

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

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

For the quarterly period ended September 30, 2023

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number **001-40350**

**FTC SOLAR, INC.**

(Exact name of Registrant as Specified in its Charter)

**Delaware**

(State or Other Jurisdiction of Incorporation or Organization)

**9020 N Capital of Texas Hwy, Suite I-260,  
Austin, Texas 78759**

(Address of Principal Executive Offices)

**81-4816270**

(I.R.S. Employer Identification No.)

**78759**

(Zip Code)

**(737) 787-7906**

Registrant's Telephone Number, Including Area Code

**Not Applicable**

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

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, \$0.0001 par value	FTCI	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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer      Accelerated filer      Non-accelerated filer      Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of October 31, 2023, 125,005,820 shares of the registrant's common stock were outstanding.



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## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. All statements other than statements of historical or current facts contained in this Quarterly Report on Form 10-Q may be forward-looking statements. Statements regarding our future results of operations and financial position, business strategy and plans and objectives of management for future operations, including, among others, liquidity, growth and profitability strategies and factors and trends affecting our business are forward-looking statements. Forward-looking statements can be identified in some cases by the use of words such as “believe,” “can,” “could,” “potential,” “plan,” “predict,” “goals,” “seek,” “should,” “may,” “may have,” “would,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” the negative of these words, other similar expressions or by discussions of strategy, plans or intentions.

The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We believe that these factors include, but are not limited to, the factors set forth under the heading “Risk Factors.” In addition, with respect to prior period acquisitions, these factors also include risks related to: (1) costs attributable to integration of the acquisitions, (2) the inability to successfully merge goals and technology with the acquired businesses, (3) the ability to recognize the anticipated benefits of the acquisitions (including expected orders and revenue for the acquired businesses, which are based on our reasonable due diligence of each business and the information and representations that were made to us), which may be affected by, among other things, competition, brand recognition, the ability of the combined businesses to grow and manage growth profitably and retain their key employees, (4) the failure of the combined businesses to effectively scale tracker systems and solutions in certain international markets and (5) changes in applicable laws or regulations that impact the feasibility of the operations of the combined businesses. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely upon these statements.

You should read this Quarterly Report on Form 10-Q with the understanding that our actual future results may be materially different from what we expect. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements.

These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained in this Quarterly Report on Form 10-Q, whether as a result of any new information, future events or otherwise.

ITEM 1. FINANCIAL STATEMENTS

**FTC Solar, Inc.**  
**Condensed Consolidated Balance Sheets**  
**(unaudited)**

(in thousands, except shares and per share data)	September 30, 2023	December 31, 2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 31,520	\$ 44,385
Accounts receivable, net	71,375	49,052
Inventories	4,655	14,949
Prepaid and other current assets	13,468	10,304
<b>Total current assets</b>	<u>121,018</u>	<u>118,690</u>
Operating lease right-of-use assets	2,006	1,154
Property and equipment, net	1,685	1,702
Intangible assets, net	657	1,113
Goodwill	7,143	7,538
Equity method investment	564	—
Other assets	3,186	4,201
<b>Total assets</b>	<u>\$ 136,259</u>	<u>\$ 134,398</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 9,782	\$ 15,801
Accrued expenses	25,778	23,896
Income taxes payable	262	443
Deferred revenue	11,178	11,316
Other current liabilities	8,589	8,884
<b>Total current liabilities</b>	<u>55,589</u>	<u>60,340</u>
Operating lease liability, net of current portion	1,310	786
Other non-current liabilities	5,286	6,822
<b>Total liabilities</b>	<u>62,185</u>	<u>67,948</u>
Commitments and contingencies (Note 15)		
Stockholders' equity		
Preferred stock par value of \$0.0001 per share, 10,000,000 shares authorized; none issued as of September 30, 2023 and December 31, 2022	—	—
Common stock par value of \$0.0001 per share, 850,000,000 shares authorized; 124,954,451 and 105,032,588 shares issued and outstanding as of September 30, 2023 and December 31, 2022	12	11
Treasury stock, at cost; 10,762,566 shares as of September 30, 2023 and December 31, 2022	—	—
Additional paid-in capital	362,532	315,345
Accumulated other comprehensive loss	(512)	(61)
Accumulated deficit	(287,958)	(248,845)
<b>Total stockholders' equity</b>	<u>74,074</u>	<u>66,450</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 136,259</u>	<u>\$ 134,398</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**FTC Solar, Inc.**  
**Condensed Consolidated Statements of Comprehensive Loss**  
**(unaudited)**

(in thousands, except shares and per share data)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>Revenue:</b>				
Product	\$ 27,274	\$ 3,543	\$ 80,927	\$ 43,677
Service	3,274	13,029	22,874	53,169
Total revenue	30,548	16,572	103,801	96,846
<b>Cost of revenue:</b>				
Product	22,775	11,411	73,694	62,800
Service	4,394	14,676	22,492	59,360
Total cost of revenue	27,169	26,087	96,186	122,160
<b>Gross profit (loss)</b>	3,379	(9,515)	7,615	(25,314)
<b>Operating expenses</b>				
Research and development	1,921	2,126	5,716	7,538
Selling and marketing	6,324	1,994	9,887	6,893
General and administrative	11,411	13,059	31,053	39,966
Total operating expenses	19,656	17,179	46,656	54,397
<b>Loss from operations</b>	(16,277)	(26,694)	(39,041)	(79,711)
Interest expense, net	(108)	(160)	(194)	(882)
Gain from disposal of investment in unconsolidated subsidiary	—	1,408	898	1,745
Other expense, net	(50)	(341)	(265)	(249)
Loss from unconsolidated subsidiary	(336)	—	(336)	—
<b>Loss before income taxes</b>	(16,771)	(25,787)	(38,938)	(79,097)
(Provision for) benefit from income taxes	(166)	151	(175)	(15)
<b>Net loss</b>	(16,937)	(25,636)	(39,113)	(79,112)
<b>Other comprehensive loss:</b>				
Foreign currency translation adjustments	(38)	(474)	(451)	(357)
<b>Comprehensive loss</b>	\$ (16,975)	\$ (26,110)	\$ (39,564)	\$ (79,469)
<b>Net loss per share:</b>				
Basic and diluted	\$ (0.14)	\$ (0.25)	\$ (0.35)	\$ (0.79)
<b>Weighted-average common shares outstanding:</b>				
Basic and diluted	119,793,821	102,164,455	112,794,562	100,642,126

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**FTC Solar, Inc.**  
**Condensed Consolidated Statements of Stockholders' Equity**  
**(unaudited)**

(in thousands, except shares)	Preferred stock		Common stock		Treasury stock		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity (deficit)
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance as of December 31, 2022	—	\$ —	105,032,588	\$ 11	10,762,566	\$ —	\$ 315,345	\$ (61)	\$ (248,845)	\$ 66,450
Shares issued during the period for vested restricted stock awards	—	—	1,498,987	—	—	—	2,775	—	—	2,775
Issuance of common stock upon exercise of stock options	—	—	265,125	—	—	—	51	—	—	51
Shares issued for legal settlement	—	—	797,396	—	—	—	2,000	—	—	2,000
Sale of shares	—	—	2,683,000	—	—	—	6,292	—	—	6,292
Stock offering costs	—	—	—	—	—	—	(32)	—	—	(32)
Stock-based compensation	—	—	—	—	—	—	2,472	—	—	2,472
Net loss	—	—	—	—	—	—	—	—	(11,762)	(11,762)
Other comprehensive loss	—	—	—	—	—	—	—	(5)	—	(5)
Balance as of March 31, 2023	—	—	110,277,096	11	10,762,566	—	328,903	(66)	(260,607)	68,241
Shares issued during the period for vested restricted stock awards	—	—	1,213,037	—	—	—	2,085	—	—	2,085
Issuance of common stock upon exercise of stock options	—	—	39,087	—	—	—	—	—	—	—
Sale of shares	—	—	6,589,000	1	—	—	17,347	—	—	17,348
Stock offering costs	—	—	—	—	—	—	(127)	—	—	(127)
Stock-based compensation	—	—	—	—	—	—	2,669	—	—	2,669
Net loss	—	—	—	—	—	—	—	—	(10,414)	(10,414)
Other comprehensive loss	—	—	—	—	—	—	—	(408)	—	(408)
Balance as of June 30, 2023	—	—	118,118,220	12	10,762,566	—	350,877	(474)	(271,021)	79,394
Shares issued during the period for vested restricted stock awards	—	—	595,097	—	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	403,749	—	—	—	170	—	—	170
Sale of shares	—	—	6,149,885	—	—	—	10,367	—	—	10,367
Stock offering costs	—	—	—	—	—	—	(74)	—	—	(74)
Share repurchase and retirement	—	—	(312,500)	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	1,192	—	—	1,192
Net loss	—	—	—	—	—	—	—	—	(16,937)	(16,937)
Other comprehensive loss	—	—	—	—	—	—	—	(38)	—	(38)
Balance as of September 30, 2023	—	\$ —	124,954,451	\$ 12	10,762,566	\$ —	\$ 362,532	\$ (512)	\$ (287,958)	\$ 74,074

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**FTC Solar, Inc.**  
**Condensed Consolidated Statements of Stockholders' Equity**  
**(unaudited)**

(in thousands, except shares)	Preferred stock		Common stock		Treasury stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total stockholders' equity (deficit)
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance as of December 31, 2021	—	\$ —	92,619,641	\$ 9	10,762,566	\$ —	\$ 292,082	\$ 7	\$ (149,232)	\$ 142,866
Shares issued during the period for vested restricted stock awards	—	—	5,311,326	1	—	—	(1)	—	—	—
Issuance of common stock upon exercise of stock options	—	—	1,793,876	—	—	—	428	—	—	428
Stock-based compensation	—	—	—	—	—	—	4,610	—	—	4,610
Net loss	—	—	—	—	—	—	—	—	(27,793)	(27,793)
Other comprehensive gain	—	—	—	—	—	—	—	57	—	57
Balance as of March 31, 2022	—	—	99,724,843	10	10,762,566	—	297,119	64	(177,025)	120,168
Shares issued during the period for vested restricted stock awards	—	—	729,106	—	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	266,225	—	—	—	86	—	—	86
Shares issued for HX Tracker acquisition	—	—	1,000,000	—	—	—	4,370	—	—	4,370
Stock-based compensation	—	—	—	—	—	—	998	—	—	998
Net loss	—	—	—	—	—	—	—	—	(25,683)	(25,683)
Other comprehensive gain	—	—	—	—	—	—	—	60	—	60
Balance as of June 30, 2022	—	—	101,720,174	10	10,762,566	—	302,573	124	(202,708)	99,999
Shares issued during the period for vested restricted stock awards	—	—	645,896	—	—	—	1,826	—	—	1,826
Issuance of common stock upon exercise of stock options	—	—	678,254	—	—	—	274	—	—	274
Stock-based compensation	—	—	—	—	—	—	5,539	—	—	5,539
Net loss	—	—	—	—	—	—	—	—	(25,636)	(25,636)
Other comprehensive loss	—	—	—	—	—	—	—	(474)	—	(474)
Balance as of September 30, 2022	—	\$ —	103,044,324	\$ 10	10,762,566	\$ —	\$ 310,212	\$ (350)	\$ (228,344)	\$ 81,528

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**FTC Solar, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**(unaudited)**

<b>(in thousands)</b>	<b>Nine months ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>		
Net loss	\$ (39,113)	\$ (79,112)
Adjustments to reconcile net loss to cash used in operating activities:		
Stock-based compensation	9,044	11,147
Depreciation and amortization	1,004	582
(Gain) loss from sale of property and equipment	(2)	183
Amortization of debt issue costs	532	526
Provision for obsolete and slow-moving inventory	1,261	129
Loss from unconsolidated subsidiary	336	—
Gain from disposal of investment in unconsolidated subsidiary	(898)	(1,745)
Warranty provision	3,938	7,374
Warranty recoverable from manufacturer	45	(299)
Credit losses and bad debt expense	4,302	1,138
Deferred income taxes	221	(331)
Lease expense and other	748	550
Impact on cash from changes in operating assets and liabilities:		
Accounts receivable, net	(26,625)	53,481
Inventories	9,033	(8,574)
Prepaid and other current assets	(3,122)	4,948
Other assets	67	(661)
Accounts payable	(6,160)	(11,867)
Accruals and other current liabilities	5,491	(25,507)
Deferred revenue	(138)	3,489
Other non-current liabilities	(5,740)	(4,188)
Lease payments and other, net	(607)	(348)
Net cash used in operations	(46,383)	(49,085)
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(460)	(814)
Proceeds from sale of property and equipment	—	86
Equity method investment in Alpha Steel	(900)	—
Acquisitions, net of cash acquired	—	(5,093)
Proceeds from disposal of investment in unconsolidated subsidiary	898	1,745
Net cash used in investing activities	(462)	(4,076)
<b>Cash flows from financing activities:</b>		
Sale of common stock	34,007	—
Stock offering costs paid	(95)	—
Proceeds from stock option exercises	221	788
Net cash provided by financing activities	34,133	788
Effect of exchange rate changes on cash and cash equivalents	(153)	8
Net decrease in cash and cash equivalents	(12,865)	(52,365)
Cash and cash equivalents at beginning of period	44,385	102,185
Cash and cash equivalents at end of period	\$ 31,520	\$ 49,820
<b>Supplemental disclosures of cash flow information:</b>		
Purchases of property and equipment included in ending accounts payable and accruals	\$ 146	\$ 27
Stock issued for accrued legal settlement	\$ 2,000	\$ —
Right-of-use asset and lease liability recognition for new leases	\$ 1,417	\$ —
Cash paid during the period for third party interest	\$ 436	\$ 657
Cash paid during the period for taxes, net of refunds	\$ 331	\$ 119

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.



**FTC Solar, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**1. Description of business**

FTC Solar, Inc. (the “Company”, “we”, “our”, or “us”) was founded in 2017 and is incorporated in the state of Delaware. In April 2021, we completed an initial public offering (“IPO”), and our common stock began trading on the Nasdaq Global Market under the symbol “FTCI”.

We are a global provider of solar tracker systems, supported by proprietary software and value-added engineering services. Solar tracker systems move solar panels throughout the day to maintain an optimal orientation relative to the sun, thereby increasing the amount of solar energy produced at a solar installation. Our original tracker system is currently marketed under the Voyager brand name (“Voyager”), which is our two-panel in-portrait (“2P”) single-axis tracker solution. In September 2022, we announced the introduction of Pioneer, our new one module-in-portrait (“1P”) solar tracker solution. We have also launched a new mounting solution to support the installation and use of U.S.-manufactured thin-film modules by project owners and, in August 2023, we introduced SUNOPS, a cloud-based, tracker-agnostic solar asset monitoring solution allowing asset owners and managers to evaluate the operation and performance of their solar deployments. In addition, we have a team of renewable energy professionals available to assist our U.S. and worldwide clients in site layout, structural design, pile testing and other needs across the solar project development and construction cycle. The Company is headquartered in Austin, Texas, and has international subsidiaries in Australia, China, India and South Africa.

We are an emerging growth company, as defined in the Jumpstart Our Business Startups (JOBS) Act. Under the JOBS Act, we elected to use the allowed extended transition period to delay adopting new or revised accounting standards until such time as those standards apply to private companies.

**2. Summary of significant accounting policies**

**Basis of presentation and principles of consolidation**

The accompanying unaudited condensed consolidated financial statements include the results of the Company and its wholly owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial statements and pursuant to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments of a normal recurring nature have been made that are considered necessary for a fair statement of our financial position as of September 30, 2023, and December 31, 2022, our results of operations for the three and nine months ended September 30, 2023 and 2022, and our cash flows for the nine months ended September 30, 2023 and 2022. The condensed consolidated balance sheet as of December 31, 2022 has been derived from the Company’s audited consolidated financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. Operating results for the three and nine months ended September 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023. Intercompany balances and transactions have been eliminated in consolidation.

Certain information and disclosures normally included in the notes to annual financial statements prepared in accordance with U.S. GAAP have been omitted from these interim financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 (our “2022 Annual Report”).

We currently operate in one business segment, the manufacturing and servicing of solar tracker systems.

**Liquidity**

We have incurred cumulative losses since inception, resulting in an accumulated deficit of \$288.0 million as of September 30, 2023, and have a history of cash outflows from operations. During the years ended December 31, 2021 and 2022, and the nine months ended September 30, 2023, we had \$132.9 million, \$54.5 million and \$46.4 million, respectively, of cash outflows from operations. As of September 30, 2023, we had \$31.5 million of cash on hand, \$65.4 million of working capital, approximately \$64.9 million of remaining

capacity available for future sales of our common stock under our ATM program as described further in Note 5 below, and approximately \$98.0 million of unused borrowing capacity under our existing Senior Secured Revolving Credit Facility (the "Credit Facility") until termination on April 30, 2024. The Credit Facility includes a financial condition covenant stating we are required to have a minimum liquidity, consisting of cash on hand and unused borrowing capacity, of \$125.0 million as of each quarter end. Additionally, as of September 30, 2023, we had a material contractual obligation that could require us to make additional equity investment capital contributions to Alpha Steel, as described further in "Note 3, Equity method investment".

The Uyghur Forced Labor Prevention Act ("UFLPA") was passed by the U.S. Congress and signed into law by President Biden on December 23, 2021. The UFLPA establishes a rebuttable presumption that the importation of any goods, wares, articles, and merchandise mined, produced, or manufactured wholly or in part in the Xinjiang Uyghur Autonomous Region of the People's Republic of China ("Xinjiang"), or that are produced by certain entities, is prohibited by Section 307 of the Tariff Act of 1930 and that such goods, wares, articles, and merchandise are not entitled to entry to the United States. U.S. Customs and Border Protection ("CBP") began implementing the presumption set out in the UFLPA on June 21, 2022, resulting in new rules for solar module importers and reviews by CBP. There continues to be uncertainty in the market around achieving full compliance with the UFLPA for the importation of solar modules, whether related to sufficient traceability of materials or other factors.

