 million in white label phone related party revenue in the first quarter of 2024. The Company's 2024 strategy of moving away from the white label business was accelerated when our manufacturing partners had difficulty maintaining production of our white label products. Revenue is expected to increase in 2025 as new products are launched with additional carriers and distributors.

Cost of Revenues

Cost of revenues for the three months ended September 30, 2024, decreased by \$11.2 million as compared to 2023 primarily due to the decrease in net revenues. Cost of revenues as a percentage of net revenue decreased because 2024 did not have any lower margin white label products.

Cost of revenues for the nine months ended September 30, 2024, decreased by \$32.8 million as compared to 2023 primarily due to the decrease in net revenues. Cost of revenues as a percentage of net revenue decreased because white label revenue decreased from \$43.9 million in 2023 to \$7.7 million in 2024, and white label products have much lower margins.

Gross Profit and Margin

Gross profit for the three months ended September 30, 2024, decreased by \$1.4 million, while the gross margin percentage increased by 6%, compared to 2023. The increase in gross profit percentage was because there was no white label revenue with its lower margins in 2024.

Gross profit for the nine months ended September 30, 2024, decreased by \$4.1 million, while the gross margin percentage increased by 8%, compared to 2023. The increase in gross profit was because 2023 had more low margin white label revenue.

Research and Development

Research and development (“R&D”) expenses for the three months ended September 30, 2024, were flat compared to 2023.

R&D expenses for the nine months ended September 30, 2024, increased by \$0.9 million compared to 2023, primarily due to there being limited R&D projects during the first half of 2023. In 2024 R&D expenses were primarily related to our new hotspots and rugged phones.

Sales and Marketing

Sales and marketing expenses for the three months ended September 30, 2024, increased by \$0.9 million compared to 2023 primarily due to an increase in marketing spend to support new products in 2024, as well as an increase in headcount primarily to support sales in Europe.

Sales and marketing expenses for the nine months ended September 30, 2024, increased by \$3.0 million compared to 2023 primarily due to an increase in marketing spend to support new products in 2024 and to capture new business opportunities across Europe as a result of the ceased operations of a competitor, as well as an increase in headcount primarily to support sales in Europe.

General and Administrative

General and administrative expenses for the three months ended September 30, 2024, increased by \$0.8 million compared to 2023 primarily due to an increase in the accrual for employee bonuses of \$0.5 million and higher legal expenses of \$0.3 million.

General and administrative expenses for the nine months ended September 30, 2024, increased by \$2.1 million compared to 2023 primarily due to an increase in personnel and consulting expenses, including stock-based compensation, an increase in public company filing activity that required additional legal costs and auditor fees, and an increase in the accrual for employee bonuses.

Impairment of Contract Fulfillment Assets

Impairment of contract fulfillment assets for the nine months ended September 30, 2024, was \$3.2 million, resulting from the Company’s determination that it would not recover the contract fulfillment costs capitalized due to a decrease in projected profit for one of its hotspots and the cancellation of the consumer durable product.

Liquidity and Capital Resources

Historically, we have funded operations from a combination of public and private equity financings, convertible loans from existing investors and borrowings under loan agreements. As of September 30, 2024, we did not have any convertible loans or any other borrowing structures in place.

Currently, our principal source of liquidity consists of cash and cash equivalents totaling \$9.1 million, as of September 30, 2024. On April 29, 2024, we received \$3.8 million in cash, net of issuance costs, from an investor for the purchase of the Company’s shares and the issuance of warrants. Additionally, we may elect to sell shares of common stock under our “at the market” offering program, as described in detail under the title “ATM Offering.” We also have access to up to \$2.5 million available under the Receivables Financing Agreement. We plan to continue to leverage multiple sources of liquidity to maintain flexibility in regard to meeting our capital needs.

During the nine months ended September 30, 2024, our net loss was \$12.0 million and our use of cash in operations was \$4.0 million. Our cash balance is expected to cover the negative cash flow from operating losses and from developing new products over the next year. Increased revenue from new products is expected to improve cash flow over the next year. We expect to meet all obligations with existing cash and operating cash flow for a period of at least one year from the date of release of the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

The accompanying condensed consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. Cash and cash equivalents as of September 30, 2024, were \$9.1 million.

