Filed Pursuant to Rule 424(b)(3)
Registration No. 333-262538

PROSPECTUS SUPPLEMENT NO. 1
(to prospectus dated March 25, 2022)

FTC SOLAR, INC.

37,277,987 Shares of Common Stock

This prospectus supplement amends and supplements the prospectus dated March 25, 2022 (as supplemented to date, the "Prospectus") which forms a part of our Registration Statement on Form S-1 (Registration Statement No. 333-262538). This prospectus supplement is being filed to update and supplement the information included or incorporated by reference in the Prospectus with the information contained in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022, filed with the Securities and Exchange Commission (the "SEC") on May 16, 2022 (the "Form 10-Q"). Accordingly, we have attached the Form 10-Q to this prospectus supplement.

This prospectus supplement updates and supplements the information in the Prospectus and is not complete without, and may not be delivered or utilized except in combination with, the Prospectus, including any amendments or supplements thereto. This prospectus supplement should be read in conjunction with the Prospectus and if there is any inconsistency between the information in the Prospectus and this prospectus supplement, you should rely on the information in this prospectus supplement.

Our common stock is listed on The Nasdaq Global Market ("Nasdaq") under the symbol "FTCI." On May 16, 2022, the last reported sale price of our common stock as reported on Nasdaq was $2.96 per share.

We are an "emerging growth company," as defined in Section 2(a) of the Securities Act of 1933, as amended, and will be subject to reduced public company reporting requirements.

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 7 of the Prospectus to read about factors you should consider before buying shares of our common stock.

Neither the SEC nor any other regulatory body has approved or disapproved of the securities to be offered and sold under the Prospectus or passed upon the adequacy or accuracy of the Prospectus or this prospectus supplement. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is May 17, 2022.

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 March 31, 2022

OR

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

For the transition period from __________to__________

Commission File Number **001-40350**

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

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 April 30, 2022, 99,810,544 shares of the registrant's common stock were outstanding.

FTC Solar, Inc.
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FORWARD-LOOKING STATEMENTS

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

The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We believe that these factors include, but are not limited to, the factors set forth under the heading "Risk Factors." Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements.

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

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

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

ITEM 1. FINANCIAL STATEMENTS

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

(in thousands, except shares and per share data)	March 31, 2022	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 49,383	$ 102,185
Accounts receivable, net	132,230	107,548
Inventories	8,918	8,860
Prepaid and other current assets	13,762	17,186
Total current assets	204,293	235,779
Operating lease right-of-use assets	1,622	1,733
Property and equipment, net	1,564	1,582
Other assets	3,929	3,926
Total assets	$ 211,408	$ 243,020
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 46,102	$ 39,264
Accrued expenses	30,648	47,860
Income taxes payable	87	47
Deferred revenue	3,100	1,421
Other current liabilities	4,523	4,656
Total current liabilities	84,460	93,248
Operating lease liability, net of current portion	1,190	1,340
Other non-current liabilities	5,590	5,566
Total liabilities	91,240	100,154
Commitments and contingencies (Note 9)		
Stockholders’ equity		
Preferred stock par value of $0.0001 per share, 10,000,000 shares authorized; none issued as of March 31, 2022 and December 31, 2021	—	—
Common stock par value of $0.0001 per share, 850,000,000 shares authorized; 99,724,843 and 92,619,641 shares issued and outstanding as of March 31, 2022 and December 30, 2021	10	9
Treasury stock, at cost; 10,762,566 shares as of March 31, 2022 and December 31, 2021	—	—
Additional paid-in capital	297,119	292,082
Accumulated other comprehensive income (loss)	64	7
Accumulated deficit	(177,025)	(149,232)
Total stockholders’ equity	120,168	142,866
Total liabilities and stockholders’ equity	$ 211,408	$ 243,020

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 March 31, 2022	2021
Revenue:		
Product	$ 30,968	$ 56,462
Service	18,585	9,245
Total revenue	49,553	65,707
Cost of revenue:		
Product	34,963	54,996
Service	23,877	10,592
Total cost of revenue	58,840	65,588
Gross profit (loss)	(9,287)	119
Operating expenses		
Research and development	2,701	1,954
Selling and marketing	1,972	1,100
General and administrative	13,818	5,084
Total operating expenses	18,491	8,138
Loss from operations	(27,778)	(8,019)
Interest expense, net	(295)	(14)
Gain from disposal of investment in unconsolidated subsidiary	337	—
Gain on extinguishment of debt	—	790
Other income (expense)	19	—
Loss from unconsolidated subsidiary	—	(218)
Loss before income taxes	(27,717)	(7,461)
(Provision) benefit for income taxes	(76)	19
Net loss	(27,793)	(7,442)
Other comprehensive income (loss):		
Foreign currency translation adjustments	57	(1)
Comprehensive loss	$ (27,736)	$ (7,443)
Net loss per share:		
Basic	$ (0.28)	$ (0.11)
Diluted	$ (0.28)	$ (0.11)
Weighted-average common shares outstanding:		
Basic	99,211,792	66,875,469
Diluted	99,211,792	66,875,469

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

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

	Preferred stock		Common stock		Treasury stock					
(in thousands, except shares)	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Additional paid-In capital**	**Accumulated other comprehensive income (loss)**	**Accumulated deficit**	**Total stockholders' equity (deficit)**
Balance as of December 31, 2021	—	$ —	92,619,641	$ 9	10,762,566	$ —	$ 292,082	$ 7	$ (149,232)	$ 142,866
Shares issued during the period for vested restricted stock awards	—	—	5,311,326	1	—	—	(1)	—	—	—
Issuance of common stock upon exercise of stock options	—	—	1,793,876	—	—	—	428	—	—	428
Stock-based compensation	—	—	—	—	—	—	4,610	—	—	4,610
Net loss	—	—	—	—	—	—	—	—	(27,793)	(27,793)
Other comprehensive loss	—	—	—	—	—	—	—	57	—	57
Balance as of March 31, 2022	—	$ —	99,724,843	$ 10	10,762,566	$ —	$ 297,119	$ 64	$ (177,025)	$ 120,168

	Preferred stock		Common stock		Treasury stock					
(in thousands, except shares)	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Additional paid-In capital**	**Accumulated other comprehensive income (loss)**	**Accumulated deficit**	**Total stockholders' equity (deficit)**
Balance as of December 31, 2020	—	$ —	66,155,340	$ 1	9,896,666	$ —	$ 50,096	$ (3)	$ (42,643)	$ 7,451
Shares issued during the period for vested restricted stock awards	—	—	1,169,607	—	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	152,902	—	—	—	39	—	—	39
Repurchases of treasury stock	—	—	(148,440)	—	148,440	—	—	—	—	
Stock-based compensation	—	—	—	—	—	—	449	—	—	449
Net loss	—	—	—	—	—	—	—	—	(7,442)	(7,442)
Other comprehensive loss	—	—	—	—	—	—	—	(1)	—	(1)
Balance as of March 31, 2021	—	$ —	67,329,409	$ 1	10,045,106	$ —	$ 50,584	$ (4)	$ (50,085)	$ 496

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)	Three months ended March 31, 2022	2021
Cash flows from operating activities		
Net loss	$ (27,793)	$ (7,442)
Adjustments to reconcile net loss to cash used in operating activities:		
Stock-based compensation	4,610	449
Depreciation	121	9
Amortization of debt issue costs	173	—
Loss from unconsolidated subsidiary	—	218
Gain from disposal of investment in unconsolidated subsidiary	(337)	—
(Gain) loss on extinguishment of debt	—	(790)
Warranty provision	516	1,554
Warranty recoverable from manufacturer	(205)	328
Bad debt expense (credit)	(30)	58
Deferred income taxes	—	(20)
Lease expense and other non-cash items	198	—
Impact on cash from changes in operating assets and liabilities:		
Accounts receivable, net	(24,652)	(20,230)
Inventories	(58)	(2,587)
Prepaid and other current assets	3,440	216
Other assets	(40)	(3,649)
Accounts payable	7,258	12,913
Accruals and other current liabilities	(17,044)	8,360
Accrued interest – related party debt	—	(207)
Deferred revenue	1,679	(14,797)
Other non-current liabilities	(752)	(206)
Lease payments and other, net	(190)	(81)
Net cash used in operating activities	(53,106)	(25,904)
Cash flows from investing activities:		
Purchases of property and equipment	(523)	(85)
Proceeds from disposal of investment in unconsolidated subsidiary	337	—
Net cash used in investing activities	(186)	(85)
Cash flows from financing activities:		
Repayments of borrowings	—	(1,000)
Offering costs paid	—	(1,084)
Proceeds from stock issuance	—	39
Proceeds from stock option exercises	428	—
Net cash provided by (used in) financing activities	428	(2,045)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	62	1
Net decrease in cash, cash equivalents and restricted cash	(52,802)	(28,033)
Cash, cash equivalents and restricted cash at beginning of period	102,185	33,373
Cash, cash equivalents and restricted cash at end of period	$ 49,383	$ 5,340
Supplemental disclosures of cash flow information:		
Purchases of property and equipment included in ending accounts payable and accruals	$ 59	67
Increase in offering costs in period end accruals	$ —	2,019
Commencement of new operating leases	$ —	246
Cash paid during the period for third party interest	$ 128	40
Cash paid during the period for related party interest	$ —	207
Cash paid during the period for taxes	$ 7	—

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

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. We are a global provider of advanced solar tracker systems, supported by proprietary software and value-added engineering services. Our mission is to provide differentiated products, software, and services that maximize energy generation and cost savings for our customers, and to help facilitate the continued growth and adoption of solar power globally. Trackers significantly increase the amount of solar energy produced at a solar installation by moving solar panels throughout the day to maintain an optimal orientation relative to the sun. Our tracker systems are currently marketed under the Voyager brand name ("Voyager Tracker" or "Voyager"). Voyager is a next-generation two-panel in-portrait single-axis tracker solution that we believe offers industry-leading performance and ease of installation. We have a team of dedicated renewable energy professionals with significant project installation experience focused on delivering cost reductions to our US and worldwide clients across the solar project development and construction cycle. Our solar solutions span a range of applications, including ground mount, tracker, canopy, and rooftop. The Company is headquartered in Austin, Texas, and has international subsidiaries in Australia, India, Singapore, and South Africa.

