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, 2024

OR

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

For the transition period from __________to__________

Commission File Number **001-40350**

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

Delaware	**81-4816270**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
9020 N Capital of Texas Hwy, Suite I-260, Austin, Texas 78759	**78759**
(Address of principal executive offices)	(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

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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, 2024, 127,767,183 shares of the registrant's common stock were outstanding.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q ("Quarterly Report") contains forward-looking statements. All statements other than statements of historical or current facts contained in this Quarterly Report 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 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 Part II, Item 1A. "Risk Factors" of this Quarterly Report, and more comprehensively in Part I, Item 1A "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2023. 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, 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 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. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained in this Quarterly Report, 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, 2024	December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 8,255	$ 25,235
Accounts receivable, net	37,345	65,279
Inventories	15,124	3,905
Prepaid and other current assets	15,502	14,089
Total current assets	76,226	108,508
Operating lease right-of-use assets	1,720	1,819
Property and equipment, net	2,409	1,823
Intangible assets, net	137	542
Goodwill	7,421	7,353
Equity method investment	1,273	240
Other assets	2,507	2,785
Total assets	$ 91,693	$ 123,070
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 18,742	$ 7,979
Accrued expenses	23,965	34,848
Income taxes payable	333	88
Deferred revenue	4,444	3,612
Other current liabilities	9,862	8,138
Total current liabilities	57,346	54,665
Operating lease liability, net of current portion	883	1,124
Other non-current liabilities	3,056	4,810
Total liabilities	61,285	60,599
Commitments and contingencies (Note 14)		
Stockholders' equity		
Preferred stock par value of $0.0001 per share, 10,000,000 shares authorized; none issued as of September 30, 2024 and December 31, 2023	—	—
Common stock par value of $0.0001 per share, 850,000,000 shares authorized; 127,723,582 and 125,445,325 shares issued and outstanding as of September 30, 2024 and December 31, 2023	13	13
Treasury stock, at cost; 10,762,566 shares as of September 30, 2024 and December 31, 2023	—	—
Additional paid-in capital	366,132	361,886
Accumulated other comprehensive loss	(231)	(293)
Accumulated deficit	(335,506)	(299,135)
Total stockholders' equity	30,408	62,471
Total liabilities and stockholders' equity	$ 91,693	$ 123,070

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, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Revenue:				
Product	$ 7,411	$ 27,274	$ 27,092	$ 80,927
Service	2,725	3,274	7,061	22,874
Total revenue	10,136	30,548	34,153	103,801
Cost of revenue:				
Product	11,798	22,775	34,632	73,694
Service	2,644	4,394	8,278	22,492
Total cost of revenue	14,442	27,169	42,910	96,186
Gross profit (loss)	(4,306)	3,379	(8,757)	7,615
Operating expenses				
Research and development	1,467	1,921	4,441	5,716
Selling and marketing	2,406	6,324	6,830	9,887
General and administrative	6,797	11,411	19,374	31,053
Total operating expenses	10,670	19,656	30,645	46,656
Loss from operations	(14,976)	(16,277)	(39,402)	(39,041)
Interest income (expense), net	24	(108)	(111)	(194)
Gain from disposal of investment in unconsolidated subsidiary	—	—	4,085	898
Other income (expense), net	93	(50)	122	(265)
Loss from unconsolidated subsidiary	(256)	(336)	(767)	(336)
Loss before income taxes	(15,115)	(16,771)	(36,073)	(38,938)
Provision for income taxes	(244)	(166)	(298)	(175)
Net loss	(15,359)	(16,937)	(36,371)	(39,113)
Other comprehensive income (loss):				
Foreign currency translation adjustments	207	(38)	62	(451)
Comprehensive loss	$ (15,152)	$ (16,975)	$ (36,309)	$ (39,564)
Net loss per share:				
Basic and diluted	$ (0.12)	$ (0.14)	$ (0.29)	$ (0.35)
Weighted-average common shares outstanding:				
Basic and diluted	127,380,292	119,793,821	126,234,997	112,794,562

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

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

For the three and nine months ended September 30, 2024:

	Preferred stock		Common stock		Treasury stock					
(in thousands, except shares)	Shares	Amount	Shares	Amount	Shares	Amount	Additional paid-In capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity
Balance as of December 31, 2023	—	$ —	125,445,325	$ 13	10,762,566	$ —	$ 361,886	$ (293)	$ (299,135)	$ 62,471
Shares issued during the period for vested restricted stock awards	—	—	506,928	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	1,639	—	—	1,639
Net loss	—	—	—	—	—	—	—	—	(8,771)	(8,771)
Other comprehensive loss	—	—	—	—	—	—	—	(181)	—	(181)
Balance as of March 31, 2024	—	—	125,952,253	13	10,762,566	—	363,525	(474)	(307,906)	55,158
Shares issued during the period for vested restricted stock awards	—	—	1,009,094	—	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	41,233	—	—	—	3	—	—	3
Stock-based compensation	—	—	—	—	—	—	1,285	—	—	1,285
Net loss	—	—	—	—	—	—	—	—	(12,241)	(12,241)
Other comprehensive gain	—	—	—	—	—	—	—	36	—	36
Balance as of June 30, 2024	—	—	127,002,580	13	10,762,566	—	364,813	(438)	(320,147)	44,241
Shares issued during the period for vested restricted stock awards	—	—	718,424	—	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	2,578	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	1,319	—	—	1,319
Net loss	—	—	—	—	—	—	—	—	(15,359)	(15,359)
Other comprehensive gain	—	—	—	—	—	—	—	207	—	207
Balance as of September 30, 2024	—	$ —	127,723,582	$ 13	10,762,566	$ —	$ 366,132	$ (231)	$ (335,506)	$ 30,408

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

FTC Solar, Inc.
Condensed Consolidated Statements of Changes in Stockholders’ Equity (Continued)
(unaudited)

For the three and nine months ended September 30, 2023:

(in thousands, except shares)	Preferred stock		Common stock		Treasury stock					
	Shares	Amount	Shares	Amount	Shares	Amount	Additional paid-In capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity
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 Cash Flows
(unaudited)

(in thousands)	Nine months ended September 30, 2024	2023
Cash flows from operating activities		
Net loss	$ (36,371)	$ (39,113)
Adjustments to reconcile net loss to cash used in operating activities:		
Stock-based compensation	4,243	9,044
Depreciation and amortization	1,229	1,004
Gain from sale of property and equipment	—	(2)
Amortization of debt issue costs	236	532
Provision for obsolete and slow-moving inventory	177	1,261
Loss from unconsolidated subsidiary	767	336
Gain from disposal of investment in unconsolidated subsidiary	(4,085)	(898)
Warranty and remediation provisions	4,735	3,938
Warranty recoverable from manufacturer	388	45
Credit loss provisions	1,330	4,302
Deferred income taxes	220	221
Lease expense and other	861	748
Impact on cash from changes in operating assets and liabilities:		
Accounts receivable	26,604	(26,625)
Inventories	(11,396)	9,033
Prepaid and other current assets	(1,403)	(3,122)
Other assets	(514)	67
Accounts payable	10,622	(6,160)
Accruals and other current liabilities	(13,502)	5,491
Deferred revenue	832	(138)
Other non-current liabilities	(2,013)	(5,740)
Lease payments and other, net	(968)	(607)
Net cash used in operations	(18,008)	(46,383)
Cash flows from investing activities:		
Purchases of property and equipment	(1,355)	(460)
Equity method investment in Alpha Steel	(1,800)	(900)
Proceeds from disposal of investment in unconsolidated subsidiary	4,085	898
Net cash provided by (used in) investing activities	930	(462)
Cash flows from financing activities:		
Sale of common stock	—	34,007
Stock offering costs paid	—	(95)
Proceeds from stock option exercises	3	221
Net cash provided by financing activities	3	34,133
Effect of exchange rate changes on cash and cash equivalents	95	(153)
Decrease in cash and cash equivalents	(16,980)	(12,865)
Cash and cash equivalents at beginning of period	25,235	44,385
Cash and cash equivalents at end of period	$ 8,255	$ 31,520
Supplemental disclosures of cash flow information:		
Purchases of property and equipment included in ending accounts payable and accruals	$ 225	$ 146
Stock issued for accrued legal settlement	$ —	$ 2,000
Right-of-use asset and lease liability recognition for new leases	$ 500	$ 1,417
Cash paid during the period for interest	$ 211	$ 436
Cash paid during the period for taxes, net of refunds	$ 113	$ 331

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 currently trades on the Nasdaq Capital 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 two-panel in-portrait solar tracker system is currently marketed under the Voyager brand name (“Voyager”) and our one module-in-portrait ("1P") solar tracker system, which became certified in 2023, is marketed under the Pioneer brand name ("Pioneer"). We also have a mounting solution to support the installation and use of U.S.-manufactured thin-film modules by project owners. Our primary software offerings include SUNPATH which is intended to help customers optimize solar tracking for increased energy production, our SUNOPS real-time operations management platform and our web-based ATLAS portfolio management software. 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, South Africa and Spain.