On April 1, 2022, the U.S. Department of Commerce, in response to a petition by Auxin Solar, Inc., published a notice initiating an investigation ("the Solar Circumvention Investigation") of claims related to alleged circumvention of U.S. antidumping and countervailing duties ("AD/CVD") by solar manufacturers in certain Southeast Asian countries, in an effort to determine whether or not solar cells and/or modules made in those Southeast Asian nations use parts originating from China in order to circumvent the AD/CVD tariffs. On June 6, 2022, President Biden issued a proclamation allowing U.S. solar deployers the ability to import solar modules and cells from Cambodia, Malaysia, Thailand and Vietnam free from certain duties for 24 months, along with other incentives designed to accelerate U.S. domestic production of clean energy technologies.

Since 2016, CBP has issued a number of withhold release orders ("WRO") directed at forced labor in China, including WROs directed specifically at activity in Xinjiang. To date, CBP has used the WROs to detain solar panels, which has disrupted the U.S. solar installation market and caused additional uncertainty on future projects.

These policies and actions have resulted in some developers deferring projects due to the uncertainty of panel supply and costs, which negatively impacted our 2022 revenue and cash flows and are continuing to negatively impact our revenue and our cash flows to date in 2023.

The most notable incentive program impacting our U.S. business has been the investment tax credit ("ITC") for solar energy projects, which allows taxpayers to offset their U.S. federal income tax liability by a certain percentage of their cost basis in solar energy systems placed in service for commercial use. The Inflation Reduction Act of 2022, passed by the U.S. Congress and signed into law by President Biden on August 16, 2022, expanded and extended the tax credits and other tax benefits available to solar energy projects and the solar energy supply chain. ITCs have been extended for such projects through at least 2032 and, depending on the location of a particular project and its ability to satisfy certain labor and domestic content requirements, the ITC percentage can range between 30% and 50%. U.S. manufacturers of specific solar components are now eligible to claim production tax credits as an alternative to the ITC. Implementing regulations for this law are still being finalized.

Our costs are affected by the costs of certain components and materials, such as steel, motors and micro-chips, as well as transportation costs. Current market conditions and international conflicts that constrain the supply of materials and disrupt the flow of materials from international vendors impact the cost of our products and services, along with overall rates of inflation in the global economy, which have been higher than pre-COVID 19 pandemic historical rates. Transportation costs, including ocean freight and U.S. domestic haul rates, increased at the beginning of the COVID-19 pandemic but have since returned to pre-pandemic rates. Domestic fuel prices, however, continue to be elevated compared to pre-pandemic rates. Additionally, COVID-19 shutdowns in China during 2022 created a backlog of exports and increased demand for container shipments from China, but such shutdowns have since been eased by the Chinese government. These cost increases and decreases impact our operating margins. We have taken steps to expand and diversify our manufacturing partnerships and have adjusted our modes of transportation to mitigate the impact of headwinds that arise in the global supply chain and logistics markets. As an example, we have modified our ocean freight from previously using charter shipments to now using containerized shipments as costs in the container market began to decrease in 2022. We continue to monitor the logistics markets and will continue to evaluate our use of various modes of transportation when warranted to optimize our transportation costs. Additionally, from February 2022 to September 2023, we utilized a related-party consulting firm to support us in making improvements to our processes and performance in various areas, including design, sourcing, logistics, pricing, software and our distributed generation business. For further information regarding this consulting firm, see "Note 17. Related party transactions".

In accordance with Accounting Standards Codification ("ASC") 205-40, Going Concern, we have evaluated whether there are conditions and events, considered in the aggregate, which raise substantial doubt about our ability to continue as a going concern within one year after the date these condensed consolidated financial statements are issued. While the UFLPA continues to create uncertainty in the market, we believe that passage of the Inflation Reduction Act of 2022, as described above, has reduced the level of uncertainty among solar project owners and developers with regard to new project development in the United States. We note that implementing regulations for the Inflation Reduction Act are still being finalized, which creates uncertainty about the extent of its impact on our Company and the solar energy industry. We also took significant steps in 2022, and are continuing to take further steps in 2023, to address the recent market challenges and our historical use of cash through the following actions:

- certain members of our senior management team elected to forego certain cash compensation during the second half of 2022 in exchange for equity compensation;
- the members of our board of directors agreed to take equity compensation in lieu of cash compensation during 2023;
- we began making certain incentive compensation payments to all employees in stock rather than cash beginning at the end of the second quarter of 2022;
- we reduced our workforce by approximately 8% in December of 2022, and another 9% in the third quarter of 2023;
- we initially froze non-essential hiring in 2022, placed restrictions on certain travel, decreased the future use of consultants and continue to defer non-critical initiatives;
- we have initiated frequent, consistent communication with our customers, which in certain cases has allowed us to resolve issues preventing timely collection of certain past due outstanding receivables;
- we have emphasized cash collections from customers, and continue to negotiate improved payment terms with both our customers and vendors and have switched vendors when needed to obtain cost savings;
- we launched Pioneer, a 1P solar tracker solution, and introduced a new mounting solution to support the installation and use of U.S.-manufactured thin-film modules not subject to UFLPA;
- we reached a settlement agreement with FCX Solar, LLC in December 2022, regarding a lawsuit filed against us relating to claims of patent infringement in order to eliminate future time and expense involved in defending ourselves in this action; under the settlement agreement, we were able to utilize our common stock to satisfy a portion of the settlement payment;
- we made an investment to acquire a 45% ownership interest in Alpha Steel, a manufacturing partnership with a leading steel fabricator, which will enhance our domestic supply chain to reduce our exposure to import duties and import restrictions, as described further in "Note 3, Equity method investment" below;
- in 2023, we began selling newly issued shares of our common stock under our ATM program (as defined and described further in "Note 5, ATM program" below); and
- we continue to actively explore options to obtain additional sources of capital through either the issuance of new debt or equity.

A number of the steps above, as well as improvements in the logistics markets and easing of supply chain constraints, contributed to us having positive gross profit in the nine months ended September 30, 2023, which also reduced our use of cash required to fund our operations during the current year-to-date period.

Management believes that our existing cash on hand, as well as the continuing impact of certain of the actions described above and our expectations of improved market conditions and positive results from our efforts to continue to increase gross margins, will allow us to grow profitably and generate positive cash flow from operations during the next twelve months in amounts that will be sufficient, along with our other available resources, to fund our operations for at least one year from the date of issuance of the condensed consolidated financial statements.

We have achieved success in executing certain of the initiatives above and we continue to work to further reduce our use of cash to fund our operations. We have begun and expect to continue seeing the benefits from production of our Pioneer solution in our financial results during 2024 and we believe passage of the Inflation Reduction Act of 2022 and our investment in Alpha Steel will also ultimately benefit demand for our products in the United States. At the same time, however, new rules for module importers and reviews by CBP pursuant to achieving full compliance with the UFLPA are expected to continue creating uncertainty in the market. However, once there is additional clarity around compliance with the UFLPA and customers get line-of-sight to module deliveries, we believe the market will see a recovery. While there are already many underlying drivers of growth in the solar industry, the expected positive impact on demand for

our products could take longer than expected to occur. In addition, market conditions could deteriorate significantly from what we currently expect, and regulatory and international trade policies could become more stringent as a result of (i) findings from the Solar Circumvention Investigation, (ii) CBP's enforcement of the UFLPA, and (iii) other factors, which may result in a need for us to issue additional debt or obtain new equity financing, which could result in additional shareholder dilution, to continue to adequately fund our existing operations beyond the next twelve months. We may be unable to obtain any desired additional financing on terms favorable to us, or at all, depending on market and other conditions, which could result in curtailment of our current operations and our ability to further invest in our products and new technology. The ability to raise additional financing depends on numerous factors that are outside of our control, including macroeconomic factors such as the impact of inflation, the ongoing conflict in the Ukraine, market conditions, the health of financial institutions (including the recent bankruptcy of certain regional banks and related impacts that have occurred and continue to occur in the banking industry), investors' and lenders' assessments of our prospects and the prospects of the solar industry in general.

#### **Use of estimates**

Preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenue and expenses during the period. Estimates are used for calculating the measure of progress of our solar tracker projects and deriving the standalone selling prices of the individual performance obligations when determining amounts to recognize for revenue, estimating allowances for credit losses and slow-moving and obsolete inventory, determining useful lives of long-lived assets and the estimated fair value of those assets for impairment assessments, and estimating the fair value of investments, stock compensation awards, warranty liabilities and federal and state taxes, including tax valuation allowances, as well as other contingencies. We base our estimates on historical experience and anticipated results, trends, and various other assumptions that we believe are reasonable under the circumstances, including assumptions as to future events. Actual results could differ from those estimates due to risks and uncertainties.

#### **Concentration of credit risk**

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and accounts receivable.

We regularly maintain cash balances with various financial institutions that exceed federally insured amounts, but we have experienced no losses associated with these amounts to date. We also took action in early 2023 to reallocate cash balances between different financial institutions based on our assessment as to the financial health of certain institutions.

We extend credit to customers in the normal course of business, often without requiring collateral. We also perform credit analyses and monitor the financial health of our customers to reduce credit risk.

The Company's accounts receivables are derived from revenue earned from customers primarily located in the U.S. and Australia. No countries other than the U.S. and Australia account for 10% or more of our revenue. Most of our customers are project developers, solar asset owners and engineering, procurement and construction ("EPC") contractors that design and build solar energy projects. We typically rely on a small number of customers that account for a large portion of our revenue each period and our outstanding receivables at each period end.

#### **Cash and cash equivalents**

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Certain of our cash equivalents include deposits in money market funds that invest primarily in short-term securities issued or guaranteed by the U.S. government or its agencies or instrumentalities and contain no restrictions on immediate redemption. The carrying value for money market fund deposits approximates fair value based on quoted prices in active markets for units held (Level 1 classification) and totaled \$18.1 million at September 30, 2023 and \$25.4 million at December 31, 2022. Interest earned on cash equivalents is included in interest income, which is reported net of interest expense in our condensed consolidated statements of comprehensive loss.

#### **Accounts receivable, net**

Trade receivables are recorded at invoiced amounts, net of allowances for credit losses, and do not bear interest. We generally do not require collateral from our customers; however, in certain circumstances, we may require letters of credit, other collateral, additional guarantees or advance payments.

The allowance for credit losses is based on the lifetime expected credit loss of our customer accounts. To assess the lifetime expected credit loss, we utilize a loss rate method that takes into consideration historical experience and certain other factors, as appropriate, such as credit quality and current economic or other conditions that may affect a customer's ability to pay. Provisions for credit losses are included as a component of our selling and marketing costs.

Receivables arising from revenue recognized in excess of billings represents our unconditional right to consideration before customers are invoiced due to the level of progress obtained as of period end on our contracts to procure and deliver tracker systems and related equipment. Further information may be found below in our revenue recognition policy.

### **Inventories, net**

Inventories are stated at the lower of cost or net realizable value, with costs computed on a first-in, first-out basis. The Company periodically reviews its inventories for excess and obsolete items and adjusts carrying costs to estimated net realizable values when they are determined to be less than cost.

### **Impairment**

We review our long-lived assets that are held for use for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable or that its useful life may be shorter than previously expected. If such impairment indicators are present or other factors exist that indicate the carrying amount of the asset may not be recoverable, we determine whether an impairment has occurred through the use of an undiscounted cash flow analysis of the asset at the lowest level for which identifiable cash flows exist. If an impairment has occurred, we recognize a loss for the difference between the carrying amount and the fair value of the asset, which in most cases is estimated based upon Level 3 unobservable inputs. If the asset is determined to have a remaining useful life shorter than previously expected an adjustment for the shorter remaining life will be made for purposes of recognizing future depreciation expense. Assets are classified as held for sale when we have a plan, approved by the appropriate levels of management, for disposal of such assets, as well as other considerations, and those assets are stated at the lower of carrying value or estimated fair value less estimated costs to sell.

### **Intangible assets, net**

Intangible assets consist of developed technology in the form of software tools, licenses and intellectual property, which are amortized over the period of their estimated useful lives, generally 2.5 to 3.0 years, using the straight-line method. We evaluate our intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of our intangible assets may not be recoverable or that their useful lives may be shorter than previously expected.

### **Goodwill**

We recognize goodwill as the excess of the purchase price over the estimated fair value of the identified assets and liabilities acquired in a business combination accounted for using the acquisition method. Goodwill is not amortized but is subject to a periodic assessment for impairment at least annually, or whenever events and circumstances indicate an impairment may exist.

### **Equity method investment**

We use the equity method of accounting for investments in which we have the ability to exercise significant influence, but not control, over operating and financial policies of the investee. Our proportionate share of the net income or loss of these investees is included in our condensed consolidated statements of comprehensive loss. Judgment regarding the level of influence over each equity method investment includes considering key factors such as our ownership interest, legal form of the investee, representation on the board of directors or managers, participation in policy-making decisions and material intra-entity transactions. We account for distributions received from equity method investees under the "nature of the distribution" approach based on the nature of the activity or activities of the investee that generated the distribution as either a return on investment (classified as cash inflows from operating activities) or a return of investment (classified as cash inflows from investing activities).

We evaluate equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment might not be recoverable.

## Warranty

Typically, the sale of solar tracker projects includes parts warranties to customers as part of the overall price of the product. We provide standard assurance type warranties for our products for periods generally ranging from two to ten years. We record a provision for estimated warranty expenses in cost of sales, net of amounts recoverable from manufacturers under their warranty obligations to us. We do not maintain general or unspecified reserves; all warranty reserves are related to specific projects. All actual or estimated material costs incurred for warranty services in subsequent periods are charged to those established reserves.

While we periodically monitor our warranty activities and claims, if actual costs incurred were to be different from our estimates, we would recognize adjustments to our warranty reserves in the period in which those differences arise or are identified.

## Stock-based compensation

We recognize compensation expense for all share-based payment awards made, including stock options and RSUs, based on the estimated fair value of the award on the grant date. We calculate the fair value of stock options using the Black-Scholes option pricing model for awards with service-based vesting or through use of a lattice model or a Monte Carlo simulation for awards with market conditions. The fair value of RSUs is based on the estimated fair value of the Company's common stock on the date of grant. We consider the closing price of our stock, as reported on the Nasdaq Global Market, to be the fair value of our stock on the grant date.

Forfeitures are accounted for as they occur. For service-based awards, stock-based compensation is recognized using the straight-line attribution approach over the requisite service period. For performance-based awards, stock-based compensation is recognized based on graded vesting over the requisite service period when the performance condition is probable of being achieved. Stock compensation expense for market-based awards is recognized over the derived service period determined in the valuation model, inclusive of any vesting conditions.

## Revenue recognition

Product revenue is derived from the sale of solar tracker systems and customized components for those systems, individual part sales for certain specific transactions and the sale of term-based software licenses. Term-based licensed software is deployed on the customers' own servers and has significant standalone functionality.

Service revenue includes revenue from shipping and handling services, engineering consulting and pile testing services, our subscription-based enterprise licensing model and maintenance and support services in connection with the term-based software licenses. Our subscription-based enterprise licensing model typically has contract terms ranging from one to two years and consists of subscription fees from the licensing of subscription services. Our hosted on-demand service arrangements do not provide customers with the right to take possession of the software supporting the hosted services. Support services include ongoing security updates, upgrades, bug fixes, and maintenance.

We recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which we expect to be entitled to in exchange for those goods or services by following a five-step process: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when or as the Company satisfies a performance obligation, as further described below.

*Identify the contract with a customer:* A contract with a customer exists when (i) the Company enters into an enforceable contract with a customer that defines each party's rights regarding the products and services to be transferred and identifies the payment terms related to these products and services, (ii) the contract has commercial substance, and (iii) the Company determines that collection of substantially all consideration for products and services that are transferred is probable based on the customer's intent and ability to pay the promised consideration. In assessing the recognition of revenue, we also evaluate whether two or more contracts should be combined and accounted for as one contract and if the combined or single contract should be accounted for as multiple performance obligations which could change the amount of revenue and profit (loss) recorded in a period. Change orders may include changes in specifications or design, manner of performance, equipment, materials, scope of work, and/or the period of completion of the project. We analyze change orders to determine if they should be accounted for as a modification to an existing contract or a new stand-alone contract.

Contracts we enter into with our customers for sale of solar tracker systems are generally under two different types of arrangements: (1) purchase agreements and equipment supply contracts (“Purchase Agreements”), and (2) sale of individual parts for those systems.

Change orders from our customers are generally modifications to existing contracts and are included in the total estimated contract revenue when it is probable that the change order will result in additional value that can be reliably estimated and realized.

*Identify the performance obligations in the contract:* We enter into contracts that can include various combinations of products and services, which are either capable of being distinct and accounted for as separate performance obligations or as one performance obligation since the majority of tasks and services are part of a single project or capability. However, determining whether products or services are considered distinct performance obligations that should be accounted for separately versus together may sometimes require significant judgment.

Our Purchase Agreements typically include two performance obligations: 1) our solar tracker systems or customized components of those systems, and 2) shipping and handling services. The deliverables included as part of our solar tracker systems are predominantly accounted for as one performance obligation, as these deliverables are part of a combined promise to deliver a project.

The revenue for shipping and handling services will be recognized over time based on progress in meeting shipping terms of the arrangements, as this faithfully depicts the Company’s performance in transferring control. Revenue for stand-alone engineering consulting and pile testing services is recognized at a point in time upon completion of the services performed.

Sales of individual parts of our solar tracker systems for certain specific transactions include multiple performance obligations consisting of individual parts of those systems. Revenue is recognized for parts sales at a point in time when the obligations under the terms of the contract with our customer are satisfied. Generally, this occurs with the transfer of control of the asset, which is in line with shipping terms.

