

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

**FORM 10-Q**

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

For the quarterly period ended September 30, 2021

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: 001-38358

**INSEGO CORP.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or Other Jurisdiction  
of Incorporation or Organization)  
**12600 Deerfield Parkway, Suite 100**  
**Alpharetta, Georgia**  
(Address of Principal Executive Offices)

**81-3377646**  
(I.R.S. Employer  
Identification No.)

**30004**  
(Zip Code)

Registrant's telephone number, including area code: (858) 812-3400

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	INSG	Nasdaq Global Select Market

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   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

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

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

The number of shares of the registrant's common stock outstanding as of November 1, 2021 was 105,126,385.

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### **PART I—FINANCIAL INFORMATION**

**Item 1. *Financial Statements.***

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**INSEGO CORP.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, except par value and share data)

	September 30, 2021 (Unaudited)	December 31, 2020
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 58,114	\$ 40,015
Restricted cash	3,495	—
Accounts receivable, net of allowance for doubtful accounts of \$402 and \$1,384, respectively	23,065	29,940
Inventories	33,701	33,952
Prepaid expenses and other	11,666	10,201
Total current assets	130,041	114,108
Property, plant and equipment, net of accumulated depreciation of \$25,902 and \$21,715, respectively	8,705	13,699
Rental assets, net of accumulated depreciation of \$17,443 and \$15,754, respectively	4,487	6,109
Intangible assets, net of accumulated amortization of \$44,085 and \$63,020, respectively	47,710	51,487
Goodwill	21,196	32,511
Right-of-use assets, net	8,010	9,092
Other assets	380	388
Total assets	\$ 220,529	\$ 227,394
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 44,451	\$ 52,339
Accrued expenses and other current liabilities	24,403	23,373
Total current liabilities	68,854	75,712
Long-term liabilities:		
2025 Notes, net	157,879	165,147
Deferred tax liabilities, net	1,042	4,505
Other long-term liabilities	8,086	9,929
Total liabilities	235,861	255,293
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock, par value \$0.001; 2,000,000 shares authorized:		
Series E Preferred stock, par value \$0.001; 39,500 shares designated, 25,000 and 35,000 shares issued and outstanding, respectively, liquidation preference of \$1,000 per share (plus any accrued but unpaid dividends)	—	—
Common stock, par value \$0.001; 150,000,000 shares authorized, 104,950,049 and 99,399,029 shares issued and outstanding, respectively	105	99
Additional paid-in capital	766,736	711,487
Accumulated other comprehensive loss	(7,242)	(6,972)
Accumulated deficit	(774,931)	(732,422)
Total stockholders' deficit attributable to Inseego Corp.	(15,332)	(27,808)
Noncontrolling interests	—	(91)
Total stockholders' deficit	(15,332)	(27,899)
Total liabilities and stockholders' deficit	\$ 220,529	\$ 227,394

See accompanying notes to unaudited condensed consolidated financial statements.

**INSEGO CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except share and per share data)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net revenues:				
IoT & Mobile Solutions	\$ 56,975	\$ 77,342	\$ 151,770	\$ 189,071
Enterprise SaaS Solutions	9,242	12,898	37,737	38,698
Total net revenues	<u>66,217</u>	<u>90,240</u>	<u>189,507</u>	<u>227,769</u>
Cost of net revenues:				
IoT & Mobile Solutions	43,595	60,135	116,777	148,414
Enterprise SaaS Solutions	3,679	4,935	14,965	14,958
Total cost of net revenues	<u>47,274</u>	<u>65,070</u>	<u>131,742</u>	<u>163,372</u>
Gross profit	<u>18,943</u>	<u>25,170</u>	<u>57,765</u>	<u>64,397</u>
Operating costs and expenses:				
Research and development	12,626	10,684	38,954	29,448
Sales and marketing	9,172	8,446	29,997	25,849
General and administrative	6,599	8,699	22,657	23,257
Amortization of purchased intangible assets	519	779	1,649	2,358
Impairment of capitalized software	—	—	1,197	—
Total operating costs and expenses	<u>28,916</u>	<u>28,608</u>	<u>94,454</u>	<u>80,912</u>
Operating loss	<u>(9,973)</u>	<u>(3,438)</u>	<u>(36,689)</u>	<u>(16,515)</u>
Other income (expense):				
Gain on sale of Ctrack South Africa	5,262	—	5,262	—
Loss on debt conversion and extinguishment, net	—	(1,180)	(432)	(76,354)
Interest expense, net	(1,655)	(1,657)	(5,178)	(8,197)
Other income (expense), net	(828)	1,053	291	2,818
Loss before income taxes	<u>(7,194)</u>	<u>(5,222)</u>	<u>(36,746)</u>	<u>(98,248)</u>
Income tax (benefit) provision	<u>(4)</u>	<u>217</u>	<u>445</u>	<u>193</u>
Net loss	<u>(7,190)</u>	<u>(5,439)</u>	<u>(37,191)</u>	<u>(98,441)</u>
Less: Net income attributable to noncontrolling interests	<u>—</u>	<u>(3)</u>	<u>(214)</u>	<u>(29)</u>
Net loss attributable to Inseego Corp.	<u>(7,190)</u>	<u>(5,442)</u>	<u>(37,405)</u>	<u>(98,470)</u>
Series E preferred stock dividends and deemed dividends from the preferred stock exchange	<u>(1,843)</u>	<u>(829)</u>	<u>(3,596)</u>	<u>(2,056)</u>
Net loss attributable to common stockholders	<u>\$ (9,033)</u>	<u>\$ (6,271)</u>	<u>\$ (41,001)</u>	<u>\$ (100,526)</u>
Per share data:				
Net loss per common share:				
Basic and diluted	<u>\$ (0.09)</u>	<u>\$ (0.06)</u>	<u>\$ (0.40)</u>	<u>\$ (1.06)</u>
Weighted-average shares used in computation of net loss per common share:				
Basic and diluted	<u>103,430,083</u>	<u>98,016,798</u>	<u>102,586,121</u>	<u>95,136,713</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**INSEGO CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(In thousands)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net loss	\$ (7,190)	\$ (5,439)	\$ (37,191)	\$ (98,441)
Foreign currency translation adjustment	(2,571)	1,170	(1,878)	(10,734)
Release of cumulative foreign currency translation adjustments as a result of the sale of Ctrack South Africa	1,608	—	1,608	—
Total comprehensive loss	\$ (8,153)	\$ (4,269)	\$ (37,461)	\$ (109,175)
Comprehensive income attributable to noncontrolling interests	—	(3)	(214)	(29)
Comprehensive loss attributable to Inseego Corp.	<u>\$ (8,153)</u>	<u>\$ (4,272)</u>	<u>\$ (37,675)</u>	<u>\$ (109,204)</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**INSEGO CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**  
(In thousands)  
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Noncontrolling Interests	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount					
Balance, June 30, 2020	35	\$ —	97,018	\$ 97	\$ 686,410	\$ (15,783)	\$ (712,558)	\$ (94)	\$ (41,928)
Net loss	—	—	—	—	—	—	(5,442)	3	(5,439)
Foreign currency translation adjustment	—	—	—	—	—	1,170	—	—	1,170
Exercise of stock options and vesting of restricted stock units	—	—	504	1	1,485	—	—	—	1,486
Taxes withheld on net settled vesting of restricted stock units	—	—	—	—	(45)	—	—	—	(45)
Issuance of common shares under settlement agreement	—	—	90	—	972	—	—	—	972
Issuance of common stock in connection with Notes Exchange	—	—	—	—	1	—	—	—	1
Issuance of common shares in connection with conversion of 2025 Notes	—	—	1,177	1	14,353	—	—	—	14,354
Share-based compensation	—	—	—	—	2,207	—	—	—	2,207
Series E preferred stock dividends	—	—	—	—	829	—	(829)	—	—
Balance, September 30, 2020	35	\$ —	98,789	\$ 99	\$ 706,212	\$ (14,613)	\$ (718,829)	\$ (91)	\$ (27,222)
Balance, June 30, 2021	35	\$ —	103,109	\$ 103	\$ 761,412	\$ (6,279)	\$ (764,150)	\$ 8	\$ (8,906)
Net loss	—	—	—	—	—	—	(7,190)	—	(7,190)
Foreign currency translation adjustment	—	—	—	—	—	(2,571)	—	—	(2,571)
Exercise of stock options, vesting of restricted stock units and stock issued under employee stock purchase plan	—	—	316	—	693	—	—	—	693
Taxes withheld on net settled vesting of restricted stock units	—	—	—	—	(280)	—	—	—	(280)
Release of cumulative foreign currency translation adjustments as a result of sale of Ctrack South Africa	—	—	—	—	8	1,608	(1,748)	(8)	(140)
Share-based compensation	—	—	—	—	3,062	—	—	—	3,062
Series E preferred stock dividends	—	—	—	—	739	—	(739)	—	—
Series E preferred stock exchange	(10)	—	1,525	2	1,102	—	(1,104)	—	—
Balance, September 30, 2021	25	\$ —	104,950	\$ 105	\$ 766,736	\$ (7,242)	\$ (774,931)	\$ —	\$ (15,332)

**INSEGO CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**  
(In thousands)  
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Noncontrolling Interests	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount					
Balance, December 31, 2019	10	\$ —	81,974	\$ 82	\$ 584,862	\$ (3,879)	\$ (618,303)	\$ (120)	\$ (37,358)
Net loss	—	—	—	—	—	—	(98,470)	29	(98,441)
Foreign currency translation adjustment	—	—	—	—	—	(10,734)	—	—	(10,734)
Exercise of stock options, vesting of restricted stock units and stock issued under employee stock purchase plan	—	—	1,471	2	3,196	—	—	—	3,198
Taxes withheld on net settled vesting of restricted stock units	—	—	—	—	(326)	—	—	—	(326)
Issuance of Series E preferred stock	25	—	—	—	25,000	—	—	—	25,000
Issuance of Series E preferred stock in lieu of interest	2	—	—	—	2,330	—	—	—	2,330
Repurchase of Series E preferred stock	(2)	—	—	—	(2,354)	—	—	—	(2,354)
Issuance of common shares in connection with private exchanges of 2022 Notes	—	—	13,739	14	66,074	—	—	—	66,088
Issuance of common shares in connection with conversion of 2025 Notes	—	—	1,177	1	14,353	—	—	—	14,354
Exercise of warrants	—	—	338	—	1,861	—	—	—	1,861
Share-based compensation	—	—	—	—	8,188	—	—	—	8,188
Series E preferred stock dividends	—	—	—	—	2,056	—	(2,056)	—	—
Issuance of common shares under settlement agreement	—	—	90	—	972	—	—	—	972
<b>Balance, September 30, 2020</b>	<b>35</b>	<b>\$ —</b>	<b>98,789</b>	<b>\$ 99</b>	<b>\$ 706,212</b>	<b>\$ (14,613)</b>	<b>\$ (718,829)</b>	<b>\$ (91)</b>	<b>\$ (27,222)</b>
Balance, December 31, 2020	35	\$ —	99,399	\$ 99	\$ 711,487	\$ (6,972)	\$ (732,422)	\$ (91)	(27,899)
Net loss	—	—	—	—	—	—	(37,405)	214	(37,191)
Foreign currency translation adjustment	—	—	—	—	—	(1,878)	—	—	(1,878)
Exercise of stock options, vesting of restricted stock units and stock issued under employee stock purchase plan	—	—	2,081	2	3,535	—	—	—	3,537
Taxes withheld on net settled vesting of restricted stock units	—	—	—	—	(1,105)	—	—	—	(1,105)
Issuance of common shares in connection with the conversion of 2025 Notes	—	—	429	—	5,382	—	—	—	5,382
Issuance of common shares in connection with a public offering, net of issuance costs	—	—	1,516	2	29,368	—	—	—	29,370
Share-based compensation	—	—	—	—	14,467	—	—	—	14,467
Series E preferred stock dividends	—	—	—	—	2,492	—	(2,492)	—	—
Series E preferred stock exchange	(10)	—	1,525	2	1,102	—	(1,104)	—	—
Release of cumulative foreign currency translation adjustments as a result of sale of Crack South Africa	—	—	—	—	8	1,608	(1,748)	(8)	(140)
Net noncontrolling interest acquired	—	—	—	—	—	—	240	(115)	125
<b>Balance, September 30, 2021</b>	<b>25</b>	<b>\$ —</b>	<b>104,950</b>	<b>\$ 105</b>	<b>\$ 766,736</b>	<b>\$ (7,242)</b>	<b>\$ (774,931)</b>	<b>\$ —</b>	<b>\$ (15,332)</b>