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, 2024, and December 31, 2023, our results of operations for the three and nine months ended September 30, 2024 and 2023, and our cash flows for the nine months ended September 30, 2024 and 2023. The condensed consolidated balance sheet as of December 31, 2023 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, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. 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, 2023 (our "2023 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 and have a history of cash outflows from operations. As of September 30, 2024, we had $8.3 million of cash on hand, $18.9 million of working capital and approximately $64.9 million of remaining capacity available for future sales of our common stock under our ATM program as defined and described further in Note 4, "ATM program" below. There can be no assurance that we will be able to sell any additional shares of our common stock under the ATM program and no assurance regarding the price at which we will be able to sell such shares, and any sales of our common stock under the ATM program may be at prices that result in additional dilution to our existing stockholders.

On December 22, 2023, we received notification from The Nasdaq Stock Market LLC (“Nasdaq”) that we were not in compliance with the requirement to maintain a minimum closing bid price of $1.00 per share, as set forth in Nasdaq Listing Rule 5450(a)(1), because the closing bid price of the Company’s common stock was below $1.00 per share for 30 consecutive business days. In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we were initially given a period of 180 calendar days from the date of notification, or until June 19, 2024, to regain compliance with the minimum bid price requirement, which was not achieved. Effective May 31, 2024, trading in our common stock transferred from the Nasdaq Global Market to the Nasdaq Capital Market. On June 21, 2024, we received notification from Nasdaq that we were approved for an additional 180-day period, or until December 17, 2024, to cure the bid price deficiency in accordance with Nasdaq Listing Rule 5810(c)(3)(A). In order to achieve compliance with the Nasdaq requirements for continued listing, on November 8, 2024, our stockholders approved an amendment to our Amended and Restated Certificate of Incorporation to effect a reverse stock split at a ratio ranging from 1-for-5 to 1-for 25, with the exact ratio to be determined by our Board of Directors. At this time, our common stock continues to trade on the Nasdaq Capital Market under the symbol "FTCI". If at any time before December 17, 2024, the bid price of our common stock closes at or above $1.00 per share for a minimum of ten consecutive business days, Nasdaq will provide written notification that we have achieved compliance with this minimum bid price requirement. If we fail to regain compliance with the minimum bid price requirement during this second 180-day period, then Nasdaq will notify us that our common stock is subject to delisting.

Effective April 30, 2024, our Senior Secured Revolving Credit Facility ("Credit Facility) expired unused and has not been replaced as of September 30, 2024. As described further in Note 18, "Subsequent events" below, we signed a binding term sheet on November 8, 2024, with an institutional investor, for the issuance of $15 million in long-term senior secured promissory notes, along with warrants to purchase 17.5 million shares of our common stock at an exercise price of $0.01 per share. Closing on the transaction is expected on or before November 30, 2024.

At September 30, 2024, we had a contractual obligation that could require us to make additional capital contributions of up to $0.8 million to Alpha Steel, as well as make a minimum level of purchases from Alpha Steel, as described further in Note 3, "Equity method investment" below. In the event we were to fail to meet our minimum required purchase commitments during a specified period, including the current period from January 1, 2024 to June 30, 2025, we may be required to make a cash payment for the net profit attributable to any unfilled requirements, calculated as specified in the agreement, in an amount not to exceed $4.0 million in the aggregate.

In addition, we have made efforts during 2024 to enhance and strengthen our management leadership team. In August 2024, we hired Yann Brandt as our new Chief Executive Officer and, prior to that, we named Tamara Mullings, a former member of our Board of Directors, as our Senior Vice President, North America Sales and Alberto Echeverria, a former Chief Executive Officer and Executive Member of the Board of STI Norland, as our Senior Vice President, International Sales.

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 our condensed consolidated financial statements are issued.

Management plans to address the liquidity needs of the Company by (i) executing the aforementioned $15 million issuance of long-term senior secured notes, (ii) utilizing receipt of additional contingent earnout payments from our investment in Dimension Energy LLC that we sold in 2021, (iii) implementing additional cost savings steps, which could impact the level of services currently provided by third parties and our existing headcount, and (iv) utilizing capacity available for future sales of our common stock under the ATM program. We believe execution of these plans will allow us to fund our operations for at least one year from the date of issuance of our condensed consolidated financial statements.

The successful execution of these plans is subject to various risks and uncertainties. These include, but are not limited to, market conditions, the Company's ability to achieve projected cost savings and revenue targets and access to financing on favorable terms. There can be no assurance that these plans will be realized as anticipated and actual results may differ materially from those projected.

Use of estimates

Preparation of condensed 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 United States and Australia. For the periods included in this Quarterly Report, no company locations other than those in the United States accounted for more than 10% of our consolidated 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. These deposits totaled $1.8 million at September 30, 2024 and $13.9 million at December 31, 2023. 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 expenses.

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

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 are recorded at fair value when acquired in connection with a business combination and 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 - 3.0 years, using the straight-line method. Costs incurred to renew or extend the term of a recognized intangible asset, if any, are expensed as incurred. We evaluate intangible assets for impairment using the method described above under "Impairment".

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. 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.

No impairment of goodwill was recognized as of September 30, 2024 or 2023.

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. Factors considered by the Company when reviewing an equity method investment for impairment include the length of time and the extent to which the fair value of the equity method investment has been less than its cost, the investee’s financial condition and near-term prospects and the intent and ability to hold the investment for a period of time sufficient to allow for anticipated recovery. An impairment that is other-than temporary is recognized in the period identified.

We made an accounting policy election that, upon the sale of our equity method investments, we will recognize contractual contingent gains arising from earnout provisions and project escrow releases when such amounts are realizable in periods subsequent to the disposal date.

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 five to ten years. We also accrue for costs relating to remediation efforts involving product issues we believe require correction. We record a provision for estimated warranty and remediation expenses in cost of sales, net of amounts recoverable from manufacturers under their warranty obligations to us. When historical claims information relating to our equipment is not sufficient, we will base our estimates on industry studies involving the nature and frequency of product failure rates for similar parts used by our competitors, as well as other related businesses. 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 or remediation 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 restricted stock units ("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 stock option and RSU awards with market conditions. The fair value of RSUs with service or performance-based vesting 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 Capital 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 terms 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 have elected to use the practical expedient of expensing incremental costs of obtaining a contract for our contracts of less than one year in duration. 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. Customer deposits are short term as the related performance obligations are typically fulfilled within 12 months. Changes in deferred revenue relate to fluctuations in the timing of customer deposits and completion of performance obligations. Revenue recognized during the three and nine months ended September 30, 2024, from amounts included in deferred revenue at December 31, 2023, totaled $1.1 million and $3.6 million, respectively. 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 balance sheets. Deferred cost of revenue, a component of our prepaid and other current assets, 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 and regulatory pronouncements not yet adopted

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU No. 2023-07 - Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"), which will become effective for us for our year end 2024 financial reporting and our interim reporting beginning January 1, 2025. ASU 2023-07 requires public companies to disclose significant segment expenses and other segment items on an annual and interim basis and will require interim disclosures about a reportable segment's profit or loss and assets that are currently required annually. As noted above, we operate in one segment. We are currently evaluating the impact of ASU 2023-07 on our existing disclosures. ASU 2023-07 will be applied retrospectively to all periods when presented in our consolidated financial statements for the year ending December 31, 2024.

In December 2023, the FASB issued ASU No. 2023-09 - Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"). ASU 2023-09 requires companies to disclose (i) additional categories of information about federal, state and foreign income taxes above a quantitative threshold in their rate reconciliation table and (ii) income taxes paid, net of refunds, disaggregated by federal, state and foreign taxes for annual periods, as well as other disclosure changes. As an emerging growth company, we are not required to adopt ASU 2023-09 prior to 2026, although earlier adoption is permitted. We are currently evaluating the impact of ASU 2023-09 on our existing income tax disclosures.

In March 2024, the U.S. Securities and Exchange Commission ("SEC") adopted the final rule under SEC Release No. 33-11275, The Enhancement and Standardization of Climate-Related Disclosures for Investors. This rule would require registrants to disclose certain climate-related information in registration statements and annual reports. In April 2024, the SEC issued a stay of the final rules pending a judicial review of the validity of the rules by the Eighth Circuit Court of Appeals. We are currently evaluating the final rule to determine its impact on our disclosures.

Other standards or regulatory requirements that have been issued but not yet adopted as of September 30, 2024, are either not applicable to us or are not expected to have any material impact upon adoption.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. There was no impact on our financial condition or results of operations as a result of the reclassification.

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 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, began commercial production late 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 is 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.

During 2023, we made a required initial capital contribution of $0.9 million to Alpha Steel. For the nine months ended September 30, 2024, we also made required additional capital contributions totaling $1.8 million. Pursuant to the LLC Agreement, we could be required to make up to $0.8 million in future additional capital contributions as Alpha Steel continues to expand production. For the three and nine months ended September 30, 2024, we recognized losses of $0.3 million and $0.8 million, respectively, which represent our share of the net operating losses incurred by Alpha Steel during each period. Our share of Alpha Steel losses recognized during the three and nine months ended September 30, 2023 totaled 0.3 million in each period.