In April 2021, we completed an initial public offering (IPO) of 19,840,000 shares of our common stock receiving proceeds of $241.2 million, net of underwriting discounts and commissions, but before offering costs, and began trading on the Nasdaq Global Market under the symbol "FTCI". Prior to the completion of the IPO, the board of directors and stockholders approved an approximately 8.25-for-1 forward stock split (the "Forward Stock Split") of the Company's shares of common stock which became effective on April 28, 2021. Proceeds from the IPO were used for general corporate purposes, with $54.2 million used to purchase an aggregate of 4,455,384 shares of our common stock, including shares resulting from the settlement of certain vested restricted stock units ("RSUs") and exercise of certain options in connection with the IPO at the IPO price, less underwriting discounts and commissions.

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 ("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 have been made that are considered necessary for a fair statement of our financial position as of March 31, 2022, and December 31, 2021, our results of operations for the three months ended March 31, 2022 and 2021 and our cash flows for the three months ended March 31, 2022 and 2021. The condensed consolidated balance sheet as of December 31, 2021 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 months ended March 31, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022. 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 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, 2021.

On April 28, 2021, we effected an approximately 8.25-for-1 forward split of our issued and outstanding shares of common stock, par value $0.0001 per share. As a result of the forward stock split, one (1) share of common stock issued and outstanding was automatically increased to approximately 8.25 shares of issued and outstanding common stock, without any change in the par value per share. All information related to common stock, stock options, restricted stock awards and earnings per share have been retroactively adjusted to give effect to the forward stock split for all periods presented, unless otherwise indicated.

We currently operate in one business segment, the manufacturing and servicing of Voyager Tracker.

Liquidity

We have incurred cumulative losses since inception, resulting in an accumulated deficit of $177.0 million at March 31, 2022, and have a history of cash outflows from operations. During the year ended December 31, 2021, and the three months ended March 31, 2022, we had $132.9 million and $53.1 million, respectively, of cash outflow from operations. At March 31, 2022, we had $49.4 million of cash on hand, $119.8 million of working capital and approximately $98.1 million of unused borrowing capacity under our existing revolving credit facility. The revolving credit facility includes a financial condition covenant stating we are required to have a minimum liquidity, consisting of cash on hand and unused borrowing capacity, of $125.0 million as of each quarter end. After considering this financial condition covenant, we had approximately $22.4 million of available liquidity as of March 31, 2022, in order to retain access to our revolving credit facility. Additionally, we had no long-term borrowings or other material obligations requiring the use of cash as of March 31, 2022.

As of May 12, 2022, we have collected approximately $62 million of receivables since March 31, 2022, and have a cash balance of approximately $71 million.

On March 25, 2022, the U.S. Department of Commerce, in response to a petition by Auxin Solar, Inc., initiated an investigation of claims related to alleged circumvention of U.S. antidumping and countervailing duties ("AD/CVD") by solar manufacturers in certain Southeast Asian countries in an effort to determine whether or not solar cells and/or modules made in those Southeast Asian nations use parts originating from China in order to circumvent the AD/CVD tariffs. This decision has resulted in some developers deferring projects later in the year due to the uncertainty of panel supply and costs, which is expected to negatively impact our anticipated revenues and our cash flows.

Our costs are affected by certain component costs including steel, motors and micro-chips, as well as transportation costs. Current market conditions that constrain supply of materials and disrupt the flow of materials from international vendors impact the cost of our products and services. These cost increases impact our operating margins. We are taking steps to expand and diversify our manufacturing partnerships and have employed alternative modes of transportation to mitigate the impact of the current headwinds in the global supply chain and logistics markets. Additionally, we have contracted with a consulting firm to support us with improvements to our processes and performance in various areas including design, sourcing, logistics, pricing, software and standard configuration. For further information regarding this consulting firm, see "Note 13. Related party transactions".

In accordance with ASC 205-40, Going Concern, we have evaluated whether there are conditions and events, considered in the aggregate, which raise substantial doubt about our ability to continue as a going concern within one year after the date the financial statements are issued. Based on our recurring losses from operations, impact of the U.S. Department of Commerce investigation of AD/CVD circumvention claims, the expectation of continued operating losses during 2022, and the need to improve profitability and cash flow to finance our future operations, we determined that there is substantial doubt about our ability to continue as a going concern within twelve months of the issuance date of the accompanying consolidated financial statements. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty and assumes we will continue as a going concern through the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

As we continue to address these current market challenges, management has also undertaken the following actions:

- we are in discussions with the lenders of our revolving credit facility to lower the minimum required liquidity amount, which, if successful, could result in additional liquidity;
- we have initiated a program, as described above, with third party assistance, to improve our operating performance and increase our gross margins;
- we are freezing non-essential hiring, reducing our travel expenses, decreasing the future use of consultants and deferring non-critical initiatives;
- we are negotiating improved payment terms with both our customers and vendors;
- we have initiated frequent, consistent communication with our customers, which has allowed us to resolve issues preventing timely collection of certain outstanding receivables subsequent to March 31, 2022; and
- we are exploring options to obtain additional sources of capital.

Should we not be successful in executing the above initiatives, or in reducing our historical levels of use of cash to fund our operations, or should market conditions deteriorate significantly from what we currently expect, or regulatory and international trade policies become more stringent as a result of findings from the Department of Commerce's AD/CVD investigation, or other factors, we may need to issue additional debt or obtain new equity financing to fund our operations for the next twelve months. We may be unable to obtain any desired additional financing on terms favorable to us, or at all, depending on market and other conditions. The ability to raise additional financing depends on numerous factors that are outside of our control, including general economic and market conditions, the health of financial institutions, investors' and lenders' assessments of our prospects and the prospects of the solar industry in general.

Use of estimates

Preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenue and expenses during the period. Estimates are used for calculating the measure of progress of Voyager tracker projects and deriving the standalone selling prices of the individual performance obligations when determining amounts to recognize for revenue, estimating allowances for doubtful accounts and slow-moving and obsolete inventory, determining useful lives of noncurrent 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 and 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.

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.

The Company extends credit to customers in the normal course of business, often without requiring collateral. The Company performs credit analyses and monitors the financial health of its customers to reduce credit risk.

The Company’s accounts receivables are derived from revenue earned from customers primarily located in the U.S. and in the Asia Pacific region. No country other than the U.S. accounts for 10% or more of our revenue. Most of our customers are project developers, solar asset owners and engineering, procurement and construction (“EPC”) contractors that design and build solar energy projects. Often times, a small number of customers account for a significant portion of our outstanding receivables at period end and our total revenue for the year.

Cash and cash equivalents

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. We regularly maintain cash balances that exceed federally insured amounts, but we have experienced no losses associated with these amounts to date.

Accounts receivable, net

Trade receivables are recorded at invoiced amounts, net of allowances for doubtful accounts if applicable, 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 doubtful accounts is based on our assessment of the collectability of our customer accounts. We regularly review our accounts receivable that remain outstanding past their applicable payment terms and establish allowances or make potential write-offs by considering certain factors such as historical experience, industry data, credit quality, age of balances and current economic conditions that may affect a customers’ ability to pay.

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 install Voyager tracker systems and related equipment. Further information may be found below in our revenue recognition policy.

Inventories, net

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

Warranty

Typically, the sale of Voyager 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 record a provision for estimated warranty expenses in cost of sales, net of amounts recoverable from manufacturers under their warranty obligations to us. We do not maintain general or unspecified reserves; all warranty reserves are related to specific projects. All actual or estimated material costs incurred for warranty services in subsequent periods are charged to those established reserves.

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

Stock-based compensation

We recognize compensation expense for all share-based payment awards made, including stock options and restricted stock, based on the estimated fair value of the award on the grant date, in the accompanying consolidated statement of operations and comprehensive loss. We calculate the fair value of stock options using the Black-Scholes Option-Pricing model, while the fair value of restricted stock grants is based on the estimated fair value of the Company's common stock on the date of grant. Since completion of our IPO, we consider the closing price of our stock, as reported on the Nasdaq Global Market, to be the fair value of our stock on the grant date.

Forfeitures are accounted for as they occur. For service-based awards, stock-based compensation is recognized using the straight-line attribution approach over the requisite service period. For performance-based awards, stock-based compensation is recognized based on graded vesting over the requisite service period when the performance condition is probable of being achieved.

Revenue recognition

Product revenue includes revenue from the sale of Voyager Tracker and customized components of Voyager Tracker, individual part sales for certain specific transactions, and sale of term-based software licenses. Term-based software licenses are deployed on the customers' own servers and have significant standalone functionality.