**INSEGO CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(In thousands)**  
**(Unaudited)**



	Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net loss	\$ (37,191)	\$ (98,441)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	19,131	15,948
Provision for bad debts, net of recoveries	346	240
Impairment of capitalized software	1,197	—
Provision for excess and obsolete inventory	587	430
Share-based compensation expense	14,467	8,188
Amortization of debt discount and debt issuance costs	1,117	3,632
Fair value adjustment on derivative instrument	(3,435)	(1,372)
Loss on debt conversion and extinguishment, net	432	76,354
Gain on sale of Ctrack South Africa	(5,262)	—
Deferred income taxes	175	110
Other	572	50
Changes in assets and liabilities, net of effects of divestiture:		
Accounts receivable	2,834	(19,065)
Inventories	(7,889)	(2,078)
Prepaid expenses and other assets	1,429	(3,918)
Accounts payable	(7,206)	25,170
Accrued expenses, income taxes, and other	3,939	11,464
Net cash (used in) provided by operating activities	(14,757)	16,712
Cash flows from investing activities:		
Acquisition of noncontrolling interest	(116)	—
Purchases of property, plant and equipment	(4,299)	(5,084)
Proceeds from the sale of property, plant and equipment	1,143	327
Proceeds from sale of Ctrack South Africa, net of sold cash <sup>1</sup>	31,526	—
Additions to capitalized software development costs and purchases of intangible assets	(20,589)	(20,216)
Net cash provided by (used in) investing activities	7,665	(24,973)
Cash flows from financing activities:		
Gross proceeds from the issuance of 2025 Notes	—	100,000
Payment of issuance costs related to 2025 Notes	—	(3,600)
Cash paid to investors in private exchange transactions	—	(32,062)
Payoff of term loan and related extinguishment costs	—	(48,830)
Gross proceeds received from issuance of Series E preferred stock	—	25,000
Repurchase of Series E preferred stock	—	(2,354)
Proceeds from the exercise of warrants to purchase common stock	—	1,861
Net borrowing of bank and overdraft facilities	315	110
Principal payments under finance lease obligations	(3,138)	(2,243)
Proceeds from a public offering, net of issuance costs	29,370	—
Proceeds from stock option exercises and employee stock purchase plan, net of taxes paid on vested restricted stock units	2,432	2,872
Net cash provided by financing activities	28,979	40,754
Effect of exchange rates on cash	(293)	(2,573)
Net increase in cash, cash equivalents and restricted cash	21,594	29,920
Cash, cash equivalents and restricted cash, beginning of period	40,015	12,074
Cash, cash equivalents and restricted cash, end of period	\$ 61,609	\$ 41,994
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 2,782	\$ 640
Income taxes	\$ 378	\$ 286
Supplemental disclosures of non-cash activities:		
Transfer of inventories to rental assets	\$ 4,394	\$ 2,650
Capital expenditures financed through accounts payable or accrued liabilities	\$ 2,643	\$ 3,786
Right-of-use assets obtained in exchange for operating leases liabilities	\$ 148	\$ 7,704
Exchange of Series E Preferred Stock for common stock	\$ 11,982	\$ —
Issuance of common stock in exchange for Series E Preferred Stock	\$ 13,086	\$ —
Deemed dividend on exchange of Series E Preferred Stock for common stock	\$ 1,104	\$ —
Issuance of common stock under Settlement Agreement	\$ —	\$ 972
Preferred stock issued in extinguishment of term loan accrued interest	\$ —	\$ 2,330
Debt discount and issuance costs extinguished in notes conversion	\$ —	\$ 1,728
2022 Notes conversion to equity	\$ —	\$ 59,907
Novatel Wireless Notes conversion to equity	\$ —	\$ 250

2025 Notes issued to extinguish the 2022 Notes	\$	—	\$	80,375
2025 Notes conversion, including shares issued in satisfaction of interest make-whole payment	\$	5,383	\$	14,353

<sup>1</sup>Amounts for the nine months ended September 30, 2021 are net of \$5.0 million of cash sold as part of the sale of Ctrack South Africa (see Note 4. *Business Divestiture*).

See accompanying notes to unaudited condensed consolidated financial statements.

## **1. Basis of Presentation**

The information contained herein has been prepared by Inseego Corp. (the “Company”) in accordance with the rules of the Securities and Exchange Commission (the “SEC”). The information at September 30, 2021 and the results of the Company’s operations for the three and nine months ended September 30, 2021 and 2020 are unaudited. The condensed consolidated financial statements reflect all adjustments, consisting of only normal recurring accruals, except otherwise disclosed herein, which are, in the opinion of management, necessary for a fair statement of the results of the interim periods presented. These unaudited condensed consolidated financial statements and notes hereto should be read in conjunction with the audited financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020. The year-end condensed consolidated balance sheet data as of December 31, 2020 was derived from the Company’s audited consolidated financial statements and may not include all disclosures required by accounting principles generally accepted in the United States. Except as set forth below, the accounting policies used in preparing these unaudited condensed consolidated financial statements are the same as those described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020. The results of operations for the interim periods presented are not necessarily indicative of results to be expected for any other interim period or for the year as a whole.

### *Risks and Uncertainties*

In December 2019, COVID-19 was reported to have surfaced in Wuhan, China, resulting in shutdowns of manufacturing and commerce globally in the months that followed. Since then, the COVID-19 pandemic has spread worldwide, and has resulted in authorities implementing numerous measures to try to contain the disease or slow its spread, such as travel bans and restrictions, quarantines, shelter-in-place orders and shutdowns. The extent of the impact of the COVID-19 pandemic on the Company’s operational and financial performance will depend on future developments, including the duration and spread of the pandemic and related actions taken by the U.S. government, state and local government officials, and international governments to prevent the spread of the disease, all of which are uncertain and cannot be predicted.

In addition, a global semiconductor supply shortage is having wide-ranging effects across the technology industry. This semiconductor shortage has not materially impacted the Company but may impact the Company’s customers, and may negatively impact the supply of materials needed for our testing and production timeline. Our suppliers, contract manufacturers, and our customers are all taking actions to reduce the impact of the semiconductor shortage; however, if the shortage persists, the impact on our business could be material.

### *Liquidity*

As of September 30, 2021, the Company had available cash and cash equivalents totaling \$58.1 million, excluding restricted cash of \$3.5 million, and working capital of \$61.2 million.

On March 6, 2020, the Company issued and sold 25,000 shares of Fixed-Rate Cumulative Perpetual Preferred Stock, Series E, par value \$0.001 per share (the “Series E Preferred Stock”), for an aggregate purchase price of \$25.0 million.

In the first quarter of 2020, \$59.9 million of the Company’s 5.5% convertible senior notes due 2022 (the “2022 Notes” formerly referred to as the “Inseego Notes”) were exchanged for common stock in private exchange transactions. Additionally, in the second quarter of 2020, the Company restructured its outstanding debt by completing a \$100.0 million registered public offering (the “Offering”) of 3.25% convertible senior notes due 2025 (the “2025 Notes”) and also entered into privately-negotiated exchange agreements (the “May Exchange Agreements”), pursuant to which an aggregate of \$45.0 million in principal amount of the 2022 Notes were exchanged for an aggregate of \$32 million in cash and \$80.4 million in principal amount of the 2025 Notes (the “May Private Exchange Transactions”). The Company also used a portion of the proceeds from the Offering to repay in full its previous term loan. In the third quarter of 2020, the Company redeemed the remaining \$2,000 principal amount of the 2022 Notes.

During the quarter ended September 30, 2020, certain holders of the 2025 Notes converted approximately \$13.5 million in principal amount of the 2025 Notes into 1,177,156 shares of the Company’s common stock in accordance with the terms of such notes. As of September 30, 2021, the Company’s outstanding debt primarily consisted of \$161.9 million in principal amount of 2025 Notes.

On January 25, 2021, the Company entered into an Equity Distribution Agreement with Canaccord Genuity LLC (the “Agent”), pursuant to which the Company may offer and sell, from time to time, through or to the Agent, up to \$40.0 million of shares of its common stock (the “ATM Offering”). In January 2021, the Company sold 1,516,073 shares of common stock, at an average price of \$20.11 per share, for net proceeds of \$29.4 million, after deducting underwriter fees and discounts of \$0.9 million, and other offering fees, pursuant to the ATM Offering.

The Company has a history of operating and net losses and overall usage of cash from operating and investing activities. The Company's management believes that its cash and cash equivalents, together with anticipated cash flows from operations, will be sufficient to meet its cash flow needs for the next twelve months from the filing date of this report. The Company's ability to attain more profitable operations and continue to generate positive cash flow is dependent upon achieving a level and mix of revenues adequate to support its evolving cost structure. If events or circumstances occur such that the Company does not meet its operating plan as expected, or if the Company becomes obligated to pay unforeseen expenditures as a result of ongoing litigation, the Company may be required to raise capital, reduce planned research and development activities, incur additional restructuring charges or reduce other operating expenses which could have an adverse impact on its ability to achieve its intended business objectives.

The Company's liquidity could be impaired if there is any interruption in its business operations, a material failure to satisfy its contractual commitments or a failure to generate revenue from new or existing products. There can be no assurance that any required or desired restructuring or financing will be available on terms favorable to the Company, or at all. Additionally, the Company is uncertain of the full extent to which the COVID-19 pandemic will impact the Company's business, operations and financial results.

#### ***Divestiture of Ctrack South Africa***

On July 30, 2021, the Company completed the sale of its Ctrack business operations in Africa, Pakistan and the Middle East (together "Ctrack South Africa"). Initial cash proceeds of approximately \$36.6 million were received. Net cash proceeds received were \$31.5 million, net of cash sold of \$5.1 million. Final cash proceeds were subject to certain post-closing working capital adjustments which totaled \$2.6 million, out of which \$2.2 million was received on October 29, 2021, and the remaining \$0.4 million was offset with the Company's existing accounts payable balance to an affiliate of Convergence Partners ("Convergence"), an investment management firm in South Africa. The Company recorded a receivable for such balance on September 30, 2021.

The Company will continue to provide telematics solutions in the rest of the world, including in Europe and Australia. See Note 4, *Business Divestiture* for additional information about the divestiture of Ctrack South Africa.

#### ***Principles of Consolidation***

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly- and majority-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

#### ***Segment Information***

Management has determined that the Company has one reportable segment. The Chief Executive Officer, who is also the Chief Operating Decision Maker, does not manage any part of the Company separately, and the allocation of resources and assessment of performance is based solely on the Company's consolidated operations and operating results.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities. Actual results could differ materially from these estimates. Significant estimates include revenue recognition, capitalized software costs, allowance for doubtful accounts receivable, provision for excess and obsolete inventory, valuation of intangible and long-lived assets, valuation of goodwill, valuation of derivatives, accruals relating to litigation, income taxes and share-based compensation expense. The inputs related to certain estimates include consideration of the economic impact of the COVID-19 pandemic. As the impact of the COVID-19 pandemic continues to develop, these estimates could carry a higher degree of variability and volatility, and may change materially in future periods.

#### ***Sources of Revenue***

The Company generates revenue from a broad range of product sales including intelligent wireless hardware products for the worldwide mobile communications, and industrial Internet of Things ("IIoT") markets, Inseego Subscribe™, a hosted SaaS platform that helps organizations manage the selection, deployment and spend of wireless assets, and various Software as a Service ("SaaS") products. The Company's products principally include intelligent mobile hotspots, wireless routers for IoT applications, USB modems, integrated telematics and mobile tracking hardware devices, which are supported by applications software and cloud software services designed to enable customers to easily analyze data insights and configure and manage their hardware.

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The Company classifies its revenues from the sale of its products and services into two distinct groupings, specifically IoT & Mobile Solutions and Enterprise SaaS Solutions. Both IoT & Mobile Solutions and Enterprise SaaS Solutions revenues include any hardware and software required for the respective solution.

*IoT & Mobile Solutions.* The IoT & Mobile Solutions portfolio is comprised of end-to-end edge to cloud solutions including 4G LTE mobile broadband gateways, routers, modems, hotspots, HD quality VoLTE based wireless home phones, cloud management software and an advanced portfolio of 5G products. The solutions are offered under the MiFi™ brand for consumer and enterprise markets, and under the Skyus brand for IIoT markets. Effective in the third quarter ended on September 30, 2020, IoT & Mobile Solutions also includes the Company's Device Management System ("DMS"), rebranded as Inseego Subscribe™, that helps organizations manage the selection, deployment and spend of their customer's wireless assets, helping them save money on personnel and telecom expenses.

*Enterprise SaaS Solutions.* The Enterprise SaaS Solutions portfolio consists of various subscription offerings to gain access to the Company's Ctrack telematics platforms, which provide fleet vehicle, aviation ground vehicle and asset tracking and performance information, and other telematics applications.

## 2. Financial Statement Details

### Inventories

Inventories, net, consist of the following (in thousands):

	September 30, 2021 <sup>1</sup>	December 31, 2020
Finished goods	\$ 29,949	\$ 27,009
Raw materials and components	3,752	6,943
Total inventories	<u>\$ 33,701</u>	<u>\$ 33,952</u>

<sup>1</sup>Amounts exclude balances deconsolidated as part of the sale of Ctrack South Africa. See Note 4. Business Divestiture.

### Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following (in thousands):

	September 30, 2021 <sup>1</sup>	December 31, 2020
Royalties	\$ 1,389	\$ 2,410
Payroll and related expenses	10,567	6,006
Professional fees	553	921
Accrued interest	2,168	888
Deferred revenue	3,282	2,853
Operating lease liabilities	1,740	1,619
Accrued production costs	901	938
Liabilities related to financed assets	165	1,198
Other	3,638	6,540
Total accrued expenses and other current liabilities	<u>\$ 24,403</u>	<u>\$ 23,373</u>

<sup>1</sup>Amounts exclude balances deconsolidated as part of the sale of Ctrack South Africa. See Note 4. Business Divestiture.

## 3. Fair Value Measurement of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). A fair value measurement reflects the assumptions

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market participants would use in pricing an asset or liability based on the best available information. These assumptions include the risk inherent in a particular valuation technique (such as a pricing model) and the risks inherent in the inputs to the model.