The following table summarizes our sources and uses of cash for the periods presented (in thousands):

	Nine Months Ended September 30,	
	2024	2023
Net cash used in operating activities	\$ (3,977)	\$ (3,701)
Net cash used in investing activities	(206)	(24)
Net cash provided by financing activities	3,846	309
Net decrease in cash and cash equivalents	<u>\$ (337)</u>	<u>\$ (3,416)</u>

Cash flows from operating activities

For the nine months ended September 30, 2024, cash used in operating activities was \$4.0 million, primarily attributable to a net loss of \$12.0 million and net cash used in a change in net operating assets and liabilities of \$0.3 million, partially offset by non-cash charges of \$8.3 million. The change in net operating assets and liabilities was primarily due to a decrease in accounts receivable, net, due to the timing of payments and an increase in accrued liabilities, partially offset by an increase in inventory (primarily due to raw materials inventory), non-trade receivables (primarily purchasing raw materials for our ODMs), related party receivables, and contract fulfillment assets (capitalized costs for product certifications). Non-cash charges primarily consist of \$3.2 million in impairment charges related to contract fulfillment assets, \$2.6 million in depreciation and amortization, \$1.2 million for stock-based compensation, and \$1.0 million in inventory write-downs.

For the nine months ended September 30, 2023, cash used in operating activities was \$3.7 million, primarily attributable to net cash used in a change in net operating assets and liabilities of \$7.5 million, which was partially offset by net non-cash charges of \$2.4 million and net income of \$1.3 million. The change in net operating assets and liabilities was primarily due to an increase in accounts receivable (due to our tablet customer and a large carrier customer) and an increase in contract fulfillment assets (capitalized costs for product certifications), partially offset by an increase in accounts payable. Non-cash charges primarily consist of \$1.2 million in depreciation and amortization, and \$1.0 million for stock-based compensation.

Cash flows from investing activities

For the nine months ended September 30, 2024, and 2023, there were no significant investing activities.

Cash flows from financing activities

For the nine months ended September 30, 2024, the Company received \$3.8 million in cash, net of issuance costs, from an investor for the purchase of shares and the issuance of warrants, as well as ATM sales.

For the nine months ended September 30, 2023, cash provided by financing activities was \$0.3 million, primarily due to \$0.4 million in proceeds from the exercise of employee stock options, partially offset by the repayment of debt.

Material Cash Requirements

There have been no material changes to our material cash requirements from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

Critical Accounting Policies and Estimates

Our discussion and analysis of financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America. Certain accounting policies and estimates are particularly important to the understanding of our financial position and results of operations and require the application of significant judgment by our management or can be materially affected by changes from period to period in economic factors or conditions that are outside of our control. As a result, they are subject to an inherent degree of uncertainty. In applying these policies, our management uses their judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on our historical operations, our future business plans and projected financial results, the terms of existing contracts, our observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate.

A description of our critical accounting policies that represent the more significant judgments and estimates used in the preparation of our consolidated financial statements was provided in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our Annual Report on Form 10-K for the year ended December 31, 2023. There have been no changes to our critical accounting policies and estimates described in the Annual Report on Form 10-K for the year ended December 31, 2023, that have had a material impact on our condensed consolidated financial statements and related notes.

Segment Information

We have one business activity and operate in one reportable segment.

JOBS Act

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. We expect to use the extended transition period for any other new or revised accounting standards during the period in which we remain an emerging growth company. As a result, our condensed consolidated financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

We will remain an emerging growth company until the earliest of (i) December 31, 2024 (the last day of the fiscal year following May 14, 2024, the fifth anniversary of the consummation of our initial public offering), (ii) the last day of the fiscal year in which we have total annual gross revenue of at least \$1.235 billion, (iii) the last day of the fiscal year in which we are deemed to be a "large accelerated filer" as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which would occur if the market value of our common stock held by non-affiliates exceeded \$700 million as of the last business day of the second fiscal quarter of such year, or (iv) the date on which we have issued more than \$1.0 billion in non-convertible debt securities during the prior three-year period. Even after we no longer qualify as an emerging growth company, we may still qualify as a smaller reporting company, which would allow us to take advantage of many of the same exemptions from disclosure requirements, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended, and reduced disclosure obligations regarding executive compensation in our prospectuses and in our periodic reports and proxy statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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) promulgated under the Exchange Act, prior to filing this Quarterly Report on Form 10-Q. Based on this evaluation, our principal executive and principal financial officer concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating disclosure controls and procedures, our management recognizes that any system of controls, however well designed and operated, can provide only reasonable assurance, and not absolute assurance, that the desired control objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals in all future circumstances. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the three months ended September 30, 2024 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.