Service revenue includes revenue from shipping and handling services, subscription fees from licensing subscription services, 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 Voyager Trackers are generally under two different types of arrangements: (1) purchase agreements and equipment supply contracts ("Purchase Agreements") and (2) sale of individual parts of the Voyager Tracker.

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) Voyager Tracker or customized components of Voyager Tracker, and 2) shipping and handling services. The deliverables included as part of the Voyager Tracker 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.

Sale of individual parts of Voyager Tracker for certain specific transactions includes multiple performance obligations consisting of individual parts of the Voyager Tracker. 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 the Voyager Tracker, customized components of Voyager Tracker, and individual parts of Voyager Tracker for certain specific transactions. We use the adjusted market assessment approach for all other performance obligations except shipping, handling, and logistics. For shipping, handling, and logistics performance obligations, we use a residual approach to calculate the standalone selling price, because of the nature of the highly variable and broad range of prices we charge to various customers for this performance obligation in the contracts.

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. Voyager Tracker and customized components of Voyager Tracker performance obligations in the contract are satisfied over-time as work progresses for its custom assembled Voyager Tracker, 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 point-in-time as and when control transfers based on the Incoterms for the contract. Our performance obligations for term-based software licenses are recognized 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 obligation for shipping and handling services is satisfied over-time as the services are delivered over the term of the contract. We recognize subscription services sales/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 billing, and deferred revenue in the Consolidated Balance Sheets. We may receive advances or deposits from our customers before revenue is recognized, resulting in contract liabilities, which are reflected as “deferred revenue” on our Consolidated Balance Sheets.

Cost of revenue consists primarily of costs related to raw materials, freight and delivery, product warranty, 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. Deferred cost of revenue results from the timing differences between the costs incurred in advance of the satisfaction of all revenue recognition criteria consistent with our revenue recognition policy.

Revision of previously issued financial statements

In connection with preparation of our consolidated financial statements as of and for the year ended December 31, 2021, we identified an error in the classification of offering costs in the statement of cash flows for the three months ended March 31, 2021. Specifically, we incorrectly classified $1.1 million of offering costs paid as an operating cash outflow instead of a financing cash outflow in our previously issued cash flow statement for the three months ended March 31, 2021. Although we have concluded that this error is immaterial to the previously issued financial statements, we have corrected this error in the accompanying condensed consolidated statements of cash flows by revising the operating and financing cash outflows previously reported in our cash flow statement for the three months ended March 31, 2021.

Recent accounting pronouncements not yet adopted

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”). ASU 2016-13 changes the impairment model for most financial assets and requires the use of an expected loss model in place of the currently used incurred loss method. Under this model, entities will be required to estimate the lifetime expected credit loss on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. The update to the standard is effective for the Company for its fiscal year beginning after December 15, 2022, to the extent the Company remains an emerging growth company, and early adoption is permitted. The Company does not expect the adoption of ASU 2016-13 to have a material impact on its consolidated financial statements.

3. Accounts receivable, net

Accounts receivable consisted of the following:

(in thousands)	March 31, 2022	December 31, 2021
Trade receivables	$ 100,285	$ 38,597
Revenue recognized in excess of billings	40,663	72,676
Other receivables	148	147
Total	141,096	111,420
Allowance for doubtful accounts	(8,866)	(3,872)
Accounts receivable, net	$ 132,230	$ 107,548

During the three months ended March 31, 2022, we recognized a $5.0 million reserve against our revenue for a potential customer concession.

Included in total receivables above are amounts billed under retainage provisions totaling $5.1 million and $11.6 million as of March 31, 2022, and December 31, 2021, respectively, which are due within the upcoming year.

4. Inventories, net

Inventories consisted of the following:

(in thousands)	March 31, 2022	December 31, 2021
Finished goods	$ 9,008	$ 8,950
Allowance for slow-moving and obsolete inventory	(90)	(90)
Total	$ 8,918	$ 8,860

5. Prepaid and other current assets

Prepaid and other current assets consisted of the following:

(in thousands)	March 31, 2022	December 31, 2021
Vendor deposits	$ 10,700	$ 13,098
Prepaid expenses	1,308	2,301
Prepaid taxes	290	269
Surety collateral	334	460
Other current assets	1,130	1,058
Total	$ 13,762	$ 17,186

6. 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 and have a membership in a collaborative research facility in Colorado. All of our manufacturing is outsourced to contract manufacturing partners, and we currently do not own or lease any manufacturing facilities.

Our lease expense consisted of the following:

	Three months ended March 31,	
(in thousands)	2022	2021
Operating lease cost	$ 198	$ 78
Short-term lease cost	115	63
Total lease cost	$ 313	$ 141
Reported in:		
Cost of revenue	$ 193	$ 61
Research and development	8	6
Selling and marketing	—	1
General and administrative	112	73
Total lease cost	$ 313	$ 141

Future remaining operating lease payment obligations were as follows:

(in thousands)		March 31, 2022
2022	$	424
2023		520
2024		511
2025		446
2026		55
Thereafter		—
Total lease payments		1,956
Less: imputed interest		(315)
Present value of operating lease liabilities	$	1,641
Current portion of operating lease liability	$	451
Operating lease liability, net of current portion		1,190
Present value of operating lease liabilities	$	1,641

7. Property and equipment, net

Property and equipment consisted of the following:

(in thousands)		March 31, 2022		December 31, 2021
Leasehold improvements	$	22	$	22
Field equipment		891		833
Information technology equipment		243		182
Tooling		527		543
Capitalized software		250		250
Total		1,933		1,830
Accumulated depreciation		(369)		(248)
Property and equipment, net	$	1,564	$	1,582

8. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consisted of the following:

(in thousands)		March 31, 2022		December 31, 2021
Accrued cost of revenue	$	22,623	$	43,185
Accrued compensation		4,507		981
Other accrued expenses		3,518		3,694
Total accrued expenses	$	30,648	$	47,860
Warranty reserves	$	3,771	$	4,032
Current portion of operating lease liability		451		452
Non-federal tax obligations		301		172
Other		—		—
Total other current liabilities	$	4,523	$	4,656

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

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

(in thousands)	Three months ended March 31, 2022	2021
Balance at beginning of period	$ 9,346	$ 6,811
Warranties issued during the period	516	1,554
Settlements made during the period	(421)	(1,819)
Changes in liability for pre-existing warranties	(205)	(187)
Balance at end of period	$ 9,236	$ 6,359
Accrued warranty balance reported in:		
Other current liabilities	$ 3,771	$ 2,891
Other non-current liabilities	5,465	3,468
Balance at end of period	$ 9,236	$ 6,359

9. Commitments and contingencies

The Company may be involved in various claims, lawsuits, investigations, and other proceedings, arising in the normal course of business. The Company accrues a liability when management believes information available prior to the issuance of 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. The Company adjusts its 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.

On April 21, 2021, FCX Solar, LLC (“FCX”), filed a lawsuit against us in the United States District Court for the Southern District of New York. The complaint alleged breach of contract, fraud and unjust enrichment claims related to a patent license agreement and consulting relationship between FCX and us. FCX sought damages of approximately $134 million in the lawsuit. On July 2, 2021, we filed a motion to dismiss the fraud and unjust enrichment claims. On July 16, 2021, FCX filed an amended complaint asserting the same claims as the original complaint. On July 22, 2021, we advised the court that FTC would stand on its motion to dismiss, and at the request of the court, we filed a revised motion citing the amended complaint. FCX filed its response on August 19, 2021, and we filed a reply on September 7, 2021. Oral argument on our motion to dismiss was held on February 3, 2022, and the Court granted our motion on February 7, 2022, dismissing FCX's fraud and unjust enrichment claims and leaving only a claim for breach of a license agreement. On April 15, 2022, FCX filed a motion to amend its complaint to add two additional claims for breach of the license agreement and to remove the dismissed claims, including its request for damages of approximately $134 million. We intend to oppose FCX's motion to add new breach of contract claims. On May 29, 2021, FCX filed a separate lawsuit against us in the United States District Court for the Western District of Texas, alleging a claim for patent infringement related to U.S. Patent No. 10,903,782. FCX seeks an unspecified amount of damages, including past and future royalties, and injunctive relief. Our answer to that complaint was filed on June 22, 2021, along with our motion to transfer the patent suit to the Southern District of New York to be consolidated with the New York litigation. FCX filed an amended complaint asserting claims for direct patent infringement, indirect infringement by active inducement, and contributory infringement on July 27, 2021, and we filed our answer to that complaint on August 10, 2021. On October 25, 2021, our motion to transfer the case to the Southern District of New York was granted, and the patent case was consolidated with FCX's contract case on November 19, 2021. Discovery in this consolidated matter is ongoing. We believe the claims asserted in both lawsuits are without merit, and we plan to vigorously defend against them. We and our management considered (a) the facts described above, (b) the preliminary stages of the proceedings and (c) the advice of outside legal counsel on the claims and determined that it is not probable that FCX will prevail on the merits. At this time, we believe that the likelihood of any material loss related to these matters is remote given the strength of our defenses.

The Company has not recorded any material loss contingency in the Condensed Consolidated Balance Sheets as of March 31, 2022 and December 31, 2021.