*Determine the transaction price:* The transaction price is determined based on the consideration to which we will be entitled in exchange for transferring services to the customer. Such amounts are typically stated in the customer contract, and to the extent that we identify variable consideration, we will estimate the variable consideration at the onset of the arrangement as long as it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The majority of our contracts do not contain variable consideration provisions as a continuation of the original contract. None of our contracts contain a significant financing component. Taxes collected from customers and remitted to governmental authorities are not included in revenue.

*Allocate the transaction price to performance obligations in the contract:* Once we have determined the transaction price, we allocate the total transaction price to each performance obligation in a manner depicting the amount of consideration to which we expect to be entitled in exchange for transferring the good(s) or service(s) to the customer. We allocate the transaction price to each performance obligation identified in the contract on a relative standalone selling price basis.

We use the expected cost-plus margin approach based on hardware, labor, and related overhead cost to estimate the standalone selling price of our solar tracker systems, customized components of those systems, and individual parts for certain specific transactions. We also use the expected cost-plus margin approach based on expected third-party shipping and transportation costs to estimate the standalone selling price of our shipping, handling and logistics performance obligations. We use the adjusted market assessment approach for all other performance obligations.

*Recognize revenue when or as the Company satisfies a performance obligation:* For each performance obligation identified, we determine at contract inception whether we satisfy the performance obligation over time or at a point in time. The performance obligations in the contracts for our solar tracker systems and customized components of those systems are satisfied over time as work progresses, utilizing an input measure of progress determined by cost-to-cost measures on these projects as this faithfully depicts our performance in transferring control. Additionally, our performance does not create an asset with an alternative use, due to the highly customized nature of the product, and we have an enforceable right to payment for performance completed to date. Our performance obligations for individual part sales for certain specific transactions are recognized at a point in time as and when control transfers based on the Incoterms for the contract. Our performance obligations for engineering consulting and pile testing services are recognized at a point in time upon completion of the services. Our performance obligations for term-based software licenses are recognized at a point in time as and when control transfers, either upon delivery to the customer or the software license start date, whichever is later. Our performance obligations for shipping and handling services are satisfied over time as the services are delivered over the term of the contract. We recognize revenue for subscription

and other services on a straight-line basis over the contract period. With regard to support revenue, a time-elapsed method is used to measure progress because we transfer control evenly over the contractual period. Accordingly, the fixed consideration related to support revenue is generally recognized on a straight-line basis over the contract term.

*Contract assets and liabilities:* The timing of revenue recognition, billing, and cash collection results in the recognition of accounts receivable, unbilled receivables for revenue recognized in excess of billings, and deferred revenue in the condensed consolidated balance sheets. We may receive advances or deposits from our customers before revenue is recognized, resulting in contract liabilities, which are reflected as “deferred revenue” in our condensed consolidated balance sheets. Revenue recognized during the three and nine months ended September 30, 2023 from amounts included in deferred revenue at December 31, 2022 totaled \$1.6 million and \$10.9 million, respectively.

Cost of revenue consists primarily of costs related to raw materials, equipment manufacturing activities, freight and delivery, product warranty, remediation and personnel costs (salaries, bonuses, benefits, and stock-based compensation). Personnel costs in cost of revenue include both direct labor costs, as well as costs attributable to any individuals whose activities relate to the procurement, installment and delivery of the finished product and services. Cost of revenue owed but not yet paid is recorded as accrued cost of revenue in the accompanying condensed consolidated financial statements. Deferred cost of revenue results from the timing differences between the costs incurred in advance of the satisfaction of all revenue recognition criteria consistent with our revenue recognition policy.

### **Recent accounting pronouncements adopted**

We adopted ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”), as amended, effective January 1, 2023. ASU 2016-13 changed the impairment model for most financial assets and requires the use of an expected loss model in place of the previously used incurred loss method. Under this model, we now estimate the lifetime expected credit loss on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. We did not have a material impact on our condensed consolidated financial statements upon adoption of ASU 2016-13.

### **3. Equity method investment**

On February 9, 2023, we entered into a limited liability company agreement (the “LLC Agreement”) with Taihua New Energy (Thailand) Co., LTD (“Taihua”), a leading steel fabricator and an existing vendor, and DAYV LLC, for the creation of Alpha Steel LLC (“Alpha Steel”), a Delaware limited liability company dedicated to producing steel components, including torque tubes, for utility-scale solar projects. The Alpha Steel facility, which is located outside of Houston in Sealy, Texas, is expected to begin commercial production in the fourth quarter of 2023.

We entered into amendment no. 1 to the Alpha Steel LLC Agreement with Taihua and DAYV LLC on July 28, 2023, to allow for members at their option, and with the approval of the Board of Managers, to make payments in respect of Alpha Steel’s contractual obligations in the event that Alpha Steel does not or is not able to make such payments from its own resources (“Credit Support Payments”). Any such Credit Support Payments will be treated as capital contributions by the members to Alpha Steel, with any member funding more than its ratable share of Credit Support Payments being deemed to have loaned such excess to each underfunding member at the U.S. prime rate plus 2%.

Alpha Steel is intended to enhance our domestic supply chain, our ability to support our customers and the growth of the U.S. solar market, with domestic manufacturing utilizing U.S. steel. We have a 45% interest in Alpha Steel, which is accounted for under the equity method of accounting. Taihua has a 51% interest in Alpha Steel and DAYV LLC, an entity owned by members of the Board of Managers of Alpha Steel and a related party with the parent company of Taihua, has a 4% interest in Alpha Steel. The Chief Executive Officer of Taihua is the General Manager of Alpha Steel. We have equal voting representation with Taihua and DAYV LLC, combined, on Alpha Steel’s Board of Managers which will be responsible, through majority vote, for making certain “major decisions” involving Alpha Steel, as specified in the LLC Agreement, including, among other things, approval of an annual business plan.

As of September 30, 2023, we made a required initial capital contribution to Alpha Steel of \$0.9 million. Pursuant to the LLC Agreement, we could be required to make up to \$2.6 million in additional capital contributions as Alpha Steel expands production. Alpha Steel had no operating revenue during the three and nine months ended September 30, 2023. We did, however, recognize a loss of \$0.3 million from this unconsolidated subsidiary during the three and nine months ended September 30, 2023, reflecting our share of certain administrative and other expenses incurred to date.



In connection with the creation of Alpha Steel, we also entered into a three-year equipment supply agreement (the "Supply Agreement") with Alpha Steel, the terms of which will apply to our equipment purchase orders, including specified minimum purchase amounts for each twelve-month period during the term of the Supply Agreement, following commencement of production. The Supply Agreement may be terminated early in accordance with its provisions or may be extended beyond the initial term if mutually agreed to by the parties.

#### 4. Reduction in force

In August 2023, we restructured and combined selected indirect and administrative functions in order to better control and manage our overhead costs in relation to current market conditions, including the impact of start-up delays for certain customer projects. This effort resulted in a reduction of 21 employees, including certain members of our executive leadership team, or approximately 9% of our existing headcount at that time. In connection with this effort, we recognized severance and termination-related costs as follows:

<b>(in thousands)</b>	<b>For the three and nine months ended September 30, 2023</b>	
Cost of revenue	\$	252
Research and development		154
Selling and marketing		169
General and administrative		1,513
Total	\$	<u>2,088</u>

At September 30, 2023, we had an accrual totaling approximately \$1.2 million relating to costs still to be paid to our former employees.

#### 5. ATM program

On September 14, 2022, we filed a prospectus supplement and entered into an equity distribution agreement (as amended from time to time, the "EDA") under which we may from time to time, in one or more transactions, offer and sell newly issued shares of our common stock having an aggregate offering price of up to \$100 million in "at the money" offerings (the "ATM program"). We have and intend to continue to use the net proceeds from this offering for general corporate purposes, including working capital and operating expenses. We may also use a portion of such proceeds to acquire or invest in businesses, products, services or technologies.

Credit Suisse Securities (USA) LLC served as our initial sales agent under the EDA until August 9, 2023, when that role was assumed by Barclays Capital Inc. ("Barclays") pursuant to an amendment to the EDA. The offering of our common stock under the EDA will terminate upon the earlier of (1) the sale of all common stock subject to the EDA or (2) the termination of the EDA by us or by Barclays as permitted therein. The EDA contains customary representations, covenants and indemnification provisions.

Under the ATM program, we sold 6,149,885 and 15,421,885 shares of newly issued common stock valued at \$10.7 million and \$35.1 million, respectively (for proceeds, net of commissions and fees, of approximately \$10.4 million and \$34.0 million, respectively), during the three and nine months ended September 30, 2023. As of September 30, 2023, approximately \$64.9 million of capacity remained for future sales of our common stock under the ATM program.

## 6. Accounts receivable, net

Accounts receivable consisted of the following:

(in thousands)	September 30, 2023	December 31, 2022
Trade receivables	\$ 49,963	\$ 35,367
Related party receivables	777	—
Revenue recognized in excess of billings	26,115	14,844
Other receivables	6	25
Total	76,861	50,236
Allowance for credit losses	(5,486)	(1,184)
Accounts receivable, net	\$ 71,375	\$ 49,052

Information relating to related party receivables at September 30, 2023, may be found below in Note 17, "Related party transactions".

Included in total receivables above are amounts billed under retainage provisions totaling \$0.9 million and \$3.7 million as of September 30, 2023 and December 31, 2022, respectively, which are due within the next twelve months.

Activity in the allowance for credit losses during the nine months ended September 30, 2023 was as follows:

(in thousands)	For the nine months ended September 30, 2023
Balance at beginning of period	\$ 1,184
Impact of adoption of ASU 2016-13 at beginning of year	—
Additions charged to earnings during the period	4,302
Balance at end of period	\$ 5,486

During the three months ended September 30, 2023, we recognized provisions for credit losses totaling \$4.1 million.

## 7. Inventories, net

Inventories consisted of the following:

(in thousands)	September 30, 2023	December 31, 2022
Finished goods	\$ 5,444	\$ 16,269
Allowance for slow-moving and obsolete inventory	(789)	(1,320)
Total	\$ 4,655	\$ 14,949

## 8. Prepaid and other current assets

Prepaid and other current assets consisted of the following:

(in thousands)	September 30, 2023	December 31, 2022
Vendor deposits	\$ 5,370	\$ 5,085
Prepaid expenses	2,171	3,544
Prepaid taxes	250	163
Deferred cost of revenue	997	—
Surety collateral	1	107
Other current assets	4,679	1,405
Total	\$ 13,468	\$ 10,304

At September 30, 2023, other current assets included \$3.5 million of (i) a short-term, interest-bearing loan to a customer, as well as (ii) a non-interest-bearing customer advance, both of which are for pre-project construction financing activities. These amounts are secured by customer assets and, additionally in one case by a financial guarantee.

## 9. Leases

We lease office and warehouse space in various locations, including our corporate headquarters in Austin, Texas. Additionally, we lease space for an applications laboratory in Austin, Texas and have a membership in a collaborative research facility in Colorado. During the nine months ended September 30, 2023, we also leased space (i) in Seguin, Texas for a research and development facility that we began using in the third quarter of 2023 as a replacement for the collaborative research facility in Colorado, (ii) for new offices in India and South Africa and (iii) for employee housing in Australia. All of our manufacturing is outsourced to contract manufacturing partners, and we currently do not own or lease any manufacturing facilities.

Our lease expense consisted of the following:

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Operating lease cost	\$ 251	\$ 166	\$ 748	\$ 550
Short-term lease cost	132	122	334	332
Total lease cost	<u>\$ 383</u>	<u>\$ 288</u>	<u>\$ 1,082</u>	<u>\$ 882</u>
Reported in:				
Cost of revenue	\$ 245	\$ 164	\$ 710	\$ 522
Research and development	14	11	40	33
Selling and marketing	24	12	62	25
General and administrative	100	101	270	302
Total lease cost	<u>\$ 383</u>	<u>\$ 288</u>	<u>\$ 1,082</u>	<u>\$ 882</u>

Future remaining operating lease payment obligations were as follows:

(in thousands)	September 30, 2023
Remainder of 2023	\$ 219
2024	818
2025	755
2026	219
2027	192
Thereafter	16
Total lease payments	2,219
Less: imputed interest	(167)
Present value of operating lease liabilities	<u>\$ 2,052</u>
Current portion of operating lease liability	\$ 742
Operating lease liability, net of current portion	1,310
Present value of operating lease liabilities	<u>\$ 2,052</u>

## 10. Property and equipment, net

Property and equipment consisted of the following:

(in thousands)	September 30, 2023	December 31, 2022
Leasehold improvements	\$ 157	\$ 22
Field equipment	1,012	1,078
Information technology equipment	440	355
Tooling	953	824
Capitalized software	495	250
Total	3,057	2,529
Accumulated depreciation	(1,372)	(827)
Property and equipment, net	<u>\$ 1,685</u>	<u>\$ 1,702</u>

Depreciation expense recognized for the three and nine months ended September 30, 2023, totaled \$0.2 million and \$0.6 million, respectively. Depreciation expense recognized for the three and nine months ended September 30, 2022, totaled \$0.2 million and \$0.4 million, respectively.

## 11. Intangible assets, net and goodwill

Intangible assets consisted of the following:

(in thousands)	Estimated Useful Lives (Years)	September 30, 2023	December 31, 2022
Developed technology	2.5 – 3.0	\$ 2,515	\$ 2,591
Total		2,515	2,591
Accumulated amortization		(1,858)	(1,478)
Intangible assets, net		<u>\$ 657</u>	<u>\$ 1,113</u>

Amortization expense recognized for the three and nine months ended September 30, 2023, totaled \$0.1 million and \$0.4 million, respectively. Amortization expense recognized for the three and nine months ended September 30, 2022, totaled \$0.1 million.

During the nine months ended September 30, 2023, activity in our goodwill balance was as follows:

(in thousands)	Nine months ended September 30, 2023
Balance at December 31, 2022	\$ 7,538
Translation	(395)
Balance at September 30, 2023	<u>\$ 7,143</u>

## 12. Debt

On April 30, 2021, we entered into an agreement for our Credit Facility with various lenders, including Barclays Bank PLC, as issuing lender, the swingline lender and as administrative agent (the "Credit Facility Agreement") providing aggregate commitments of up to \$100.0 million. We have not made any draws on our Credit Facility as of September 30, 2023. However, as of September 30, 2023, we had \$2.0 million in letters of credit outstanding that reduced our available borrowing capacity to approximately \$98.0 million.

On June 7, 2023, we entered into Amendment No. 3 to our Credit Facility Agreement with Barclays Bank PLC, pursuant to the occurrence of an Early Opt-in Election, to replace USD LIBOR with the secured overnight financing rate (SOFR) as the benchmark rate for future term loans ("Term SOFR") under the Credit Facility Agreement. No other material changes were made to the Credit Facility Agreement as part of this amendment.

We are required to maintain a liquidity level (defined as unrestricted cash and cash equivalents plus the available borrowing capacity under the Credit Facility) of no less than \$125.0 million at each quarter end in order to utilize the Credit Facility. As of September 30, 2023, we were over the required minimum liquidity level thus allowing us to continue to access our Credit Facility up to the available borrowing capacity, pending the measurement of our liquidity level again at the end of the next fiscal quarter.

### 13. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consisted of the following:

(in thousands)	September 30, 2023	December 31, 2022
Accrued cost of revenue	\$ 19,923	\$ 13,198
Related party accrued cost of revenue	1,304	—
Accrued compensation	1,666	4,688
Other accrued expenses	2,885	6,010
Total accrued expenses	<u>\$ 25,778</u>	<u>\$ 23,896</u>
Warranty reserves	\$ 7,738	\$ 8,004
Current portion of operating lease liability	742	417
Non-federal tax obligations	109	463
Total other current liabilities	<u>\$ 8,589</u>	<u>\$ 8,884</u>

Information relating to related party accruals at September 30, 2023, may be found below in Note 17, "Related party transactions".

Other accrued expenses primarily include amounts due for (i) legal and other costs associated with outstanding legal matters and (ii) other professional services.

We provide standard warranties on our hardware products to customers. The liability amount is based on actual historical warranty spending activity by type of product, customer and geographic region, modified by any known differences such as the impact of expected remediation activities or reliability improvements.

Activity by period in the Company's warranty accruals was as follows:

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Balance at beginning of period	\$ 12,081	\$ 11,444	\$ 12,426	\$ 9,346
Warranties issued during the period <sup>(a)</sup>	1,086	3,190	3,938	7,374
Settlements made during the period	(847)	(1,759)	(3,184)	(3,139)
Changes in liability for pre-existing warranties	(363)	(92)	(1,223)	(798)
Balance at end of period	<u>\$ 11,957</u>	<u>\$ 12,783</u>	<u>\$ 11,957</u>	<u>\$ 12,783</u>
Warranty accruals are reported in:				
Other current liabilities	\$ 7,738	\$ 8,304	\$ 7,738	\$ 8,304
Other non-current liabilities	4,219	4,479	4,219	4,479
Balance at end of period	<u>\$ 11,957</u>	<u>\$ 12,783</u>	<u>\$ 11,957</u>	<u>\$ 12,783</u>

(a) - Inclusive of accruals for expected remediation activities

### 14. Income taxes

For the three months ended September 30, 2023 and 2022 we recorded income tax expense of \$0.17 million and an income tax benefit of \$0.15 million respectively. For the nine months ended September 30, 2023 and 2022, we recorded income tax expense of \$0.18 million and \$0.02 million, respectively. These amounts for each period were lower than the statutory rate of 21%, primarily due to a valuation allowance established against the U.S. deferred tax assets.

We have had no material change in our unrecognized tax benefits since December 31, 2022. We recognize accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense. As of September 30, 2023 and December 31, 2022, we had no accrued interest or penalties related to unrecognized tax benefits.