For information regarding our material legal proceedings, see “Note 8, Commitments and Contingencies” in the accompanying “Notes to Condensed Consolidated Financial Statements” in this Quarterly Report on Form 10-Q, which information is incorporated herein by reference.

Item 1A. Risk Factors.

There are no material changes to the risk factors set forth in Part I, Item 1A, *Risk Factors* in our Annual Report on Form 10-K for the year ended December 31, 2023, except as set forth below.

The risk factor titled “*Sales of our common stock under the currently effective registration statement or the perception of such sales in the public market or otherwise could cause the market price for our common stock to decline, even if our business is doing well*” is amended and restated as follows:

Sales of our common stock under resale registration statements or the perception of such sales in the public market or otherwise could cause the market price for our common stock to decline, even if our business is doing well.

Resales of our common stock may cause the market price of our securities to drop significantly. The sale of shares of our common stock in the public market or otherwise, including sales pursuant to two effective Form S-3 Registration Statements and prospectuses, dated, respectively, December 1, 2023, (the “AJP Registration Statement”) and September 16, 2024 (the “Liu Registration Statement”) or the perception that such sales could occur, could reduce the prevailing market price of shares of our common stock and increase the volatility of our share price. These sales, or the possibility that these sales may occur, also might make it more difficult for us:

- to sell equity securities in the future at a time and at a price that we deem appropriate; and
- to comply with the Nasdaq listing standards with regard to the minimum bid price of our common stock.

The shares registered for resale through Liu Registration Statement (assuming the exercise of the entirety of the warrants) represent approximately 13% of the outstanding shares of our common stock as of September 30, 2024, and approximately 27% of our public float as of such date. The shares of common stock offered for resale pursuant to the AJP Registration Statement represent approximately 45% of the outstanding shares of our common stock as of July 30, 2024, and approximately 84% of our public float as of such date. Until such time that these registration statements are no longer effective, they will permit the resale of the registered shares. As such, sales of a substantial number of shares of our common stock in the public market could occur at any time.

The risk factor titled “*In prior years, we identified one material weakness in our internal control over financial reporting which, if not remediated, could have resulted in material misstatements in our financial statements*” is amended and restated as follows:

We have previously reported material weaknesses in our internal control over financial reporting, which have been remediated; however, we may identify additional or new material weaknesses in the future that may cause us to fail to meet our reporting obligations, result in material misstatements in our financial statements or fail to prevent fraud.

Our management is responsible for establishing and maintaining internal control over financial reporting, disclosure controls, and compliance with the other requirements of the Sarbanes-Oxley Act and the rules promulgated by the SEC thereunder. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected on a timely basis.

In prior years, we identified a material weakness in our internal control over financial reporting. While the material weaknesses related to internal controls over financial reporting previously disclosed by Sonim have since been remediated, the process of designing and implementing an effective financial reporting system is a continuous effort that requires our team to anticipate and react to changes in Sonim’s business, including its geographic expansion, to economic and regulatory environments and to expend significant resources to maintain a financial reporting system that satisfies its reporting obligations.

We cannot be certain that the measures we have taken, and expect to take, to improve our internal controls will be sufficient to ensure that our internal controls will remain effective and eliminate the possibility that other material weaknesses or deficiencies may develop or be identified in the future. If we identify future material weaknesses in our internal controls, even if quickly remediated once disclosed, investors may lose confidence in our financial statements and our stock price may decline. Implementing changes to our internal controls in connection with the remediation of any material weakness may distract our management and could require us to incur significant expenses. If we fail to remediate any material weakness, our financial statements may be inaccurate, we may be required to restate our financial statements, our ability to report our financial results in a timely and accurate basis may be adversely affected, our access to the capital markets may be restricted, our stock price may decline, and we may be subject to sanctions or investigation by regulatory authorities, which could materially and adversely affect our business and results of operations. In addition, even if we are successful in strengthening Sonim’s internal controls and procedures, in the future those internal controls and procedures may not be adequate to prevent or sufficiently identify irregularities or errors or to facilitate the fair presentation of our financial statements.