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. Pursuant to the Supply Agreement, we have committed to placing a minimum level of purchase orders for torque tubes with Alpha Steel during the period from January 1, 2024 to June 30, 2025, with such volume commitments increasing in each of the next two annual periods. In the event we fail to meet our minimum required purchase commitments in any period, we may be required to make a cash payment for the net profit attributable to any unfilled requirements, calculated as specified in the agreement, in an amount not to exceed $4.0 million in the aggregate. As of September 30, 2024, we had met approximately 11% of our required purchase commitments for the period ending June 30, 2025. 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.

At September 30, 2024, in addition to our requirement to meet the remaining minimum purchase obligations for the remainder of the year, as described above, we were contingently liable for unpaid vendor obligations, including issued but unsatisfied purchase orders, of Alpha Steel totaling approximately $1.0 million. We expect Alpha Steel will be able to satisfy these obligations with financial resources available to them in the normal course of operations.

4. ATM program

On September 14, 2022, we filed a prospectus supplement and entered into an equity distribution agreement (as amended, 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 may 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.

Barclays Capital Inc. ("Barclays") is our sales agent under 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.

We sold no shares of newly issued common stock under the ATM program during the three and nine months ended September 30, 2024, however, during the three and nine months ended September 30, 2023, 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. As of September 30, 2024, approximately $64.9 million of capacity remained for future sales of our common stock under the ATM program.

5. Accounts receivable, net

Accounts receivable consisted of the following:

(in thousands)	September 30, 2024	December 31, 2023
Trade receivables	$ 20,482	$ 46,152
Related party receivables	3,075	868
Revenue recognized in excess of billings	14,757	26,813
Other receivables	6	3
Total	38,320	73,836
Allowance for credit losses	(975)	(8,557)
Accounts receivable, net	$ 37,345	$ 65,279

On April 3, 2024, we entered into a First Amendment ("the Amendment") to Master Project Supply Agreements dated October 11, 2021 with a customer and major solar project developer that owed us approximately $30.8 million for project equipment we had previously completed and made available to the customer pursuant to the Master Project Supply Agreements. The Amendment was executed in consideration of and concurrent with the sale of the uncompleted projects by our customer, including the amended Master Project Supply Agreements, to a new third-party developer (the "Purchaser") who assumed certain obligations to us under the amended Master Project Supply Agreements.

Pursuant to the Amendment, we received a cash payment of $9.0 million from the Purchaser to acquire completed foundation piles, which are being stored at the request of the Purchaser for final delivery to the project sites, currently expected during the fourth quarter of 2024. The remaining completed project equipment, with an estimated fair value of approximately $13.2 million, was retained by us and returned to our inventory in exchange for forgiveness of the associated outstanding receivable balance owed by our customer. The fully reserved remaining unpaid receivable balance totaling approximately $8.9 million was written off against our allowance for credit losses.

Information about our related party receivables at September 30, 2024, may be found below in Note 16, "Related party transactions".

We had no receivables for amounts billed under retainage provisions at September 30, 2024 ($0.9 million at December 31, 2023).

Activity in the allowance for credit losses during the three and nine months ended September 30, 2024 and 2023 was as follows:

(in thousands)	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Balance at beginning of period	$ 232	$ 1,387	$ 8,557	$ 1,184
Impact of adoption of ASU 2016-13, effective January 1, 2023	N/A	N/A	N/A	—
Amounts charged (credited) to earnings during the period	743	4,099	1,330	4,302
Write-offs of accounts	—	—	(8,912)	—
Balance at end of period	$ 975	$ 5,486	$ 975	$ 5,486

6. Inventories

Inventories consisted of the following:

(in thousands)	September 30, 2024	December 31, 2023
Finished goods	$ 15,639	$ 4,246
Allowance for slow-moving and obsolete inventory	(515)	(341)
Total	$ 15,124	$ 3,905

The increase in our finished goods inventory is primarily related to completed project equipment retained by us pursuant to the agreement reached with a major customer described further in Note 5, "Accounts receivable, net" above.

7. Prepaid and other current assets

Prepaid and other current assets consisted of the following:

(in thousands)	September 30, 2024	December 31, 2023
Vendor deposits	$ 6,462	$ 5,667
Vendor deposits with related party	1,528	520
Prepaid expenses	862	1,251
Prepaid taxes	555	447
Deferred cost of revenue	1,934	666
Surety collateral	33	—
Other current assets	4,128	5,538
Total	$ 15,502	$ 14,089

At September 30, 2024, other current assets included $2.0 million for a non-interest-bearing customer advance related to pre-project construction financing activities. This advance is secured by certain customer assets.

8. 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 a research and development facility in Seguin, Texas. All of our manufacturing is outsourced to contract manufacturing partners, and we currently do not own or lease any manufacturing facilities.

Our expense for our operating leases consisted of the following:

(in thousands)	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Operating lease cost	$ 252	$ 251	$ 861	$ 748
Short-term lease cost	100	132	304	334
Total lease cost	$ 352	$ 383	$ 1,165	$ 1,082
Reported in:				
Cost of revenue	$ 186	$ 245	$ 681	$ 710
Research and development	43	14	71	40
Selling and marketing	14	24	101	62
General and administrative	109	100	312	270
Total lease cost	$ 352	$ 383	$ 1,165	$ 1,082

Future remaining operating lease payment obligations were as follows:

(in thousands)	September 30, 2024
Remainder of 2024	$ 233
2025	884
2026	313
2027	291
2028	124
2029	33
Total lease payments	1,878
Less: imputed interest	(123)
Present value of operating lease liabilities	$ 1,755
Current portion of operating lease liability	$ 872
Operating lease liability, net of current portion	883
Present value of operating lease liabilities	$ 1,755

9. Property and equipment, net

Property and equipment consisted of the following:

(in thousands)	September 30, 2024	December 31, 2023
Leasehold improvements	$ 338	$ 157
Field equipment	1,108	1,062
Information technology equipment	609	466
Tooling	1,824	1,014
Capitalized software	968	734
Total	4,847	3,433
Accumulated depreciation	(2,438)	(1,610)
Property and equipment, net	$ 2,409	$ 1,823

Depreciation expense for the three months ended September 30, 2024 and 2023, totaled $0.3 million and $0.2 million, respectively, and for the nine months ended September 30, 2024 and 2023, totaled $0.8 million and $0.6 million, respectively.

10. Intangible assets, net and goodwill

Intangible assets consisted of the following:

(in thousands)	Estimated Useful Lives (Years)	September 30, 2024	December 31, 2023
Developed technology	2.5 – 3.0	$ 2,568	$ 2,555
Total		2,568	2,555
Accumulated amortization		(2,431)	(2,013)
Intangible assets, net		$ 137	$ 542

Amortization expense for the three months ended September 30, 2024 and 2023, totaled $0.1 million and $0.1 million, respectively, and for the nine months ended September 30, 2024 and 2023, totaled $0.4 million and $0.4 million, respectively.

During the nine months ended September 30, 2024 and 2023, activity in our goodwill balance was as follows:

	Nine months ended September 30,	
(in thousands)	2024	2023
Balance at beginning of period	$ 7,353	$ 7,538
Translation	68	(395)
Balance at end of period	$ 7,421	$ 7,143

11. Debt

Our Credit Facility, entered into in 2021 with various lenders, including Barclays Bank PLC, as issuing lender, the swingline lender and as administrative agent, expired unused on April 30, 2024. The Credit Facility has not currently been replaced.

Interest expense for the three months ended September 30, 2024 was not significant and for the three months ended September 30, 2023 was $0.4 million. For the nine months ended September 30, 2024 and 2023, interest expense totaled $0.4 million and $1.0 million, respectively. Our interest expense primarily consisted of commitment and letter of credit fees, as well as amortization of costs relating to the initial establishment of the Credit Facility.

12. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consisted of the following:

(in thousands)	September 30, 2024	December 31, 2023
Accrued cost of revenue	$ 15,523	$ 26,773
Related party accrued cost of revenue	1,215	1,451
Accrued compensation	3,695	3,858
Other accrued expenses	3,532	2,766
Total accrued expenses	$ 23,965	$ 34,848
Warranty reserves	$ 8,949	$ 7,279
Current portion of operating lease liability	872	740
Non-federal tax obligations	41	119
Total other current liabilities	$ 9,862	$ 8,138

Information relating to our related party accrued cost of revenue at September 30, 2024 and December 31, 2023 may be found below in Note 16, "Related party transactions".

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

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

(in thousands)	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Balance at beginning of period	$ 10,415	$ 12,081	$ 11,002	$ 12,426
Warranties issued and remediation added during the period	3,096	1,086	4,735	3,938
Settlements made during the period	(839)	(847)	(2,131)	(3,184)
Changes in liability for pre-existing warranties	(934)	(363)	(1,868)	(1,223)
Balance at end of period	$ 11,738	$ 11,957	$ 11,738	$ 11,957
Warranty accruals are reported in:				
Other current liabilities	$ 8,949	$ 7,738	$ 8,949	$ 7,738
Other non-current liabilities	2,789	4,219	2,789	4,219
Balance at end of period	$ 11,738	$ 11,957	$ 11,738	$ 11,957

13. Income taxes

For the three months ended September 30, 2024 and 2023, we recorded income tax expense of $0.24 million and $0.17 million respectively, and for the nine months ended September 30, 2024 and 2023, we recorded income tax expense of $0.30 million and $0.18 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, 2023. We recognize accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense. As of September 30, 2024 and December 31, 2023, we had no accrued interest or penalties related to unrecognized tax benefits.