The Company classifies inputs to measure fair value using a three-level hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The categorization of financial instruments within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritized into three levels (with Level 3 being the lowest) and is defined as follows:

- Level 1:* Pricing inputs are based on quoted market prices for identical assets or liabilities in active markets (e.g., NYSE or NASDAQ). Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2:* Pricing inputs include benchmark yields, trade data, reported trades and broker dealer quotes, two-sided markets and industry and economic events, yield to maturity, Municipal Securities Rule Making Board reported trades and vendor trading platform data. Level 2 includes those financial instruments that are valued using various pricing services and broker pricing information including Electronic Communication Networks and broker feeds.
- Level 3:* Pricing inputs include significant inputs that are generally less observable from objective sources, including the Company's own assumptions. The fair market value for level 3 securities may be highly sensitive to the use of unobservable inputs and subjective assumptions. Generally, changes in significant unobservable inputs may result in significantly lower or higher fair value measurements.

The Company reviews the fair value hierarchy classification on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy. There have been no transfers of assets or liabilities between fair value measurement classifications during the nine months ended September 30, 2021.

The following tables summarize the Company's financial instruments measured at fair value on a recurring basis in accordance with the authoritative guidance for fair value measurements as of September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021			December 31, 2020		
	Total Fair Value	Level 3	Level 1	Total Fair Value	Level 3	Level 1
<b>Assets</b>						
Cash equivalents						
Money market funds	\$ 126	\$ —	\$ 126	\$ 126	\$ —	\$ 126
Total assets	\$ 126	\$ —	\$ 126	\$ 126	\$ —	\$ 126
<b>Liabilities</b>						
2025 Notes						
Interest make-whole payment	\$ 1,317	\$ 1,317	\$ —	\$ 4,898	\$ 4,898	\$ —
Total liabilities	\$ 1,317	\$ 1,317	\$ —	\$ 4,898	\$ 4,898	\$ —

The fair value of the interest make-whole payment derivative liability was determined using a Monte Carlo model with the following key assumptions:

	September 30, 2021	December 31, 2020
Volatility	50 %	50 %
Stock price	\$6.66 per share	\$15.47 per share
Credit spread	18.53 %	19.25 %
Term	3.59 years	4.34 years
Dividend yield	— %	— %
Risk-free rate	0.66 %	0.30 %

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The following table sets forth a summary of changes in the fair value of Level 3 liabilities for the nine months ended September 30, 2021 (in thousands):

	Balance as of December 31, 2020	Additions	Conversions	Change in fair value	Balance as of September 30, 2021
Liabilities:					
Interest make-whole payment	\$ 4,898	\$ —	\$ (146)	\$ (3,435)	\$ 1,317

**Other Financial Instruments**

The Company's financial assets and liabilities are carried at fair value or at amounts that, because of their short-term nature, approximate current fair value, with the exception of the 2025 Notes.

On May 12, 2020, the Company issued \$180.4 million in aggregate principal amount of 2025 Notes, and restructured its outstanding debt as described further in Note 5, *Debt*. The Company carries its 2025 Notes at amortized cost adjusted for changes in fair value of the embedded derivative. As of September 30, 2021, \$161.9 million in principal amount of the 2025 Notes remain outstanding. It is not practicable to determine the fair value of the 2025 Notes due to the lack of information available to calculate the fair value of such notes.

The Company evaluated the 2025 Notes under ASC 815 and identified an embedded derivative that required bifurcation. The embedded derivative is an interest make-whole payment that was valued at \$4.6 million on May 12, 2020.

Changes in the fair value of the interest make-whole payment totaling a gain of \$1.6 million for the three months ended September 30, 2021 are included in the Company's condensed consolidated statement of operations within other income, net. During the nine months ended September 30, 2021, certain holders of the 2025 Notes converted an aggregate of approximately \$5.0 million in principal amount of the 2025 Notes into shares of the Company's common stock in accordance with the terms of such notes and a portion of the embedded derivative was settled in shares of the Company's common stock resulting in \$0.1 million of the derivative liability being extinguished upon conversion. As of September 30, 2021, the embedded derivative had a fair value of \$1.3 million and a \$3.4 million gain on the change in fair value was recorded to other income, net, on the condensed consolidated statement of operations in the nine months ended September 30, 2021.

During the three and nine months ended September 30, 2021 and 2020, there were no transfers between the levels within the fair value hierarchy.

**4. Business Divestiture**

**Sale of Ctrack South Africa Operations**

On February 24, 2021, the Company entered into a Share Purchase Agreement (the "Purchase Agreement") with Convergence to sell its Ctrack South Africa business operations in an all-cash transaction for 528.9 million South African Rand ("ZAR") (approximately \$36.6 million United States Dollars). The Purchase Agreement provides for an adjustment to the purchase price based on a normalized level of net working capital.

On July 30, 2021, the Company completed the sale of Ctrack South Africa. Initial cash proceeds of \$36.6 million were received. Net cash proceeds received were \$31.5 million, net of cash sold of \$5.1 million. Final cash proceeds were subject to certain post-closing working capital adjustments which totaled \$2.6 million, out of which \$2.2 million was received on October 29, 2021, and the remaining \$0.4 million was offset with the Company's existing accounts payable balance to Convergence. The Company recorded a receivable for such balance as of September 30, 2021.

The Purchase Agreement required the Company to place in escrow 52.9 million ZAR, (approximately \$3.5 million United States Dollars), which will be released on July 30, 2022. The funds in escrow will allow for Convergence to submit claims that are deemed to be uninsured warranties as defined in the Purchase Agreement.

In evaluating the accounting treatment for this sale, the transaction was considered to be the deconsolidation of a subsidiary, as defined in ASC 810 *Consolidation*. The gain upon sale is \$5.3 million. Such gain has been recognized as gain on sale of Ctrack South Africa in the condensed consolidated results of operations during the three and nine months ended September 30, 2021. The Company also recorded \$2.2 million of transaction expenses, which were expensed as incurred and

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included within other income (expense), net, in the condensed consolidated results of operations for the three and nine months ended September 30, 2021.

The assets and liabilities of Ctrack South Africa that were sold in the transaction as of July 30, 2021, are summarized below:

<b>(in thousands)</b>	
<b>Assets:</b>	
Cash and cash equivalents	\$ 5,
Accounts receivable, net	3,
Inventory	3,
Prepaid expenses and other	
Property, plant and equipment, net	4,
Rental assets, net	2,
Intangible assets, net	11,
Goodwill	10,
Total assets	\$ 41,
Accounts payable	\$ 3,
Accrued expenses and other liabilities	1,
Deferred tax liabilities, net	3,
Other long-term liabilities	
Total liabilities	9,
Net assets	\$ 32,

As of September 30, 2021, net proceeds recognized are comprised of the following:

<b>(in thousands)</b>	
Initial purchase consideration received, upon close	\$ 36,
Working capital adjustments	2,
Net proceeds recognized	\$ 39,

Net gain on sale for the three and nine months ended September 30, 2021 is comprised of the following:

<b>(in thousands)</b>	
Gross proceeds recognized	\$ 39,
Less: Book value of net assets sold	32,
Less: Release of cumulative foreign currency translation adjustments related to Ctrack South Africa	1,
Net gain on sale	\$ 5,

**5. Debt**

***Term Loan***

On August 23, 2017, the Company and certain of its direct and indirect subsidiaries, as guarantors, entered into a credit agreement (the "Credit Agreement") with Cantor Fitzgerald Securities, as administrative agent and collateral agent, and certain funds managed by Highbridge Capital Management, LLC, as lenders (the "Lenders"). Pursuant to the Credit Agreement, the Lenders provided the Company with a term loan in the principal amount of \$48.0 million (the "Term Loan") with a maturity date of August 23, 2020.



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On March 31, 2020, the Company issued 2,330 shares of Series E Preferred Stock to South Ocean Funding L.L.C. (“South Ocean”), the Lender holding all of the aggregate principal amount then outstanding under the Credit Agreement in satisfaction of all then accrued interest under the Credit Agreement.

On May 12, 2020, the Company used a portion of the proceeds from the Offering to repay in full the Term Loan and terminate the Credit Agreement. The amounts paid included \$47.5 million in outstanding principal, approximately \$0.5 million in interest accrued thereon, and a prepayment fee of \$1.4 million. The Company also used a portion of the proceeds of the Offering to repurchase the 2,330 shares of Series E Preferred Stock that had been issued to South Ocean for \$2.4 million.

The Term Loan bore interest at a rate per annum equal to the three-month LIBOR, but in no event less than 1.00%, plus 7.625%.

The effective interest rate was 15.19% for the nine months ended September 30, 2020. The following table sets forth total interest expense recognized related to the Term Loan (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Contractual interest expense	\$ —	\$ —	\$ —	\$ 1,667
Amortization of debt discount	—	—	—	859
Amortization of debt issuance costs	—	—	—	103
Total interest expense	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,629</u>

**Convertible Notes**

**2025 Notes**

On May 12, 2020, the Company completed its registered public Offering of \$100.0 million aggregate principal amount of 2025 Notes.

On May 12, 2020, the Company also entered into the May Exchange Agreements with certain holders of the 2022 Notes. Pursuant to the May Exchange Agreements, these noteholders agreed to exchange the 2022 Notes that they held (representing an aggregate of \$45.0 million principal amount of 2022 Notes with an estimated fair value of approximately \$112.4 million as of the date of exchange) for an aggregate of \$32.0 million in cash and \$80.4 million principal amount of 2025 Notes in the May Private Exchange Transactions that closed concurrently with the registered Offering. In connection therewith, the Company recorded a loss of \$67.2 million on debt conversion and extinguishment, net in the condensed consolidated statement of operations. The 2025 Notes issued in the May Private Exchange Transactions are part of the same series as the 2025 Notes issued in the registered Offering.

During the nine months ended September 30, 2021, certain holders of the 2025 Notes converted an aggregate of approximately \$5.0 million in principal amount of the 2025 Notes into 428,669 shares of the Company’s common stock, including 32,221 shares of common stock issued in satisfaction of the interest make-whole payment. In connection therewith, the Company recorded a loss of \$0.4 million on debt conversion, net in the condensed consolidated statement of operations.

The 2025 Notes are issued under an indenture, dated May 12, 2020 (the “Base Indenture”), between the Company and Wilmington Trust, National Association, as trustee (the “Trustee”), as supplemented by the first supplemental indenture, dated May 12, 2020 (the “Supplemental Indenture” and, together with the Base Indenture, the “Indenture”), between the Company and the Trustee.

The 2025 Notes will mature on May 1, 2025, unless earlier repurchased, redeemed or converted. The 2025 Notes are senior unsecured obligations of the Company and bear interest at an annual rate of 3.25%, payable semi-annually in arrears on May 1 and November 1 of each year, beginning on November 1, 2020.

Holders of the 2025 Notes may convert the 2025 Notes into shares of the Company’s common stock (together with cash in lieu of any fractional share), at their option, at any time until the close of business on the scheduled trading day immediately before the maturity date. Upon conversion of the 2025 Notes, the Company will deliver for each \$1,000 principal amount of

2025 Notes converted a number of shares of common stock (together with cash in lieu of any fractional share), equal to the conversion rate.

The initial conversion rate for the 2025 Notes is 79.2896 shares of common stock per \$1,000 principal amount of 2025 Notes, which represents an initial conversion price of approximately \$12.61 per share, and is subject to adjustment upon the occurrence of certain events, including, but not limited to, certain stock dividends, splits and combinations, the issuance of certain rights, options or warrants to holders of the common stock, certain distributions of assets, debt securities, capital stock or other property to holders of the common stock, cash dividends on the common stock and certain Company tender or exchange offers.

If a fundamental change (as defined in the Indenture) occurs at any time prior to the maturity date, then the noteholders may require the Company to repurchase their 2025 Notes at a cash repurchase price equal to the principal amount of the 2025 Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date. If a make-whole fundamental change (as defined in the Indenture) occurs, then the Company will in certain circumstances increase the conversion rate for a specified period of time.

The 2025 Notes will be redeemable, in whole or in part, at the Company's option at any time, and from time to time, on or after May 6, 2023 and on or before the scheduled trading day before the maturity date, at a cash redemption price equal to the principal amount of the 2025 Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, as long as the last reported sale price per share of the common stock exceeds 130% of the conversion price on (i) each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends the related redemption notice; and (ii) the trading day immediately before the date the Company sends such notice.

The Indenture contains customary events of default. If an event of default (other than certain events of bankruptcy, insolvency or reorganization involving the Company) occurs and is continuing, the Trustee, by notice to the Company, or the holders of the 2025 Notes representing at least 25% in aggregate principal amount of the outstanding 2025 Notes, by notice to the Company and the Trustee, may declare 100% of the principal of, and all accrued and unpaid interest on, all of the then outstanding 2025 Notes to be due and payable immediately. Upon the occurrence of certain events of bankruptcy, insolvency or reorganization involving the Company, 100% of the principal of, and all accrued and unpaid interest on, all of the then outstanding 2025 Notes will automatically become immediately due and payable. Notwithstanding the foregoing, the Indenture provides that, to the extent the Company elects, the sole remedy for an event of default relating to certain failures by the Company to comply with certain reporting covenants in the Indenture will, for the first 360 days after such event of default, consist exclusively of the right to receive additional interest on the 2025 Notes.