10. Stock-based compensation

Stock compensation expense for each period was as follows:

(in thousands)	Three months ended March 31, 2022	2021
Cost of revenue	$ 309	$ 66
Research and development	188	14
Selling and marketing	530	9
General and administrative	3,583	360
Total stock compensation expense	$ 4,610	$ 449

11. Net loss per share

	Three months ended March 31, 2022	2021
Net loss (in thousands)	$ (27,793)	$ (7,442)
Weighted average shares outstanding for calculating basic and diluted loss per share	99,211,792	66,875,469
Basic and diluted loss per share	$ (0.28)	$ (0.11)

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.

	As of March 31, 2022	2021
Anti-dilutive securities excluded from calculating dilutive loss per share:		
Shares of common stock issuable under stock option plans outstanding	8,452,319	8,197,000
Shares of common stock issuable upon vesting of restricted stock units	4,995,792	15,463,000
Potential common shares excluded from diluted net loss per share calculation	13,448,111	23,660,000

12. Income taxes

For the three months ended March 31, 2022 and 2021, we recorded income tax expense of $0.08 million and an income tax benefit of $0.02 million, respectively, both of which were lower than the statutory rate of 21%, primarily due to a valuation allowance established against the U.S. deferred tax assets.

At March 31, 2022, we had total unrecognized tax benefits of approximately $0.7 million. Approximately $0.2 million of our gross unrecognized tax benefits, if recognized, would affect our effective tax rate. We recognize accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense. As of March 31, 2022, we had no accrued interest or penalties related to unrecognized tax benefits.

13. Related party transactions

In February 2022, we engaged Fernweh Engaged Operator Company LLC (“FEOC”) to support us with improvements to our processes and performance in various areas including design, sourcing, logistics, pricing, software and standard configuration. The consideration for such engagement is a combination of (i) quarterly cash payments through mid-2023, (ii) stock options that are time-based vested through the second quarter of 2023, and (iii) options with vesting tied to achievement of certain performance metrics based on our stock price. The foregoing transaction constitutes a related person transaction under our policies and procedures as South Lake One LLC, an entity affiliated with Isidoro Quiroga Cortés, a member of our board of directors, and a holder of more than 5% of our outstanding capital stock, is an investor in Fernweh Group LLC (“Fernweh Group”), the parent entity of FEOC. Also, Aequanimitas Limited Partnership and Discrimen LLC are investors in Fernweh Group, and Isidoro Quiroga Cortés is affiliated with those entities. Isidoro Quiroga Cortés is also on the board of Fernweh Group. For the three months ended March 31, 2022, we incurred $1.1 million of general and administrative expense associated with our engagement of FEOC. We made no cash payments during the three months ended March 31, 2022.

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 Annual Report on Form 10-K for the year ended December 31, 2021. 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 Annual Report on Form 10-K for the year ended December 31, 2021. 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 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 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 GAAP financial measures. Reconciliations of Adjusted EBITDA, Adjusted Net Loss and Adjusted EPS to Net Loss and Net Loss per Share, the most comparable GAAP measures, is provided in "Non-GAAP Financial Measures".

Overview

FTC Solar, Inc. (the "Company", "we", "our", or "us") was founded in 2017 and is incorporated in the state of Delaware. We are a global provider of advanced solar tracker systems, supported by proprietary software and value-added engineering services. Our mission is to provide differentiated products, software, and services that maximize energy generation and cost savings for our customers, and to help facilitate the continued growth and adoption of solar power globally. Trackers significantly increase the amount of solar energy produced at a solar installation by moving solar panels throughout the day to maintain an optimal orientation relative to the sun. Our tracker systems are currently marketed under the Voyager brand name ("Voyager Tracker" or "Voyager"). Voyager is a next-generation two-panel in-portrait single-axis tracker solution that we believe offers industry-leading performance and ease of installation. We have a team of dedicated renewable energy professionals with significant project installation experience focused on delivering cost reductions to our US and worldwide clients across the solar project development and construction cycle. Our solar solutions span a range of applications, including ground mount, tracker, canopy, and rooftop. The Company is headquartered in Austin, Texas, and has international subsidiaries in Australia, India, Singapore, and South Africa.

In April 2021, we completed an initial public offering (IPO) of 19,840,000 shares of our common stock receiving proceeds of $241.2 million, net of underwriting discounts and commissions, but before offering costs, and began trading on the Nasdaq Global Market under the symbol "FTCI". Prior to the completion of the IPO, the board of directors and stockholders approved an approximately 8.25-for-1 forward stock split (the "Forward Stock Split") of the Company's shares of common stock which became effective on April 28, 2021. Proceeds from the IPO were used for general corporate purposes, with $54.2 million used to purchase an aggregate of 4,455,384 shares of our common stock, including shares resulting from the settlement of certain vested restricted stock units ("RSUs") and exercise of certain options in connection with the IPO at the IPO price, less underwriting discounts and commissions.

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

Key Factors Affecting Our Performance

Government Regulations. Changes in the U.S. trade environment, including the imposition of import tariffs, AD/CVD investigations and WROs directed at forced labor in China, can have an impact on the timing of developer projects. This impact on project activity by developers can negatively affect the amount and timing of our revenue, results of operations and cash flows. 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, AD/CVD and WROs on our business by reducing our reliance on China. In 2019, 90% of our supply chain was sourced from China. As of March 31, 2022, we have qualified suppliers outside of China for all our commodities and reduced the extent to which our supply chain for U.S.-based projects is subject to existing tariffs. We have entered into partnerships with manufacturers in the United States, Mexico, Canada, Spain, Brazil, Turkey, Saudi Arabia, India, Thailand, Vietnam and Korea to diversify our supply chain and optimize costs.

Disruptions in Transportation and Supply Chain. Our costs are affected by the underlying costs of raw materials including steel, component costs including motors and micro-chips and transportations costs. Current market conditions and international conflicts that constrain supply of materials and disrupt the flow of materials from international vendors impacts the cost of our products and services. We have also seen increases in domestic fuel prices and transportation costs. These cost increases impact our margins. We are taking steps to expand and diversify our manufacturing partnerships and we are implementing alternative modes of transportation to mitigate the impacts of these current headwinds in the global supply chain and logistics market. We also have a sharp focus on our design to value initiative to improve margin by reducing manufacturing and material costs of our products.

Megawatts ("MW") Shipped and Average Selling Price ("ASP"). The primary operating metric we use to evaluate our sales performance and to track market acceptance of our products is the change in quantity of megawatts (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 total revenue by total watts and cost per watt is calculated by dividing total costs of goods sold by total watts. These metrics enable us to evaluate trends in pricing, manufacturing cost and profitability. Events such as the COVID-19 pandemic and international conflicts can impact the U.S. economy, global supply chains, and our business. These impacts can cause significant shipping delays and cost increases, as well as offsetting ASP increases, and also raise the price of inputs like steel and logistics, affecting our cost per watt.

Investment in Technology and Personnel. We invest in both the people and technology behind our products. We intend to continue making significant investments in the technology for our products and expansion of our patent portfolio to attract and retain customers, expand the capabilities and scope of our products, and enhance user experience. We also intend to make significant investments to attract and retain employees in key positions, including sales leads, engineers, software developers, quality assurance personnel, supply chain personnel, product management, and operations personnel, to help us drive additional efficiencies across our marketplace and, in the case of sales leads, to continue to enhance and diversify our sales capabilities, including international expansion.

Impact of the COVID-19 Pandemic. In March of 2020, the World Health Organization declared that the worldwide spread and severity of a new coronavirus, referred to as COVID-19, was severe enough to be characterized as a pandemic. In response to the continued spread of COVID-19, governmental authorities in the United States and around the world have imposed various restrictions designed to slow the pace of the pandemic, including restrictions on travel and other restrictions that prohibit employees from going to work, including in cities where we have offices, employees, and customers, causing severe disruptions in the worldwide economy. The broader implications of the COVID-19 pandemic on our business, financial condition and results of operations remain uncertain and will depend on certain developments, including the duration and severity of the COVID-19 pandemic, the impact of virus variants, the rate of vaccinations, the COVID-19 pandemic’s impact on our customers and suppliers and the range of governmental and community reactions to the pandemic. While our day-to-day operations have been affected, the impact has been less pronounced as most of our staff has worked remotely and continued to develop our product offerings, source materials and install our products. However, we have experienced significant supply chain disruptions that have caused delays in product deliveries due to diminished vessel capacity and port detainment of vessels as a consequence of the COVID-19 pandemic (including as a result of multiple COVID-19 variants), which have contributed to an increase in lead times for delivery of our tracker systems. For instance, we experienced a COVID-related supplier production slowdown in India at the end of March 2021, which continued throughout 2021 due to the emergence of the Omicron variant. The reduced capacity for logistics is also causing increases in logistics costs. Additionally, ground operations at project sites have been impacted by health-related restrictions, shelter-in-place orders and worker absenteeism, which has resulted in delays in project completions, and these restrictions have also hindered our ability to provide on-site support to our customers and conduct inspections of our contract manufacturers. The disruptions in the global supply chain have resulted in extended lead times for some of our component parts. Management will continue to monitor the impact of the global situation on our financial condition, cash flows, operations, contract manufacturers, industry, workforce and customer relationships.