14. 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, CBP asserted that Section 301 China tariffs, Section 232 steel and 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 $2.84 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 for the Revised 939 Assessment in March of 2024. 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, 2024, 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.

15. Stock-based compensation

Stock-based compensation expense for each period was as follows:

(in thousands)	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Cost of revenue	$ 243	$ 181	$ 699	$ 1,313
Research and development	93	85	267	449
Selling and marketing	108	166	266	821
General and administrative	875	760	3,011	6,461
Total stock compensation expense	$ 1,319	$ 1,192	$ 4,243	$ 9,044

16. 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 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 at the time of the engagement, and a holder at that time of more than 5% of our outstanding capital stock, was an investor in Ayna. In addition, Discrimen LLC was an investor in Ayna, and Isidoro Quiroga Cortés was affiliated with that entity. Isidoro Quiroga Cortés was also on the board of directors of Ayna at the time of the engagement. 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 the forfeiture of 2,000,000 unvested stock options and a corresponding reversal of approximately $1.1 million of stock-based compensation expense previously recognized at the date of termination. We also had an unamortized prepaid balance associated with this engagement, totaling $3.2 million, that was fully amortized as a charge to general and administrative expense during the three months ended September 30, 2023.

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, including expense, net of forfeitures, relating to stock-based compensation awards, and made cash payments of $0.8 million and $2.5 million, respectively, associated with our engagement of Ayna.

Related party receivables and payables

We have related party receivables at September 30, 2024 and December 31, 2023, totaling $3.1 million and $0.9 million, respectively, for future material cost 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 liabilities to Alpha Steel at September 30, 2024 and December 31, 2023, totaling $1.2 million and $1.5 million, respectively, 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.

During the three and nine months ended September 30, 2024, we made vendor deposits of $0.1 million and $2.8 million, respectively, to Alpha Steel and received invoices from Alpha Steel for purchases totaling $0.7 million and $6.2 million, respectively. Our balances of remaining vendor deposits with Alpha Steel as of September 30, 2024 and December 31, 2023 are shown in Note 7, "Prepaids and other current assets" above as "Vendor deposits with related party". After payments and application of vendor deposits to invoices received, we owe $1.0 million to Alpha Steel, which is included in our accounts payable balance at September 30, 2024 (none at December 31, 2023) in our condensed consolidated balance sheets.

17. Net loss per share

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Net loss (in thousands)	$ (15,359)	$ (16,937)	$ (36,371)	$ (39,113)
Weighted average shares outstanding for calculating basic and diluted loss per share	127,380,292	119,793,821	126,234,997	112,794,562
Basic and diluted loss per share	$ (0.12)	$ (0.14)	$ (0.29)	$ (0.35)

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,	
	2024	2023
Anti-dilutive securities excluded from calculating dilutive loss per share:		
Shares of common stock issuable under stock option plans outstanding	2,278,938	3,048,139
Shares of common stock issuable upon vesting of RSUs	16,888,874	7,982,821
Potential common shares excluded from diluted net loss per share calculation	19,167,812	11,030,960

18. Subsequent events

On November 8, 2024, we entered into a binding term sheet with an institutional investor (the “Investor”) to issue to the Investor, in a private placement, senior secured promissory notes (the “Notes”) in an aggregate principal amount of $15 million and common stock purchase warrants (the “Warrants”) to purchase 17,500,000 shares of our common stock.

The Notes will bear interest at a rate of 11% per annum if payable in cash or, at our options, 13% per annum if paid-in-kind and will mature five (5) years from the date of issuance. The Notes will be secured by a first priority lien on substantially all of our assets and will be guaranteed by all of our direct and indirect subsidiaries. The Notes will contain customary covenants for a transaction of this nature, including financial covenants and restrictive covenants. If we prepay the Notes in full within a specified period of time after issuance, we will be required to pay a make-whole payment to the Investor representing a portion of the undiscounted interest payments that otherwise would have been payable to the Investor, the calculation for which will be specified in the definitive documents.

The Warrants are immediately exercisable at an exercise price of $0.01 per share, subject to certain customary adjustments to be set forth in the definitive documentation, and will expire ten (10) years from the date of issuance. At the option of the Investor, the Warrants will also be exercisable on a cashless basis using a customary cashless exercise formula.

We have also agreed that the Investor shall be entitled to nominate one (1) person for election to our board of directors at our annual stockholder meeting. We have also agreed to reimburse the Investor for expenses incurred in connection with the transaction in an amount equal to three percent (3%) of the principal amount of the Notes.

The issuance of the Notes and Warrants will be subject to customary closing conditions and the preparation and negotiation of definitive documents. We currently expect that the issuance of the Notes and Warrants will occur on or prior to November 30, 2024.

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 2023 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 2023 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 currently trades on the Nasdaq Capital 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 two-panel in-portrait solar tracker system is currently marketed under the Voyager brand name ("Voyager") and our one module-in-portrait ("1P") solar tracker system, which became certified in 2023, is marketed under the Pioneer brand name ("Pioneer"). We also have a mounting solution to support the installation and use of U.S.-manufactured thin-film modules by project owners. Our primary software offerings include SUNPATH which is intended to help customers optimize solar tracking for increased energy production, our SUNOPS real-time operations management platform and our web-based ATLAS portfolio management software. 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, South Africa and Spain.

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

Project Timing. Our level of manufacturing and logistics activity, and thus our revenue, can be significantly impacted by delays or changes in the expected timing of customer project development activity. In recent periods our customers have encountered delays in beginning or continuing project development caused by interconnection issues, including permit delays, equipment shortages, obtaining project financing at acceptable levels and addressing uncertainty in changes in government regulations, as described further below. Due to our limited number of large customers, such delays in project development activity can have a material impact on our quarterly and annual consolidated financial results.

Government Regulations. Changes in the U.S. trade environment, including the imposition of import tariffs, increases in existing 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. As an example, we have reduced our reliance on suppliers in China in terms of meeting our supply chain requirements from 90% in 2019 to less than 20% as of the date of this Quarterly Report. As of September 30, 2024, we have qualified suppliers outside of China for certain of our commodities and we continue to work to have second-source capability for all Chinese-manufactured components to help reduce the extent to which our supply chain for U.S.-based projects is subject to existing tariffs and to be able to quickly address potential future regulatory and governmental policy changes. We have entered into partnerships with manufacturers based in the United States, India, South Africa, Spain, Turkey, Thailand and Vietnam to diversify our supply chain and optimize costs. On June 6, 2022, President Biden issued an Executive Order 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. However, on December 29, 2023, Auxin Solar, Inc. and Concept Clean Energy, Inc. filed suit in the U.S. Court of International Trade challenging the legal basis for the moratorium and implementing regulations. If the suit proves successful, solar module importers could owe retroactive duties on goods that have already cleared customs.

The most notable incentive program impacting our U.S. business has historically 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, in certain cases, still being finalized and the impact of these regulations continue to be evaluated by developers of new solar projects and manufacturers of solar components. We believe our investment in and commitments made to Alpha Steel will allow us to obtain certain benefits as a result of the production tax credit program, subject to our level of purchases from Alpha Steel. 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 can 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. While certain costs have moderated compared to pre-pandemic rates, domestic fuel prices continue to be elevated. Although we don't believe inflation has had a material impact on our results as presented in this report, such cost increases and decreases could impact our future operating margins, if material.

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 might arise in the global supply chain and logistics markets. As an example, we modified our ocean freight from previously using charter shipments to now using containerized shipments as costs in the container market began to decrease starting in 2022, but more recently have begun to increase. However, we have been able to mitigate some of this increase as a result of increasing our domestic production capabilities. 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 16, "Related party transactions" included in our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report. We also 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, high interest 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 project development and 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. Additionally, in May 2024, we announced the launch of our Automated Hail Stow Solution, aimed at minimizing solar panel damage caused by hail storms. This solution integrates advanced technology with meteorological data to automatically adjust the positioning of solar panels, reducing the risk of hail-related damage.

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. For example, in May 2024, we announced the appointment of Tamara Mullings, a former member of our Board of Directors, to be our Senior Vice President, North American Sales and Alberto Echeverria, a tracker industry veteran and the former Chief Executive Officer and Executive Member of the Board of STI Norland, to be our Senior Vice President, International Sales. Additionally, effective August 19, 2024, we hired Yann Brandt as our new President and Chief Executive Officer and as a new member of our Board of Directors.

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. According to the August 2024 Short-Term Energy Outlook published by the U.S. Energy Information Administration, solar power is the fastest-growing source of electricity in the United States.

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, among other things, 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 strategy 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.

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.