#### *Interest make-whole payment*

The 2025 Notes also include an interest make-whole payment feature whereby if the last reported sale price of the Company's common stock for each of the five trading days immediately preceding a conversion date is greater than or equal to \$10.51, the Company will, in addition to the other consideration payable or deliverable in connection with such conversion, make an interest make-whole payment to the converting holder equal to the sum of the present values of the scheduled payments of interest that would have been made on the 2025 Notes to be converted had such notes remained outstanding from the conversion date through the earlier of (i) the date that is three years after the conversion date and (ii) the maturity date. The present values will be computed using a discount rate equal to 1%. The Company will satisfy its obligation to pay the interest make-whole payment, at its election, in cash or shares of common stock (together with cash in lieu of fractional shares). The Company has determined that this feature is an embedded derivative and has recognized the fair value of this derivative as a liability in the condensed consolidated balance sheets, with subsequent changes to fair value to be recorded at each reporting period on the condensed consolidated statement of operations in other income, net.

As of September 30, 2021, \$161.9 million in principal amount of the 2025 Notes were outstanding, \$80.4 million of which were held by related parties.

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The 2025 Notes consist of the following (in thousands):

	September 30, 2021	December 31, 2020
Liability component		
Principal	\$ 161,898	\$ 166,898
Add: fair value of embedded derivative	1,317	4,898
Less: unamortized debt discount	(2,972)	(3,703)
Less: unamortized issuance costs	(2,364)	(2,946)
Net carrying amount	<u>\$ 157,879</u>	<u>\$ 165,147</u>

The effective interest rate on the liability component of the 2025 Notes was 4.15% for the nine months ended September 30, 2021. The following table sets forth total interest expense recognized related to the 2025 Notes (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Contractual interest expense	\$ 1,315	\$ 1,278	\$ 3,899	\$ 2,078
Amortization of debt discount	207	217	622	341
Amortization of debt issuance costs	165	172	495	268
Total interest expense	<u>\$ 1,687</u>	<u>\$ 1,667</u>	<u>\$ 5,016</u>	<u>\$ 2,687</u>

**2022 Notes**

On January 9, 2017, in connection with the settlement of an exchange offer and consent solicitation with respect to the 5.50% convertible senior notes due 2020 (the "Novatel Wireless Notes"), the Company issued approximately \$119.8 million aggregate principal amount of 2022 Notes.

During the three months ended March 31, 2020, the Company entered into privately-negotiated exchange agreements ("the March Exchange Agreements") with certain investors holding the 2022 Notes. Pursuant to the March Exchange Agreements, the investors exchanged \$59.9 million in aggregate principal amount of outstanding 2022 Notes for 13,688,876 shares of common stock. The investors that participated in the March Exchange Agreements agreed to waive any accrued but unpaid interest on the exchanged 2022 Notes. Included in the 13,688,876 shares of common stock issued in the exchange transactions that took place during the three months ended March 31, 2020 were 942,706 shares valued at \$7.9 million on the date of issuance at fair value, which were issued pursuant to the terms of the privately-negotiated March Exchange Agreements and were in excess of the consideration issuable under the original conversion terms of the exchanged 2022 Notes. ASC 470 *Debt*, requires the recognition through earnings of an inducement charge equal to the fair value of the consideration delivered in excess of the consideration issuable under the original conversion terms. This resulted in a non-cash charge of \$7.9 million for the three months ended March 31, 2020, which was recorded as inducement expense in the condensed consolidated statement of operations.

Pursuant to the May Private Exchange Transactions described above, on May 12, 2020, the holders of an aggregate of \$45.0 million principal amount of 2022 Notes exchanged their 2022 Notes for a combination of 2025 Notes and cash. As a result of the May Private Exchange Transactions, \$2,000 in principal amount of the 2022 Notes remained outstanding as of May 12, 2020. On July 22, 2020, pursuant to a redemption notice issued on May 15, 2020, the Company redeemed the remaining \$2,000 principal amount of the 2022 Notes.

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The effective interest rate on the liability component of the 2022 Notes was 12.89% for the nine months ended September 30, 2020. The following table sets forth total interest expense recognized related to the 2022 Notes (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Contractual interest expense	\$ —	\$ —	\$ —	\$ 768
Amortization of debt discount	—	—	—	1,952
Amortization of debt issuance costs	—	—	—	111
Total interest expense	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,831</u>

**6. Share-based Compensation**

The Company included the following amounts for share-based compensation awards in the unaudited condensed consolidated statements of operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cost of revenues	\$ 416	\$ 308	\$ 2,228	\$ 1,296
Research and development	604	491	4,366	2,292
Sales and marketing	614	531	3,161	1,810
General and administrative	1,428	877	4,712	2,790
Total <sup>1</sup>	<u>\$ 3,062</u>	<u>\$ 2,207</u>	<u>\$ 14,467</u>	<u>\$ 8,188</u>

<sup>1</sup>During the quarter ended March 31, 2021, the Board of Directors of the Company approved and the Company granted restricted stock units to eligible employees under the 2018 Omnibus Incentive Compensation Plan, previously named the Amended and Restated 2009 Omnibus Incentive Compensation Plan (the “2018 Plan”) that were immediately vested, as fiscal 2020 annual bonus payments. The total charges recorded during the quarter ended March 31, 2021 were \$7.0 million. Such bonus payments in fiscal 2020 were paid in the quarter ended June 30, 2020, and total charges related to such bonus payments recorded during the quarter ended June 30, 2020 were \$2.7 million. During the quarter ended September 30, 2021, the Board of Directors of the Company approved, and the Company granted restricted stock units under the 2018 Plan to certain employees that contributed to the completion of the divestiture of Ctrack South Africa. Such grants were immediately vested, and the total charges were \$0.6 million.

*Stock Options*

The following table summarizes the Company’s stock option activity:

Outstanding — December 31, 2020	8,479,979
Granted	1,355,000
Exercised	(1,082,618)
Canceled	(583,556)
Outstanding — September 30, 2021	<u>8,168,805</u>
Exercisable — September 30, 2021	<u>4,775,992</u>

At September 30, 2021, total unrecognized compensation expense related to stock options was \$12.6 million, which is expected to be recognized over a weighted-average period of 2.62 years.

*Restricted Stock Units*

The following table summarizes the Company’s restricted stock unit (“RSU”) activity:

Non-vested — December 31, 2020	417,105
Granted	1,052,412
Vested	(930,981)
Forfeited	(51,590)
Non-vested — September 30, 2021	486,946

At September 30, 2021, total unrecognized compensation expense related to RSUs was \$2.5 million, which is expected to be recognized over a weighted-average period of 2.45 years.

**7. Earnings Per Share**

Basic earnings per share (“EPS”) excludes dilution and is computed by dividing net loss attributable to Inseego Corp. by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock using the treasury stock method. Potentially dilutive securities (consisting primarily of the convertible notes calculated using the if-converted method and warrants, stock options and RSUs calculated using the treasury stock method) are excluded from the diluted EPS computation in loss periods and when the applicable exercise price is greater than the market price on the period end date as their effect would be anti-dilutive.

For the three and nine months ended September 30, 2021, the computation of diluted EPS excluded 25,496,537 shares related to the convertible notes, stock options and RSUs as their effect would have been anti-dilutive.

**8. Private Placements and Public Offering**

*Common Stock*

On August 6, 2018, the Company completed a private placement of 12,062,000 shares of common stock, par value \$0.001 per share, and warrants to purchase an additional 4,221,700 shares of common stock (the “2018 Warrants”), subject to adjustment for stock splits, reverse stock splits, stock dividends and similar transactions, to certain accredited investors. On March 28, 2019, the 2018 Warrants were exercised at an exercise price of \$2.52 per share, for aggregate cash proceeds to the Company of approximately \$10.6 million. In connection with the exercise of the 2018 Warrants, on March 28, 2019, the Company issued additional warrants to purchase 2,500,000 shares of common stock (the “2019 Warrants”) to the accredited investors. Each 2019 Warrant has an initial exercise price of \$7.00 per share, subject to adjustment for stock splits, reverse stock splits, stock dividends and similar transactions, became exercisable on September 28, 2019, and will expire on June 30, 2022.

During the first quarter of 2020, the Company received \$1.9 million in net cash proceeds from the exercise of 338,454 of the Company’s common stock purchase warrants issued in 2015.

The Company assessed the terms of the warrants under ASC 815. Pursuant to this guidance, the Company has determined that the warrants do not require liability accounting and has classified the warrants as equity.

On January 25, 2021, the Company entered into an Equity Distribution Agreement with the Agent, pursuant to which the Company may offer and sell, from time to time, through or to the Agent, up to \$40.0 million of shares of its common stock. In January 2021, the Company sold 1,516,073 shares of common stock, at an average price of \$20.11 per share, for net proceeds of \$29.4 million, after deducting underwriter fees and discounts, and other offering fees, pursuant to the ATM Offering.

*Preferred Stock*

On March 6, 2020, the Company issued and sold an additional 25,000 shares of Series E Preferred Stock for an aggregate purchase price of \$25.0 million.

On March 31, 2020, the Company issued 2,330 shares of Series E Preferred Stock to South Ocean, in satisfaction of certain deferred interest obligations pursuant to the terms and conditions of the Credit Agreement.

On May 12, 2020, the Company used a portion of the proceeds from the Offering to repurchase the 2,330 shares of Series E Preferred Stock, which had been issued to satisfy accrued interest under the Credit Agreement, for \$2.4 million.

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**Notes to Condensed Consolidated Financial Statements (Unaudited)**

On September 3, 2021, the Company entered into separate privately-negotiated exchange agreements (the “September Exchange Agreements”) with Golden Harbor Ltd. and North Sound Trading, L.P. (the “Participating Stockholders”), holders of the Company’s outstanding Series E Preferred Stock. Pursuant to each respective September Exchange Agreement, each of the Participating Stockholders agreed to exchange Series E Preferred Stock that they held (representing an aggregate of 10,000 shares of Series E Preferred Stock) for an aggregate of 1,525,207 shares of common stock, of the Company (the “Series E Exchange Transactions”). The Company did not receive any cash proceeds from the Participating Stockholders in connection with the Series E Exchange Transactions.

The Company used the Guidance in ASC 470 *Debt*, regarding the modification of debt instruments and determined that the Series E Exchange Transactions were an extinguishment. If a modification or exchange represents an extinguishment for accounting purposes, it is accounted for as a redemption of the existing equity instrument and the issuance of a new instrument.

ASC 260-10-S99-2 (“SEC Staff Announcement: The Effect on the Calculation of Earnings Per Share for a Period That Includes the Redemption or Induced Conversion of Preferred Stock”) provides guidance on the accounting for extinguishments (redemptions) of equity-classified preferred stock. Under that guidance, an SEC registrant compares (1) the fair value of the consideration transferred to the holders of the preferred stock and (2) the carrying amount of the preferred stock immediately before the modification or exchange (net of issuance costs). The difference is treated as a return to (or from) the holder of the preferred stock in a manner similar to dividends paid on preferred stock. Any excess of fair value of the consideration transferred to the holders of the preferred stock over the carrying amount of the preferred stock in the issuer’s balance sheet is treated as a dividend to those holders and charged against retained earnings.

The Company determined that the Series E Exchange Transactions resulted in an extinguishment of preferred stock and an issuance of common stock. The difference between the carrying amount of the preferred stock plus accrued dividends, and the fair value of the common stock exchanged for such preferred stock, totaled \$1.1 million. The difference was treated as a deemed dividend, and was included within the Series E preferred stock dividends and deemed dividends from the preferred stock exchange, in the condensed consolidated results of operations for the three and nine months ended September 30, 2021.

## 9. Geographic Information and Concentrations of Risk

### *Geographic Information*

The following table details the Company’s net revenues by geographic region based on shipping destination (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
United States and Canada	\$ 56,614	\$ 77,208	\$ 150,822	\$ 188,638
South Africa <sup>1</sup>	2,435	6,836	17,333	20,930
Other	7,168	6,196	21,352	18,201
Total	<u>\$ 66,217</u>	<u>\$ 90,240</u>	<u>\$ 189,507</u>	<u>\$ 227,769</u>

<sup>1</sup>Refer to Note 4. *Business Divestiture* for the Company’s divestiture of Ctrack South Africa

### *Concentrations of Risk*

For the three months ended September 30, 2021, two customers accounted for 40.4% and 32.5% of net revenues, respectively. For the three months ended September 30, 2020, one customer accounted for 58.4% of net revenues.

For the nine months ended September 30, 2021, two customers accounted for 44.3% and 23.5% of net revenues, respectively. For the nine months ended September 30, 2020, one customer accounted for 56.4% of net revenues.

As of September 30, 2021 two customers accounted for 40.1% and 20.8% of accounts receivable, net, respectively. As of December 31, 2020, two customers accounted for 33.3% and 17.2% of accounts receivable, net, respectively.

## 10. Commitments and Contingencies

### *Legal*

The Company is, from time to time, party to various legal proceedings arising in the ordinary course of business. For example, the Company is currently named as a defendant or co-defendant in several patent infringement lawsuits in the U.S. and may be required to indirectly participate in other U.S. patent infringement actions pursuant to its contractual indemnification obligations to certain customers. Based on an evaluation of these matters and discussions with the Company's intellectual property litigation counsel, the Company currently believes that liabilities arising from or sums paid in settlement of these existing matters, if any, would not have a material adverse effect on its condensed consolidated results of operations or financial condition.