## 15. Commitments and contingencies

We may become involved in various claims, lawsuits, investigations, and other proceedings, arising in the normal course of business. We accrue a liability when information available prior to the issuance of our financial statements indicates it is probable a loss has been incurred as of the date of the financial statements and the amount of loss can be reasonably estimated. If the reasonable estimate of the probable loss is a range, we record an accrual for the most likely estimate of the loss, or the low end of the range if there is no one best estimate. We adjust our accruals to reflect the impact of negotiation, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. Legal costs are expensed as incurred.

In March of 2023, CBP issued notices of tariff assessment that indicated an action taken at the Import Specialist (i.e., the port) level with respect to merchandise imported from Thailand under entry number 004-1058562-5 (the "625 Assessment") and entry number 004-1063793-9 (the "Original 939 Assessment", and collectively with the 625 Assessment, the "Original CBP Assessments"). The Original CBP Assessments related to certain torque beams that are used in our Voyager+ product that were imported in 2022. In the Original CBP Assessments, CPB asserted that Section 301 China tariffs, Section 232 steel & aluminum tariffs, and antidumping and countervailing duties applied to the merchandise. Based on correspondence received to date from CBP and our calculations based on applicable duty and tariff rates, the 625 Assessment is currently for approximately \$2.16 million. In September of 2023, CBP informed us (the "Revised 939 Assessment", and together with the 625 Assessment, the "Revised CBP Assessments") that the amount owed under the Original 939 Assessment was being revised downward to approximately \$2.01 million. In particular, CBP accepted our position that the Section 301 tariffs of 25% or 7.5% of the value of the merchandise, depending on tariff classification, as well as the antidumping and countervailing duties, previously assessed under the Original 939 Assessment are not applicable as they are only applicable to articles that originate in China and that, in this case, the finished goods are products of Thailand.

Upon review of the facts involved, and in consultation with outside legal counsel, we believe that the remaining amounts claimed in the Revised CBP Assessments are incorrect. In particular, the Section 301 tariffs of 25% or 7.5% of the value of the merchandise, depending on tariff classification, as well as the antidumping and countervailing duties, are not applicable under the 625 Assessment for the same reason stated above with respect to the Revised 939 Assessment, which has been accepted by CBP. Moreover, with respect to both Revised CBP Assessments, we believe that the goods in question were properly classified as parts of structures at the time of importation and that when properly classified, the beams and other materials are not subject to Section 232 duties applicable to more basic steel products.

CBP has legally finalized both Revised CBP Assessments. We filed a formal protest for the 625 Assessment in September of 2023 and plan to do the same for the Revised 939 Assessment. Based on the above, and under the relevant accounting guidance related to loss contingencies, we have made no accrual for the amounts claimed by CBP as of September 30, 2023, as we do not consider these amounts to be a probable obligation, as such term is defined and interpreted under the relevant accounting guidance, for us at this time. However, because matters of this nature are subject to inherent uncertainties, and unfavorable rulings or developments, including future assessments of additional duties or tariffs owed in respect of other shipments or other materials beyond what is presently included in the Revised CBP Assessments, could occur despite our belief that the tariffs and duties asserted are incorrect, there can be no certainty that the Company may not ultimately incur charges that are not currently recorded as liabilities. Since the outcome of these matters cannot be predicted with certainty, the costs associated with them could have a material adverse effect on our consolidated results of operations, financial position, or liquidity.

## 16. Stock-based compensation

Stock compensation expense for each period was as follows:

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Cost of revenue	\$ 181	\$ 1,153	\$ 1,313	\$ 2,521
Research and development	85	487	449	1,134
Selling and marketing	166	598	821	1,630
General and administrative	760	5,269	6,461	9,970
Total stock compensation expense	<u>\$ 1,192</u>	<u>\$ 7,507</u>	<u>\$ 9,044</u>	<u>\$ 15,255</u>

## 17. Related party transactions

### Transaction with Ayna.AI LLC

In February 2022, we engaged Ayna.AI LLC (as successor in interest to Fernweh Engaged Operator Company LLC) ("Ayna") to support us with improvements to our processes and performance in various areas including design, sourcing, logistics, pricing, software and standard configuration. The consideration for this engagement was a combination of cash and stock options, including options that vested over time, as well as options with vesting tied to certain performance metrics. The foregoing engagement constituted a related party transaction as South Lake One LLC, an entity affiliated with Isidoro Quiroga Cortés, a member of our board of directors, and a holder of more than 5% of our outstanding capital stock, is an investor in Ayna. In addition, Discrimen LLC is an investor in Ayna, and Isidoro Quiroga Cortés is affiliated with that entity. Isidoro Quiroga Cortés is also on the board of directors of Ayna.

On September 13, 2023, we executed a termination of the master services agreement and statement of work (collectively, the "Service Agreement") with Ayna and Fernweh Group LLC, the parent company of Fernweh Engaged Operator Company LLC, which resulted in a forfeiture of 2,000,000 unvested stock options that were part of the initial consideration for the engagement. Due to the accelerated timing of the payments required for the cash portion of the initial consideration and the expected service period over which the engagement was estimated to last, we had unamortized prepaid balances remaining at the termination date totaling approximately \$3.2 million. These prepaid balances were fully amortized during the three months ended September 30, 2023 as a charge to general and administrative expense. In addition, approximately \$1.1 million of stock-based compensation expense previously recognized on the unvested stock options was reversed during the three months ended September 30, 2023 in connection with their forfeiture. An additional 1,000,000 options to purchase shares of common stock at an exercise price of \$3.86 per share were fully vested and exercisable as of the termination date.

For the three and nine months ended September 30, 2023, we incurred \$2.1 million and \$3.5 million, respectively, of general and administrative expense associated with our engagement of Ayna, inclusive of the amounts described above. Cash payments to Ayna in 2023 prior to the termination of the Service Agreement totaled \$2.5 million. During the three and nine months ended September 30, 2022, we incurred \$0.9 million and \$3.0 million, respectively, of general and administrative expenses and made cash payments totaling \$1.7 million during the nine months ended September 30, 2022.

### Repurchase of common stock and issuance of RSUs

Effective July 5, 2023, we agreed to acquire 312,500 shares of our outstanding common stock held by ARC Family Trust, a related party and greater than 10% shareholder, for no monetary consideration. The acquired shares were then retired. The ARC Family Trust was established by Mr. Ahmad Chatila, a member of our Board of Directors, for the benefit of certain members of his family. Mr. Shaker Sadasivam, the Chairman of our Board of Directors, is the trustee of the ARC Family Trust.

Concurrent with the transaction described above and with the approval of our Board of Directors, we issued 250,000 RSUs to Mr. Tony Alvarez, who was appointed as our Board Observer, effective July 5, 2023, and 62,500 RSUs to Mr. William Aldeen "Dean" Priddy, Jr., a member of our Board of Directors and Chairman of the Audit Committee of the Board. These RSU grants will vest upon the one-year anniversary of the date of grant.

### Related party receivables and payables

We have related party receivables at September 30, 2023, totaling \$0.8 million for future material costs discounts contractually owed to us by Alpha Steel in connection with the expected receipt of manufacturing incentives available to Alpha Steel under the Inflation Reduction Act as costs are incurred by Alpha Steel to purchase raw materials and manufacture torque tubes and other products that will be used to fulfill purchase orders we issue to Alpha Steel.

We also have related party payables to Alpha Steel at September 30, 2023, totaling \$1.3 million for the accrued cost of revenue recognized on certain of our customer projects associated with the cost of products that are being manufactured for us by Alpha Steel.

**18. Net loss per share**

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net loss (in thousands)	\$ (16,937)	\$ (25,636)	\$ (39,113)	\$ (79,112)
Weighted average shares outstanding for calculating basic and diluted loss per share	119,793,821	102,164,455	112,794,562	100,642,126
Basic and diluted loss per share	\$ (0.14)	\$ (0.25)	\$ (0.35)	\$ (0.79)

For purposes of computing diluted loss per share, weighted average common shares outstanding do not include potentially dilutive securities that are anti-dilutive, as shown below.

	For the three and nine months ended September 30,	
	2023	2022
Anti-dilutive securities excluded from calculating dilutive loss per share:		
Shares of common stock issuable under stock option plans outstanding	3,048,139	7,407,333
Shares of common stock issuable upon vesting of RSUs	7,982,821	7,603,064
Potential common shares excluded from diluted net loss per share calculation	11,030,960	15,010,397



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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes included in Item 1 of this Form 10-Q and along with information included in our 2022 Annual Report. In addition to historical financial information, the following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from such forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those identified below and those discussed in Part I, Item 1A. "Risk Factors" included in our 2022 Annual Report. Additionally, our historical results are not necessarily indicative of the results that may be expected in any future period.*

*This discussion and analysis of our financial condition and results of operations contain the presentation of Adjusted EBITDA, Adjusted Net Loss and Adjusted EPS, which are not presented in accordance with U.S. GAAP. Adjusted EBITDA, Adjusted Net Loss and Adjusted EPS are being presented because they provide the Company and readers of this Form 10-Q with additional insight into our operational performance relative to earlier periods and relative to our competitors. We do not intend Adjusted EBITDA, Adjusted Net Loss and Adjusted EPS to be substitutes for any U.S. GAAP financial information. Readers of this Form 10-Q should use Adjusted EBITDA, Adjusted Net Loss and Adjusted EPS only in conjunction with Net Loss and Net Loss per Share, the most comparable U.S. GAAP financial measures. Reconciliations of Adjusted EBITDA, Adjusted Net Loss and Adjusted EPS to Net Loss and Net Loss per Share, the most comparable U.S. GAAP measures, are provided in "Non-GAAP Financial Measures" below.*

### Overview

FTC Solar, Inc. (the "Company", "we", "our", or "us") was founded in 2017 and is incorporated in the state of Delaware. In April 2021, we completed an initial public offering ("IPO"), and our common stock began trading on the Nasdaq Global Market under the symbol "FTCI".

We are a global provider of solar tracker systems, supported by proprietary software and value-added engineering services. Solar tracker systems move solar panels throughout the day to maintain an optimal orientation relative to the sun, thereby increasing the amount of solar energy produced at a solar installation. Our original tracker system is currently marketed under the Voyager brand name ("Voyager"), which is our two-panel in-portrait ("2P") single-axis tracker solution. In September 2022, we announced the introduction of Pioneer, our new one module-in-portrait ("1P") solar tracker solution. We have also launched a new mounting solution to support the installation and use of U.S.-manufactured thin-film modules by project owners and, in August 2023, we introduced SUNOPS, a cloud-based, tracker-agnostic solar asset monitoring solution allowing asset owners and managers to evaluate the operation and performance of their solar deployments. In addition, we have a team of renewable energy professionals available to assist our U.S. and worldwide clients in site layout, structural design, pile testing and other needs across the solar project development and construction cycle. The Company is headquartered in Austin, Texas, and has international subsidiaries in Australia, China, India and South Africa.

We are an emerging growth company, as defined in the Jumpstart Our Business Startups (JOBS) Act. Under the JOBS Act, we elected to use the allowed extended transition period to delay adopting new or revised accounting standards until such time as those standards apply to private companies.

### Key Factors Affecting Our Performance

**Government Regulations.** Changes in the U.S. trade environment, including the imposition of import tariffs, AD/CVD investigations and the UFLPA, which became effective in June 2022, can have an impact on the timing of developer projects. The UFLPA resulted in new rules for module importers and reviews by CBP. There is currently uncertainty in the market around achieving full compliance with UFLPA, whether related to sufficient traceability of materials or other factors. Escalating trade tensions, particularly between the United States and China, have led to increased tariffs and trade restrictions, including tariffs applicable to certain raw materials and components for our products. We have taken measures with the intention of mitigating the effect of tariffs and the impact of AD/CVD and UFLPA on our business by reducing our reliance on China and enhancing our U.S.-based supply chain, including through our investment in Alpha Steel, as described further in Note 3, "Equity method investment" in Part I, Item 1 of this Form 10-Q. In 2019, 90% of our supply chain was sourced from China. As of September 30, 2023, we have qualified suppliers outside of China for certain of our commodities and we continue to work to reduce the extent to which our supply chain for U.S.-based projects is subject to existing tariffs. We have entered into partnerships with manufacturers in the United States, Mexico, Canada, Spain, Brazil, Turkey, Saudi Arabia, India, Thailand, Vietnam and Korea to diversify our supply chain and optimize costs. On June 6, 2022, President Biden issued a proclamation allowing U.S. solar deployers to

import solar modules and cells from Cambodia, Malaysia, Thailand and Vietnam free from certain duties for 24 months, along with other incentives designed to accelerate U.S. domestic production of clean energy technologies.

The most notable incentive program impacting our U.S. business has been the ITC for solar energy projects, which allows taxpayers to offset their U.S. federal income tax liability by a certain percentage of their cost basis in solar energy systems placed in service for commercial use. The Inflation Reduction Act of 2022, passed by the U.S. Congress and signed into law by President Biden on August 16, 2022, expanded and extended the tax credits and other tax benefits available to solar energy projects and the solar energy supply chain. ITCs have been extended for such projects through at least 2032 and, depending on the location of a particular project and its ability to satisfy certain labor and domestic content requirements, the ITC percentage can range between 30% and 50%. U.S. manufacturers of specific solar components are now eligible to claim production tax credits as an alternative to the ITC. Implementing regulations for this law are still being finalized. We believe this law will bolster and extend future demand for our products in the United States, however as the implementing regulations for this law are not completely finalized, this creates uncertainty about the extent of its impact on our Company and the solar energy industry.

**Disruptions in Transportation and Supply Chain.** Our costs are affected by the costs of certain components and materials, such as steel, motors and micro-chips, as well as transportation costs. Current market conditions and international conflicts that constrain the supply of materials and disrupt the flow of materials from international vendors impact the cost of our products and services, along with overall rates of inflation in the global economy, which have been higher than pre-COVID 19 pandemic historical rates. Transportation costs, including ocean freight and U.S. domestic haul rates, increased at the beginning of the COVID-19 pandemic but have since returned to pre-pandemic rates. Domestic fuel prices, however, continue to be elevated compared to pre-pandemic rates. Additionally, COVID-19 shutdowns in China during 2022 created a backlog of exports and increased demand for container shipments from China, but such shutdowns have since been eased by the Chinese government. These cost increases and decreases impact our operating margins. We have taken steps to expand and diversify our manufacturing partnerships and have adjusted our modes of transportation to mitigate the impact of headwinds that arise in the global supply chain and logistics markets. As an example, we have modified our ocean freight from previously using charter shipments to now using containerized shipments as costs in the container market began to decrease in 2022. We continue to monitor the logistics markets and will continue to evaluate our use of various modes of transportation when warranted to optimize our transportation costs. Additionally, from February 2022 to September 2023, we utilized a related-party consulting firm to support us in making improvements to our processes and performance in various areas, including design, sourcing, logistics, pricing, software and our distributed generation business. Further information may be found in Note 17, "Related party transactions" in Part I, Item 1 of this Form 10-Q with regard to the related-party consulting firm. We intend to maintain a sharp focus on our design-to-value initiative to continue to improve margins by reducing manufacturing and material costs of our products.

**Megawatts ("MW") Produced and MW Shipped and Average Selling Price ("ASP").** The primary operating metrics we use to evaluate our sales performance and to track market acceptance of our products are the change in quantity of MW produced and MW shipped from period to period. MW are measured for each individual project and are calculated based on the expected output of that project once installed and fully operational. We also utilize metrics related to price and cost of goods sold per watt, including the change in ASP from period to period and cost per watt. ASP is calculated by dividing product and service revenue by total watts produced or shipped and product and service cost per watt is calculated by dividing product or service costs of goods sold by total watts produced or shipped. These metrics enable us to evaluate trends in pricing, manufacturing and logistics costs and profitability. Events such as the COVID-19 pandemic, global inflation rates and international conflicts have in the past impacted and may continue to impact the U.S. economy, global supply chains, and our business. These impacts can cause significant shipping delays and cost increases, as well as offsetting ASP increases, and also raise the price of inputs like steel and logistics, affecting our cost per watt.

**Investment in Technology and Personnel.** We invest in both the people and technology behind our products. We intend to continue making significant investments in the technology for our products and expansion of our patent portfolio to attract and retain customers, expand the capabilities and scope of our products, and enhance user experience. As an example, in August 2023, we introduced SUNOPS, a cloud-based, tracker-agnostic solar asset monitoring solution allowing asset owners and managers to evaluate the operation and performance of their solar deployments. We also intend over time to make significant investments to attract and retain employees in key positions, including sales leads, engineers, software developers, quality assurance personnel, supply chain personnel, product management, and operations personnel, to help us drive additional efficiencies across our marketplace and, in the case of sales leads, to continue to enhance and diversify our sales capabilities, including international expansion.

**Impact of Climate Change.** Climate change has primarily impacted our business operations by increasing demand for solar power generation and, as a result, for use of our products. While climate change has not resulted in any material negative impact to our operations to date, we recognize the risk of disruptions to our supply chain due to extreme weather events. This has led us to expand the diversity of our supplier base and to partner with more local suppliers to reduce shipping and transportation needs. We are also increasingly partnering

with larger scale steel producers rather than smaller suppliers to facilitate scaling of our operations while remaining conscious of the environmental impacts of steel manufacturing as the regulatory landscape around these high-emitting industries evolves. An example of this is our investment in Alpha Steel, a U.S.-based manufacturing partnership with Taihua, a leading steel fabricator.

We also attempt to mitigate the climate-related risks from the use of our products by designing our equipment and systems to have a high-slope tolerance and wind mitigation capabilities, while at the same time reducing the required foundation/pile count needed. This allows our trackers to be installed in increasingly hostile environments with minimal disturbance to the surrounding land.

**Liquidity.** See "Liquidity and Capital Resources" below for a discussion of the impact of the items above on our liquidity position.