For the periods included in this Quarterly Report, no company locations other than those in the United States accounted for more than 10% of our consolidated revenue. 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 following our IPO and, more recently, reduced our headcount on certain occasions in response to declines in 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 implemented reductions in our global 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. We also had certain executive departures near the end of 2023, as well as additions of certain new executives during 2024, including a new Chief Executive Officer. 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, 2024 Compared to Three Months Ended September 30, 2023

	Three months ended September 30,			
	2024		2023	
(in thousands, except percentages)	Amounts	Percentage of revenue	Amounts	Percentage of revenue
Revenue:				
Product	$ 7,411	73.1 %	$ 27,274	89.3 %
Service	2,725	26.9 %	3,274	10.7 %
Total revenue	10,136	100.0 %	30,548	100.0 %
Cost of revenue:				
Product	11,798	116.4 %	22,775	74.6 %
Service	2,644	26.1 %	4,394	14.4 %
Total cost of revenue	14,442	142.5 %	27,169	88.9 %
Gross profit (loss)	(4,306)	(42.5 %)	3,379	11.1 %
Operating expenses				
Research and development	1,467	14.5 %	1,921	6.3 %
Selling and marketing	2,406	23.7 %	6,324	20.7 %
General and administrative	6,797	67.1 %	11,411	37.4 %
Total operating expenses	10,670	105.3 %	19,656	64.3 %
Loss from operations	(14,976)	(147.8 %)	(16,277)	(53.3 %)
Interest income (expense), net	24	0.2 %	(108)	(0.4 %)
Other income (expense), net	93	0.9 %	(50)	(0.2 %)
Loss from unconsolidated subsidiary	(256)	(2.5 %)	(336)	(1.1 %)
Loss before income taxes	(15,115)	(149.1 %)	(16,771)	(54.9 %)
Provision for income taxes	(244)	(2.4 %)	(166)	(0.5 %)
Net loss	$ (15,359)	(151.5 %)	$ (16,937)	(55.4 %)

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.

	Three months ended September 30,			
(in thousands)	2024	2023	$ Change	% Change
Product	$ 7,411	$ 27,274	$ (19,863)	(72.8)%
Service	2,725	3,274	(549)	(16.8)%
Total revenue	$ 10,136	$ 30,548	$ (20,412)	(66.8)%

Product revenue

The decrease in product revenue for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023, was primarily due to a decrease of 82% in the amount of MW produced as activity has been adversely impacted by customer project delays. This was partially offset by an increase in ASP for the three months ended September 30, 2024, as a result of better pricing and project mix changes as compared to the three months ended September 30, 2023.

Service revenue

The decrease in service revenue for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023, primarily resulted from (i) a decrease of 29% in ASP as compared to the three months ended September 30, 2023 and (ii) lower engineering consulting revenues. This was partially offset by an increase of 18% in the amount of MW delivered as a result of timing of project deliveries.

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.

	Three months ended September 30,			
(in thousands)	**2024**	**2023**	**$ Change**	**% Change**
Product	$ 11,798	$ 22,775	$ (10,977)	(48.2)%
Service	2,644	4,394	(1,750)	(39.8)%
Total cost of revenue	$ 14,442	$ 27,169	$ (12,727)	(46.8)%
Gross profit (loss)	$ (4,306)	$ 3,379	$ (7,685)	(227.4)%
Gross profit (loss) percentage of revenue	(42.5%)	11.1%		

The decrease in cost of revenue for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023, was primarily driven by (i) a decrease of 82% in MW produced. This was partially offset by higher remediation costs.

Our gross margin percentage of revenue for the three months ended September 30, 2024 was a negative 42.5%, as compared to a positive 11.1% for the three months ended September 30, 2023.

We had negative gross margin for the three months ended September 30, 2024 primarily due to the impact of lower revenue levels on our ability to cover certain relatively fixed overhead costs.

We had positive gross margin for the three months ended September 30, 2023 largely due to (i) higher production activity allowing us to cover certain relatively fixed overhead costs, (ii) a mix of higher margin product revenue as compared to service revenue, and (iii) improvements in our direct cost structure due to our design-to-value efforts, lower levels of remediation and warranty costs, as well as reduced overhead spending resulting from our other cost control efforts.

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.

	Three months ended September 30,			
(in thousands)	**2024**	**2023**	**$ Change**	**% Change**
Research and development	$ 1,467	$ 1,921	$ (454)	(23.6%)

The decrease in research and development expenses for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023, was primarily attributable to (i) lower spending on lab and other research activities of $0.2 million, (ii) lower payroll costs of $0.2 million due to severance costs recognized during the three months ended September 30, 2023, and (iii) lower professional service costs of $0.1 million resulting from cost reduction initiatives. Research and development expenses as a percentage of revenue were 14.5% for the three months ended September 30, 2024, as compared to 6.3% for the three months ended September 30, 2023. The increase in the percentage research and development costs to revenue for the three months ended September 30, 2024, is largely a function of the lower level of revenue.

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.

	Three months ended September 30,			
(in thousands)	**2024**	**2023**	**$ Change**	**% Change**
Selling and marketing	$ 2,406	$ 6,324	$ (3,918)	(62.0%)

The decrease in selling and marketing expenses for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023, was primarily attributable to (i) lower provisions for credit losses of $3.4 million, mainly related to charges associated with specific individual customer accounts during each period, (ii) lower marketing costs of $0.2 million associated with reduced trade show attendance and advertising, and (iii) lower payroll costs of $0.1 million due to severance costs recognized during the three months ended September 30, 2023. Lower travel and stock-based compensation expense accounted for the remaining decrease. Selling and marketing costs as a percentage of revenue were 23.7% for the three months ended September 30, 2024, compared to 20.7% for the three months ended September 30, 2023.

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.

	Three months ended September 30,			
(in thousands)	**2024**	**2023**	**$ Change**	**% Change**
General and administrative	$ 6,797	$ 11,411	$ (4,614)	(40.4%)

The decrease in general and administrative expenses for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023, was primarily attributable to (i) a nonrecurring charge of $3.2 million in September 2023 as we fully amortized the remaining prepaid balance upon termination of the Service Agreement with a related party consultant, and (ii) lower payroll costs of $1.5 million largely as a result of severance costs recognized during the three months ended September 30, 2023. General and administrative expenses as a percentage of revenue were 67.1% for the three months ended September 30, 2024, compared to 37.4% for the three months ended September 30, 2023, largely due to the lower level of revenue.

Interest income (expense), net

	Three months ended September 30,			
(in thousands)	**2024**	**2023**	**$ Change**	**% Change**
Interest income (expense), net	$ 24	$ (108)	$ 132	122.2%

Interest income earned on our cash equivalents and interest expense incurred during the three months ended September 30, 2024 were not significant. Interest income and interest expense for the three months ended September 30, 2023 was approximately $0.2 million and nearly $0.4 million, respectively. Interest expense during the three months ended September 30, 2023, primarily consisted of letter of credit and commitment fees on our Credit Facility, along with associated debt issue cost amortization.

Loss from unconsolidated subsidiary

	Three months ended September 30,			
(in thousands)	**2024**	**2023**	**$ Change**	**% Change**
Loss from unconsolidated subsidiary	$ 256	$ 336	$ (80)	(23.8%)

The losses from unconsolidated subsidiary for the three months ended September 30, 2024 and 2023, represent our share of the net operating losses incurred by Alpha Steel during each period.

Results of Operations - Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

	Nine months ended September 30,			
	2024		2023	
(in thousands, except percentages)	Amounts	Percentage of revenue	Amounts	Percentage of revenue
Revenue:				
Product	$ 27,092	79.3 %	$ 80,927	78.0 %
Service	7,061	20.7 %	22,874	22.0 %
Total revenue	34,153	100.0 %	103,801	100.0 %
Cost of revenue:				
Product	34,632	101.4 %	73,694	71.0 %
Service	8,278	24.2 %	22,492	21.7 %
Total cost of revenue	42,910	125.6 %	96,186	92.7 %
Gross profit (loss)	(8,757)	(25.6 %)	7,615	7.3 %
Operating expenses				
Research and development	4,441	13.0 %	5,716	5.5 %
Selling and marketing	6,830	20.0 %	9,887	9.5 %
General and administrative	19,374	56.7 %	31,053	29.9 %
Total operating expenses	30,645	89.7 %	46,656	44.9 %
Loss from operations	(39,402)	(115.4 %)	(39,041)	(37.6 %)
Interest expense, net	(111)	(0.3 %)	(194)	(0.2 %)
Gain from disposal of investment in unconsolidated subsidiary	4,085	12.0 %	898	0.9 %
Other income (expense), net	122	0.4 %	(265)	(0.3 %)
Loss from unconsolidated subsidiary	(767)	(2.2 %)	(336)	(0.3 %)
Loss before income taxes	(36,073)	(105.6 %)	(38,938)	(37.5 %)
Provision for income taxes	(298)	(0.9 %)	(175)	(0.2 %)
Net loss	$ (36,371)	(106.5 %)	$ (39,113)	(37.7 %)

Revenue

	Nine months ended September 30,			
(in thousands)	2024	2023	$ Change	% Change
Product	$ 27,092	$ 80,927	$ (53,835)	(66.5)%
Service	7,061	22,874	(15,813)	(69.1)%
Total revenue	$ 34,153	$ 103,801	$ (69,648)	(67.1)%

Product revenue

The decrease in product revenue for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023, was primarily due to a decrease of 73% in the amount of MW produced as activity has been adversely impacted by customer project delays. This was partially offset by an increase in ASP for the nine months ended September 30, 2024, as a result of better pricing and project mix changes as compared to the nine months ended September 30, 2023.