On May 11, 2017, the Company initiated a lawsuit against the former stockholders of R.E.R. Enterprises, Inc. ("RER") in the Court of Chancery of the State of Delaware seeking recovery of damages for civil conspiracy, fraud in the inducement, unjust enrichment and breach of fiduciary duty. On January 16, 2018, the former stockholders of RER filed an answer and counterclaim in the matter seeking recovery of certain deferred and earn-out payments allegedly owed to them by the Company in connection with the Company's acquisition of RER. On July 26, 2018, the Company and the former stockholders of RER entered into a mutual general release and settlement agreement (the "Settlement Agreement") pursuant to which the parties agreed to release all claims against each other and the Company agreed to (i) pay the former stockholders of RER \$1.0 million in cash by August 17, 2018, (ii) immediately instruct its transfer agent to permit the transfer or sale of 973,333 shares of the Company's common stock that the Company had issued to the former stockholders of RER in March 2017, (iii) immediately issue 500,000 shares of the Company's common stock to the former stockholders of RER, (iv) within 12 months following the execution of the Settlement Agreement, deliver to the former stockholders of RER an additional \$1.0 million in cash, common stock, or a combination thereof, at the Company's option, (v) within 24 months following the execution of the Settlement Agreement deliver to the former stockholders of RER an additional \$1.0 million in cash, common stock, or a combination thereof, at the Company's option, and (vi) file one or more registration statements with respect to the resale of the shares of the Company's common stock issued to the former stockholders of RER pursuant to the Settlement Agreement. On July 24, 2020, the Company issued 89,928 shares of common stock to the former stockholders of RER in satisfaction of all remaining liabilities under the Settlement Agreement.

### *Indemnification*

In the normal course of business, the Company periodically enters into agreements that require the Company to indemnify and defend its customers for, among other things, claims alleging that the Company's products infringe third-party patents or other intellectual property rights. The Company's maximum exposure under these indemnification provisions cannot be estimated but the Company does not believe that there are any matters individually or collectively that would have a material adverse effect on its condensed consolidated results of operations or financial condition.

## 11. Leases

### *Lessee*

The Company is a lessee in lease agreements for office space, automobiles and certain equipment. Certain of the Company's leases contain provisions that provide for one or more options to renew at the Company's sole discretion. The majority of the Company's leases are comprised of fixed lease payments, with a small percentage of its real estate leases including lease payments subject to a rate or index, which may be variable. Certain real estate leases also include executory costs such as common area maintenance (non-lease component). As a practical expedient permitted under the new guidance, ASC 842 *Leases*, ("ASC 842"), the Company has elected to account for the lease and non-lease components as a single lease component. Lease payments, which may include lease components and non-lease components, are included in the measurement of the Company's lease liabilities to the extent that such payments are either fixed amounts or variable amounts based on a rate or index (fixed in substance) as stipulated in the lease contract.

None of the Company's lease agreements contain any material residual value guarantees or material restrictive covenants. As a result of the Company's election of the package of practical expedients permitted within ASC 842, which among other things, allows for the carryforward of historical lease classification, all of the Company's lease agreements in existence at the date of adoption that were classified as operating leases under the legacy guidance, ASC 840, have been classified as operating leases under ASC 842. Lease expense for payments related to the Company's operating leases is recognized on a straight-line basis over the related lease term, which includes options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

**INSEEGO CORP.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

Right-of-use assets represent the Company's right to use an underlying asset during the lease term and lease liabilities represent the Company's obligation to make lease payments as specified in the lease. Right-of-use assets and lease liabilities related to the Company's operating leases are recognized at the lease commencement date based on the present value of the remaining lease payments over the lease term. When the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available surrounding the Company's borrowing rates at the lease commencement date in determining the present value of lease payments. The right-of-use asset also includes any lease payments made at or before lease commencement less any lease incentives. As of September 30, 2021, the Company had right-of-use assets of \$8.0 million and lease liabilities related to its operating leases of \$9.0 million. Right-of-use assets are included in right-of-use assets, net, on the condensed consolidated balance sheet and lease liabilities related to the Company's operating leases are included in accrued expenses and other liabilities and other long-term liabilities on the condensed consolidated balance sheet. As of September 30, 2021, the Company's weighted-average remaining lease term and weighted-average discount rate related to its operating leases were 5.3 years and 9.1%, respectively.

During the nine months ended September 30, 2021 and 2020, the cash paid for amounts included in the measurement of lease liabilities related to the Company's operating leases was approximately \$1.9 million and \$0.5 million, respectively, which is included as an operating cash outflow within the consolidated statements of cash flows. During the nine months ended September 30, 2021 and 2020, the operating lease costs related to the Company's operating leases were approximately \$1.0 million and \$0.7 million, respectively, which is included in operating costs and expenses in the condensed consolidated statements of operations.

The future minimum payments under operating leases were as follows as of September 30, 2021 (in thousands):

2021 (remainder)	\$	658
2022		2,379
2023		1,971
2024		1,823
2025		1,667
Thereafter		2,813
<b>Total minimum operating lease payments</b>		<b>11,311</b>
Less: amounts representing interest		(2,319)
<b>Present value of net minimum operating lease payments</b>		<b>8,992</b>
Less: current portion		(1,740)
<b>Long-term portion of operating lease obligations</b>	<b>\$</b>	<b>7,252</b>

The current and long term portion of operating lease obligations are classified within accrued expenses and other current liabilities and other long-term liabilities, respectively, on the condensed consolidated balance sheets.

*Lessor*

Monitoring device leases in which the Company serves as lessor are classified as operating leases. Accordingly, rental devices are carried at historical cost less accumulated depreciation and impairment, if any, and are included in rental assets, net, on the condensed consolidated balance sheets.

Since the lease components meet the criteria for an operating lease under ASC 842, the Company has elected the practical expedient to combine the lease and the non-lease components because the service is the predominant element in the eyes of the customer and the pattern of service delivery is the same for both elements. The Company accounts for the combined component as a single performance obligation under ASC 606, *Revenue from Contracts with Customers*.

**12. Income Taxes**

The Company's income tax (benefit) provision of \$(4,000) and \$0.2 million for the three months ended September 30, 2021 and 2020, respectively, and \$0.4 million and \$0.2 million for the nine months ended September 30, 2021 and 2020, respectively, consisted primarily of foreign income taxes at certain of the Company's international entities and minimum state taxes for its U.S.-based entities. The Company's income tax expense is different than the expected expense based on statutory rates primarily due to full valuation allowances at all of its U.S.-based entities and many of its foreign subsidiaries.

On March 11, 2021, Congress passed, and the President signed into law, the American Rescue Plan Act, 2021 (the "ARP"), which includes certain business tax provisions. The Company does not expect the ARP to have a material impact on the Company's effective tax rate or income tax expense for the year ending December 31, 2021.



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

### **Forward Looking Statements**

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). You should not place undue reliance on these statements. These forward-looking statements include statements that reflect the views of our senior management with respect to our current expectations, assumptions, estimates and projections about Inseego and our industry. These forward-looking statements speak only as of the date of this report. We disclaim any undertaking to publicly update or revise any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Statements that include the words "may," "could," "should," "would," "estimate," "anticipate," "believe," "expect," "preliminary," "intend," "plan," "project," "outlook," "will" and similar words and phrases identify forward-looking statements. Forward-looking statements address matters that involve risks and uncertainties that could cause actual results to differ materially from those anticipated in these forward-looking statements as of the date of this report. We believe that these factors include those related to:

- our ability to compete in the market for wireless broadband data access products, wireless modem products, and asset management, monitoring, telematics, vehicle tracking and fleet management products;
- our ability to develop and introduce new products and services successfully;
- our ability to meet the price and performance standards of the evolving 5G New Radio ("5G NR") products and technologies;
- our ability to expand our customer reach/reduce customer concentration;
- our ability to grow the Internet of Things ("IoT") and mobile portfolio outside of North America;
- our ability to grow our Ctrack/asset tracking solutions within North America;
- our dependence on a small number of customers for a substantial portion of our revenues;
- our ability to make scheduled payments on, or to refinance our indebtedness, including our convertible notes obligations;
- our ability to introduce and sell new products that comply with current and evolving industry standards and government regulations;
- our ability to develop and maintain strategic relationships to expand into new markets;
- our ability to properly manage the growth of our business to avoid significant strains on our management and operations and disruptions to our business;
- our reliance on third parties to manufacture our products;
- our contract manufacturer's ability to secure necessary supply to build our devices;
- increases in costs, disruption of supply or the shortage of semiconductors or other key components of our products;
- our ability to mitigate the impact of tariffs or other government-imposed sanctions;
- our ability to accurately forecast customer demand and order the manufacture and timely delivery of sufficient product quantities;
- our reliance on sole source suppliers for some products and devices used in our solutions;
- the continuing impact of uncertain global economic conditions on the demand for our products;
- the impact of geopolitical instability on our business;
- the emergence of global public health emergencies, such as the recent outbreak of the 2019 novel coronavirus (2019-nCoV), known as "COVID-19", which could extend lead times in our supply chain and lengthen sales cycles with our customers;
- direct and indirect effects of COVID-19 on our employees, customers and supply chain and the economy and financial markets;
- our ability to be cost competitive while meeting time-to-market requirements for our customers;
- our ability to meet the product performance needs of our customers in wireless broadband data access in industrial IoT ("IIoT") markets;

- demand for fleet, vehicle and asset management software-as-a-service (“SaaS”) telematics solutions;
- our dependence on wireless telecommunication operators delivering acceptable wireless services;
- the outcome of any pending or future litigation, including intellectual property litigation;
- infringement claims with respect to intellectual property contained in our solutions;
- our continued ability to license necessary third-party technology for the development and sale of our solutions;
- the introduction of new products that could contain errors or defects;
- conducting business abroad, including foreign currency risks;
- the pace of 5G wireless network rollouts globally and their adoption by customers;
- our ability to be successful in divesting assets or businesses we wish to sell;
- our ability to make focused investments in research and development; and
- our ability to hire, retain and manage additional qualified personnel to maintain and expand our business.

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this and other reports we file with or furnish to the Securities and Exchange Commission (“SEC”), including the information in “Item 1A. Risk Factors” included in Part I of our Annual Report on Form 10-K for the year ended December 31, 2020 (“Form 10-K”). If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate.

### **Trademarks**

“Inseego”, “Inseego Subscribe”, “Inseego Manage<sup>TM</sup>”, the Inseego logo, “Novatel Wireless”, the Novatel Wireless logo, “MiFi”, “MiFi Intelligent Mobile Hotspot”, “Inseego North America”, and “Skyus” are trademarks or registered trademarks of Inseego and its subsidiaries. Other trademarks, trade names or service marks used in this report are the property of their respective owners.

As used in this report on Form 10-Q, unless the context otherwise requires, the terms “we,” “us,” “our,” the “Company” and “Inseego” refer to Inseego Corp., a Delaware corporation, and its wholly and majority-owned subsidiaries.

The following information should be read in conjunction with the condensed consolidated financial statements and the accompanying notes included in Part I, Item 1 of this report, as well as the annual consolidated financial statements and accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2020, contained in our Form 10-K.

## **Business Overview**

Inseego Corp. is a leader in the design and development of fixed and mobile wireless solutions (advanced 4G and 5G NR), industrial IoT ("IIoT") and cloud solutions for Fortune 500 enterprises, service providers, small and medium-sized businesses, governments, and consumers around the globe. Our product portfolio consists of fixed and mobile device-to-cloud solutions that provide compelling, intelligent, reliable and secure end-to-end IoT services with deep business intelligence. Inseego's products and solutions, designed and developed in the U.S., power mission critical applications with a "zero unscheduled downtime" mandate, such as our 5G fixed wireless access ("FWA") gateway solutions, 4G and 5G mobile broadband, IIoT applications such as SD WAN failover management, asset tracking and fleet management services. Our solutions are powered by our key wireless innovations in mobile and FWA technologies, including a suite of products employing the 5G NR standards, and purpose-built SaaS cloud platforms.

We have been at the forefront of the ways in which the world stays connected and accesses information, and protects, and derives intelligence from that information. With multiple first-to-market innovations across a number of wireless technologies, including 5G, and a strong and growing portfolio of hardware and software innovations for IIoT solutions, Inseego has been advancing technology and driving industry transformations for over 30 years. It is this proven expertise, commitment to quality, obsession with innovation and a relentless focus on execution that makes us a preferred global partner of service providers, distributors, value-added resellers, system integrators, and enterprises worldwide.

On February 24, 2021, we entered into a Share Purchase Agreement (the "Purchase Agreement") with an affiliate of Convergence Partners ("Convergence"), an investment management firm in South Africa, to sell our Ctrack business operations in Africa, Pakistan and the Middle East (together, "Ctrack South Africa"), in an all-cash transaction for 528.9 million South African Rand ("ZAR") (approximately \$36.6 million United States Dollars).

On July 30, 2021, we completed the sale of Ctrack South Africa. Initial cash proceeds of \$36.6 million were received. Final cash proceeds were subject to certain post-closing working capital adjustments which totaled \$2.6 million, \$2.2 million of which was received on October 29, 2021, and the remaining \$0.4 million was offset with our existing accounts payable balance to Convergence. We recorded a receivable for such balance as of September 30, 2021.