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 (benefit) for income taxes, (ii) interest expense, net, (iii) depreciation expense, (iv) amortization of intangibles, (v) stock-based compensation, (vi) non-routine legal fees, severance and certain other costs (credits) and (vii) the loss (income) from our unconsolidated subsidiary. We also deduct the gains from the disposal of our investment in unconsolidated subsidiary and from extinguishment of our debt from net loss in arriving at Adjusted EBITDA. We define Adjusted Net Loss as net loss plus (i) amortization of debt issue costs and intangibles, (ii) stock-based compensation, (iii) non-routine legal fees, severance and certain other costs (credits), (iv) the loss (income) from our unconsolidated subsidiary and (v) income tax expense (benefit) of adjustments. We also deduct the gains or add back the losses from the disposal of our investment in unconsolidated subsidiary and from extinguishment of our debt from net loss in arriving at Adjusted Net Loss. Adjusted EPS is defined as Adjusted Net Loss on a per share basis using the 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. generally accepted accounting principles (“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 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 GAAP measure as disclosed below:

(in thousands, except shares and per share data)	Three months ended March 31, 2022 Adjusted EBITDA	2022 Adjusted Net Loss	2021 Adjusted EBITDA	2021 Adjusted Net Loss
Net loss per GAAP	$ (27,793)	$ (27,793)	$ (7,442)	$ (7,442)
Reconciling items -				
Provision (benefit) for income taxes	76	—	(19)	—
Interest expense, net	295	—	14	—
Amortization of debt issue costs in interest expense	—	173	—	—
Depreciation expense	121	—	9	—
Stock-based compensation	4,610	4,610	449	449
(Gain) from disposal of investment in unconsolidated subsidiary[d]	(337)	(337)	—	—
(Gain) loss on extinguishment of debt	—	—	(790)	(790)
Non-routine legal fees[a]	1,078	1,078	15	15
Severance[b]	615	615	—	—
Other costs[c]	1,370	1,370	882	882
(Income) loss from unconsolidated subsidiary[d]	—	—	218	218
Income tax expense (benefit) attributable to adjustments	—	—	—	(8)
Adjusted Non-GAAP amounts	$ (19,965)	$ (20,284)	$ (6,664)	$ (6,676)
GAAP net loss per share:				
Basic	N/A	$ (0.28)	N/A	$ (0.11)
Diluted	N/A	$ (0.28)	N/A	$ (0.11)
Adjusted Non-GAAP net loss per share (Adjusted EPS):				
Basic	N/A	$ (0.20)	N/A	$ (0.10)
Diluted	N/A	$ (0.20)	N/A	$ (0.10)
Weighted-average common shares outstanding:				
Basic	N/A	99,211,792	N/A	66,875,469
Diluted	N/A	99,211,792	N/A	66,875,469

(a) Non-routine legal fees represent legal fees incurred for matters that were not ordinary or routine to the operations of the business.
(b) Severance costs were incurred related to agreements with certain executives due to restructuring changes.
(c) Other costs in 2022 include certain costs attributable to accelerated vesting of stock-based compensation awards resulting from our IPO and shareholder follow on registration costs pursuant to our IPO. Other costs in 2021 include consulting fees in connection with operations and finance.
(d) Our management excludes the gain from current year collections of contingent contractual amounts arising from the sale in 2021 of our unconsolidated subsidiary when evaluating our operating performance, as well as the income (loss) from operations of our unconsolidated subsidiary prior to the sale.

Key Components of Our Results of Operations

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

Revenue

Revenue from the sale of Voyager Trackers and customized components of Voyager Trackers 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 Voyager Trackers and its components. Revenue from the sale of a Voyager Tracker's individual parts is recognized 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. Subscription revenue, which is derived from a 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 Voyager Trackers 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 and availability of government incentives to the end-users of our products. Additionally, our revenue may be impacted by seasonality and variability related to ITC step-downs and construction activity as well as the cold weather.

The vast majority of our revenue in the periods presented was attributable to sales in the United States and Australia, with a smaller portion derived from sales in South Africa, Europe and Southeast Asia. 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 production capabilities 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 manufacturers 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 increased our headcount since our April 2021 IPO as we scaled up our business. 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. Pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), we received employee retention credits during 2021, which reduced the impact of increased personnel costs on our operating results during the prior year comparative period.

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.

Our increased headcount has contributed to increased operating costs both in absolute dollars and as a percentage of revenue. While we have recently frozen non-essential hiring in response to current regulatory issues that are negatively impacting solar project activity levels, we expect to resume hiring new employees in the future as needed to support our future expected growth and in response to expected turnover. 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) increased legal and professional fees, compliance costs, insurance, facility costs and other costs associated with our expected growth and in being a public company.

Results of Operations - Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

	Three months ended March 31,			
	2022		2021	
(in thousands, except percentages)	Amounts	Percentage of revenue	Amounts	Percentage of revenue
Revenue:				
Product	$ 30,968	62.5%	$ 56,462	85.9%
Service	18,585	37.5%	9,245	14.1%
Total revenue	49,553	100.0%	65,707	100.0%
Cost of revenue:				
Product	34,963	70.6%	54,996	83.7%
Service	23,877	48.2%	10,592	16.1%
Total cost of revenue	58,840	118.7%	65,588	99.8%
Gross profit (loss)	(9,287)	(18.7%)	119	0.2%
Operating expenses				
Research and development	2,701	5.5%	1,954	3.0%
Selling and marketing	1,972	4.0%	1,100	1.7%
General and administrative	13,818	27.9%	5,084	7.7%
Total operating expenses	18,491	37.3%	8,138	12.4%
Loss from operations	(27,778)	(56.1%)	(8,019)	(12.2%)
Interest expense, net	(295)	(0.6%)	(14)	0.0%
Gain from disposal of investment in unconsolidated subsidiary	337	0.7%	—	0.0%
Gain on extinguishment of debt	—	0.0%	790	1.2%
Other expense	19	0.0%	—	0.0%
Loss from unconsolidated subsidiary	—	0.0%	(218)	(0.3%)
Loss before income taxes	(27,717)	(55.9%)	(7,461)	(11.4%)
(Provision) benefit for income taxes	(76)	(0.2%)	19	0.0%
Net loss	$ (27,793)	(56.1%)	$ (7,442)	(11.3%)

Revenue

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

	Three months ended March 31,			
(in thousands)	2022	2021	$ Change	% Change
Product	$ 30,968	$ 56,462	$ (25,494)	(45.2)%
Service	18,585	9,245	9,340	101.0%
Total revenue	$ 49,553	$ 65,707	$ (16,154)	(24.6)%

Product revenue

The decrease in product revenue for the three months ended March 31, 2022, as compared to the three months ended March 31, 2021, was primarily due to (i) a customer concession reserve, (ii) a 34% decrease in MW produced and (iii) a decrease of approximately 11% in ASP.

The current period decrease in MW produced was due to accelerated production and product delivery in the fourth quarter of 2021, which had the effect of reducing our project production in the current year quarter. Continued tight logistics, supply chain availability, and increased uncertainty among project owners and developers regarding the ability to obtain modules for use in their projects, which also utilize our trackers, all contributed to the production decline during the three months ended March 31, 2022. We believe the regulatory concerns regarding module availability, among other things, has slowed new and existing project activity during the three months ended March 31, 2022 by pushing some activity out to later periods in 2022 and beyond.

Service revenue

The increase in service revenue for the three months ended March 31, 2022, as compared to the three months ended March 31, 2021, was primarily due to an increase in MW delivered during the quarter related to logistics as well as an increase in ASP related to shipping and logistics revenue on Voyager Tracker sales, partially offset by a customer concession reserve recognized during the three months ended March 31, 2022.

Cost of revenue and gross profit (loss)

Cost of revenue consists primarily of Voyager Trackers' raw material costs, including purchased components, as well as costs related to freight and delivery, product warranty, supply chain personnel and consultants, insurance and customer support. Personnel costs include both direct labor costs as well as costs attributable to any individuals whose activities relate to the procurement, installation and delivery of the finished product and provision of services and are net of federal employee retention credits received.

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 and seasonality.

	Three months ended March 31,			
(in thousands)	**2022**	**2021**	**$ Change**	**% Change**
Product	$ 34,963	$ 54,996	$ (20,033)	(36.4)%
Service	23,877	10,592	13,285	125.4%
Total cost of revenue	$ 58,840	$ 65,588	$ (6,748)	(10.3)%
Gross profit (loss)	$ (9,287)	$ 119	$ (9,406)	(7,904.2)%
Gross profit (loss) percentage of revenue	(18.7%)	0.2%		

The decrease in cost of revenue for the three months ended March 31, 2022, as compared to the three months ended March 31, 2021, was primarily driven by a decrease of 34% in MW produced, lower warranty costs and lower expenditures for certain retrofits, remediations and product reconfigurations compared to the same period last year. This was partially offset by increases in shipping and logistics costs during much of 2021 and into 2022, as compared to rates available during the first three months of 2021 and increases in personnel-related costs due to higher headcount levels subsequent to our IPO as we scaled up our operating structure. Cost per MW produced increased 37% due mainly to increases in shipping and logistics costs, steel prices and personnel-related costs.

Our gross profit (loss) percentage of revenue for the three months ended March 31, 2022 was a negative 18.7%, as compared to a positive 0.2% for the three months ended March 31, 2021. The decrease was due primarily to (i) a customer concession reserve of $5.0 million recognized during the three months ended March 31, 2022, (ii) increased shipping and logistics costs that were not passed on to our customers that impact our service margins and (iii) increased headcount levels in relation to lower production which impacted our product margins.

Research and development

Research and development expenses consist primarily of salaries (net of federal employee retention credits received during 2021), employee benefits, stock-based compensation expenses and travel expenses related to our engineers performing research and development activities to originate, develop and enhance our products. Additional expenses include consulting charges, component purchases, legal fees for registering patents and other costs for performing research and development on our software products.