Service revenue

The decrease in service revenue for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023, primarily resulted from (i) a decrease of 63% in the amount of MW delivered as a result of timing and lower volume of projects available for delivery, and (ii) a decrease of 16% in ASP as compared to the nine months ended September 30, 2023, and (iii) lower engineering consulting and software revenues.

Cost of revenue and gross profit (loss)

(in thousands)	Nine months ended September 30, 2024	2023	$ Change	% Change
Product	$ 34,632	$ 73,694	$ (39,062)	(53.0)%
Service	8,278	22,492	(14,214)	(63.2)%
Total cost of revenue	$ 42,910	$ 96,186	$ (53,276)	(55.4)%
Gross profit (loss)	$ (8,757)	$ 7,615	$ (16,372)	(215.0)%
Gross profit (loss) percentage of revenue	(25.6%)	7.3%		

The decrease in cost of revenue for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023, was primarily driven by (i) a decrease of 73% in MW produced, (ii) a decrease of 63% in shipping and logistics activity, and (iii) by lower obsolete and slow-moving inventory provisions. Partially offsetting the decrease were higher warranty and remediation costs.

Our gross margin percentage of revenue for the nine months ended September 30, 2024 was a negative 25.6%, as compared to a positive 7.3% for the nine months ended September 30, 2023.

We had negative gross margin for the nine months ended September 30, 2024 as (i) production volumes were not sufficient to cover certain relatively fixed overhead costs, and (ii) our service revenue was not sufficient to fully cover our warehousing and certain other costs.

We had positive gross margin for the nine months ended September 30, 2023 largely due to (i) sufficiently high production activity levels allowing us to cover certain relatively fixed overhead costs, (ii) a mix of higher margin product revenue as compared to service revenue, (iii) good product ASP, as well as (iv) improvements in our direct costs due to our design-to-value efforts, low levels of remediation and warranty costs, and reduced overhead spending compared to prior periods resulting from our other cost control efforts, including headcount reductions.

Research and development

(in thousands)	Nine months ended September 30, 2024	2023	$ Change	% Change
Research and development	$ 4,441	$ 5,716	$ (1,275)	(22.3%)

The decrease in research and development expenses for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023, was primarily attributable to (i) lower spending on lab and other research activities of $0.4 million, (ii) lower payroll costs of $0.4 million, due mainly to severance costs recognized during the nine months ended September 30, 2023, (iii) lower stock-based compensation costs of $0.2 million, and (iv) lower software licensing and subscription costs of approximately $0.2 million. Research and development expenses as a percentage of revenue were 13.0% for the nine months ended September 30, 2024, as compared to 5.5% for the nine months ended September 30, 2023. The increase in the percentage research and development costs to revenue for the nine months ended September 30, 2024, is largely a function of the lower level of revenue.

Selling and marketing

(in thousands)	Nine months ended September 30, 2024	2023	$ Change	% Change
Selling and marketing	$ 6,830	$ 9,887	$ (3,057)	(30.9%)

The decrease in selling and marketing expenses for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023, was primarily attributable to lower provisions for credit losses of $3.0 million related mainly to charges associated with specific individual customer accounts during each period. We also had lower stock-based compensation costs of $0.6 million, which were mostly offset by higher payroll expense of $0.6 million due to higher average headcount. Selling and marketing costs as a percentage of revenue were 20.0% for the nine months ended September 30, 2024, compared to 9.5% for the nine months ended September 30, 2023.

General and administrative

(in thousands)	Nine months ended September 30, 2024	2023	$ Change	% Change
General and administrative	$ 19,374	$ 31,053	$ (11,679)	(37.6)%

The decrease in general and administrative expenses for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023, was primarily attributable to $3.5 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 16, "Related party transactions" in Part I, Item 1 above, (ii) forfeiture of awards in connection with our reduction in force in August 2023 and executive terminations during the fourth quarter of 2023, and (iii) the absence of stock-based incentive compensation awards during the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. In connection with the termination of the Service Agreement with a related party consultant, we recognized a nonrecurring charge of $3.2 million during the nine months ended September 30, 2023. In addition, the employee and executive terminations described above contributed to lower payroll expense of $2.8 million during the nine months ended September 30, 2024 and we were able to lower our insurance costs by $1.4 million, our legal costs by $0.4 million and our accounting and audit fees by $0.5 million as compared to the nine months ended September 30, 2023, through our cost control initiatives. General and administrative expenses as a percentage of revenue were 56.7% for the nine months ended September 30, 2024, compared to 29.9% for the nine months ended September 30, 2023, largely due to the lower level of revenue.

Interest expense, net

(in thousands)	Nine months ended September 30, 2024	2023	$ Change	% Change
Interest expense, net	$ 111	$ 194	$ (83)	(42.8)%

Interest expense totaled approximately $0.4 million and $1.0 million during the nine months ended September 30, 2024 and 2023, respectively, and primarily consisted of letter of credit and commitment fees on the Credit Facility, along with associated debt issue cost amortization. Our Credit Facility expired unused on April 30, 2024. Interest income earned on our cash equivalents was approximately $0.3 million and $0.8 million during the nine months ended September 30, 2024 and 2023, respectively.

Gain from disposal of investment in unconsolidated subsidiary

(in thousands)	Nine months ended September 30, 2024	2023	$ Change	% Change
Gain from disposal of investment in unconsolidated subsidiary	$ 4,085	$ 898	$ 3,187	354.9%

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 arising from earnout payments and project escrow releases only when those amounts become realizable in the periods subsequent to the disposal date. During the nine months ended September 30, 2024 and 2023, we received earnout and escrow release payments of $4.1 million and $0.9 million, respectively, that were recognized in accordance with our policy election. Since the sale of our interest in Dimension, we have received a total of $7.4 million in contingent earnout and escrow release payments through September 30, 2024.

Loss from unconsolidated subsidiary

(in thousands)	Nine months ended September 30, 2024	2023	$ Change	% Change
Loss from unconsolidated subsidiary	$ 767	$ 336	$ 431	128.3%

The losses from unconsolidated subsidiary for the nine months ended September 30, 2024 and 2023, represent our share of the net operating losses incurred by Alpha Steel during each period.

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 our level of production, contract payment terms, timely collections from our customers and the strength of our gross margins.

We have incurred cumulative losses since inception and have a history of cash outflows from operations. As of September 30, 2024, we had $8.3 million of cash on hand, $18.9 million of working capital and approximately $64.9 million of remaining capacity available for future sales of our common stock under our ATM program as defined and described further in Note 4, "ATM program" in the notes to condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report. There can be no assurance that we will be able to sell any additional shares of our common stock under the ATM program and no assurance regarding the price at which we will be able to sell such shares, and any sales of our common stock under the ATM program may be at prices that result in additional dilution to our existing stockholders.

On December 22, 2023, we received notification from The Nasdaq Stock Market LLC (“Nasdaq”) that we were not in compliance with the requirement to maintain a minimum closing bid price of $1.00 per share, as set forth in Nasdaq Listing Rule 5450(a)(1), because the closing bid price of the Company’s common stock was below $1.00 per share for 30 consecutive business days. In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we were initially given a period of 180 calendar days from the date of notification, or until June 19, 2024, to regain compliance with the minimum bid price requirement, which was not achieved. Effective May 31, 2024, trading in our common stock transferred from the Nasdaq Global Market to the Nasdaq Capital Market. On June 21, 2024, we received notification from Nasdaq that we were approved for an additional 180-day period, or until December 17, 2024, to cure the bid price deficiency in accordance with Nasdaq Listing Rule 5810(c)(3)(A). In order to achieve compliance with the Nasdaq requirements for continued listing, on November 8, 2024, our stockholders approved an amendment to our Amended and Restated Certificate of Incorporation to effect a reverse stock split at a ratio ranging from 1-for-5 to 1-for 25, with the exact ratio to be determined by our Board of Directors. At this time, our common stock continues to trade on the Nasdaq Capital Market under the symbol "FTCI". If at any time before December 17, 2024, the bid price of our common stock closes at or above $1.00 per share for a minimum of ten consecutive business days, Nasdaq will provide written notification that we have achieved compliance with this minimum bid price requirement. If we fail to regain compliance with the minimum bid price requirement during this second 180-day period, then Nasdaq will notify us that our common stock is subject to delisting.

Effective April 30, 2024, our Senior Secured Revolving Credit Facility ("Credit Facility) expired unused and has not been replaced as of September 30, 2024. As described further in Note 18, "Subsequent events" in the notes to consolidated condensed financial statements in Part I, Item 1 of this Quarterly Report, we signed a binding term sheet on November 8, 2024, with an institutional investor, for the issuance of $15 million in long-term senior secured promissory notes, along with warrants to purchase 17.5 million shares of our common stock at an exercise price of $0.01 per share. Closing on the transaction is expected on or before November 30, 2024.