## **Our Sources of Revenue**

We provide intelligent wireless 4G and 5G hardware products for the worldwide mobile communications and IIoT markets. Our hardware products address multiple vertical markets including private LTE/5G networks, the First Responders Network Authority/Firstnet, SD-WAN, telematics, remote monitoring and surveillance, and fixed wireless access and mobile broadband devices. Our broad range of products principally includes intelligent 4G and 5G fixed wireless routers and gateways, and mobile hotspots, and wireless gateways and routers for IIoT applications, Gb speed 4G LTE hotspots and USB modems, integrated telematics and mobile tracking hardware devices, which are supported by applications software and cloud services designed to enable customers to easily analyze data insights and configure/manage their hardware remotely. Our products currently operate on most major global cellular wireless networks. Our mobile hotspots sold under the MiFi brand have been sold to millions of end users, and provide subscribers with secure and convenient high-speed access to corporate, public and personal information through the Internet and enterprise networks. Our wireless standalone and USB modems and gateways allow us to address the rapidly growing and underpenetrated IoT market segments. Our telematics and mobile asset tracking hardware devices collect and control critical vehicle data and driver behaviors, and can reliably deliver that information to the cloud, all managed by our services enablement platforms.

Our MiFi customer base is comprised of wireless operators to whom we provide intelligent fixed and mobile wireless devices. These wireless operators include Verizon Wireless, T-Mobile, and UScellular in the United States, Rogers in Canada, Swisscom in Switzerland, Telstra in Australia, as well as other international wireless operators, distributors and various companies in other vertical markets and geographies.

We sell our wireless routers for IIoT, integrated telematics and mobile tracking hardware devices through our direct sales force, value-added resellers and through distributors. The customer base for our IIoT products is comprised of transportation companies, industrial enterprises, manufacturers, application service providers, system integrators and distributors in various industries, including fleet and vehicle transportation, aviation ground service management, energy and industrial automation, security and safety, medical monitoring and government. Integrated telematics and asset tracking devices are also sold under our Ctrack brand and provided as part of our integrated SaaS solutions.

We sell SaaS, software and services solutions across multiple mobile and IIoT vertical markets, including fleet management, vehicle telematics, stolen vehicle recovery, asset tracking, monitoring, business connectivity and subscription management. Our SaaS platforms are device-agnostic and provide a standardized, scalable way to order, connect and manage remote assets and to improve business operations. The platforms are flexible and support both on-premise server or cloud-based deployments and are the basis for the delivery of a wide range of IoT services in multiple industries.

We classify our revenues from the sale of our products and services into two distinct groupings, specifically IoT & Mobile Solutions and Enterprise SaaS Solutions. Both IoT & Mobile Solutions and Enterprise SaaS Solutions revenues include any hardware and software required for the respective solution. Effective in the third quarter ended on September 30, 2020, our IoT & Mobile Solutions now also includes our Device Management System, rebranded as Inseego Subscribe™, a hosted SaaS platform that helps organizations manage the selection, deployment and spend of their customer's wireless assets, helping them save money on personnel and telecom expenses.

Our SaaS delivery platforms include our Ctrack platforms, which provide fleet, vehicle, aviation, asset and other telematics applications. Since the sale of our Ctrack South Africa operations was completed on July 30, 2021, certain portions of our SaaS revenue will no longer be generated, but Inseego will continue to provide telematics solutions in the rest of the world, including in North America, Europe and Australia.

### **Factors Which May Influence Future Results of Operations**

*Net Revenues.* We believe that our future net revenues may be influenced by a number of factors including:

- economic environment and related market conditions;
- increased competition from other fleet and vehicle telematics solutions, as well as suppliers of emerging devices that contain wireless data access or device management features;
- acceptance of our products by new vertical markets;
- growth in the aviation ground vertical;
- rate of change to new products;
- deployment of 5G infrastructure equipment;
- adoption of 5G end point products;
- competition in the area of 5G technology;
- trade protection measures (such as tariffs and duties) and import or export licensing requirements;
- our contract manufacturer's ability to secure necessary supply to of semiconductors and other key components to build our devices;
- product pricing;
- the impact of the COVID-19 pandemic on our business; and
- the sale of our Ctrack South Africa operations;
- changes in technologies.

Our revenues are also significantly dependent upon the availability of materials and components used in our hardware products.

We anticipate introducing additional products during the next twelve months, including SaaS telematics solutions and additional service offerings, IoT hardware and services, and other mobile and fixed wireless devices targeting the emerging 5G market. We continue to develop and maintain strategic relationships with service providers and other wireless industry leaders such as Verizon Wireless, T-Mobile, Sprint, and Qualcomm. Through strategic relationships, we have been able to maintain market penetration by leveraging the resources of our channel partners, including their access to distribution resources, increased sales opportunities and market opportunities.

In December 2019, COVID-19 was reported to have surfaced in Wuhan, China, resulting in shutdowns of manufacturing and commerce globally in the months that followed. Since then, the COVID-19 pandemic has spread worldwide, and has resulted in authorities implementing numerous measures to try to contain the disease or slow its spread, such as travel bans and restrictions, quarantines, shelter-in-place orders and shutdowns.

The demand environment for our 5G products during the three months ended September 30, 2021 was consistent with our expectations, with continued demand for our products due to a dramatic increase around the world in remote or tele-work and learning due to the COVID-19 pandemic. Recently, our IoT & Mobile Solutions have experienced lower sales of LTE gigabit hotspots as COVID-19 pandemic demand have eased. The macroeconomic environment remains uncertain and the demand for our products in the prior year may not be sustainable for the long term. We will continue to monitor the implications of the COVID-19 pandemic on our business, as well as our customers' and suppliers' businesses.

**Cost of Net Revenues.** Cost of net revenues includes all costs associated with our contract manufacturers, distribution, fulfillment and repair services, delivery of SaaS services, warranty costs, amortization of intangible assets, royalties, operations overhead, costs associated with cancellation of purchase orders and costs related to outside services. Also included in cost of net revenues are costs related to inventory adjustments, as well as any write downs for excess and obsolete inventory and abandoned product lines. Inventory adjustments are impacted primarily by demand for our products, which is influenced by the factors discussed above.

**Operating Costs and Expenses.** Our operating costs consist of three primary categories: research and development; sales and marketing; and general and administrative costs.

Research and development is at the core of our ability to produce innovative, leading-edge products. These expenses consist primarily of engineers and technicians who design and test our highly complex products and the procurement of testing and certification services.

Sales and marketing expenses consist primarily of our sales force and product-marketing professionals. In order to maintain strong sales relationships, we provide co-marketing, trade show support and product training. We are also engaged in a wide variety of marketing activities, such as awareness and lead generation programs as well as product marketing. Other marketing initiatives include public relations, seminars and co-branding with partners.

General and administrative expenses include primarily corporate functions such as accounting, human resources, legal, administrative support and professional fees. This category also includes the expenses needed to operate as a publicly-traded company, including compliance with the Sarbanes-Oxley Act of 2002, as amended, SEC filings, stock exchange fees and investor relations expense. Although general and administrative expenses are not directly related to revenue levels, certain expenses, such as legal expenses and provisions for bad debts, may cause significant volatility in future general and administrative expenses, which may, in turn, impact net revenue levels.

As part of our business strategy, we may review acquisition or divestiture opportunities that we believe would be advantageous or complementary to the development of our business. Given our current cash position and recent losses, any additional acquisitions we make would likely involve issuing stock in order to provide the purchase consideration for the acquisitions. If we make any additional acquisitions, we may incur substantial expenditures in conjunction with the acquisition process and the subsequent assimilation of any acquired business, products, technologies or personnel.

### Critical Accounting Policies and Estimates

In the notes to our consolidated financial statements and in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Form 10-K, we have disclosed those accounting policies that we consider to be significant in determining our results of operations and financial condition. There have been no material changes to those policies that we consider to be significant since the filing of our Form 10-K. The accounting principles used in preparing our unaudited condensed consolidated financial statements conform in all material respects to accounting principles generally accepted in the U.S.

### Results of Operations

#### Three Months Ended September 30, 2021 Compared to Three Months Ended September 30, 2020

**Net revenues.** Net revenues for the three months ended September 30, 2021 were \$66.2 million, compared to \$90.2 million for the same period in 2020.

The following table summarizes net revenues by our two product categories (in thousands):

Product Category	Three Months Ended September 30,		Change	
	2021	2020	\$	%
IoT & Mobile Solutions	\$ 56,975	\$ 77,342	\$ (20,367)	(26.3)%
Enterprise SaaS Solutions	9,242	12,898	(3,656)	(28.3)%
Total	\$ 66,217	\$ 90,240	\$ (24,023)	(26.6)%

**IoT & Mobile Solutions.** The decrease in IoT & Mobile Solutions net revenues is primarily due to decreases in our enterprise and carrier offerings within IoT & Mobile Solutions, and lower sales of LTE gigabit hotspots as COVID-19 pandemic demand eased, partially offset by increased sales of our second-generation 5G hotspot related to our MiFi business and increased revenues in our Inseego Subscribe business due to subscriber growth.

**Enterprise SaaS Solutions.** Enterprise SaaS Solutions net revenues decreased year-over-year as a result of the divestiture of Ctrack South Africa as of July 30, 2021. SaaS revenue was no longer generated in South Africa beginning in August 2021. We will continue to provide telematics solutions in the rest of the world, including in Europe and Australia. Such impact was partially offset by an increase in Enterprise SaaS Solutions net revenue throughout the rest of the world, as a result of the lifting of COVID-19 related installation restrictions in fiscal 2021.

**Cost of net revenues.** Cost of net revenues for the three months ended September 30, 2021 was \$47.3 million, or 71.4% of net revenues, compared to \$65.1 million, or 72.1% of net revenues, for the same period in 2020.

The following table summarizes cost of net revenues by our two product categories (in thousands):

Product Category	Three Months Ended September 30,		Change	
	2021	2020	\$	%
IoT & Mobile Solutions	\$ 43,595	\$ 60,135	\$ (16,540)	(27.5)%
Enterprise SaaS Solutions	3,679	4,935	(1,256)	(25.5)%
<b>Total</b>	<b>\$ 47,274</b>	<b>\$ 65,070</b>	<b>\$ (17,796)</b>	<b>(27.3)%</b>

**IoT & Mobile Solutions.** The decrease in IoT & Mobile Solutions cost of net revenues is primarily a result of lower sales of LTE gigabit hotspots.

**Enterprise SaaS Solutions.** Enterprise SaaS Solutions cost of net revenues decreased by \$1.3 million compared to the same period in 2020 primarily due to lower sales of Enterprise SaaS Solutions as a result of the divestiture of Ctrack South Africa on July 30, 2021.

**Gross profit.** Gross profit for the three months ended September 30, 2021 was \$18.9 million, or a gross margin of 28.6%, compared to \$25.2 million, or a gross margin of 27.9%, for the same period in 2020. The increase in gross margin was primarily attributable to the more favorable mix of our product offerings, as well as favorable margins on our Inseego Subscribe revenue, partially offset by a decrease in Enterprise SaaS Solutions as a result of the sale of Ctrack South Africa, which has a higher gross profit.

**Research and development expenses.** Research and development expenses for the three months ended September 30, 2021 were \$12.6 million, or 19.1% of net revenues, compared to \$10.7 million, or 11.8% of net revenues, for the same period in 2020. The increase was primarily a result of staffing, test units, and other development spending related to our 5G product programs.

**Sales and marketing expenses.** Sales and marketing expenses for the three months ended September 30, 2021 were \$9.2 million, or 13.9% of net revenues, compared to \$8.4 million, or 9.4% of net revenues, for the same period in 2020. The increase was primarily a result of higher spend on the marketing of our 5G products. The increase in sales and marketing expenses was partially offset by the decrease of payroll costs for Ctrack South Africa employees, given the divestiture was completed on July 30, 2021. See Note 4. *Business Divestiture*.

**General and administrative expenses.** General and administrative expenses for the three months ended September 30, 2021 were \$6.6 million, or 10.0% of net revenues, compared to \$8.7 million, or 9.6% of net revenues, for the same period in 2020. The decrease was primarily due to the decrease in payroll costs for Ctrack South Africa employees, given the divestiture was completed on July 30, 2021. See Note 4. *Business Divestiture*. The decrease in general and administrative expenses was partially offset by the impact of bonus grants to employees who contributed to completion of the Ctrack South Africa sale. See Note 6. *Share-based Compensation* in the accompanying unaudited condensed consolidated financial statements for further information.

**Amortization of purchased intangible assets.** Amortization of purchased intangible assets for the three months ended September 30, 2021 and 2020 was \$0.5 million and \$0.8 million, respectively. The decrease was primarily as a result of certain purchased intangible assets being fully amortized as of the fourth quarter of 2020.

**Gain on sale of Ctrack South Africa.** Gain on sale of Ctrack South Africa during the three months ended September 30, 2021 was \$5.3 million, related to the gain recognized on sale of Ctrack South Africa, while there was no such gain for the same period in fiscal 2020.

**Loss on debt conversion and extinguishment, net.** The loss on debt conversion and extinguishment, net of \$1.2 million during the three months ended September 30, 2020 was primarily related to the extinguishment of the 2022 Notes, while there was no such expense for the same period in fiscal 2021.

**Interest expense, net.** Interest expense, net, for the three months ended September 30, 2021 and 2020 was \$1.7 million and \$1.7 million, respectively.

**Other income (expense), net.** Other expense, net, for the three months ended September 30, 2021 was \$0.8 million, which primarily includes the fair value adjustment related to our interest make-whole arrangement, as well as transaction costs incurred related to the sale of Ctrack South Africa. For the same period in 2020, other income, net, was \$1.1 million, which primarily includes the fair value adjustment related to our interest make-whole arrangement.