## **Non-GAAP Financial Measures**

### ***Adjusted EBITDA, adjusted net loss and adjusted earnings per share ("EPS")***

We utilize Adjusted EBITDA, Adjusted Net Loss, and Adjusted EPS as supplemental measures of our performance. We define Adjusted EBITDA as net loss plus (i) provision for (benefit from) income taxes, (ii) interest expense, net, (iii) depreciation expense, (iv) amortization of intangibles, (v) stock-based compensation, and (vi) non-routine legal fees, severance and certain other costs (credits). We also deduct the contingent gains from the disposal of our investment in an unconsolidated subsidiary from net loss in arriving at Adjusted EBITDA. We define Adjusted Net Loss as net loss plus (i) amortization of debt issue costs and intangibles, (ii) stock-based compensation, (iii) non-routine legal fees, severance and certain other costs (credits), and (iv) the income tax expense (benefit) of those adjustments, if any. We also deduct the contingent gains from the disposal of our investment in an unconsolidated subsidiary in arriving at Adjusted Net Loss. Adjusted EPS is defined as Adjusted Net Loss on a per share basis using our weighted average diluted shares outstanding.

Adjusted EBITDA, Adjusted Net Loss, and Adjusted EPS are intended as supplemental measures of performance that are neither required by, nor presented in accordance with, U.S. GAAP. We present Adjusted EBITDA, Adjusted Net Loss and Adjusted EPS, because we believe they assist investors and analysts in comparing our performance across reporting periods on an ongoing basis by excluding items that we do not believe are indicative of our core operating performance. In addition, we use Adjusted EBITDA, Adjusted Net Loss and Adjusted EPS to evaluate the effectiveness of our business strategies.

Among other limitations, Adjusted EBITDA, Adjusted Net Loss, and Adjusted EPS do not reflect (i) our cash expenditures, or future requirements, for capital expenditures or contractual commitments, and (ii) the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations. Further, the adjustments noted in Adjusted EBITDA do not reflect the impact of any income tax expense or benefit. Additionally, other companies in our industry may calculate Adjusted EBITDA, Adjusted Net Loss, and Adjusted EPS differently than we do, which limits its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA, Adjusted Net Loss, and Adjusted EPS should not be considered in isolation or as substitutes for performance measures calculated in accordance with U.S. GAAP, and you should not rely on any single financial measure to evaluate our business. These non-GAAP financial measures, when presented, are reconciled to the most closely applicable U.S. GAAP measure as disclosed below:

Three months ended September 30,

(in thousands, except shares and per share data)	2023		2022	
	Adjusted EBITDA	Adjusted Net Loss	Adjusted EBITDA	Adjusted Net Loss
<b>Net loss per U.S. GAAP</b>	\$ (16,937)	\$ (16,937)	\$ (25,636)	\$ (25,636)
Reconciling items -				
Provision for (benefit from) income taxes	166	—	(151)	—
Interest expense, net	108	—	160	—
Amortization of debt issue costs in interest expense	—	177	—	177
Depreciation expense	205	—	182	—
Amortization of intangibles	133	133	135	135
Stock-based compensation	1,192	1,192	7,507	7,507
Gain from disposal of investment in unconsolidated subsidiary <sup>(a)</sup>	—	—	(1,408)	(1,408)
Non-routine legal fees <sup>(b)</sup>	98	98	842	842
Severance <sup>(c)</sup>	2,088	2,088	311	311
Other costs <sup>(d)</sup>	3,241	3,241	324	324
<b>Adjusted Non-GAAP amounts</b>	<b>\$ (9,706)</b>	<b>\$ (10,008)</b>	<b>\$ (17,734)</b>	<b>\$ (17,748)</b>

**U.S. GAAP net loss per share:**

Diluted	N/A	\$ (0.14)	N/A	\$ (0.25)
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**Adjusted Non-GAAP net loss per share**

**(Adjusted EPS):**

Diluted	N/A	\$ (0.08)	N/A	\$ (0.17)
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**Weighted-average common shares outstanding:**

Diluted	N/A	119,793,821	N/A	102,164,455
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(a) Our management excludes the gain from collections of contingent contractual amounts arising from the sale in 2021 of our investment in an unconsolidated subsidiary.

(b) Non-routine legal fees represent legal fees and other costs incurred for specific matters that were not ordinary or routine to the operations of the business.

(c) Severance costs were incurred in 2023 and 2022 due to restructuring changes.

(d) Other costs in 2023 included the write-off of remaining prepaid costs resulting from the termination of our consulting agreement with a related party, as described further in Note 17 in Part I, Item 1 above. Other costs in 2022 included a second installment payment relating to a CEO transition event that occurred in 2021, as well as professional fees associated with our IPO.

(in thousands, except shares and per share data)	2023		2022	
	Adjusted EBITDA	Adjusted Net Loss	Adjusted EBITDA	Adjusted Net Loss
<b>Net loss per U.S. GAAP</b>	\$ (39,113)	\$ (39,113)	\$ (79,112)	\$ (79,112)
Reconciling items -				
Provision for income taxes	175	—	15	—
Interest expense, net	194	—	882	—
Amortization of debt issue costs in interest expense	—	532	—	526
Depreciation expense	595	—	447	—
Amortization of intangibles	409	409	135	135
Stock-based compensation	9,044	9,044	15,255	15,255
Gain from disposal of investment in unconsolidated subsidiary <sup>(a)</sup>	(898)	(898)	(1,745)	(1,745)
Non-routine legal fees <sup>(b)</sup>	181	181	5,742	5,742
Severance <sup>(c)</sup>	2,075	2,075	1,037	1,037
Other costs <sup>(d)</sup>	3,241	3,241	1,904	1,904
<b>Adjusted Non-GAAP amounts</b>	<b>\$ (24,097)</b>	<b>\$ (24,529)</b>	<b>\$ (55,440)</b>	<b>\$ (56,258)</b>

**U.S. GAAP net loss per share:**

Diluted	N/A	\$ (0.35)	N/A	\$ (0.79)
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**Adjusted Non-GAAP net loss per share**

**(Adjusted EPS):**

Diluted	N/A	\$ (0.22)	N/A	\$ (0.56)
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**Weighted-average common shares outstanding:**

Diluted	N/A	112,794,562	N/A	100,642,126
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(a) Our management excludes the gain from collections of contingent contractual amounts arising from the sale in 2021 of our investment in an unconsolidated subsidiary.

(b) Non-routine legal fees represent legal fees and other costs incurred for specific matters that were not ordinary or routine to the operations of the business.

(c) Severance costs were incurred in 2023 and 2022 due to restructuring changes.

(d) Other costs in 2023 included the write-off of remaining prepaid costs resulting from the termination of our consulting agreement with a related party, as described further in Note 17 in Part I, Item 1 above. Other costs in 2022 included a second installment payment relating to a CEO transition event that occurred in 2021, as well as certain costs attributable to settlement of stock-based compensation awards resulting from our IPO, professional fees and registration statement filing costs pursuant to our IPO and amounts attributable to our acquisition of HX Tracker.

**Key Components of Our Results of Operations**

The following discussion describes certain line items in our condensed consolidated statements of comprehensive loss.

**Revenue**

Revenue from the sale of our solar tracker systems and customized components of those systems is recognized over time, as work progresses, utilizing an input measure of progress determined by cost incurred to date relative to total expected cost on these projects to correlate with our performance in transferring control over the tracker systems and their components. Revenue from the sale of individual parts is recognized at a point in time as and when control transfers based on the terms of the contract. Revenue from sale of term-based software licenses is recognized upon transfer of control to the customer. Revenue for shipping and handling services is recognized over time based on progress in meeting shipping terms of the arrangements. Revenue for stand-alone engineering consulting and pile testing services is recognized at a point in time upon completion of the services performed. Subscription revenue, which is derived from our subscription-based enterprise licensing model, and support revenue, which is derived from ongoing security updates and maintenance, are generally recognized on a straight-line basis over the term of the contract.

Our customers include project developers, solar asset owners and EPC contractors that design and build solar energy projects. For each individual solar project, we enter into a contract with our customers covering the price, specifications, delivery dates and warranty for

the products being purchased, among other things. Our contractual delivery period for our solar tracker systems and related parts can vary depending on size of the project and availability of vessels and other means of delivery. Contracts can range in value from tens of thousands to tens of millions of dollars.

Our revenue is affected by changes in the volume and ASP of our solar tracking systems purchased by our customers and volume of sales of software products and engineering services, among other things. The ASP of our solar tracker systems and quarterly volume of sales is driven by the supply of, and demand for, our products, changes in product mix, geographic mix of our customers, strength of competitors' product offerings, tariff and import restrictions, supply chain issues and availability of government incentives to the end-users of our products. Additionally, our revenue may be impacted by seasonality due to cold weather, which can cause variability in site construction activity.

The vast majority of our revenue in the periods presented was attributable to sales in the United States and Australia. Our revenue growth is dependent on continued growth in the number of solar tracker projects and engineering services we win in competitive bidding processes and growth in our software sales each year, as well as our ability to increase our market share in each of the geographies in which we currently compete, expand our global footprint to new emerging markets, grow our sources of production to meet demand and continue to develop and introduce new and innovative products that address the changing technology and performance requirements of our customers, among other things.

#### ***Cost of revenue and gross profit (loss)***

We subcontract with third-party companies to manufacture and deliver our products directly to our customers. Our product costs are affected by the underlying cost of raw materials procured by these contract manufacturers, including steel and aluminum; component costs, including electric motors and gearboxes; technological innovation in manufacturing processes; and our ability to achieve economies of scale resulting in lower component costs. We do not currently hedge against changes in the price of raw materials, but we continue to explore opportunities to mitigate the risks of foreign currency and commodity fluctuations through the use of hedges and foreign exchange lines of credit. Some of these costs, primarily personnel, are not directly affected by sales volume.

We have made changes to our headcount in recent years as we initially scaled up our business and, more recently, made adjustments at the end of 2022 and in August 2023 in response to current project activity levels. Our gross profit may vary period-to-period due to changes in our headcount, ASP, product costs, product mix, customer mix, geographical mix, shipping methods, warranty costs and seasonality.

#### ***Operating expenses***

Operating expenses consist of research and development expenses, selling and marketing expenses and general and administrative expenses. Personnel-related costs are the most significant component of our operating expenses and include salaries, benefits, bonuses, commissions and stock-based compensation expenses.

We froze non-essential hiring during the latter part of 2022 and implemented reductions in our workforce at the end of 2022 and in August 2023, in response to regulatory and other issues that were negatively impacting our solar project activity levels. In addition, our operating costs have been impacted by (i) our level of research activities to originate, develop and enhance our products, (ii) our sales and marketing efforts as we expand our development activities in other parts of the world, and (iii) variations in legal and professional fees, compliance costs, insurance, facility costs and other costs associated with strategic changes in response to changing market conditions and other matters.

**Results of Operations - Three Months Ended September 30, 2023 Compared to Three Months Ended September 30, 2022**

(in thousands, except percentages)	Three months ended September 30,			
	2023		2022	
	Amounts	Percentage of revenue	Amounts	Percentage of revenue
<b>Revenue:</b>				
Product	\$ 27,274	89.3 %	\$ 3,543	21.4 %
Service	3,274	10.7 %	13,029	78.6 %
Total revenue	30,548	100.0 %	16,572	100.0 %
<b>Cost of revenue:</b>				
Product	22,775	74.6 %	11,411	68.9 %
Service	4,394	14.4 %	14,676	88.6 %
Total cost of revenue	27,169	88.9 %	26,087	157.4 %
<b>Gross profit (loss)</b>	3,379	11.1 %	(9,515)	(57.4 %)
<b>Operating expenses</b>				
Research and development	1,921	6.3 %	2,126	12.8 %
Selling and marketing	6,324	20.7 %	1,994	12.0 %
General and administrative	11,411	37.4 %	13,059	78.8 %
Total operating expenses	19,656	64.3 %	17,179	103.7 %
<b>Loss from operations</b>	(16,277)	(53.3 %)	(26,694)	(161.1 %)
Interest expense, net	(108)	(0.4 %)	(160)	(1.0 %)
Gain from disposal of investment in unconsolidated subsidiary	—	0.0 %	1,408	8.5 %
Other expense, net	(50)	(0.2 %)	(341)	(2.1 %)
Loss from unconsolidated subsidiary	(336)	(1.1 %)	—	0.0 %
<b>Loss before income taxes</b>	(16,771)	(54.9 %)	(25,787)	(155.6 %)
(Provision for) benefit from income taxes	(166)	(0.5 %)	151	0.9 %
<b>Net loss</b>	\$ (16,937)	(55.4 %)	\$ (25,636)	(154.7 %)

**Revenue**

We generate our revenue in two streams – Product revenue and Service revenue. Product revenue is derived from the sale of solar tracker systems and customized components for those systems, individual part sales for certain specific transactions and the sale of term-based software licenses. Service revenue includes revenue from shipping and handling services, engineering consulting and pile testing services, our subscription-based enterprise licensing model and maintenance and support services in connection with the term-based software licenses.

(in thousands)	Three months ended September 30,			
	2023	2022	\$ Change	% Change
Product	\$ 27,274	\$ 3,543	\$ 23,731	669.8 %
Service	3,274	13,029	(9,755)	(74.9)%
Total revenue	\$ 30,548	\$ 16,572	\$ 13,976	84.3 %

**Product revenue**

The increase in product revenue for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022, was primarily due to an increase of 483% in the amount of megawatts produced as activity during the three months ended September 30, 2022, was adversely impacted by regulatory issues involving the Solar Circumvention Investigation and the UFLPA. In addition, we had an increase of 32% in ASP for the three months ended September 30, 2023, as a result of better project pricing in comparison to the low revenue level for the three months ended September 30, 2022.

Although our current quarter production increased compared to the same period last year, our activity levels during the three months ended September 30, 2023, continued to be constrained by recent customer project delays.

## Service revenue

The decrease in service revenue for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022, primarily resulted from (i) a decrease of 68% in the amount of MW delivered as a result of timing of project manufacturing completions, as well as (ii) a decrease of 22% in ASP as pricing has moderated in relation to lower transportation costs as compared to the three months ended September 30, 2022.

Service revenue did not fully cover the related costs during the three months ended September 30, 2023 and 2022, due largely to warehousing costs for inventory not assigned to specific projects.

## *Cost of revenue and gross profit (loss)*

Cost of revenue consists primarily of costs related to raw materials, equipment manufacturing activities, freight and delivery, product warranty, remediation and personnel costs (salaries, bonuses, benefits, and stock-based compensation). Personnel costs in cost of revenue include both direct labor costs, as well as costs attributable to any individuals whose activities relate to the procurement, installment and delivery of the finished product and services.

Gross profit may vary from period-to-period and is primarily affected by our ASP, product costs, timing of tracker production and delivery, customer mix, geographical mix, shipping method, logistics costs, warranty costs, indirect cost control efforts and seasonality.

<b>(in thousands)</b>	<b>Three months ended September 30,</b>			
	<b>2023</b>	<b>2022</b>	<b>\$ Change</b>	<b>% Change</b>
Product	\$ 22,775	\$ 11,411	\$ 11,364	99.6%
Service	4,394	14,676	(10,282)	(70.1)%
Total cost of revenue	<u>\$ 27,169</u>	<u>\$ 26,087</u>	<u>\$ 1,082</u>	<u>4.1%</u>
<b>Gross profit (loss)</b>	\$ 3,379	\$ (9,515)	\$ 12,894	(135.5)%
Gross profit (loss) percentage of revenue	11.1%	(57.4%)		

The increase in cost of revenue for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022, was primarily driven by an increase of 483% in MW produced, which was largely offset by a decrease of 68% in shipping and logistics activity and by a reduction of 66% in the cost per MW produced as a result of lower direct costs due to our design to value efforts, lower remediation and warranty costs, as well as reduced overhead spending due to our other cost control efforts, including headcount reductions, and lower stock-based compensation expense during the current period.

Our gross profit (loss) percentage of revenue for the three months ended September 30, 2023 was a positive 11.1%, as compared to negative 57.4% for the three months ended September 30, 2022.

We had positive gross margin for the three months ended September 30, 2023 largely due to (i) higher production activity, (ii) a mix shift to higher margin product revenue and (iii) lower direct costs due to our design to value efforts, lower remediation and warranty costs, as well as reduced overhead spending resulting from our other cost control efforts.

We had a gross margin loss for the three months ended September 30, 2022 as production volumes were not sufficient to cover certain relatively fixed overhead costs and our service revenue was not sufficient to fully cover our related shipping, transportation and warehousing costs.



### Research and development

Research and development expenses consist primarily of salaries, employee benefits, stock-based compensation expense and travel expense related to our engineers performing research and development activities to originate, develop and enhance our products. Additional expenses include consulting charges, component purchases and other costs for performing research and development on our software products.

(in thousands)	Three months ended September 30,			
	2023	2022	\$ Change	% Change
Research and development	\$ 1,921	\$ 2,126	\$ (205)	(9.6%)

The decrease in research and development expenses for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022, was primarily attributable to lower stock-based compensation costs of \$0.4 million, largely attributable to award forfeitures resulting from the reduction in force in August 2023 and the absence of stock-based incentive compensation awards during the three months ended September 30, 2023, as compared to the three months ended September 30, 2022. This decrease was partially offset by higher facility costs and professional service fees. Research and development expenses as a percentage of revenue were 6.3% for the three months ended September 30, 2023, as compared to 12.8% for the three months ended September 30, 2022. The decrease in the percentage of revenue for the three months ended September 30, 2023, is largely a function of the higher revenue during the period.

### Selling and marketing

Selling and marketing expenses consist primarily of salaries, employee benefits, stock-based compensation expense and travel expense related to our sales and marketing and business development personnel. Additionally, selling and marketing expenses include costs associated with professional fees and support charges for software subscriptions and licenses, trade shows and conventions.