At September 30, 2024, we had a contractual obligation that could require us to make additional capital contributions of up to $0.8 million to Alpha Steel, as well as make a minimum level of purchases from Alpha Steel, as described further in Note 3, "Equity method investment" in the notes to condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report. In the event we were to fail to meet our minimum required purchase commitments during a specified period, including the current period from January 1, 2024 to June 30, 2025, we may be required to make a cash payment for the net profit attributable to any unfilled requirements, calculated as specified in the agreement, in an amount not to exceed $4.0 million in the aggregate.

In addition, we have made efforts during 2024 to enhance and strengthen our management leadership team. In August 2024, we hired Yann Brandt as our new Chief Executive Officer and, prior to that, we named Tamara Mullings, a former member of our Board of Directors, as our Senior Vice President, North America Sales and Alberto Echeverria, a former Chief Executive Officer and Executive Member of the Board of STI Norland, as our Senior Vice President, International Sales.

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 our condensed consolidated financial statements are issued.

Management plans to address the liquidity needs of the Company by (i) executing the aforementioned $15 million issuance of long-term senior secured notes, (ii) utilizing receipt of additional contingent earnout payments from our investment in Dimension that we sold in 2021, (iii) implementing additional cost savings steps, which could impact the level of services currently provided by third parties and our existing headcount, and (iv) utilizing capacity available for future sales of our common stock under the ATM program. We believe execution of these plans will allow us to fund our operations for at least one year from the date of issuance of our condensed consolidated financial statements.

The successful execution of these plans is subject to various risks and uncertainties. These include, but are not limited to, market conditions, the Company's ability to achieve projected cost savings and revenue targets and access to financing on favorable terms. There can be no assurance that these plans will be realized as anticipated and actual results may differ materially from those projected.

Statements of cash flows

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

	Nine months ended September 30,	
(in thousands)	**2024**	**2023**
Net cash used in operations	$ (18,008)	$ (46,383)
Net cash provided by (used in) investing activities	930	(462)
Net cash provided by financing activities	3	34,133
Effect of exchange rate changes on cash and cash equivalents	95	(153)
Decrease in cash and cash equivalents	$ (16,980)	$ (12,865)

Operating activities

During the nine months ended September 30, 2024, we used approximately $26.3 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 approximately $18.6 million of cash used during the nine months ended September 30, 2023, also to fund a portion of our prior period expenditures for various operating activities as described above.

Approximately $8.3 million of cash was generated from working capital and other decreases during the nine months ended September 30, 2024, primarily as a result of production activity levels and the timing of customer receipts, including the settlement reached with a major customer as described further in Note 5, "Accounts receivable, net" in the notes to condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report, and payments to our vendors. During the nine months ended September 30, 2023, we used approximately $27.8 million of cash for working capital and other increases as a result of production activity and the timing of customer receipts and vendor payments, net of inventory utilization.

Our working capital decreased by approximately $35.0 million from $53.8 million at December 31, 2023 to $18.9 million at September 30, 2024. The decrease was largely attributable to (i) the use of cash to fund current period expenditures as described above and (ii) the impact of lower activity levels on the amount of billed and unbilled accounts receivables during the nine months ended September 30, 2024.

Investing activities

During the nine months ended September 30, 2024, we made additional equity investments of $1.8 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 $0.8 million in future additional capital contributions as Alpha Steel continues to expand production. We also spent nearly $1.4 million, mainly for tooling and new computer and IT equipment, as well as leasehold improvements, during the nine months ended September 30, 2024. In addition, we received $4.1 million of contingent earnout payments in connection with the June 2021 sale of our equity interest in Dimension.

During the nine months ended September 30, 2023, we made (i) an initial equity investment of $0.9 million in Alpha Steel, (ii) received $0.9 million in contingent payments from escrow in connection with the sale of our equity interest in Dimension as described above, and (iii) spent nearly $0.5 million for leasehold improvements, tooling, software, and new computer and IT equipment.

Financing activities

During the nine months ended September 30, 2023, we sold 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.

Revolving line of credit

Our Credit Facility, entered into in 2021 with various lenders, including Barclays Bank PLC, as issuing lender, the swingline lender and as administrative agent, expired unused on April 30, 2024. The Credit Facility has not currently been replaced.

Critical Accounting Policies and Significant Management Estimates

Preparation of condensed 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

Our accounting policy on revenue recognition may be found in Note 2, "Summary of significant accounting policies" in our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report.

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. In addition, regulatory, tariff and import concerns such as those caused by the UFLPA and the Solar Circumvention Investigation have in the past, and may continue to, affect our ability to obtain project materials and may delay the timing of customer project activity which has had in the past, and may continue to have, an adverse impact on our results of operations, including the expected timing of the recognition of revenue needed to cover our relatively fixed overhead 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

Our accounting policy relating to our accounts receivable and allowance for credit losses may be found in Note 2, "Summary of significant accounting policies" in our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report.

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. This method accelerates the recognition of expected credit losses as compared to the incurred loss model used prior to 2023 and may result in material differences between our estimates and actual collection results. We may also have greater fluctuations in our credit loss expense over time based on changes in our historical experience or changes in estimates of future economic conditions which may not adequately reflect future actual customer payment activity.

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, during the nine months ended September 30, 2024 and 2023, we recognized credit loss provisions of $1.3 million and $4.3 million, respectively, in our selling and marketing expenses, primarily related to a specific customer's inability to fully pay amounts owed. Historical experience, when used in making such adjustments, may not reflect current actual experience.

Warranty

Our accounting policy relating to our warranty obligations may be found in Note 2, "Summary of significant accounting policies" in our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report.

Judgments and assumptions

We base our estimated warranty obligations on available industry data relating to the nature and frequency of product failure rates and, where possible, on our historical experience, to make estimates of 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 or fluctuations in available industry data may result in material changes to our warranty reserves in the future. Additionally, we make estimates of what costs we believe will be recoverable from the manufacturers 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

Our accounting policy relating to our stock-based compensation may be found in Note 2, "Summary of significant accounting policies" in our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report.

Judgments and assumptions

The Black-Scholes model and Monte Carlo simulations rely on various assumptions, in addition to the exercise price of an option award 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 is calculated for option grants as the average of the option vesting and contractual terms, based on the simplified method, as we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term for options granted. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the options. The contractual life of an option may be up to 10 years. Monte Carlo simulations, as described below, estimate the derived service period of awards with market conditions.

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 is limited and may be less than the expected term of an award, the expected volatility is derived from a weighted average of (i) our historical volatility over our entire trading history, with respect to certain more recent awards, and (ii) 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, or awards granted with market conditions.

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 or derived service or performance period.

Expected Dividend: The Company has not issued any dividends in its history and does not expect to issue dividends over the life of option grants or awards with market conditions 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 up to 250,000 simulation paths to determine the derived service and vesting periods.

Our use of the simplified method for estimating the expected outstanding term of our options may differ significantly from future actual exercise patterns of our option holders. Estimates of the outstanding term of our options that are less than the actual exercise patterns of our option holders, may result in lower recognized expense. Alternatively, our recognized expense may be higher if our option holders exercise their options sooner than our estimates project.

Similarly, our use of a volatility estimate based on historical stock volatilities of a peer group of other public companies may differ significantly from the actual future volatility of our stock over the term options or awards with market conditions are held. Higher estimated volatility compared to future actual results may result in higher recognized expense and alternatively, lower expected volatility compared to future actual results may result in lower recognized expense.

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

Impairment

Our accounting policies relating to impairment of our long-lived assets held for use, including intangible assets, and of goodwill may be found in Note 2, "Summary of significant accounting policies" in our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report.

Judgments and assumptions

Key judgments and assumptions involving our assessment of impairment of our long-lived and intangible assets, as well as goodwill, 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, including 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.

In estimating the fair value of the consolidated company, we used our market capitalization based on our closing stock price on the Nasdaq Capital Market at September 30, 2024. Our daily closing stock price is affected by numerous factors, some of which may not directly involve the operations of the company and, historically, has demonstrated high volatility.

We did not identify any impairments of our long-lived assets, intangible assets or goodwill during the nine months ended September 30, 2024 and 2023.

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.