	Three months ended March 31,			
(in thousands)	**2022**	**2021**	**$ Change**	**% Change**
Research and development	$ 2,701	$ 1,954	$ 747	38.2%

The increase in research and development expenses was primarily attributable to (i) $0.5 million of higher payroll-related costs and (ii) $0.2 million of higher stock-based compensation expense mainly due to headcount increases allowing for expansion of our research and development activities designed to enhance our products and the absence of federal employee retention credits received subsequent to 2021. Research and development expenses as a percentage of revenue were 5.5% for the three months ended March 31, 2022, compared to 3.0% for the three months ended March 31, 2021.

Selling and marketing

Selling and marketing expenses consist primarily of salaries (net of federal employee retention credits received during 2021), employee benefits, stock-based compensation expenses and travel expenses 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 March 31,			
(in thousands)	**2022**	**2021**	**$ Change**	**% Change**
Selling and marketing	$ 1,972	$ 1,100	$ 872	79.3 %

The increase in selling and marketing expenses was primarily attributable to (i) $0.5 million of higher stock-based compensation expense, and (ii) $0.2 million of higher payroll-related costs related to higher headcount levels as we scaled up our operating structure following our IPO and the absence of federal employee retention credits received subsequent to 2021. In addition, we also spent an additional $0.2 million for trade shows and advertising as compared to the same period last year. Selling and marketing costs as a percentage of revenue were 4.0% for the three months ended March 31, 2022, compared to 1.7% for the three months ended March 31, 2021.

General and administrative

General and administrative expenses consist primarily of salaries (net of federal employee retention credits received during 2021), employee benefits, stock-based compensation expenses, and travel expenses related to our executives, finance team, and administrative employees. It also consists of legal, consulting, and professional fees, rent and lease expenses pertaining to our headquarters and international offices, business insurance costs and other costs.

	Three months ended March 31,			
(in thousands)	**2022**	**2021**	**$ Change**	**% Change**
General and administrative	$ 13,818	$ 5,084	$ 8,734	171.8 %

The increase in general and administrative expenses was primarily attributable to (i) $3.2 million of higher stock-based compensation expense, (ii) $2.9 million of higher payroll-related costs due to increased headcount, (iii) $1.0 million of higher legal and other professional services costs and (iv) an increase of $1.3 million in other operating expenses, primarily related to higher insurance costs as a result of being a new public company. General and administrative expenses as a percentage of revenue were 27.9% for the three months ended March 31, 2022, compared to 7.7% for the three months ended March 31, 2021.

Interest expense, net

	Three months ended March 31,			
(in thousands)	**2022**	**2021**	**$ Change**	**% Change**
Interest expense, net	$ 295	$ 14	$ 281	2,007.1 %

Interest expense during the three months ended March 31, 2022, primarily related to commitment fees on our revolving credit facility with Barclays Bank that we entered into in April 2021, along with associated debt issue cost amortization.

Gain from disposal of investment in unconsolidated subsidiary

	Three months ended March 31,			
(in thousands)	**2022**	**2021**	**$ Change**	**% Change**
Gain from disposal of investment in unconsolidated subsidiary	$ 337	$ —	$ 337	N/A

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 includes an earnout provision which provides the potential to receive additional contingent consideration of up to approximately $14.0 million through December 2024, based on Dimension achieving certain performance milestones. The sales agreement also includes a projects escrow release which is an additional contingent consideration to receive $7 million based on Dimension's completion of certain construction projects in progress at the time of the sale. We made an accounting policy election to account for the contingent gains from the earnout provision and projects escrow release only when those amounts become realizable in the periods subsequent to the disposal date.

During the three months ended March 31, 2022, we received $0.3 million from escrow for subsequent completion of certain construction projects that were in progress at the time of the sale.

Gain on extinguishment of debt

	Three months ended March 31,			
(in thousands)	**2022**	**2021**	**$ Change**	**% Change**
Gain on extinguishment of debt	$ —	$ 790	$ (790)	(100.0%)

In January 2021, our Paycheck Protection Program loan that was received in April 2020 pursuant to the CARES Act, was forgiven, resulting in a gain on extinguishment of debt. The terms of the CARES Act provided for loan forgiveness if the proceeds were used to retain and pay employees and for other qualifying expenditures.

Loss from unconsolidated subsidiary

	Three months ended March 31,			
(in thousands)	**2022**	**2021**	**$ Change**	**% Change**
Loss from unconsolidated subsidiary	$ —	$ 218	$ (218)	100.0%

As discussed above, we sold our interest in our unconsolidated subsidiary, Dimension, on June 24, 2021. Our share of the loss from this unconsolidated subsidiary for the three months ended March 31, 2021 was $0.2 million.

Liquidity and Capital Resources

Liquidity

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

We have incurred cumulative losses since inception, resulting in an accumulated deficit of $177.0 million at March 31, 2022, and have a history of cash outflows from operations. During the year ended December 31, 2021, and the three months ended March 31, 2022, we had $132.9 million and $53.1 million, respectively, of cash outflow from operations. At March 31, 2022, we had $49.4 million of cash on hand, $119.8 million of working capital and approximately $98.1 million of unused borrowing capacity under our existing revolving credit facility. The revolving credit facility includes a financial condition covenant stating we are required to have a minimum liquidity, consisting of cash on hand and unused borrowing capacity, of $125.0 million as of each quarter end. After considering this financial condition covenant, we had approximately $22.4 million of available liquidity as of March 31, 2022, in order to retain access to our revolving credit facility. Additionally, we had no long-term borrowings or other material obligations requiring the use of cash as of March 31, 2022.

As of May 12, 2022, we have collected approximately $62 million of receivables since March 31, 2022, and have a cash balance of approximately $71 million.

On March 25, 2022, the U.S. Department of Commerce, in response to a petition by Auxin Solar, Inc., initiated an investigation of claims related to alleged circumvention of U.S. antidumping and countervailing duties ("AD/CVD") by solar manufacturers in certain Southeast Asian countries in an effort to determine whether or not solar cells and/or modules made in those Southeast Asian nations use parts originating from China in order to circumvent the AD/CVD tariffs. This decision has resulted in some developers deferring projects later in the year due to the uncertainty of panel supply and costs, which is expected to negatively impact our anticipated revenues and our cash flows.

Our costs are affected by certain component costs including steel, motors and micro-chips, as well as transportation costs. Current market conditions that constrain supply of materials and disrupt the flow of materials from international vendors impact the cost of our products and services. These cost increases impact our operating margins. We are taking steps to expand and diversify our manufacturing partnerships and have employed alternative modes of transportation to mitigate the impact of the current headwinds in the global supply chain and logistics markets. Additionally, we have contracted with a consulting firm to support us with improvements to our processes and performance in various areas including design, sourcing, logistics, pricing, software and standard configuration. For further information regarding this consulting firm, see Note 13 in Part I, Item 1 of this Quarterly Report on Form 10-Q.

In accordance with ASC 205-40, Going Concern, we have evaluated whether there are conditions and events, considered in the aggregate, which raise substantial doubt about our ability to continue as a going concern within one year after the date the financial statements are issued. Based on our recurring losses from operations, impact of the U.S. Department of Commerce investigation of AD/CVD circumvention claims, the expectation of continued operating losses during 2022, and the need to improve profitability and cash flow to finance our future operations, we determined that there is substantial doubt about our ability to continue as a going concern within twelve months of the issuance date of the accompanying consolidated financial statements. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty and assumes we will continue as a going concern through the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

As we continue to address these current market challenges, management has also undertaken the following actions:

- we are in discussions with the lenders of our revolving credit facility to lower the minimum required liquidity amount, which, if successful, could result in additional liquidity;
- we have initiated a program, as described above, with third party assistance, to improve our operating performance and increase our gross margins;
- we are freezing non-essential hiring, reducing our travel expenses, decreasing the future use of consultants and deferring non-critical initiatives;
- we are negotiating improved payment terms with both our customers and vendors;
- we have initiated frequent, consistent communication with our customers, which has allowed us to resolve issues preventing timely collection of certain outstanding receivables subsequent to March 31, 2022; and
- we are exploring options to obtain additional sources of capital.

Should we not be successful in executing the above initiatives, or in reducing our historical levels of use of cash to fund our operations, or should market conditions deteriorate significantly from what we currently expect, or regulatory and international trade policies become more stringent as a result of findings from the Department of Commerce's AD/CVD investigation, or other factors, we may need to issue additional debt or obtain new equity financing to fund our operations for the next twelve months. We may be unable to obtain any desired additional financing on terms favorable to us, or at all, depending on market and other conditions. The ability to raise additional financing depends on numerous factors that are outside of our control, including general economic and market conditions, the health of financial institutions, investors' and lenders' assessments of our prospects and the prospects of the solar industry in general.

Statements of cash flows

In connection with preparation of our consolidated financial statements as of and for the year ended December 31, 2021, we identified an error in the classification of offering costs in the statement of cash flows for the three months ended March 31, 2021. Specifically, we incorrectly classified $1.1 million of offering costs paid as an operating cash outflow instead of a financing cash outflow in our previously issued cash flow statement for the three months ended March 31, 2021. Although we have concluded that this error is immaterial to the previously issued financial statements, we have corrected this error in the accompanying condensed consolidated statements of cash flows by revising the operating and financing cash outflows previously reported in our cash flow statement for the three months ended March 31, 2021.