(in thousands)	Three months ended September 30,			
	2023	2022	\$ Change	% Change
Selling and marketing	\$ 6,324	\$ 1,994	\$ 4,330	217.2%

The increase in selling and marketing expenses for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022, was primarily attributable to higher provisions for credit losses of \$4.1 million related to a charge associated with a specific customer account. Selling and marketing costs as a percentage of revenue were 20.7% for the three months ended September 30, 2023, compared to 12.0% for the three months ended September 30, 2022.

### General and administrative

General and administrative expenses consist primarily of salaries, employee benefits, stock-based compensation expense and travel expense related to our executives, finance team, and administrative employees. It also consists of legal, consulting, and professional fees, rent and lease expense pertaining to our headquarters and international offices, business insurance costs and certain other costs.

(in thousands)	Three months ended September 30,			
	2023	2022	\$ Change	% Change
General and administrative	\$ 11,411	\$ 13,059	\$ (1,648)	(12.6%)

The decrease in general and administrative expenses for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022, was primarily attributable to \$4.5 million of lower stock-based compensation expense related primarily to (i) forfeiture of awards in connection with the September 2023 termination of the Service Agreement with a related party as described further in Note 17, "Related party transactions" in Part I, Item 1 above, (ii) forfeiture of awards in connection with our reduction in force in August 2023 and (iii) the absence of stock-based incentive compensation awards during the three months ended September 30, 2023, as compared to the three months ended September 30, 2022. This was partially offset by a \$3.2 million write off of remaining prepaid expense balances also associated with the termination of the Service Agreement with a related party as described above. General and administrative expenses as a percentage of revenue were 37.4% for the three months ended September 30, 2023, compared to 78.8% for the three months ended September 30, 2022.

**Interest expense, net**

(in thousands)	Three months ended September 30,			
	2023	2022	\$ Change	% Change
Interest expense, net	\$ 108	\$ 160	\$ (52)	(32.5)%

Interest expense totaled nearly \$0.4 million and \$0.3 million during the three months ended September 30, 2023 and 2022, respectively, and primarily consisted of letter of credit and commitment fees on the Credit Facility, along with associated debt issue cost amortization. Interest income earned on our cash equivalents was in excess of \$0.2 million and \$0.1 million during the three months ended September 30, 2023 and 2022, respectively.

**Gain from disposal of investment in unconsolidated subsidiary**

(in thousands)	Three months ended September 30,			
	2023	2022	\$ Change	% Change
Gain from disposal of investment in unconsolidated subsidiary	\$ —	\$ 1,408	\$ (1,408)	(100.0)%

We sold our interest in our unconsolidated subsidiary, Dimension Energy LLC ("Dimension"), on June 24, 2021. Dimension is a community solar developer based in Atlanta, Georgia that provides renewable energy solutions for local communities in the United States. The sales agreement with Dimension included an earnout provision which provides the potential to receive additional contingent consideration of up to approximately \$14.0 million through December 2024, based on Dimension achieving certain performance milestones. The sales agreement also includes a projects escrow release which is an additional contingent consideration to receive \$7 million based on Dimension's completion of certain construction projects in progress at the time of the sale. We made an accounting policy election to account for the contingent gains from the earnout provision and projects escrow release only when those amounts become realizable in the periods subsequent to the disposal date. During the three months ended September 30, 2022, we received escrow release payments of \$1.4 million, that were recognized in accordance with our policy election. No escrow release payments were received during the three months ended September 30, 2023.

**Loss from unconsolidated subsidiary**

(in thousands)	Three months ended September 30,			
	2023	2022	\$ Change	% Change
Loss from unconsolidated subsidiary	\$ 336	\$ —	\$ 336	N/A

The loss from unconsolidated subsidiary for the three months ended September 30, 2023, represents our share of certain administrative and other expenses incurred to date by Alpha Steel that are accounted for using the equity method.

**Results of Operations - Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022**

(in thousands, except percentages)	Nine months ended September 30,			
	2023		2022	
	Amounts	Percentage of revenue	Amounts	Percentage of revenue
<b>Revenue:</b>				
Product	\$ 80,927	78.0 %	\$ 43,677	45.1 %
Service	22,874	22.0 %	53,169	54.9 %
Total revenue	103,801	100.0 %	96,846	100.0 %
<b>Cost of revenue:</b>				
Product	73,694	71.0 %	62,800	64.8 %
Service	22,492	21.7 %	59,360	61.3 %
Total cost of revenue	96,186	92.7 %	122,160	126.1 %
<b>Gross profit (loss)</b>	7,615	7.3 %	(25,314)	(26.1 %)
<b>Operating expenses</b>				
Research and development	5,716	5.5 %	7,538	7.8 %
Selling and marketing	9,887	9.5 %	6,893	7.1 %
General and administrative	31,053	29.9 %	39,966	41.3 %
Total operating expenses	46,656	44.9 %	54,397	56.2 %
<b>Loss from operations</b>	(39,041)	(37.6 %)	(79,711)	(82.3 %)
Interest expense, net	(194)	(0.2 %)	(882)	(0.9 %)
Gain from disposal of investment in unconsolidated subsidiary	898	0.9 %	1,745	1.8 %
Other expense, net	(265)	(0.3 %)	(249)	(0.3 %)
Loss from unconsolidated subsidiary	(336)	(0.3 %)	—	0.0 %
<b>Loss before income taxes</b>	(38,938)	(37.5 %)	(79,097)	(81.7 %)
Provision for income taxes	(175)	(0.2 %)	(15)	0.0 %
<b>Net loss</b>	\$ (39,113)	(37.7 %)	\$ (79,112)	(81.7 %)

**Revenue**

(in thousands)	Nine months ended September 30,			
	2023	2022	\$ Change	% Change
Product	\$ 80,927	\$ 43,677	\$ 37,250	85.3 %
Service	22,874	53,169	(30,295)	(57.0)%
Total revenue	\$ 103,801	\$ 96,846	\$ 6,955	7.2 %

**Product revenue**

The increase in product revenue for the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022, was primarily due to (i) an increase of 57% in the amount of MW produced as activity during the nine months ended September 30, 2022 was adversely impacted by regulatory issues involving the Solar Circumvention Investigation and the UFLPA and (ii) an increase of 13% in ASP as a result of improved project pricing. In addition, product revenue for the nine months ended September 30, 2022 was negatively impacted by a customer concession charge of \$2.0 million.

Although our current year-to-date production increased compared to the same period last year, our activity levels during the nine months ended September 30, 2023, continued to be constrained by regulatory issues involving the UFLPA and recent customer project delays.

**Service revenue**

The decrease in service revenue for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022, primarily resulted from a decrease of 49% in the amount of MW delivered as a result of timing of project manufacturing completions, as well as a decrease of 21% in ASP as pricing has moderated in relation to lower transportation costs as compared to the nine months ended September 30, 2022. In addition, service revenue for the nine months ended September 30, 2022 was negatively impacted by a customer concession charge of \$3.0 million.

During the nine months ended September 30, 2022, shipping, logistics and warehousing costs were not fully recoverable under certain existing contracts at that time.

### Cost of revenue and gross profit (loss)

(in thousands)	Nine months ended September 30,			
	2023	2022	\$ Change	% Change
Product	\$ 73,694	\$ 62,800	\$ 10,894	17.3%
Service	22,492	59,360	(36,868)	(62.1)%
Total cost of revenue	\$ 96,186	\$ 122,160	\$ (25,974)	(21.3)%
<b>Gross profit (loss)</b>	\$ 7,615	\$ (25,314)	\$ 32,929	(130.1)%
Gross profit (loss) percentage of revenue	7.3%	(26.1%)		

The decrease in cost of revenue for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022, was primarily driven by a decrease of 49% in shipping and logistics activity. While there was an increase of 57% in MW produced, the cost per MW produced decreased by 25% as a result of lower direct costs due to our design to value efforts, lower remediation and warranty costs, as well as reduced overhead spending due to the impact of other cost control efforts, including headcount reductions, during the current period.

Our gross profit (loss) percentage of revenue for the nine months ended September 30, 2023 was a positive 7.3%, as compared to negative 26.1% for the nine months ended September 30, 2022.

We had positive gross margin for the nine months ended September 30, 2023 largely due to (i) higher production activity, (ii) a mix shift to higher margin product revenue, (iii) an increase of 13% in our product ASP, and (iv) lower direct costs due to our design to value efforts, lower remediation and warranty costs, as well as reduced overhead spending resulting from our other cost control efforts, including headcount reductions.

We had a gross margin loss for the nine months ended September 30, 2022 as a result of (i) production volumes that were not sufficient to cover certain relatively fixed overhead costs, (ii) our inability to recover certain increased logistics costs on fixed price contracts, and (iii) recognition of a \$5.0 million customer concession during the period.

### Research and development

(in thousands)	Nine months ended September 30,			
	2023	2022	\$ Change	% Change
Research and development	\$ 5,716	\$ 7,538	\$ (1,822)	(24.2)%

The decrease in research and development expenses for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022, was primarily attributable to (i) lower stock-based compensation expense of \$0.7 million largely attributable to award forfeitures resulting from the reduction in force in August 2023 and lower stock-based incentive compensation awards during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022, (ii) lower payroll-related costs of \$0.5 million as a result of decreased headcount, (iii) lower spending of \$0.5 million on lab activity and materials, and (iv) lower research facility costs of \$0.1 million. Research and development expenses as a percentage of revenue were 5.5% for the nine months ended September 30, 2023, as compared to 7.8% for the nine months ended September 30, 2022.

### Selling and marketing

(in thousands)	Nine months ended September 30,			
	2023	2022	\$ Change	% Change
Selling and marketing	\$ 9,887	\$ 6,893	\$ 2,994	43.4%

The increase in selling and marketing expenses for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022, was primarily attributable to (i) higher provisions for credit losses of \$3.2 million related mainly to charges in both periods associated with a specific customer account and (ii) higher travel and professional service costs of approximately \$0.4 million. This was partially offset by lower stock-based compensation expense of approximately \$0.8 million largely attributable to award forfeitures resulting from the reduction in force in August 2023 and lower stock-based incentive compensation awards during the nine months ended

September 30, 2023 as compared to the nine months ended September 30, 2022. Selling and marketing expenses as a percentage of revenue were 9.5% for the nine months ended September 30, 2023, as compared to 7.1% for the nine months ended September 30, 2022.

### General and administrative

(in thousands)	Nine months ended September 30,			
	2023	2022	\$ Change	% Change
General and administrative	\$ 31,053	\$ 39,966	\$ (8,913)	(22.3)%

The decrease in general and administrative expenses for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022, was primarily attributable to (i) lower legal fees and settlement costs of \$5.3 million, primarily related to our December 2022 settlement of an outstanding legal matter which eliminated a large amount of legal fees and costs during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022, (ii) \$3.5 million of lower stock-based compensation expense related primarily to (a) forfeiture of awards in connection with the September 2023 termination of the Service Agreement with a related party as described further in Note 17, "Related party transactions" in Part I, Item 1 above, (b) forfeiture of awards in connection with our reduction in force in August 2023, and (c) lower stock-based incentive compensation awards during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022, (iii) \$1.5 million of lower payroll-related costs due to lower cash incentive expense and headcount as compared to the same period last year, and (iv) \$1.3 million of lower insurance costs. These decreases were partially offset by a \$3.2 million write off of remaining prepaid expense balances also associated with the termination of the Service Agreement with a related party as described above. General and administrative expenses as a percentage of revenue were 29.9% for the nine months ended September 30, 2023, compared to 41.3% for the nine months ended September 30, 2022.

### Interest expense, net

(in thousands)	Nine months ended September 30,			
	2023	2022	\$ Change	% Change
Interest expense, net	\$ 194	\$ 882	\$ (688)	(78.0)%

Interest expense for the nine months ended September 30, 2023 and 2022, totaled approximately \$1.0 million and almost \$1.1 million, respectively, and primarily consisted of letter of credit and commitment fees on the Credit Facility, along with associated debt issue cost amortization. Interest income earned on our cash equivalents during the nine months ended September 30, 2023 and 2022 totaled approximately \$0.8 million and \$0.2 million, respectively.

### Gain from disposal of investment in unconsolidated subsidiary

(in thousands)	Nine months ended September 30,			
	2023	2022	\$ Change	% Change
Gain from disposal of investment in unconsolidated subsidiary	\$ 898	\$ 1,745	\$ (847)	(48.5)%

Pursuant to the earnout provision in our sales agreement with Dimension as described above, during the nine months ended September 30, 2023 and 2022, we received escrow release payments of \$0.9 million and \$1.7 million, respectively, that were recognized in accordance with our policy election of recognizing contingent gains when those amounts become realizable.

### Loss from unconsolidated subsidiary

(in thousands)	Nine months ended September 30,			
	2023	2022	\$ Change	% Change
Loss from unconsolidated subsidiary	\$ 336	\$ —	\$ 336	N/A

The loss from unconsolidated subsidiary for the nine months ended September 30, 2023, represents our share of certain administrative and other expenses incurred to date by Alpha Steel that are accounted for using the equity method.

## Liquidity and Capital Resources

### Liquidity

Since our inception, we have financed our operations primarily through sales of shares of common stock, including our IPO in April 2021, issuance of debt and payments from our customers. Our ability to generate positive cash flow from operations is dependent on contract payment terms, timely collections from our customers and the strength of our gross margins.

We have incurred cumulative losses since inception, resulting in an accumulated deficit of \$288.0 million as of September 30, 2023, and have a history of cash outflows from operations. During the years ended December 31, 2021 and 2022, and the nine months ended September 30, 2023, we had \$132.9 million, \$54.5 million and \$46.4 million, respectively, of cash outflows from operations. As of September 30, 2023, we had \$31.5 million of cash on hand, \$65.4 million of working capital, approximately \$64.9 million of remaining capacity available for future sales of our common stock under our ATM program as described further in Note 5, "ATM program" in Part I, Item 1 above, and have approximately \$98.0 million of unused borrowing capacity under our Credit Facility until termination on April 30, 2024. The Credit Facility includes a financial condition covenant stating we are required to have a minimum liquidity, consisting of cash on hand and unused borrowing capacity, of \$125.0 million as of each quarter end. Additionally, as of September 30, 2023, we had a material contractual obligation that could require us to make additional equity investment capital contributions to Alpha Steel, as described further in "Note 3, Equity method investment".

The UFLPA was passed by the U.S. Congress and signed into law by President Biden on December 23, 2021. The UFLPA establishes a rebuttable presumption that the importation of any goods, wares, articles, and merchandise mined, produced, or manufactured wholly or in part in Xinjiang, or that are produced by certain entities, is prohibited by Section 307 of the Tariff Act of 1930 and that such goods, wares, articles, and merchandise are not entitled to entry to the United States. CBP began implementing the presumption set out in the UFLPA on June 21, 2022, resulting in new rules for solar module importers and reviews by CBP. There continues to be uncertainty in the market around achieving full compliance with the UFLPA for the importation of solar modules, whether related to sufficient traceability of materials or other factors.

On April 1, 2022, the U.S. Department of Commerce, in response to a petition by Auxin Solar, Inc., published a notice initiating the Solar Circumvention Investigation. On June 6, 2022, President Biden issued a proclamation allowing U.S. solar deployers the ability to import solar modules and cells from Cambodia, Malaysia, Thailand and Vietnam free from certain duties for 24 months, along with other incentives designed to accelerate U.S. domestic production of clean energy technologies.

Since 2016, CBP has issued a number of WROs directed at forced labor in China, including WROs directed specifically at activity in Xinjiang. To date, CBP has used the WROs to detain solar panels, which has disrupted the U.S. solar installation market and caused additional uncertainty on future projects.

These policies and actions have resulted in some developers deferring projects due to the uncertainty of panel supply and costs, which negatively impacted our 2022 revenue and cash flows and are continuing to negatively impact our revenue and our cash flows to date in 2023.

The most notable incentive program impacting our U.S. business has been the ITC for solar energy projects, which allows taxpayers to offset their U.S. federal income tax liability by a certain percentage of their cost basis in solar energy systems placed in service for commercial use. The Inflation Reduction Act of 2022, passed by the U.S. Congress and signed into law by President Biden on August 16, 2022, expanded and extended the tax credits and other tax benefits available to solar energy projects and the solar energy supply chain. ITCs have been extended for such projects through at least 2032 and, depending on the location of a particular project and its ability to satisfy certain labor and domestic content requirements, the ITC percentage can range between 30% and 50%. U.S. manufacturers of specific solar components are now eligible to claim production tax credits as an alternative to the ITC. Implementing regulations for this law are still being finalized.

Our costs are affected by the costs of certain components and materials, such as steel, motors and micro-chips, as well as transportation costs. Current market conditions and international conflicts that constrain the supply of materials and disrupt the flow of materials from international vendors impact the cost of our products and services, along with overall rates of inflation in the global economy, which have been higher than pre-COVID 19 pandemic historical rates. Transportation costs, including ocean freight and U.S. domestic haul rates, increased at the beginning of the COVID-19 pandemic but have since returned to pre-pandemic rates. Domestic fuel prices, however, continue to be elevated compared to pre-pandemic rates. Additionally, COVID-19 shutdowns in China during 2022 created a backlog of

exports and increased demand for container shipments from China, but such shutdowns have since been eased by the Chinese government. These cost increases and decreases impact our operating margins. We have taken steps to expand and diversify our manufacturing partnerships and have adjusted our modes of transportation to mitigate the impact of headwinds that arise in the global supply chain and logistics markets. As an example, we have modified our ocean freight from previously using charter shipments to now using containerized shipments as costs in the container market began to decrease in 2022. We continue to monitor the logistics markets and will continue to evaluate our use of various modes of transportation when warranted to optimize our transportation costs. Additionally, from February 2022 to September 2023, we utilized a related-party consulting firm to support us in making improvements to our processes and performance in various areas, including design, sourcing, logistics, pricing, software and our distributed generation business. For further information regarding this consulting firm, see Note 17, "Related party transactions" in Part I, Item 1 of this Quarterly Report on Form 10-Q.