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) Chief Executive Officer ("CEO") transition costs, non-routine legal fees, severance and certain other costs (credits). We also deduct the contingent gains arising from earnout payments and project escrow releases relating to 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) CEO transition costs, 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 arising from earnout payments and project escrow releases relating to 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:

(in thousands, except shares and per share data)	Three months ended September 30, 2024 Adjusted EBITDA	2024 Adjusted Net Loss	2023 Adjusted EBITDA	2023 Adjusted Net Loss
Net loss per U.S. GAAP	$ (15,359)	$ (15,359)	$ (16,937)	$ (16,937)
Reconciling items -				
Provision for (benefit from) income taxes	244	—	166	—
Interest (income) expense, net	(24)	—	108	—
Amortization of debt issue costs in interest expense	—	—	—	177
Depreciation expense	284	—	205	—
Amortization of intangibles	133	133	133	133
Stock-based compensation	1,319	1,319	1,192	1,192
CEO transition[(a)]	1,229	1,229	—	—
Non-routine legal fees[(b)]	—	—	98	98
Severance costs[(c)]	—	—	2,088	2,088
Other costs[(d)]	—	—	3,241	3,241
Adjusted Non-GAAP amounts	$ (12,174)	$ (12,678)	$ (9,706)	$ (10,008)
U.S. GAAP net loss per share:				
Diluted	N/A	$ (0.12)	N/A	$ (0.14)
Adjusted Non-GAAP net loss per share (Adjusted EPS):				
Diluted	N/A	$ (0.10)	N/A	$ (0.08)
Weighted-average common shares outstanding:				
Diluted	N/A	127,380,292	N/A	119,793,821

(a) We incurred one-time incremental recruitment fees in connection with hiring a new CEO in August 2024. In addition, we agreed to upfront and incremental sign-on bonuses (collectively, the "sign-on bonuses"), a portion of which will be paid to our CEO in 2024, with clawback provisions over the next two years, and a portion of which will be paid annually over the next two years, all contingent upon continued employment. These sign-on bonuses will be expensed over the next two years, ending on October 1, 2026, to reflect the required service periods. We do not view these sign-on bonuses as being part of the normal on-going compensation arrangements for our CEO.

(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 in 2023 were due to restructuring changes.

(d) Other costs in 2023 included the write-off of remaining prepaid costs resulting from termination of our consulting agreement with a related party.

	Nine months ended September 30,			
	2024		2023	
(in thousands, except shares and per share data)	Adjusted EBITDA	Adjusted Net Loss	Adjusted EBITDA	Adjusted Net Loss
Net loss per U.S. GAAP	$ (36,371)	$ (36,371)	$ (39,113)	$ (39,113)
Reconciling items -				
Provision for (benefit from) income taxes	298	—	175	—
Interest expense, net	111	—	194	—
Amortization of debt issue costs in interest expense	—	236	—	532
Depreciation expense	828	—	595	—
Amortization of intangibles	401	401	409	409
Stock-based compensation	4,243	4,243	9,044	9,044
Gain from disposal of investment in unconsolidated subsidiary[(a)]	(4,085)	(4,085)	(898)	(898)
CEO transition[(b)]	1,229	1,229	—	—
Non-routine legal fees[(c)]	66	66	181	181
Severance costs[(d)]	—	—	2,075	2,075
Other costs[(e)]	—	—	3,241	3,241
Adjusted Non-GAAP amounts	$ (33,280)	$ (34,281)	$ (24,097)	$ (24,529)
U.S. GAAP net loss per share:				
Diluted	N/A	$ (0.29)	N/A	$ (0.35)
Adjusted Non-GAAP net loss per share (Adjusted EPS):				
Diluted	N/A	$ (0.27)	N/A	$ (0.22)
Weighted-average common shares outstanding:				
Diluted	N/A	126,234,997	N/A	112,794,562

(a) We exclude the gain from collections of contingent contractual amounts arising from the sale in 2021 of our investment in an unconsolidated subsidiary as these amounts are not considered part of our normal ongoing operations.
(b) We incurred one-time incremental recruitment fees in connection with hiring a new CEO in August 2024. In addition, we agreed to upfront and incremental sign-on bonuses (collectively, the "sign-on bonuses"), a portion of which will be paid to our CEO in 2024, with clawback provisions over the next two years, and a portion of which will be paid annually over the next two years, all contingent upon continued employment. These sign-on bonuses will be expensed over the next two years, ending on October 1, 2026, to reflect the required service periods. We do not view these sign-on bonuses as being part of the normal on-going compensation arrangements for our CEO.
(c) 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.
(d) Severance costs in 2023 were due to restructuring changes.
(e) Other costs in 2023 included the write-off of remaining prepaid costs resulting from termination of our consulting agreement with a related party.

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 loans and accounts payable. Cash, cash equivalents, accounts receivable, short-term loans 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 \$8.3 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, 2024. 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 these money market fund deposits approximates fair value based on quoted prices in active markets for units held (Level 1 classification) and totaled \$1.8 million at September 30, 2024 and \$13.9 million at December 31, 2023.

We have no other financial instruments as of September 30, 2024 or December 31, 2023, other than cash equivalents, short-term 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. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2024 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We hired a new President and Chief Executive Officer effective August 19, 2024, who assumed the duties of evaluating the effectiveness of our disclosure controls and procedures previously performed by our Chairman of the Board of Directors.

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, CBP asserted that Section 301 China tariffs, Section 232 steel and 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 $2.84 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 for the Revised 939 Assessment in March of 2024. 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, 2024, 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 2023 Annual Report. Please carefully consider all of the information in this Quarterly Report and our 2023 Annual Report, including the full set of risks set forth in Item 1A. "Risk Factors" of our 2023 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. We also currently rely on a limited number of customers which may have material adverse effects on our revenue, operating results and cash flows.
- **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 a limited number of 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, the substantial ownership in our stock by our directors, executive officers and principal stockholders and the potential for our common stock to not be able to trade in active, liquid markets.
- **Risks related to health epidemics** – We face risks of our business being adversely impacted by the effects of future widespread outbreaks of contagious disease. For example, the COVID-19 pandemic caused significant supply chain disruptions beginning in 2020 that, for a period of time, resulted in delays in product delivery and completion and caused increased transportation costs, as well as labor shortages.

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 under the section "Liquidity and Capital Resources", we have a history of cash outflows to fund operations.

In addition, on October 11, 2024, we filed a definitive proxy for a special meeting of stockholders scheduled for November 8, 2024, to seek approval of an amendment to our Amended and Restated Certificate of Incorporation to effect a reverse stock split. We may not receive approval from our stockholders for the amendment to our Amended and Restated Certificate of Incorporation, or if approval is given, our Board of Directors may choose not to proceed with the reverse stock split in time to regain compliance with Nasdaq's minimum bid price requirement. Also, if a reverse stock split is effected, there can be no assurance that the market price per share of our common stock will increase in proportion to the reduction in the number of shares of common stock outstanding before the reverse stock split. If we fail to regain compliance with the minimum bid price requirement before December 17, 2024, then Nasdaq will notify us that our common stock is subject to delisting.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

None.

Use of Proceeds

None.

Issuer Purchases of Equity Securities

None.

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.

On November 8, 2024, we entered into a binding term sheet with an institutional investor (the "Investor") to issue to the Investor, in a private placement, senior secured promissory notes (the "Notes") in an aggregate principal amount of $15 million and common stock purchase warrants (the "Warrants") to purchase 17,500,000 shares of our common stock.

The Notes will bear interest at a rate of 11% per annum if payable in cash or, at our options, 13% per annum if paid-in-kind and will mature five (5) years from the date of issuance. The Notes will be secured by a first priority lien on substantially all of our assets and will be guaranteed by all of our direct and indirect subsidiaries. The Notes will contain customary covenants for a transaction of this nature, including financial covenants and restrictive covenants. If we prepay the Notes in full within a specified period of time after issuance, we will be required to pay a make-whole payment to the Investor representing a portion of the undiscounted interest payments that otherwise would have been payable to the Investor, the calculation for which will be specified in the definitive documents.

The Warrants are immediately exercisable at an exercise price of $0.01 per share, subject to certain customary adjustments to be set forth in the definitive documentation, and will expire ten (10) years from the date of issuance. At the option of the Investor, the Warrants will also be exercisable on a cashless basis using a customary cashless exercise formula.

We have also agreed that the Investor shall be entitled to nominate one (1) person for election to our board of directors at our annual stockholder meeting. We have also agreed to reimburse the Investor for expenses incurred in connection with the transaction in an amount equal to three percent (3%) of the principal amount of the Notes.

The issuance of the Notes and Warrants will be subject to customary closing conditions and the preparation and negotiation of definitive documents. We currently expect that the issuance of the Notes and Warrants will occur on or prior to November 30, 2024.

(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)).

None of our directors or officers adopted, amended or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K during the three months ended September 30, 2024.

ITEM 6. EXHIBITS

The following exhibits are filed as part of this report:

Exhibit Number		Description
3.1	**	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).
3.2	**	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).
3.3	**	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)
4.1	**	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)
10.1	**	Employment Agreement, dated July 17, 2024, between FTC Solar, Inc. and Yann Brandt (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 23, 2024 and incorporated herein by reference)
10.2	**	Director Letter, dated August 16, 2024, between FTC Solar, Inc. and Pablo Barahona (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 16, 2024 and incorporated herein by reference)
31.1	*	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
31.2	*	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
32.1	*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	*	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
104	*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* 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 12, 2024	/s/ Cathy Behnen
	Cathy Behnen, Chief Financial Officer

Exhibit 31.1

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Yann Brandt, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 12, 2024

By: /s/ Yann Brandt
Yann Brandt
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Cathy Behnen, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 12, 2024

By: /s/ Cathy Behnen
Cathy Behnen
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of FTC Solar, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2024, 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 12, 2024

By: /s/ Yann Brandt
Yann Brandt
President and Chief Executive Officer

Exhibit 32.2

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

In connection with the Quarterly Report of FTC Solar, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2024, 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 12, 2024

By: /s/ Cathy Behnen
Cathy Behnen
Chief Financial Officer