The following table shows our cash flows from operating activities, investing activities and financing activities for the stated periods (revised as described above):

(in thousands)	Three months ended March 31, 2022	2021
Net cash used in operating activities	$ (53,106)	$ (25,904)
Net cash used in investing activities	(186)	(85)
Net cash provided by (used in) financing activities	428	(2,045)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	62	1
Net decrease in cash, cash equivalents and restricted cash	$ (52,802)	$ (28,033)

Operating activities

During the three months ended March 31, 2022, we used approximately $22.7 million of cash to fund (i) losses on certain of our projects, largely related to increased material and logistics costs due to supply chain disruptions during the past year that were not fully recoverable, (ii) higher personnel and facility-related costs associated with headcount increases, and (iii) increased professional service fees, largely as a result of being a new public company. Economic conditions during 2021 and the first three months of 2022 caused our industry to experience rapid commodity price increases and significant increases in transportation costs during the last twelve months which negatively impacted our margins in the near term and thus, our cash flow from operations.

We are taking steps to diversify our supply chain and implement design changes to lower the material requirements for our trackers in order to mitigate these economic headwinds. We believe this impact to be temporary as we work through our cost improvement roadmap.

A total of approximately $30.4 million was also used during the three months ended March 31, 2022, to fund increases in working capital and other items, largely related to (i) a slowdown in collections from customers during the period and (ii) current period project activity.

During the three months ended March 31, 2021, we used approximately $5.6 million to fund operating expenses as we continued to expand our presence to additional countries. A total of $20.3 million was also used during the three months ended March 31, 2021, to fund increases in working capital, largely related to an increase in revenue recognized in excess of customer billings resulting from project activity levels during the period.

Investing activities

During the three months ended March 31, 2022, we paid approximately $0.5 million, primarily for new lab equipment to be used for product testing, as well as new computer and IT equipment, acquired during the latter part of 2021. Additionally, we received $0.3 million from escrow in connection with our June 2021 sale of Dimension in connection with the subsequent completion of certain construction projects that were in progress at the time of the sale.

During the three months ended March 31, 2021, our capital spending on new equipment was approximately $0.1 million.

Financing activities

During the three months ended March 31, 2022, we received $0.5 million of proceeds from employee exercises of stock options.

During the three months ended March 31, 2021, we paid off the $1.0 million of outstanding borrowings under our Western Alliance Bank revolving line of credit facility and incurred approximately $1.1 million in costs associated with our IPO during the second quarter of 2021.

Revolving line of credit

On April 30, 2021, we entered into a senior secured revolving credit facility with various lenders, including Barclays Bank PLC, as an issuing lender, the swingline lender and as administrative agent (the “Credit Agreement”). The Credit Agreement has an initial three-year term and will be used for working capital and for other general corporate purposes. The Credit Agreement includes the following terms: (i) aggregate commitments of up to $100 million, with letter of credit and swingline sub-limits; (ii) a base rate of LIBOR, plus 3.25% per annum, (iii) initial commitment fees of 0.50% per annum; (iv) initial letter of credit fees of 3.25% per annum; and (v) other customary terms for a corporate revolving credit facility. Should LIBOR rates become unavailable during the term of the Credit Agreement, the rate per annum on loans will be based on the secured overnight financing rate (SOFR) published by the Federal Reserve Bank of New York, or a successor SOFR administrator.

We have not made any draws on the revolving credit facility as of March 31, 2022. However, at March 31, 2022, we did have a $1.9 million in letter of credit outstanding that reduced our available borrowing capacity to approximately $98.1 million.

The facility is secured by a first priority lien on substantially all of our assets, subject to certain exclusions, and customary guarantees. The Credit Agreement, as amended, includes the following financial condition covenants that we are required to satisfy: (i) maintain a minimum liquidity limit of $50 million for each quarter; (ii) maintain a 3.75 times leverage ratio; and (iii) maintain a 1.5 times interest coverage ratio. The leverage and interest coverage ratios will be triggered when we achieve $50 million in adjusted EBITDA over a trailing twelve months, or upon our election if we have achieved positive adjusted EBITDA over a trailing twelve months. Once the leverage and interest coverage ratios are triggered the minimum liquidity limit will not have a minimum limit. Minimum liquidity includes unrestricted cash plus the undrawn balance of the revolving credit facility. The minimum liquidity covenant was the only financial condition covenant we had to satisfy as of the period ended March 31, 2022. As of March 31, 2022, we were in full compliance with our financial condition covenant.

Critical Accounting Policies and Significant Management Estimates

We prepare our interim unaudited condensed consolidated financial statements in accordance with GAAP. The preparation of condensed consolidated financial statements also requires us 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. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by our management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates. Critical accounting policies and estimates are those that we consider the most important to the portrayal of our financial condition and results of operations because they require our most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain.

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

Revenue recognition

Policy description

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

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

Contracts we enter into with our customers for sale of Voyager Trackers are generally under two different types of arrangements: (1) purchase agreements and equipment supply contracts ("Purchase Agreements") and (2) sale of individual parts of the Voyager Tracker.

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) Voyager Tracker or customized components of Voyager Tracker, and 2) shipping and handling services. The deliverables included as part of the Voyager Tracker 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 shipping terms of the arrangements, as this faithfully depicts the Company's performance in transferring control.

Sale of individual parts of Voyager Tracker for certain specific transactions includes multiple performance obligations consisting of individual parts of the Voyager Tracker. 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 the Voyager Tracker, customized components of Voyager Tracker, and individual parts of Voyager Tracker for certain specific transactions. We use the adjusted market assessment approach for all other performance obligations except shipping, handling, and logistics. For shipping, handling, and logistics performance obligations, we use a residual approach to calculate the standalone selling price, because of the nature of the highly variable and broad range of prices we charge to various customers for this performance obligation in the contracts.

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. Voyager Tracker and customized components of Voyager Tracker performance obligations in the contract are satisfied over-time as work progresses for its custom assembled Voyager Tracker, 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 point-in-time as and when control transfers based on the Incoterms for the contract. Our performance obligations for term-based software licenses are recognized 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 obligation for shipping and handling services is satisfied over-time as the services are delivered over the term of the contract. We recognize subscription services sales/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 accounting: The timing of revenue recognition, billing, and cash collection results in the recognition of accounts receivable, unbilled receivables for revenue recognized in excess of billing, and deferred revenue in the Condensed Consolidated Balance Sheets. We may receive advances or deposits from our customers before revenue is recognized, resulting in contract liabilities, which are reflected as "deferred revenue" on our Condensed Consolidated Balance Sheets.

Judgments and assumptions

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

Accounts receivable, net

Policy description

Trade receivables are recorded at invoiced amounts, net of allowances for doubtful accounts if applicable, 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 doubtful accounts is based on our assessment of the collectability of our customer accounts.

We plan to adopt ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments effective January 1, 2023. For the three months ended March 31, 2022 and 2021 we have utilized the incurred loss model in estimating our allowance for doubtful accounts.

Judgments and assumptions

We regularly review our accounts receivable that remain outstanding past their applicable payment terms and establish allowances or make potential write-offs by considering certain factors such as historical experience, industry data, credit quality, age of balances and current economic conditions that may affect a customers' ability to pay.

Adjustments to the allowance may either impact the amount of revenue previously recognized or bad debt expense depending on the facts and circumstances leading to the adjustment. Adjustments to amounts originally estimated to be collectible that are considered to be potential price concessions as a result of a dispute regarding performance or other matters affecting customer relationships will result in a reduction in revenue whereas adjustments due to changes in customer credit risk or their expected ability to pay will be recognized in bad debt expense.

Warranty

Policy description

Typically, the sale of Voyager 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 record a provision for estimated warranty expenses in cost of sales, net of amounts recoverable from manufacturers under their warranty obligations to us. We do not maintain general or unspecified reserves; all warranty reserves are related to specific projects. All actual or estimated material costs incurred for warranty services in subsequent periods are charged to those established reserves.

Judgments and assumptions

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

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

Stock-based compensation

Policy description

We recognize compensation expense for all share-based payment awards made, including stock options and restricted stock, based on the estimated fair value of the award on the grant date, in the accompanying consolidated statement of operations and comprehensive loss. We calculate the fair value of stock options using the Black-Scholes Option-Pricing model while the fair value of restricted stock grants is based on the estimated fair value of the Company's common stock on the date of grant. 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.

Judgments and assumptions

The Black-Scholes model relies on various assumptions, in addition to the exercise price of the option and the value of our common stock on the date of grant. These assumptions include:

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

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

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

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

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

JOBS Act accounting election

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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. We are subject to indirect risk from fluctuating market prices of certain commodity raw materials, including steel and aluminum, that 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 principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures. Solely as a result of the material weaknesses described below, our principal executive officer and principal financial officer concluded that, as of March 31, 2022, our disclosure controls and procedures were not effective.

We have performed additional analyses, reconciliations, and other post-closing procedures and have concluded that, notwithstanding the material weaknesses in our internal control over financial reporting, the consolidated financial statements fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with GAAP.