**Income tax (benefit) provision.** The income tax benefit of \$4,000 for the three months ended September 30, 2021 and the income tax provision of \$0.2 million for the same period in 2020, respectively, primarily relate to provision in fiscal 2021 or benefits in fiscal 2020 from certain of our entities in foreign jurisdictions.

**Net income attributable to noncontrolling interests.** There was no net income or loss attributable to noncontrolling interests for the three months ended September 30, 2021, compared to a net income attributable to noncontrolling interests of \$3,000 for the same period in 2020, due to the sale of the noncontrolling interests as part of the sale of Ctrack South Africa.

**Series E preferred stock dividends and deemed dividends from the preferred stock exchange.** During the three months ended September 30, 2021 and 2020, we recorded dividends of \$1.8 million and \$0.8 million, respectively, on our Fixed-Rate Cumulative Perpetual Preferred Stock, Series E, par value \$0.001 per share (the "Series E Preferred Stock"). The increase was primarily attributable to the impact of the deemed dividend of \$1.1 million as part of the preferred stock exchange, offset by a decrease in the recurring preferred stock dividends as 10,000 shares of the original 35,000 shares of preferred stock were extinguished in September 2021, resulting in a lower preferred stock dividend accrued in September 2021. See Note 8. *Private Placements and Public Offering* in the accompanying unaudited condensed consolidated financial statements for further information.

#### Nine Months Ended September 30, 2021 Compared to Nine Months Ended September 30, 2020

**Net revenues.** Net revenues for the nine months ended September 30, 2021 were \$189.5 million, compared to \$227.8 million for the same period in 2020.

The following table summarizes net revenues by our two product categories (in thousands):

Product Category	Nine Months Ended September 30,		Change	
	2021	2020	\$	%
IoT & Mobile Solutions	151,770	\$ 189,071	\$ (37,301)	(19.7) %
Enterprise SaaS Solutions	37,737	38,698	(961)	(2.5) %
Total	\$ 189,507	\$ 227,769	\$ (38,262)	(16.8) %

**IoT & Mobile Solutions.** The decrease in IoT & Mobile Solutions net revenues is primarily due to decreases in our enterprise and carrier offerings within IoT & Mobile Solutions, and lower sales of LTE gigabit hotspots as COVID-19 pandemic demand eased, partially offset by increased sales of our second-generation 5G hotspots related to our MiFi business and increased revenues in our Inseego Subscribe business due to subscriber growth.

**Enterprise SaaS Solutions.** Enterprise SaaS Solutions net revenues decreased year-over-year due to divestiture of Ctrack South Africa as of July 30, 2021, SaaS revenue was no longer generated in Ctrack South Africa beginning in August 2021. This decrease was partially offset by an increase in Enterprise SaaS Solutions net revenue throughout the rest of the world, as a result of the lifting of COVID-19 related installation restrictions in fiscal 2021.

**Cost of net revenues.** Cost of net revenues for the nine months ended September 30, 2021 was \$131.7 million or 69.5% of net revenues, compared to \$163.4 million or 71.7% of net revenues, for the nine months ended September 30, 2020.

The following table summarizes cost of net revenues by our two product categories (in thousands):

Product Category	Nine Months Ended September 30,		Change	
	2021	2020	\$	%
IoT & Mobile Solutions	116,777	148,414	(31,637)	(21.3) %
Enterprise SaaS Solutions	14,965	14,958	7	0.0 %
Total	\$ 131,742	\$ 163,372	\$ (31,630)	(19.4) %

**IoT & Mobile Solutions.** The decrease in IoT & Mobile Solutions cost of net revenues is primarily a result of the decreased sales in our LTE gigabit hotspots.

**Enterprise SaaS Solutions.** Enterprise SaaS Solutions cost of net revenues was consistent compared to the same period in 2020, primarily due to an increase in Enterprise SaaS Solutions net revenue as a result of the lifting of COVID-19 related installation restrictions in fiscal 2021, which was partially offset by lower sales of Enterprise SaaS Solutions as a result of the divestiture of Ctrack South Africa on July 30, 2021.

**Gross profit.** Gross profit for the nine months ended September 30, 2021 was \$57.8 million, or a gross margin of 30.5%, compared to \$64.4 million, or a gross margin of 28.3%, for the same period in 2020. The increase in gross margin was primarily attributable to the favorable mix of our product offerings, as well as favorable margins on our Inseego Subscribe revenue.

**Research and development expenses.** Research and development expenses for the nine months ended September 30, 2021 were \$39.0 million, or 20.6% of net revenues, compared to \$29.4 million, or 12.9% of net revenues, for the same period in 2020. The increase was primarily a result of staffing, test units, other development spending related to 5G product programs, and an increase in the amount of bonus grants awarded to eligible employees during the nine months ended September 30, 2021 compared to the amount of bonus grants awarded to eligible employees during the nine months ended September 30, 2020. See Note 6. *Share-based Compensation* in the accompanying unaudited condensed consolidated financial statements for further information.

**Sales and marketing expenses.** Sales and marketing expenses for the nine months ended September 30, 2021 were \$30.0 million, or 15.8% of net revenues, compared to \$25.8 million, or 11.3% of net revenues, for the same period in 2020. The increase was primarily a result of higher spend on marketing 5G products, and the amount of bonus grants to eligible employees during the nine months ended September 30, 2021 compared to the amount of bonus grants awarded to eligible employees during the nine months ended September 30, 2020. See Note 6. *Share-based Compensation* in the accompanying unaudited condensed consolidated financial statements for further information. The increase in sales and marketing expenses was partially offset by decrease of payroll costs for Ctrack South Africa employees, given the divestiture was completed on July 30, 2021.

**General and administrative expenses.** General and administrative expenses for the nine months ended September 30, 2021 were \$22.7 million, or 12.0% of net revenues, compared to \$23.3 million, or 10.2% of net revenues, for the same period in 2020. The decrease was primarily a result of the decrease of payroll costs for Ctrack South Africa employees, given the divestiture was completed on July 30, 2021, offset by the impact of bonus grants awarded to employees who contributed to completion of the Ctrack South Africa sale.

**Amortization of purchased intangible assets.** Amortization of purchased intangible assets for each of the nine months ended September 30, 2021 and 2020 was \$1.6 million and \$2.4 million, respectively. The decrease was primarily as a result of certain purchased intangible assets being fully amortized as of the fourth quarter of 2020.

**Impairment of capitalized software.** During the nine months ended September 30, 2021, we recorded a loss of \$1.2 million on capitalized software development costs. There was no such expense for the same period in 2020.

**Gain on sale of Ctrack South Africa.** Gain on sale of Ctrack South Africa during the nine months ended September 30, 2021 was \$5.3 million, related to the gain recognized on sale of Ctrack South Africa, while there was no such gain for the same period in fiscal 2020.

**Loss on debt conversion and extinguishment.** The loss on debt conversion and extinguishment, net for each of the nine months ended September 30, 2021 and 2020 was \$0.4 million and \$76.4 million, respectively, and primarily represents the loss on debt conversion of the 2025 Notes and debt conversion and extinguishment of the 2022 Notes, respectively.

**Interest expense, net.** Interest expense, net for each of the nine months ended September 30, 2021 and 2020 was \$5.2 million and \$8.2 million, respectively. The decrease in interest expense was primarily due to the lower interest rate on the 2025 Notes, as compared to the 2022 Notes and our previous term loan, partially offset by the higher principal amount of the 2025 Notes.

**Other income (expense), net.** Other income, net, for each of the nine months ended September 30, 2021 and 2020 was \$0.3 million and \$2.8 million, respectively, which primarily includes the fair value adjustment related to our interest make-whole arrangement, transaction costs related to the divestiture of Ctrack South Africa, and foreign currency transaction gains and losses.

**Income tax (benefit) provision.** The income tax provision of \$0.4 million for the nine months ended September 30, 2021 and the income tax provision of \$0.2 million for the nine months ended September 30, 2020, respectively, primarily relate to certain of our entities in foreign jurisdictions.



**Net income attributable to noncontrolling interests.** Net income attributable to noncontrolling interests for the nine months ended September 30, 2021 was \$0.2 million, compared to a net income attributable to noncontrolling interests of \$29,000 for the same period in 2020, due to the sale of the noncontrolling interests as part of the sale of Ctrack South Africa.

**Series E preferred stock dividends and deemed dividends from the preferred stock exchange.** During the nine months ended September 30, 2021, and 2020 we recorded dividends of \$3.6 million and \$2.1 million, respectively, on our Series E Preferred Stock. The increase was primarily attributable to the additional shares of Series E Preferred Stock issued in March 2020, and the impact of deemed dividend of \$1.1 million as part of the preferred stock exchange. See Note 8. *Private Placements and Public Offering* in the accompanying unaudited condensed consolidated financial statements for further information.

### **Liquidity and Capital Resources**

As of September 30, 2021, we had available cash and cash equivalents totaling \$58.1 million, excluding restricted cash of \$3.5 million, and working capital of \$61.2 million.

On March 6, 2020, we issued and sold 25,000 shares of Series E Preferred Stock for an aggregate purchase price of \$25.0 million.

In the first quarter of 2020, \$59.9 million of our 5.5% convertible senior notes due 2022 (the “2022 Notes” formerly referred to as the “Inseego Notes”) were exchanged for common stock in private exchange transactions. Additionally, in the second quarter of 2020, we restructured our outstanding debt by completing a \$100.0 million registered public offering (the “Offering”) of 3.25% convertible senior notes due 2025 (the “2025 Notes”) and also entered into privately-negotiated exchange agreements (the “May Exchange Agreements”), pursuant to which an aggregate of \$45.0 million in principal amount of the 2022 Notes were exchanged for an aggregate of \$32.0 million in cash and \$80.4 million in principal amount of the 2025 Notes (the “May Private Exchange Transactions”). We also used a portion of the proceeds from the Offering to repay in full our previous term loan. In the third quarter of 2020, we redeemed the remaining \$2,000 principal amount of the 2022 Notes.

As of September 30, 2021, our outstanding debt primarily consisted of \$161.9 million in principal amount of 2025 Notes.

On January 25, 2021, we entered into an Equity Distribution Agreement with Canaccord Genuity LLC (the “Agent”), pursuant to which we may offer and sell, from time to time, through or to the Agent, up to \$40.0 million of shares of our common stock (the “ATM Offering”). In January 2021, we sold 1,516,073 shares of common stock, at an average price of \$20.11 per share, for net proceeds of \$29.4 million, after deducting underwriter fees and discounts of \$0.9 million, and other offering fees, pursuant to the ATM Offering.

On July 30, 2021, we completed the sale of Ctrack South Africa. Initial cash proceeds of \$36.6 million were received. Final cash proceeds were subject to certain post-closing working capital adjustments which totaled \$2.6 million, \$2.2 million of which was received on October 29, 2021, and the remaining \$0.4 million was offset with our existing accounts payable balance to Convergence. We recorded a receivable for such balance as of September 30, 2021.

We have a history of operating and net losses and overall usage of cash from operating and investing activities. Our management believes that our cash and cash equivalents, together with anticipated cash flows from operations, will be sufficient to meet our cash flow needs for the next twelve months from the filing date of this report. Our ability to attain more profitable operations and continue to generate positive cash flow is dependent upon achieving a level and mix of revenues adequate to support our evolving cost structure. If events or circumstances occur such that we do not meet its operating plan as expected, or if we become obligated to pay unforeseen expenditures as a result of ongoing litigation, we may be required to raise capital, reduce planned research and development activities, incur additional restructuring charges or reduce other operating expenses which could have an adverse impact on our ability to achieve our intended business objectives.

Our liquidity could be impaired if there is any interruption in our business operations, a material failure to satisfy our contractual commitments or a failure to generate revenue from new or existing products. There can be no assurance that any required or desired restructuring or financing will be available on terms favorable to us, or at all. Additionally, we are uncertain of the full extent to which the COVID-19 pandemic will impact our business, operations and financial results.

### **Contractual Obligations and Commitments**

There were no material changes in our contractual obligations in the third quarter of 2021.

### **Convertible Notes**

#### **2025 Notes**

On May 12, 2020, we completed a registered public Offering of \$100.0 million aggregate principal amount of 2025 Notes.

On May 12, 2020, we also entered into the May Exchange Agreements with certain holders of the 2022 Notes. Pursuant to the May Exchange Agreements, each of these noteholders agreed to exchange the 2022 Notes that they held (representing an aggregate of \$45.0 million principal amount of 2022 Notes with an estimated fair value of approximately \$112.4 million as of the date of exchange) for an aggregate of \$32.0 million in cash and \$80.4 million principal amount of 2025 Notes in the concurrent May Private Exchange Transactions. The 2025 Notes issued in the May Private Exchange Transactions are part of the same series as the 2025 Notes issued in the Offering.

We issued the 2025 Notes under an indenture, dated May 12, 2020 (the “Base Indenture”), between Inseego Corp. and Wilmington Trust, National Association, as trustee (the “Trustee”), as supplemented by the first supplemental indenture, dated May 12, 2020 (the “Supplemental Indenture” and, together with the Base Indenture, the “Indenture”), between us and the Trustee.

The 2025 Notes will mature on May 1, 2025, unless earlier repurchased, redeemed or converted. The 2025 Notes are senior unsecured obligations of Inseego Corp. and bear interest at an annual rate of 3.25%, payable semi-annually in arrears on May 1 and November 1 of each year, beginning on November 1, 2020.