The risk factor titled “*We have failed, and may continue to fail, to meet the listing standards of Nasdaq, and as a result, our common stock may become delisted, which could have a material adverse effect on the trading, liquidity, and market price of our common stock*” is amended and restated as follows:

We are required to meet the Nasdaq continued listing requirements and other Nasdaq rules, or we may risk delisting. Delisting could negatively affect the price of our common stock, which could make it more difficult for us to sell securities in a future financing or for you to sell our common stock.

We are required to meet the continued listing requirements of the Nasdaq and other Nasdaq rules, including those regarding director independence and independent committee requirements, minimum stockholders’ equity, minimum share price and certain other corporate governance requirements. In particular, we are required to maintain a minimum bid price for our listed common stock of \$1.00 per share, which we previously failed to meet resulting in two reverse stock splits in a five-year period in order to regain compliance. If we do not meet these continued listing requirements, our common stock could be delisted. Delisting from the Nasdaq would cause us to pursue eligibility for trading of these securities on other markets or exchanges, or on the “pink sheets.” In such case, our stockholders’ ability to trade, or obtain quotations of the market value of our common stock would be severely limited because of lower trading volumes and transaction delays. These factors could contribute to lower prices and larger spreads in the bid and ask prices of these securities. There can be no assurance that our securities, if delisted from the Nasdaq in the future, would be listed on a national securities exchange, a national quotation service, the over-the-counter markets or the pink sheets. Delisting from the Nasdaq, or even the issuance of a notice of potential delisting (which notices have previously been issued), would also result in negative publicity, make it more difficult for us to raise additional capital, cause us to lose eligibility to register the sale or resale of our shares on Form S-3 and the automatic exemption from registration under state securities laws for exchange-listed securities, adversely affect the market liquidity of our securities, decrease securities analysts’ coverage of us or diminish investor, supplier and employee confidence.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None of our directors or officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K) during the quarterly period covered by this report.

Item 6. Exhibits.

Exhibit Number	Description	Incorporated by Reference			
		Form	File No.	Exhibit Number	Filing Date
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	8-K	001-38907	3.1	May 17, 2019
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation, effective September 15, 2021.	8-K	001-38907	3.1	September 15, 2021
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation, effective July 17, 2024	8-K	001-38907	3.1	July 18, 2024
3.4	Amended and Restated Bylaws of Sonim Technologies, Inc., as amended and restated as of June 14, 2024	8-K	001-38907	3.1	June 14, 2024
10.1#	Invoice Purchase Agreement, dated as of September 23, 2024, by and between Sonim Technologies, Inc. and LS DE LLC	8-K	001-38907	10.1	September 27, 2024
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.				
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.				
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.				
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.				
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.				
101PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.				
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)				

* The certifications furnished in Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

Portions of this exhibit have been redacted in compliance with Item 601(b)(10)(iv) of Regulation S-K. The Company agrees to furnish supplementally an unredacted copy of the exhibit to the Securities and Exchange Commission upon its request.

SIGNATURES

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

SONIM TECHNOLOGIES, INC.

Date: November 13, 2024

By: /s/ Hao Liu
Hao (Peter) Liu
Chief Executive Officer
(Principal Executive Officer)

Date: November 13, 2024

By: /s/ Clay Crolius
Clay Crolius
Chief Financial Officer
(Principal Financial and Accounting Officer)

1. I have reviewed this Quarterly Report on Form 10-Q of Sonim Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Hao Liu
Hao (Peter) Liu, Chief Executive Officer
(Principal Executive Officer)

1. I have reviewed this Quarterly Report on Form 10-Q of Sonim Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Clayton Crolius
Clayton Crolius, Chief Financial Officer
(Principal Financial Officer)

- (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.

By: /s/ Hao Liu
Hao (Peter) Liu
Chief Executive Officer
(Principal Executive Officer)

- (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.

By: /s/ Clayton Crolius
Clayton Crolius
Chief Financial Officer
(Principal Financial Officer)