In accordance with ASC 205-40, Going Concern, we have evaluated whether there are conditions and events, considered in the aggregate, which raise substantial doubt about our ability to continue as a going concern within one year after the date these condensed consolidated financial statements are issued. While the UFLPA continues to create uncertainty in the market, we believe that passage of the Inflation Reduction Act of 2022, as described above, has reduced the level of uncertainty among solar project owners and developers with regard to new project development in the United States. We note that implementing regulations for the Inflation Reduction Act are still being finalized, which creates uncertainty about the extent of its impact on our Company and the solar energy industry. We also took significant steps in 2022, and are continuing to take further steps in 2023, to address the recent market challenges and our historical use of cash through the following actions:

- certain members of our senior management team elected to forego certain cash compensation during the second half of 2022 in exchange for equity compensation;
- the members of our board of directors agreed to take equity compensation in lieu of cash compensation during 2023;
- we began making certain incentive compensation payments to all employees in stock rather than cash beginning at the end of the second quarter of 2022;
- we reduced our workforce by approximately 8% in December of 2022, and another 9% in the third quarter of 2023;
- we initially froze non-essential hiring in 2022, placed restrictions on certain travel, decreased the future use of consultants and continue to defer non-critical initiatives;
- we have initiated frequent, consistent communication with our customers, which in certain cases has allowed us to resolve issues preventing timely collection of certain past due outstanding receivables;
- we have emphasized cash collections from customers, and continue to negotiate improved payment terms with both our customers and vendors and have switched vendors when needed to obtain cost savings;
- we launched Pioneer, a 1P solar tracker solution, and introduced a new mounting solution to support the installation and use of U.S.-manufactured thin-film modules not subject to UFLPA;
- we reached a settlement agreement with FCX Solar, LLC in December 2022, regarding a lawsuit filed against us relating to claims of patent infringement in order to eliminate future time and expense involved in defending ourselves in this action; under the settlement agreement, we were able to utilize our common stock to satisfy a portion of the settlement payment;
- we made an investment to acquire a 45% ownership interest in Alpha Steel, a manufacturing partnership with a leading steel fabricator, which will enhance our domestic supply chain to reduce our exposure to import duties and import restrictions, as described further in "Note 3, Equity method investment" above;
- in 2023, we began selling newly issued shares of our common stock under our ATM program (as defined and described further in "Note 5, ATM program" above); and
- we continue to actively explore options to obtain additional sources of capital through either the issuance of new debt or equity.

A number of the steps above, as well as improvements in the logistics markets and easing of supply chain constraints, contributed to us having positive gross profit in the nine months ended September 30, 2023, which also reduced our use of cash required to fund our operations during the current year-to-date period.

Management believes that our existing cash on hand, as well as the continuing impact of certain of the actions described above and our expectations of improved market conditions and positive results from our efforts to continue to increase gross margins, will allow us to grow profitably and generate positive cash flow from operations during the next twelve months in amounts that will be sufficient, along with our other available resources, to fund our operations for at least one year from the date of issuance of the condensed consolidated financial statements.

We have achieved success in executing certain of the initiatives above and we continue to work to further reduce our use of cash to fund our operations. We have begun and expect to continue seeing the benefits from production of our Pioneer solution in our financial results during 2024 and we believe passage of the Inflation Reduction Act of 2022 and our investment in Alpha Steel will also ultimately benefit demand for our products in the United States. At the same time, however, new rules for module importers and reviews by CBP pursuant to achieving full compliance with the UFLPA are expected to continue creating uncertainty in the market. However, once there is additional clarity around compliance with the UFLPA and customers get line-of-sight to module deliveries, we believe the market will see a recovery. While there are already many underlying drivers of growth in the solar industry, the expected positive impact on demand for our products could take longer than expected to occur. In addition, market conditions could deteriorate significantly from what we currently expect, and regulatory and international trade policies could become more stringent as a result of (i) findings from the Solar Circumvention Investigation, (ii) CBP's enforcement of the UFLPA, and (iii) other factors, which may result in a need for us to issue additional debt or obtain new equity financing, which could result in additional shareholder dilution, to continue to adequately fund our existing operations beyond the next twelve months. We may be unable to obtain any desired additional financing on terms favorable to us, or at all, depending on market and other conditions, which could result in curtailment of our current operations and our ability to further invest in our products and new technology. The ability to raise additional financing depends on numerous factors that are outside of our control, including macroeconomic factors such as the impact of inflation, the ongoing conflict in the Ukraine, market conditions, the health of financial institutions (including the recent bankruptcy of certain regional banks and related impacts that have occurred and continue to occur in the banking industry), investors' and lenders' assessments of our prospects and the prospects of the solar industry in general.

### **Statements of cash flows**

The following table shows our cash flows from operating activities, investing activities and financing activities for the stated periods:

<b>(in thousands)</b>	<b>Nine months ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Net cash used in operations	\$ (46,383)	\$ (49,085)
Net cash used in investing activities	(462)	(4,076)
Net cash provided by financing activities	34,133	788
Effect of exchange rate changes on cash and cash equivalents	(153)	8
Net decrease in cash and cash equivalents	<u>\$ (12,865)</u>	<u>\$ (52,365)</u>

### **Operating activities**

During the nine months ended September 30, 2023, we used approximately \$18.6 million of cash to fund a portion of our current period expenditures for personnel and facilities, legal and professional fees, insurance, research and development and various other operating activities. This compares to \$59.9 million of cash used during the nine months ended September 30, 2022, primarily for funding of (i) losses on certain projects, largely related to increased material and logistics costs due to supply chain disruptions that were not fully recoverable and (ii) prior period expenditures for personnel and facilities, legal and professional fees, and various other period costs.

Approximately \$27.8 million of cash was also used for working capital and other increases during the nine months ended September 30, 2023, primarily as a result of production activity and the timing of customer receipts and vendor payments, net of inventory utilization. During the nine months ended September 30, 2022, we generated approximately \$10.8 million of cash through reductions in working capital as we were able to reach settlements with certain customers to collect past due receivables owed.



## Investing activities

During the nine months ended September 30, 2023, we made an initial equity investment of \$0.9 million in Alpha Steel, a manufacturing partnership with Taihua, in which we hold a 45% interest. Pursuant to our agreement with Alpha Steel, we could be required to make up to \$2.6 million in future additional capital contributions as Alpha Steel expands production. Additionally, we received \$0.9 million of contingent payments from escrow in connection with the June 2021 sale of our equity interest in Dimension due to the subsequent completion of certain construction projects that were in progress at the time of the sale. We also spent nearly \$0.5 million for leasehold improvements, tooling, software, and new computer and IT equipment during the nine months ended September 30, 2023.

During the nine months ended September 30, 2022, we spent (i) approximately \$5.1 million in cash for the acquisition of HX Tracker and to acquire certain assets from Standard Sun, Inc., as well as (ii) \$0.8 million for new lab, computer and IT equipment. Additionally, we received \$1.7 million in contingent payments from escrow in connection with the sale of our equity interest in Dimension as described above.

## Financing activities

During the nine months ended September 30, 2023, we began selling newly issued shares of our common stock in various daily transactions under our ATM program, receiving cash proceeds of \$34.0 million. We also received \$0.2 million of proceeds from employee exercises of stock options. During the nine months ended September 30, 2022, \$0.8 million of proceeds from employee exercises of stock options were received.

## ***Revolving line of credit***

On April 30, 2021, we entered into the Credit Facility Agreement, which terminates on April 30, 2024.

On June 7, 2023, we entered into Amendment No. 3 to our Credit Facility Agreement with Barclays Bank PLC, pursuant to the occurrence of an Early Opt-in Election, to replace USD LIBOR with the secured overnight financing rate (SOFR) as the benchmark rate for future term loans ("Term SOFR") under the Credit Facility Agreement. No other material changes were made to the Credit Facility Agreement as part of this amendment.

The Credit Facility Agreement, as amended, includes the following terms: (i) a base rate of Term SOFR, plus 3.25% per annum, (ii) initial commitment fees of 0.50% per annum; (iii) initial letter of credit fees of 3.25% per annum; and (iv) other customary terms for a corporate revolving credit facility.

We have not made any draws on our Credit Facility as of September 30, 2023. However, as of September 30, 2023, we had \$2.0 million in letters of credit outstanding that reduced our available borrowing capacity to approximately \$98.0 million.

The Credit Facility is secured by a first priority lien on substantially all of our assets, subject to certain exclusions, and customary guarantees. As of September 30, 2023, we were in full compliance with our financial condition covenants.

We are required to maintain a liquidity level (defined as unrestricted cash and cash equivalents plus the available borrowing capacity under the Credit Facility) of no less than \$125.0 million at each quarter end in order to utilize the Credit Facility. As of September 30, 2023, we were over the required minimum liquidity level thus allowing us to continue to access our Credit Facility up to the available borrowing capacity, pending the measurement of our liquidity level again at the end of the next fiscal quarter.

## **Critical Accounting Policies and Significant Management Estimates**

Preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenue and expenses during the period. Estimates are used for calculating the measure of progress of our solar tracker projects and deriving the standalone selling prices of the individual performance obligations when determining amounts to recognize for revenue, estimating allowances for credit losses and slow-moving and obsolete inventory, determining useful lives of long-lived assets and the estimated fair value of those assets for impairment assessments, and estimating the fair value of investments, stock compensation awards, warranty liabilities and federal and state taxes, including tax valuation allowances, as well as other contingencies. We base our estimates on historical experience and anticipated results, trends, and various other assumptions that we believe are reasonable

under the circumstances, including assumptions as to future events. Actual results could differ from those estimates due to risks and uncertainties.

To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates. Critical accounting policies and estimates are those that we consider the most important to the portrayal of our financial condition and results of operations because they require our most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain.

We believe that the accounting policies described below involve a significant degree of judgment and complexity. Accordingly, we believe these are the most critical to aid in fully understanding and evaluating our condensed consolidated financial condition and results of operations.

### **Revenue recognition**

#### Policy description

We recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which we expect to be entitled to in exchange for those goods or services by following a five-step process: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when or as the Company satisfies a performance obligation, as further described below.

*Identify the contract with a customer:* A contract with a customer exists when (i) the Company enters into an enforceable contract with a customer that defines each party's rights regarding the products and services to be transferred and identifies the payment terms related to these products and services, (ii) the contract has commercial substance, and (iii) the Company determines that collection of substantially all consideration for products and services that are transferred is probable based on the customer's intent and ability to pay the promised consideration. In assessing the recognition of revenue, we also evaluate whether two or more contracts should be combined and accounted for as one contract and if the combined or single contract should be accounted for as multiple performance obligations which could change the amount of revenue and profit (loss) recorded in a period. Change orders may include changes in specifications or design, manner of performance, equipment, materials, scope of work, and/or the period of completion of the project. We analyze change orders to determine if they should be accounted for as a modification to an existing contract or a new stand-alone contract.

Contracts we enter into with our customers for sale of solar tracker systems are generally under two different types of arrangements: (1) purchase agreements and equipment supply contracts ("Purchase Agreements"), and (2) sale of individual parts for those systems.

Change orders from our customers are generally modifications to existing contracts and are included in the total estimated contract revenue when it is probable that the change order will result in additional value that can be reliably estimated and realized.

*Identify the performance obligations in the contract:* We enter into contracts that can include various combinations of products and services, which are either capable of being distinct and accounted for as separate performance obligations or as one performance obligation since the majority of tasks and services are part of a single project or capability. However, determining whether products or services are considered distinct performance obligations that should be accounted for separately versus together may sometimes require significant judgment.

Our Purchase Agreements typically include two performance obligations: 1) our solar tracker systems or customized components of those systems, and 2) shipping and handling services. The deliverables included as part of our solar tracker systems are predominantly accounted for as one performance obligation, as these deliverables are part of a combined promise to deliver a project.

The revenue for shipping and handling services will be recognized over time based on progress in meeting shipping terms of the arrangements, as this faithfully depicts the Company's performance in transferring control. Revenue for stand-alone engineering consulting and pile testing services is recognized at a point in time upon completion of the services performed.

Sales of individual parts of our solar tracker systems for certain specific transactions include multiple performance obligations consisting of individual parts of those systems. Revenue is recognized for parts sales at a point in time when the obligations under the terms of the contract with our customer are satisfied. Generally, this occurs with the transfer of control of the asset, which is in line with shipping terms.

*Determine the transaction price:* The transaction price is determined based on the consideration to which we will be entitled in exchange for transferring services to the customer. Such amounts are typically stated in the customer contract, and to the extent that we identify variable consideration, we will estimate the variable consideration at the onset of the arrangement as long as it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The majority of our contracts do not contain variable consideration provisions as a continuation of the original contract. None of our contracts contain a significant financing component. Taxes collected from customers and remitted to governmental authorities are not included in revenue.

*Allocate the transaction price to performance obligations in the contract:* Once we have determined the transaction price, we allocate the total transaction price to each performance obligation in a manner depicting the amount of consideration to which we expect to be entitled in exchange for transferring the good(s) or service(s) to the customer. We allocate the transaction price to each performance obligation identified in the contract on a relative standalone selling price basis.

We use the expected cost-plus margin approach based on hardware, labor, and related overhead cost to estimate the standalone selling price of our solar tracker systems, customized components of those systems, and individual parts for certain specific transactions. We also use the expected cost-plus margin approach based on expected third-party shipping and transportation costs to estimate the standalone selling price of our shipping, handling and logistics performance obligations. We use the adjusted market assessment approach for all other performance obligations.

*Recognize revenue when or as the Company satisfies a performance obligation:* For each performance obligation identified, we determine at contract inception whether we satisfy the performance obligation over time or at a point in time. The performance obligations in the contracts for our solar tracker systems and customized components of those systems are satisfied over time as work progresses, utilizing an input measure of progress determined by cost-to-cost measures on these projects as this faithfully depicts our performance in transferring control. Additionally, our performance does not create an asset with an alternative use, due to the highly customized nature of the product, and we have an enforceable right to payment for performance completed to date. Our performance obligations for individual part sales for certain specific transactions are recognized at a point in time as and when control transfers based on the Incoterms for the contract. Our performance obligations for engineering consulting and pile testing services are recognized at a point in time upon completion of the services. Our performance obligations for term-based software licenses are recognized at a point in time as and when control transfers, either upon delivery to the customer or the software license start date, whichever is later. Our performance obligations for shipping and handling services are satisfied over time as the services are delivered over the term of the contract. We recognize revenue for subscription and other services on a straight-line basis over the contract period. With regard to support revenue, a time-elapsed method is used to measure progress because we transfer control evenly over the contractual period. Accordingly, the fixed consideration related to support revenue is generally recognized on a straight-line basis over the contract term.

*Contract assets and liabilities:* The timing of revenue recognition, billing, and cash collection results in the recognition of accounts receivable, unbilled receivables for revenue recognized in excess of billings, and deferred revenue in the condensed consolidated balance sheets. We may receive advances or deposits from our customers before revenue is recognized, resulting in contract liabilities, which are reflected as “deferred revenue” in our condensed consolidated balance sheets.

#### Judgments and assumptions

The timing and amounts of revenue and cost of revenue recognition, as well as recording of related receivables and deferred revenue, is highly dependent on our identification of performance obligations in each contract and our estimates by contract of total project cost and our progress toward project completion as of each period end. Certain estimates are subject to factors outside of our control that may impact our suppliers and the global supply chain. As an example, we began to experience increases in steel prices and shipping and logistics costs, as well as delays in delivery of our products to customers during 2021, which negatively impacted our results of operations as we were not able to recover all of the additional costs under certain of our fixed fee contracts at that time. Certain of these increases have since been mitigated as supply chain constraints have eased and as we have adjusted our use of various modes of transportation when warranted to optimize our transportation costs. We base our estimates on the best information available at each period end, but future events and their effects cannot be determined with certainty, and actual results could differ materially from our assumptions and estimates.

## ***Accounts receivable, net***

### Policy description

Trade receivables are recorded at invoiced amounts, net of allowances for credit losses, and do not bear interest. We generally do not require collateral from our customers; however, in certain circumstances, we may require letters of credit, other collateral, additional guarantees or advance payments.

We adopted ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments effective January 1, 2023. As a result, we now establish an allowance for credit losses based on the expected lifetime credit loss of our customer accounts. For the three and nine months ended September 30, 2022, we utilized the incurred loss model in estimating our allowance for doubtful accounts during those periods.

### Judgments and assumptions

The allowance for credit losses is based on the lifetime expected credit loss of our customer accounts. To assess the lifetime expected credit loss, we utilize a loss rate method that takes into consideration historical experience and certain other factors, as appropriate, such as credit quality and current economic or other conditions that may affect a customer's ability to pay.

Adjustments to the allowance are largely dependent on historical experience involving amounts previously collected from our customers in recent years or based on specific changes in a customer's ability to pay. As an example, we recognized a \$4.0 million credit loss provision in our selling and marketing expenses during the three months ended September 30, 2023, related to indications received of a specific customer's inability to fully pay amounts owed. Historical experience, when used in making such adjustments, may not reflect current actual experience and may result in greater variability in the amounts recognized in our allowance for expected credit losses as compared to the incurred loss method that was utilized prior to January 1, 2023.

## ***Warranty***

### Policy description

Typically, the sale of solar tracker projects includes parts warranties to customers as part of the overall price of the product. We provide standard assurance type warranties for our products for periods generally ranging from two to ten years. We record a provision for estimated warranty expenses in cost of sales, net of amounts recoverable from manufacturers under their warranty obligations to us. We do not maintain general or unspecified reserves; all warranty reserves are related to specific projects. All actual or estimated material costs incurred for warranty services in subsequent periods are charged to those established reserves.