Limitations on effectiveness of disclosure controls and procedures

In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that the information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Description of material weaknesses

We determined that we had material weaknesses in our internal controls over financial reporting as of December 31, 2021. Specifically, we identified certain control deficiencies in the design and operation of our internal controls over financial reporting that constituted the following material weaknesses:

- We did not have a sufficient complement of experienced personnel with the requisite technical knowledge of public company accounting and reporting and for non-routine, unusual or complex transactions. This material weakness contributed to the following material weaknesses.
- We did not design and maintain adequate controls over the period-end close and financial reporting process including establishment of accounting policies and procedures, certain account reconciliations, cut-off, segregation of duties, journal entries and financial statement preparation. This material weakness contributed to material adjustments in prior consolidated financial statements principally, but not limited to, the following areas: earnings per share calculations, definite-lived intangibles, warranty obligation, cut-off of revenue transactions and related cost of sales. This material weakness also

contributed to misstatements in our stock-based compensation and weighted-average common shares outstanding, which led to the revision of our interim consolidated financial statements as of June 30, 2021 and for the three- and six-months period then ended.

- We did not design and maintain effective information technology general controls over the IT systems used for preparation of the financial statements. Specifically, we did not design and maintain (i) program change management controls to ensure that information technology program and data changes affecting financial IT applications and underlying accounting records were identified, tested, authorized and implemented appropriately; (ii) user access controls to ensure appropriate segregation of duties and that adequately restrict user and privileged access to financial applications, programs and data to appropriate Company personnel; and (iii) testing and approval controls for program development to ensure that new software development is aligned with business and IT requirements.

  Although there were no material adjustments to prior period consolidated financial statements as a result of IT deficiencies, these IT deficiencies, when aggregated, could impact the effectiveness of IT-dependent controls (such as automated controls that address the risk of material misstatement to one or more assertions, along with the IT controls and underlying data that support the effectiveness of system-generated data and reports) that could result in misstatements potentially impacting all financial statement accounts and disclosures that would not be prevented or detected. Accordingly, we have determined that these IT deficiencies in the aggregate constitute a material weakness.

Additionally, the above material weaknesses could result in a misstatement of our account balances or disclosures that would result in a material misstatement of the annual or interim financial statements that would not be prevented or detected.

Remediation plan for the material weaknesses

To address our material weaknesses, we have implemented and continue to implement a remediation plan. We have added key personnel with requisite technical knowledge of public company accounting including a Director of SEC Reporting and Technical Accounting, a Director of Tax Accounting and Reporting and a Corporate Controller. We also hired an experienced Director of Internal Audit that reports directly to the audit committee of our board of directors. We hired a Chief Information Officer & Chief Data Officer and a Director of Information Technology to strengthen our information technology infrastructure. During 2021, we implemented Blackline's account reconciliation tool, and ensured segregation of duties for journal entries and account reconciliations. We have been formalizing documentation of accounting and IT policies and internal controls. In addition, a disclosure committee charter was established, and several training sessions related to internal controls and disclosure controls were provided. While we believe these efforts will improve our internal control over financial reporting, the implementation and validation of our remediation is ongoing and may not be sufficient to remediate these weaknesses or to avoid the identification of material weaknesses in the future, which could impair our ability to accurately and timely report our financial position, results of operations or cash flows, including our filing of quarterly or annual reports with the SEC.

Changes in internal control

There have been no changes in our internal control over financial reporting that occurred during the period covered by this report, other than our (i) hiring a new Corporate Controller with public-company accounting experience and a new Chief Information Officer & Chief Data Officer, (ii) implementing a new stock-based compensation reporting system and (iii) establishing controls over tracking and reporting of our stock-based compensation awards that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are subject to routine legal proceedings in the normal course of operating our business. Currently there are no claims or proceedings against us that we believe will have a material adverse effect on our business, financial condition, results of operations or cash flows.

On April 21, 2021, FCX Solar, LLC ("FCX"), filed a lawsuit against us in the United States District Court for the Southern District of New York. The complaint alleged breach of contract, fraud and unjust enrichment claims related to a patent license agreement and consulting relationship between FCX and us. FCX sought damages of approximately $134 million in the lawsuit. On July 2, 2021, we filed a motion to dismiss the fraud and unjust enrichment claims. On July 16, 2021, FCX filed an amended complaint asserting the same claims as the original complaint. On July 22, 2021, we advised the court that FTC would stand on its motion to dismiss, and at the request of the court, we filed a revised motion citing the amended complaint. FCX filed its response on August 19, 2021, and we filed a reply on September 7, 2021. Oral argument on our motion to dismiss was held on February 3, 2022, and the Court granted our motion on February 7, 2022, dismissing FCX's fraud and unjust enrichment claims and leaving only a claim for breach of a license agreement. On April 15, 2022, FCX filed a motion to amend its complaint to add two additional claims for breach of the license agreement and to remove the dismissed claims, including its request for damages of approximately $134 million. We intend to oppose FCX's motion to add new breach of contract claims. On May 29, 2021, FCX filed a separate lawsuit against us in the United States District Court for the Western District of Texas, alleging a claim for patent infringement related to U.S. Patent No. 10,903,782. FCX seeks an unspecified amount of damages, including past and future royalties, and injunctive relief. Our answer to that complaint was filed on June 22, 2021, along with our motion to transfer the patent suit to the Southern District of New York to be consolidated with the New York litigation. FCX filed an amended complaint asserting claims for direct patent infringement, indirect infringement by active inducement, and contributory infringement on July 27, 2021, and we filed our answer to that complaint on August 10, 2021. On October 25, 2021, our motion to transfer the case to the Southern District of New York was granted, and the patent case was consolidated with FCX's contract case on November 19, 2021. Discovery in this consolidated matter is ongoing. We believe the claims asserted in both lawsuits are without merit, and we plan to vigorously defend against them. We and our management considered (a) the facts described above, (b) the preliminary stages of the proceedings and (c) the advice of outside legal counsel on the claims and determined that it is not probable that FCX will prevail on the merits. At this time, we believe that the likelihood of any material loss related to these matters is remote given the strength of our defenses.

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 Annual Report on Form 10-K for the year ended December 31, 2021 ("Annual Report"). Please carefully consider all of the information in this Quarterly Report on Form 10-Q and our Annual Report, including the full set of risks set forth in Item 1A. "Risk Factors" of our 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 new public company with a history of losses that provides products and services to the solar industry, which is rapidly changing and dependent on being competitive with the price of electricity generated from other sources. We face competition from other companies that may be larger than us and have more financial resources than we have which could impact our ability to compete for new business.
- Risks related to the COVID-19 pandemic – We face risks of significant supply chain disruptions that can cause delays in product deliveries and result in financial penalties and in our ability to serve our customers at their project sites and to meet their training needs due to the lack of availability of qualified personnel and the impact of governmental health-related restrictions and shelter-in-place orders.
- 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 manufacturing and supply chain – We face risks in meeting the needs of our customers due to our reliance on contract manufacturers, including on their ability to obtain raw materials in a cost effective and timely manner and to provide timely deliveries of finished products to us and our customers.

- Risks related to government regulation 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 could adversely affect our business.
- Risks related to information technology and data privacy – We face reputational and monetary risks from cybersecurity deficiencies 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, international trade tensions, our future financial performance, our corporate legal structure and the substantial ownership in our stock by our directors, executive officers and principal stockholders.

Additionally, as described further in Note 2 in Part 1, Item 1 under the section "Liquidity" and in Part 1, Item 2 of this Quarterly Report on Form 10-Q under the section "Liquidity and Capital Resources", we have a history of cash outflows to fund operations. At March 31, 2022, we have $22.4 million of available liquidity, after taking into consideration a minimum liquidity covenant in our senior secured revolving credit facility.

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

Unregistered Sales of Equity Securities

None.

Use of Proceeds from Initial Public Offering of Common Stock

On April 30, 2021, the Company completed an IPO (Commission file number 333-254797) of 19,840,000 shares of its common stock receiving proceeds of $241.2 million, net of underwriting discounts and commissions, but before offering costs. Prior to the completion of the IPO, the board of directors and stockholders approved an approximately 8.25-for-1 forward stock split of the Company’s shares of common stock which became effective on April 28, 2021. Proceeds from the IPO were used to purchase an aggregate of 4,455,384 shares of our common stock at a cost of $54.2 million, including shares resulting from the settlement of certain vested restricted stock units and exercise of certain options in connection with the IPO at the IPO price, less underwriting discounts and commissions. The remaining proceeds have been used and continue to be used for general corporate purposes, including working capital, capital expenditures and operating expenses. There has been no material change in our planned use of the net proceeds from the IPO as described in our final prospectus filed with the SEC pursuant to Rule 424(b).

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

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)
10.2	**	Amendment No. 1 to Registration Rights Agreement, dated February 17, 2022, by and among FTC Solar, Inc. and certain holders of its capital stock (filed as Exhibit 10.2 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 21, 2022 and incorporated herein by reference)
10.4	*	Amendment No. 1 to Senior Secured Revolving Credit Facility, by and among FTC Solar, Inc., as borrower, HSBC Bank USA, N.A. and Barclays Bank PLC, as an issuing lender and as administrative agent.
10.5	*	Employment Agreement by and between FTC Solar, Inc. and Robert Phelps Morris.
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
101.SCH	*	Inline XBRL Taxonomy Extension Schema Document
101.CAL	*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in exhibit 101)

* Filed herewith
** Incorporated herein by reference

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	FTC SOLAR, INC.
Date: May 16, 2022	/s/ Sean Hunkler
	Sean Hunkler, Chief Executive Officer
Date: May 16, 2022	/s/ Phelps Morris
	Phelps Morris, Chief Financial Officer