Holders of the 2025 Notes may convert the 2025 Notes into shares of our common stock (together with cash in lieu of any fractional share), at their option, at any time until the close of business on the scheduled trading day immediately before the maturity date. Upon conversion of the 2025 Notes, we will deliver for each \$1,000 principal amount of 2025 Notes converted a number of shares of common stock (together with cash in lieu of any fractional share), equal to the conversion rate.

The initial conversion rate for the 2025 Notes is 79.2896 shares of common stock per \$1,000 principal amount of 2025 Notes, which represents an initial conversion price of approximately \$12.61 per share, and is subject to adjustment upon the occurrence of certain events, including, but not limited to, certain stock dividends, splits and combinations, the issuance of certain rights, options or warrants to holders of the common stock, certain distributions of assets, debt securities, capital stock or other property to holders of the common stock, cash dividends on the common stock and certain Company tender or exchange offers.

Holders of the 2025 Notes who convert their 2025 Notes may also be entitled to receive, under certain circumstances, an interest make-whole payment payable in, at our election, either cash or shares of the Common Stock (together with cash in lieu of any fractional share).

If a fundamental change (as defined in the Indenture) occurs at any time prior to the maturity date, then the noteholders may require us to repurchase their 2025 Notes at a cash repurchase price equal to the principal amount of the 2025 Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date. If a make-whole fundamental change (as defined in the Indenture) occurs, then we will in certain circumstances increase the conversion rate for a specified period of time.

The 2025 Notes will be redeemable, in whole or in part, at our option at any time, and from time to time, on or after May 6, 2023 and on or before the scheduled trading day before the maturity date, at a cash redemption price equal to the principal amount of the 2025 Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, as long as the last reported sale price per share of the common stock exceeds 130% of the conversion price on (i) each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date we send the related redemption notice; and (ii) the trading day immediately before the date we send such notice.

The Indenture contains customary events of default. If an event of default (other than certain events of bankruptcy, insolvency or reorganization involving Inseego Corp.) occurs and is continuing, the Trustee, by notice to Inseego Corp., or the holders of the 2025 Notes representing at least 25% in aggregate principal amount of the outstanding 2025 Notes, by notice to Inseego Corp. and the Trustee, may declare 100% of the principal of, and all accrued and unpaid interest on, all of the then outstanding 2025 Notes to be due and payable immediately. Upon the occurrence of certain events of bankruptcy, insolvency or reorganization involving Inseego Corp., 100% of the principal of, and all accrued and unpaid interest on, all of the then outstanding 2025 Notes will automatically become immediately due and payable. Notwithstanding the foregoing, the Indenture provides that, to the extent we elect, the sole remedy for an event of default relating to certain failures by us to comply with certain reporting covenants in the Indenture will, for the first 360 days after such event of default, consist exclusively of the right to receive additional interest on the 2025 Notes.

#### *Historical Cash Flows*

The following table summarizes our unaudited condensed consolidated statements of cash flows for the periods indicated (in thousands):

	Nine Months Ended September 30,	
	2021	2020
Net cash (used in) provided by operating activities	\$ (14,757)	\$ 16,712
Net cash provided by (used in) investing activities	7,665	(24,973)
Net cash provided by financing activities	28,979	40,754
Effect of exchange rates on cash	(293)	(2,573)
Net increase in cash, cash equivalents and restricted cash	21,594	29,920
Cash, cash equivalents and restricted cash, beginning of period	40,015	12,074
Cash, cash equivalents, and restricted cash, end of period	\$ 61,609	\$ 41,994

**Operating activities.** Net cash used in operating activities was \$14.8 million for the nine months ended September 30, 2021, compared to net cash provided by operating activities of \$16.7 million for the same period in 2020. Net cash used in operating activities for the nine months ended September 30, 2021 was primarily attributable to net loss incurred during the period, net cash used by working capital, gain on the sale of Ctrack South Africa, and fair value adjustment on derivative instrument, partially offset by depreciation and amortization, share-based compensation expense, impairment of capitalized software, and the amortization of debt discount and debt issuance costs. Net cash provided by operating activities for the nine months ended September 30, 2020 was primarily attributable to net cash provided by working capital, non-cash loss on debt conversion and extinguishment, depreciation and amortization, including the amortization of debt discount and debt issuance costs, and share-based compensation expense, offset by net loss and a non-cash fair value adjustment on derivative instrument.

**Investing activities.** Net cash provided by investing activities during the nine months ended September 30, 2021 was \$7.7 million, compared to net cash used in investing activities of \$25.0 million for the same period in 2020. Cash provided by investing activities during the nine months ended September 30, 2021 was primarily related to the net proceeds from the sale of Ctrack South Africa, and proceeds from the sale of property, plant, and equipment, partially offset by purchases of property, plant and equipment and spending on certain costs related to the research and development of software to be sold in our products, in large part due to the increase in development in support of 5G products and services. Cash used in investing activities during the same period in 2020 was primarily related to the purchases of property, plant and equipment and spending on certain costs related to the research and development of software to be sold in our products, in large part due to the increase in development in support of 5G products and services.

**Financing activities.** Net cash provided by financing activities during the nine months ended September 30, 2021 was \$29.0 million, compared to net cash provided by financing activities of \$40.8 million for the same period in 2020. Net cash provided by financing activities during the nine months ended September 30, 2021 was primarily related to net proceeds received from the ATM Offering, proceeds from stock option exercises and purchases through our employee stock purchase plan, partially offset by the principal payments under finance lease obligations and taxes paid on vested restricted stock units. Net cash provided by financing activities for the same period in 2020 was primarily related to net proceeds received from the Offering, the May Private Exchange Transactions, the issuance of Series E preferred stock, the exercise of warrants to purchase common stock and stock option exercises and purchases through our employee stock purchase plan, partially offset by the repurchase of Series E preferred stock, principal payments under finance lease obligations and taxes paid on vested restricted stock units, payoff of the Term Loan of \$48.8 million and payment of \$32.0 million in cash for the May Private Exchange Transactions.

#### *Off-Balance Sheet Arrangements*

We do not engage in any off-balance sheet arrangements.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

The Company is exposed to market risk in the ordinary course of our business. Our revenue, earnings, cash flows, receivables, and payables are subject to fluctuations due to changes in foreign currency exchange rates. The ongoing COVID-19 pandemic has increased the volatility of global financial markets, which may increase our foreign currency exchange risk.

#### **Foreign Currency Exchange Risk**

The Company's results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. A majority of the Company's revenue is denominated in U.S. dollars, and therefore, our revenue is not directly

subject to foreign currency risk. However, as we have operations in foreign countries, primarily in Europe, a stronger U.S. dollar could make our products and services more expensive in foreign countries and therefore reduce demand. A weaker U.S. dollar could have the opposite effect. Such economic exposure to currency fluctuations is difficult to measure or predict because our sales are also influenced by many other factors.

For the nine months ended September 30, 2021, sales denominated in foreign currencies were approximately 20.4% of total revenue. The Company's expenses are generally denominated in the currencies in which our operations are located, which is primarily in the U.S. and to a lesser extent in Europe. The Company's results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. These foreign functional currencies consist of the South African Rand, pound sterling, Euro, and Australian Dollar (collectively, the "Foreign Functional Currencies"). For the nine months ended September 30, 2021, a hypothetical 10% change in Foreign Functional Currency exchange rates would have increased or decreased our revenue by approximately \$3.8 million. Actual gains and losses in the future may differ materially from the hypothetical gains and losses discussed above based on changes in the timing and amount of foreign currency exchange rate movements. Additionally, with the completion of Ctrack South Africa operations divestiture, our foreign exchange risk is expected to decrease. Net foreign currency translation losses of \$1.9 million were recorded for the nine months ended September 30, 2021.

#### **Item 4. Controls and Procedures.**

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

The Company maintains disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) promulgated under the Exchange Act, that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15(b) promulgated under the Exchange Act, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of September 30, 2021, the end of the period covered by this report. Based on the foregoing, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2021.

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

There were no changes in the Company's internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act, during the three months ended September 30, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II—OTHER INFORMATION**

### **Item 1. *Legal Proceedings.***

The disclosure in Note 10, *Commitments and Contingencies*, in the accompanying unaudited condensed consolidated financial statements includes a discussion of our legal proceedings and is incorporated herein by reference.

The Company is also engaged in various other legal actions arising in the ordinary course of our business and, while there can be no assurance, the Company currently believes that the ultimate outcome of these other legal actions will not have a material adverse effect on its business, results of operations, financial condition or cash flows.

### **Item 1A. *Risk Factors.***

There have been no material changes in our risk factors from those disclosed in “Item 1A. Risk Factors” of the Form 10-K, Form 10-Q, and other reports that we have filed with the SEC. Any of the risks discussed in such reports, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, could materially and adversely affect our results of operations, financial condition or prospects.

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

None, except as previously disclosed in the Company’s Current Reports on Form 8-K, and except for the issuance described below.

On September 30, 2021, the Company issued 11,058 shares of common stock to TechCXO, LLC for services rendered to the Company by Robert G. Barbieri, as Interim Chief Financial Officer, in a transaction exempt from registration pursuant to Section 4(a)(2) of the Securities Act.

### **Item 3. *Defaults Upon Senior Securities.***

None.

### **Item 4. *Mine Safety Disclosures.***

Not applicable.

### **Item 5. *Other Information.***

None.

**Item 6. Exhibits.**

<b>Exhibit No.</b>	<b>Description</b>
2.1	<a href="#"><u>Share Purchase Agreement, dated as of February 24, 2021, by and between Inseego Corp. and Main Street 1816 Proprietary Limited (in the process of being renamed Convergence CTSA Proprietary Limited)(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed February 25, 2021).</u></a>
2.2	<a href="#"><u>Third Addendum dated June 30, 2021 to the Share Purchase Agreement dated February 24, 2021 between Main Street 1816 Proprietary Limited (in the process of being renamed Convergence CTSA Proprietary Limited) and Inseego Corp. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 30, 2021).</u></a>
2.3	<a href="#"><u>Second Addendum dated April 30, 2021 to the Share Purchase Agreement dated February 24, 2021 between Main Street 1816 Proprietary Limited (in the process of being renamed Convergence CTSA Proprietary Limited) and Inseego Corp. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed June 30, 2021).</u></a>
2.4	<a href="#"><u>First Addendum dated March 17, 2021 to the Share Purchase Agreement dated February 24, 2021 between Main Street 1816 Proprietary Limited (in the process of being renamed Convergence CTSA Proprietary Limited) and Inseego Corp. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed June 30, 2021).</u></a>
3.1	<a href="#"><u>Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed November 9, 2016).</u></a>
3.2	<a href="#"><u>Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed November 9, 2016).</u></a>
3.3	<a href="#"><u>Certificate of Designation of Series D Junior Participating Preferred Stock of Inseego Corp. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed January 22, 2018).</u></a>
3.4	<a href="#"><u>Certificate of Designation of Series E Fixed-Rate Cumulative Perpetual Preferred Stock filed with the Secretary of State of the State of Delaware on August 8, 2019 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed August 13, 2019).</u></a>
3.5	<a href="#"><u>Certificate of Amendment to Certificate of Designation of Series E Fixed-Rate Cumulative Perpetual Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed March 10, 2020).</u></a>
10.1	<a href="#"><u>Amended Inseego Corp. 2018 Omnibus Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed July 30, 2021).</u></a>
10.2	<a href="#"><u>Independent Contractor Services Agreement, dated as of August 5, 2021(incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, filed August 5, 2021).</u></a>
10.3	<a href="#"><u>Form of Exchange Agreement, dated September 3, between Inseego Corp. and certain investors holding the Company's Series E Fixed-Rate Cumulative Perpetual Preferred Stock (incorporated by reference to Exhibit 1.2 to the Company's Current Report on Form 8-K, filed September 3, 2021).</u></a>
10.4	<a href="#"><u>Offer Letter dated October 13, 2021 between Inseego Corp. and Robert G. Barbieri</u></a>
10.5	<a href="#"><u>Form of Inducement Stock Option Agreement, by and between Inseego Corp. and Robert G. Barbieri.</u></a>
10.6	<a href="#"><u>Change in Control Agreement dated October 25, 2021 between Inseego Corp. and Robert G. Barbieri.</u></a>
31.1*	<a href="#"><u>Certification of our Principal Executive Officer adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2*	<a href="#"><u>Certification of our Principal Financial Officer adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1#	<a href="#"><u>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.</u></a>
32.2#	<a href="#"><u>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.</u></a>
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.

<b>Exhibit No.</b>	<b>Description</b>
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).
*	Filed herewith.
#	Furnished herewith





**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**  
**Pursuant to Rule 13a-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Dan Mondor, certify that:

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

Date: November 4, 2021

/s/ Dan Mondor

**Dan Mondor**

*Chief Executive Officer*

*(principal executive officer)*

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**  
**Pursuant to Rule 13a-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Robert G. Barbieri, certify that:

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

Date: November 4, 2021

/s/ Robert G. Barbieri

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**Robert G. Barbieri**

*Chief Financial Officer*  
*(principal financial officer)*

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

I, Dan Mondor, Chief Executive Officer of Inseego Corp. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2021

/s/ Dan Mondor

**Dan Mondor**

*Chief Executive Officer*

*(principal executive officer)*

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

I, Robert G. Barbieri, Chief Financial Officer of Inseego Corp. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2021

/s/ Robert G. Barbieri

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**Robert G. Barbieri**  
*Chief Financial Officer*  
*(principal financial officer)*