### Judgments and assumptions

We base our estimated warranty obligations on our historical experience and forward-looking factors including the nature and frequency of product failure rates and costs to address future claims. These estimates are inherently uncertain given our relatively short history of sales and changes to our historical or projected warranty experience may result in material changes to our warranty reserve in the future. Additionally, we make estimates of what costs we believe will be recoverable from the manufacturer of our products that we use to offset our obligations to our customers.

While we periodically monitor our warranty activities and claims, if actual costs incurred were to be different from our estimates, we would recognize adjustments to our warranty reserves in the period in which those differences arise or are identified. Such adjustments could be material to cost of revenue in our results of operations in the period the adjustments are made.

## ***Stock-based compensation***

### Policy description

We recognize compensation expense for all share-based payment awards made, including stock options and RSUs, based on the estimated fair value of the award on the grant date. We calculate the fair value of stock options using the Black-Scholes option pricing model for awards with service-based vesting or through use of a lattice model or a Monte Carlo simulation for awards with market

conditions. The fair value of RSUs is based on the estimated fair value of the Company's common stock on the date of grant. We consider the closing price of our stock, as reported on the Nasdaq Global Market, to be the fair value of our stock on the grant date.

Forfeitures are accounted for as they occur. For service-based awards, stock-based compensation is recognized using the straight-line attribution approach over the requisite service period. For performance-based awards, stock-based compensation is recognized based on graded vesting over the requisite service period when the performance condition is probable of being achieved. Stock compensation expense for market-based awards is recognized over the derived service period determined in the valuation model, inclusive of any vesting conditions.

#### Judgments and assumptions

Our service-based options currently outstanding were initially granted prior to or shortly after our IPO. We used the Black-Scholes model to estimate the fair value of the options at the grant date. The Black-Scholes model relies on various assumptions, in addition to the exercise price of the option and the value of our common stock on the date of grant. These assumptions include:

*Expected Term:* The expected term represents the period that the Company's stock-based awards are expected to be outstanding and has been calculated as the average of the option vesting and contractual terms, based on the simplified method. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the options.

*Expected Volatility:* Since the Company did not have a trading history of its common stock prior to our IPO and since such trading history subsequent to our IPO was limited in relation to the expected term of any option grants, the expected volatility was derived from the average historical stock volatilities of several public companies within the Company's industry that it considers to be comparable to its business over a period equivalent to the expected term of the stock option grants.

*Risk-Free-Interest-Rate:* The Company bases the risk-free interest rate on the implied yield available on U.S. Treasury zero-coupon issues with a remaining term equivalent to the expected term.

*Expected Dividend:* The Company has not issued any dividends in its history and does not expect to issue dividends over the life of the options and, therefore, has estimated the dividend yield to be zero.

We used Monte Carlo simulations for certain awards granted with market conditions which provided an estimated average present value for each award based on a simulation assuming Geometric Brownian Motion in a risk-neutral framework using 100,000 simulation paths to determine the derived service and vesting periods.

Changes to any of our assumptions, but particularly our estimates of expected term and volatility, could change the fair value of our options and impact the amount of stock-based compensation expense we report each period.

#### **Impairment**

##### Policy description - long-lived assets and intangible assets

We review our long-lived assets that are held for use for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable or that its useful life may be shorter than previously expected. If such impairment indicators are present or other factors exist that indicate the carrying amount of the asset may not be recoverable, we determine whether an impairment has occurred through the use of an undiscounted cash flow analysis of the asset at the lowest level for which identifiable cash flows exist. If an impairment has occurred, we recognize a loss for the difference between the carrying amount and the fair value of the asset, which in most cases is estimated based upon Level 3 unobservable inputs. If the asset is determined to have a remaining useful life shorter than previously expected an adjustment for the shorter remaining life will be made for purposes of recognizing future depreciation expense. Assets are classified as held for sale when we have a plan, approved by the appropriate levels of management, for disposal of such assets, as well as other considerations, and those assets are stated at the lower of carrying value or estimated fair value less estimated costs to sell.

## Policy description - goodwill

Goodwill is not amortized but is subject to a periodic assessment for impairment at least annually, or whenever events and circumstances indicate an impairment may exist. Our assessments may include qualitative factors such as current or expected industry and market conditions, our overall financial performance, share price trends, market capitalization and other company-specific events.

We operate in one segment, being the consolidated entity, which we have also determined is the reporting unit for goodwill impairment.

## Judgments and assumptions

Key judgments and assumptions may include:

- determination of whether events or changes in circumstances indicate that the carrying value of our long-lived assets or goodwill might be impaired. Such factors to consider may include an evaluation of changes in the business or regulatory climate, market conditions or other events impacting our operations;
- estimating future cash flows of our long-lived assets or asset groups and intangible assets, which may involve assumptions as to the lowest level of our assets at which cash flows are generated, as well as future growth and risk-adjusted discount rates, as well as a terminal growth rate or value and future market conditions;
- estimates of assumptions a market participant would use in determining the fair value of the affected long-lived assets or asset groups; and
- estimating the fair value of the consolidated company, which can be affected by changes in the market value of our common stock.

We have not identified any impairments of our long-lived assets, intangible assets or goodwill as of September 30, 2023, apart from the write-off of remaining prepaid balances to general and administrative expense associated with the termination on September 13, 2023, of the Service Agreement with a related party, as described further in Note 17, "Related party transactions" in Part I, Item 1 above.

## ***JOBS Act accounting election***

We are an emerging growth company, as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We elected to use the allowed extended transition period for adopting new or revised accounting standards.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risk in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of customer concentrations and fluctuations in steel, aluminum and logistics/transportation prices. We do not hold or issue financial instruments for trading purposes.

### ***Fair value of financial instruments***

Our financial instruments consist of cash, cash equivalents, accounts receivable, short-term interest-bearing loans and accounts payable. Cash, cash equivalents, accounts receivable and accounts payable are stated at their carrying value, which approximates fair value due to the short time to the expected receipt or payment date.

We had \$31.5 million of cash and cash equivalents on hand, the vast majority of which was located in the United States, and no debt outstanding as of September 30, 2023. We regularly maintain cash balances with various financial institutions that exceed federally insured amounts, but we have experienced no losses associated with these amounts to date. We also took action in early 2023 to reallocate cash balances between different financial institutions based on our assessment as to the financial health of certain institutions.

Certain of our cash equivalents include deposits in money market funds that invest primarily in short-term securities issued or guaranteed by the U.S. government or its agencies or instrumentalities and contain no restrictions on immediate redemption. The carrying value for money market fund deposits approximates fair value based on quoted prices in active markets for units held (Level 1 classification) and totaled \$18.1 million at September 30, 2023 and \$25.4 million at December 31, 2022.

We have no other financial instruments as of September 30, 2023, other than cash equivalents, short-term interest-bearing loans and certain non-functional currency intercompany and third-party receivables and payables, which are subject to foreign exchange, interest rate or market risks.

### ***Concentrations of major customers***

Our customers include project developers, solar asset owners and EPC contractors that design and build solar energy projects. We extend credit to customers in the normal course of business, often without requiring collateral. We also perform credit analyses and monitor the financial health of our customers to reduce credit risk.

We typically rely on a small number of customers that account for a large portion of our revenue each period and our outstanding receivables at each period end.

Further, our accounts receivables are from companies within or serving the solar industry and, as such, we are exposed to normal industry credit risks. We continually evaluate our reserves for potential credit losses and establish initial reserves based on our expectation of lifetime expected credit losses.

### ***Commodity Price Risk***

We subcontract to various contract manufacturers, who manufacture and deliver products directly to our customers. We, therefore, do not procure raw materials and commodities directly, except for items added to our inventory. We are subject to indirect risk from fluctuating market prices of certain commodity raw materials, including steel and aluminum, which are used in our products, through our contract manufacturers, as increases in these commodity prices would increase our cost of procuring subcontracting services. Prices of these raw materials may be affected by supply restrictions or other market factors from time to time. Significant price increases for these raw materials could reduce our operating margins if we are unable to recover such increases in costs from our customers, and could harm our business, financial condition and results of operations.

## **ITEM 4. CONTROLS AND PROCEDURES**

### ***Evaluation of Disclosure Controls and Procedures***

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act") as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q were effective in providing reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company can be detected.

***Changes in Internal Control Over Financial Reporting***

There were no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



## PART II - OTHER INFORMATION

### **ITEM 1. LEGAL PROCEEDINGS**

From time to time, we may become involved in various claims, lawsuits, investigations, and other proceedings, arising in the normal course of business.

In March of 2023, CBP issued notices of tariff assessment that indicated an action taken at the Import Specialist (i.e., the port) level with respect to merchandise imported from Thailand under entry number 004-1058562-5 (the "625 Assessment") and entry number 004-1063793-9 (the "Original 939 Assessment", and collectively with the 625 Assessment, the "Original CBP Assessments"). The Original CBP Assessments related to certain torque beams that are used in our Voyager+ product that were imported in 2022. In the Original CBP Assessments, CPB asserted that Section 301 China tariffs, Section 232 steel & aluminum tariffs, and antidumping and countervailing duties applied to the merchandise. Based on correspondence received to date from CBP and our calculations based on applicable duty and tariff rates, the 625 Assessment is currently for approximately \$2.16 million. In September of 2023, CBP informed us (the "Revised 939 Assessment", and together with the 625 Assessment, the "Revised CBP Assessments") that the amount owed under the Original 939 Assessment was being revised downward to approximately \$2.01 million. In particular, CBP accepted our position that the Section 301 tariffs of 25% or 7.5% of the value of the merchandise, depending on tariff classification, as well as the antidumping and countervailing duties, previously assessed under the Original 939 Assessment are not applicable as they are only applicable to articles that originate in China and that, in this case, the finished goods are products of Thailand.

Upon review of the facts involved, and in consultation with outside legal counsel, we believe that the remaining amounts claimed in the Revised CBP Assessments are incorrect. In particular, the Section 301 tariffs of 25% or 7.5% of the value of the merchandise, depending on tariff classification, as well as the antidumping and countervailing duties, are not applicable under the 625 Assessment for the same reason stated above with respect to the Revised 939 Assessment, which has been accepted by CBP. Moreover, with respect to both Revised CBP Assessments, we believe that the goods in question were properly classified as parts of structures at the time of importation and that when properly classified, the beams and other materials are not subject to Section 232 duties applicable to more basic steel products.

CBP has legally finalized both Revised CBP Assessments. We filed a formal protest for the 625 Assessment in September of 2023 and plan to do the same for the Revised 939 Assessment. Based on the above, and under the relevant accounting guidance related to loss contingencies, we have made no accrual for the amounts claimed by CBP as of September 30, 2023, as we do not consider these amounts to be a probable obligation, as such term is defined and interpreted under the relevant accounting guidance, for us at this time. However, because matters of this nature are subject to inherent uncertainties, and unfavorable rulings or developments, including future assessments of additional duties or tariffs owed in respect of other shipments or other materials beyond what is presently included in the Revised CBP Assessments, could occur despite our belief that the tariffs and duties asserted are incorrect, there can be no certainty that the Company may not ultimately incur charges that are not currently recorded as liabilities. Since the outcome of these matters cannot be predicted with certainty, the costs associated with them could have a material adverse effect on our consolidated results of operations, financial position, or liquidity.

### **ITEM 1A. RISK FACTORS**

We are subject to a number of risks that if realized could adversely affect our business, strategies, prospects, financial condition, results of operations and cash flows. Some of the more significant risks and uncertainties we face include those summarized below. The summary below is not exhaustive and is qualified by reference to the full set of risk factors set forth in Item 1A. "Risk Factors" in our 2022 Annual Report. Please carefully consider all of the information in this Quarterly Report on Form 10-Q and our 2022 Annual Report, including the full set of risks set forth in Item 1A. "Risk Factors" of our 2022 Annual Report, and in our other filings with the SEC before making an investment decision regarding us.

- **Risks related to our business and our industry** – We are a relatively new public company with a history of losses that provides products and services to the solar industry, which is rapidly changing and dependent on being competitive with the price of electricity generated from other sources. We face competition from other companies that may be larger than us and have more financial resources than we have which could impact our ability to compete for new business.
- **Risks related to government regulations and legal compliance** – We face risks to the demand for our products from our customers due to changes in, or expiration of, governmental incentives and existing tax credits and other benefits. Additionally, changes in the trade environment and tax treaties between the United States and other countries, such as China, as well as import

tariffs and other laws and regulations that impact the ability to import our products or other products necessary for the construction of solar energy projects, have adversely and could continue to adversely affect our business.

- **Risks related to manufacturing and supply chain** – We face risks in meeting the needs of our customers due to our reliance on contract manufacturers, including on their ability to obtain raw materials in a cost effective and timely manner and to provide timely deliveries of finished products to us and our customers.
- **Risks related to intellectual property** – We face the risk of not being able to adequately protect or defend our intellectual property and property rights in the various countries in which we do business.
- **Risks related to information technology and data privacy** – We face reputational and monetary risks from cybersecurity incidents and the unauthorized disclosure of personal or sensitive data relating to our employees, customers, vendors and others.
- **Risks related to ownership of our common stock** – The holders of our common stock face a risk of loss in their investment in us due to fluctuations in our stock price as a result of changing market conditions, any future issuances of stock, our future financial performance, our corporate legal structure and the substantial ownership in our stock by our directors, executive officers and principal stockholders.
- **Risks related to COVID-19 and other health epidemics** – We face risks of our business being adversely impacted by the effects of a widespread outbreak of contagious disease, such as the recent COVID-19 pandemic. COVID-19 caused significant supply chain disruptions beginning in 2020 that resulted in delays in product delivery and completion and caused increased transportation costs, as well as labor shortages at that time. In May 2023, both the World Health Organization and the U.S. Department of Health and Human Services ended their declared status of COVID-19 as being a public health emergency.

Additionally, as described further in Note 2 in Part I, Item 1 under the section "Liquidity" and in Part I, Item 2 of this Quarterly Report on Form 10-Q under the section "Liquidity and Capital Resources", we have a history of cash outflows to fund operations.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

### Unregistered Sales of Equity Securities

None.

### Use of Proceeds

None.

### Issuer Purchases of Equity Securities

The table below summarizes purchases of our common stock during the three months ended September 30, 2023.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program
7/1/2023 - 7/31/2023	312,500	\$ 0.00	N/A	N/A
8/1/2023 - 8/31/2023	—	—	N/A	N/A
9/1/2023 - 9/30/2023	—	—	N/A	N/A
Total	312,500 <sup>(a)</sup>	\$ 0.00	N/A	N/A

<sup>(a)</sup> Effective July 5, 2023, we agreed to acquire 312,500 shares of our outstanding common stock held by ARC Family Trust, a related party and greater than 10% shareholder, for no monetary consideration. The acquired shares were then retired. The ARC Family Trust was established by Mr. Ahmad Chatila, a member of our Board of Directors, for the benefit of certain members of his family. Mr. Shaker Sadasivam, the Chairman of our Board of Directors, is the trustee of the ARC Family Trust.

Concurrent with the transaction described above and with the approval of our Board of Directors, we issued 250,000 RSUs to Mr. Tony Alvarez, who was appointed as our Board Observer, effective July 5, 2023, and 62,500 RSUs to Mr. William Aldeen "Dean" Priddy, Jr., a member of our Board of Directors and Chairman of the Audit Committee of the Board. These RSU grants will vest upon the one-year anniversary of the date of grant. The RSU grants were able to be made at zero dilution to the Company as a result of the concurrent acquisition for no monetary consideration and retirement of the same number of shares of common stock from ARC Family Trust, as described above.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

### **ITEM 5. OTHER INFORMATION**

(a) Information required to be disclosed in a report on Form 8-K during the period covered by this Form 10-Q, but not reported.

None

(b) Furnish the information required by Item 407(c)(3) of Regulation S-K (§229.407 of this chapter)

None

(c) Furnish the information required by Item 408(a) of Regulation S-K (17 CFR 229.408(a)).

During the three months ended September 30, 2023, none of our directors or officers adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K.

## ITEM 6. EXHIBITS

The following exhibits are filed as part of this report:

<b>Exhibit Number</b>	<b>Description</b>
3.1	** <a href="#">Amended and Restated Certificate of Incorporation of FTC Solar, Inc.(filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 3, 2021 and incorporated herein by reference).</a>
3.2	** <a href="#">Amended and Restated Bylaws of FTC Solar, Inc.(filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 3, 2021 and incorporated herein by reference).</a>
3.3	** <a href="#">Certificate of Correction of Amended and Restated Certificate of Incorporation (Filed as Exhibit 3.3 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on June 8, 2021 and incorporated herein by reference).</a>
4.1	** <a href="#">Specimen Common Stock Certificate (filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on April 29, 2021 and incorporated herein by reference)</a>
31.1	* <a href="#">Certification of Principal Executive Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	* <a href="#">Certification of Principal Financial Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1	* <a href="#">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.</a>
32.2	* <a href="#">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.</a>
101.INS	* Inline XBRL Instance Document
101.SCH	* Inline XBRL Taxonomy Extension Schema Document
101.CAL	* Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	* Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	* Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	* Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	* Cover Page Interactive Data File (formatted as Inline XBRL and contained in exhibit 101)

\* Filed herewith

\*\* Incorporated herein by reference

**SIGNATURE**

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

**FTC SOLAR, INC.**

Date: November 8, 2023

/s/ Cathy Behnen

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Cathy Behnen, Chief Financial Officer





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

In connection with the Quarterly Report of FTC Solar, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2023

By: \_\_\_\_\_ /s/ Shaker Sadasivam

**Shaker Sadasivam**  
**Chairman of the Board of Directors of FTC Solar, Inc.**

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

In connection with the Quarterly Report of FTC Solar, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2023

By: \_\_\_\_\_ /s/ Cathy Behnen

**Cathy Behnen**  
**Chief Financial Officer**

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