# 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 June 30, 2022**

**OR**

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

**For the transition period from __________ to _________ .**

**Commission File Number: 001-38358**

# INSEEGO CORP.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **81-3377646** |
| **(State or Other Jurisdiction of Incorporation or Organization)** | **(I.R.S. Employer Identification No.)** |
| **9710 Scranton Road, Suite 200 San Diego, California** | **92121** |
| **(Address of Principal Executive Offices)** | **(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 | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

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

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

The number of shares of the registrant's common stock outstanding as of August 2, 2022 was 107,665,368.

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## PART I—FINANCIAL INFORMATION

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

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

| | June 30, 2022 (Unaudited) | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 21,090 | $ 46,474 |
| Restricted cash | 3,270 | 3,338 |
| Accounts receivable, net of allowance for doubtful accounts of $343 and $408, respectively | 22,491 | 26,781 |
| Inventories | 46,977 | 37,402 |
| Prepaid expenses and other | 10,424 | 13,624 |
| Total current assets | 104,252 | 127,619 |
| Property, plant and equipment, net of accumulated depreciation of $24,124 and $26,692, respectively | 6,930 | 8,102 |
| Rental assets, net of accumulated depreciation of $6,476 and $5,392, respectively | 4,613 | 4,575 |
| Intangible assets, net of accumulated amortization of $58,807 and $48,404, respectively | 46,008 | 46,995 |
| Goodwill | 21,922 | 20,336 |
| Right-of-use assets, net | 6,985 | 7,839 |
| Other assets | 566 | 377 |
| Total assets | $ 191,276 | $ 215,843 |
| **LIABILITIES AND STOCKHOLDERS' DEFICIT** | | |
| Current liabilities: | | |
| Accounts payable | $ 45,640 | $ 48,577 |
| Accrued expenses and other current liabilities | 24,298 | 26,253 |
| Total current liabilities | 69,938 | 74,830 |
| Long-term liabilities: | | |
| 2025 Notes, net | 157,708 | 157,866 |
| Deferred tax liabilities, net | 864 | 852 |
| Other long-term liabilities | 6,456 | 7,149 |
| Total liabilities | 234,966 | 240,697 |
| 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 shares issued and outstanding, liquidation preference of $1,000 per share (plus any accrued but unpaid dividends) | — | — |
| Common stock, par value $0.001; 150,000,000 shares authorized, 107,645,213 and 105,380,533 shares issued and outstanding, respectively | 108 | 105 |
| Additional paid-in capital | 787,283 | 770,619 |
| Accumulated other comprehensive loss | (5,097) | (8,531) |
| Accumulated deficit | (825,984) | (787,047) |
| Total stockholders' deficit | (43,690) | (24,854) |
| Total liabilities and stockholders' deficit | $ 191,276 | $ 215,843 |

See accompanying notes to unaudited condensed consolidated financial statements.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Net revenues: | | | | |
| IoT & Mobile Solutions | $ 54,990 | $ 51,836 | $ 109,495 | $ 94,795 |
| Enterprise SaaS Solutions | 6,866 | 13,857 | 13,745 | 28,495 |
| Total net revenues | 61,856 | 65,693 | 123,240 | 123,290 |
| Cost of net revenues: | | | | |
| IoT & Mobile Solutions | 40,694 | 39,740 | 83,597 | 73,178 |
| Enterprise SaaS Solutions | 3,270 | 5,604 | 6,503 | 11,288 |
| Total cost of net revenues | 43,964 | 45,344 | 90,100 | 84,466 |
| Gross profit | 17,892 | 20,349 | 33,140 | 38,824 |
| Operating costs and expenses: | | | | |
| Research and development | 13,619 | 11,773 | 32,179 | 26,328 |
| Sales and marketing | 7,721 | 9,821 | 17,494 | 20,825 |
| General and administrative | 6,142 | 7,414 | 14,380 | 16,058 |
| Amortization of purchased intangible assets | 443 | 664 | 887 | 1,130 |
| Impairment of capitalized software | — | 1,197 | — | 1,197 |
| Total operating costs and expenses | 27,925 | 30,869 | 64,940 | 65,538 |
| Operating loss | (10,033) | (10,520) | (31,800) | (26,714) |
| Loss on debt conversion and extinguishment, net | — | — | (450) | (432) |
| Interest expense, net | (1,664) | (1,678) | (4,587) | (3,523) |
| Other (expense) income, net | (982) | (617) | (1,387) | 1,117 |
| Loss before income taxes | (12,679) | (12,815) | (38,224) | (29,552) |
| Income tax (benefit) provision | (303) | 228 | (625) | 449 |
| Net loss | (12,376) | (13,043) | (37,599) | (30,001) |
| Less: Net income attributable to noncontrolling interests | — | — | — | (214) |
| Net loss attributable to Inseego Corp. | (12,376) | (13,043) | (37,599) | (30,215) |
| Series E preferred stock dividends | (677) | (886) | (1,338) | (1,753) |
| Net loss attributable to common stockholders | $ (13,053) | $ (13,929) | $ (38,937) | $ (31,968) |
| Per share data: | | | | |
| Net loss per common share: | | | | |
| Basic and diluted | $ (0.12) | $ (0.14) | $ (0.37) | $ (0.31) |
| Weighted-average shares used in computation of net loss per common share: | | | | |
| Basic and diluted | 107,511,660 | 102,935,213 | 106,585,684 | 102,157,146 |

See accompanying notes to unaudited condensed consolidated financial statements.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Net loss | $ (12,376) | $ (13,043) | $ (37,599) | $ (30,001) |
| Foreign currency translation adjustment | 536 | 2,425 | 3,434 | 693 |
| Total comprehensive loss | $ (11,840) | $ (10,618) | $ (34,165) | $ (29,308) |
| Comprehensive income attributable to noncontrolling interests | — | — | — | (214) |
| Comprehensive loss attributable to Inseego Corp. | $ (11,840) | $ (10,618) | $ (34,165) | $ (29,522) |

See accompanying notes to unaudited condensed consolidated financial statements.

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

| | Preferred Stock | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Noncontrolling Interests | Total Stockholders' Equity (Deficit) |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | | |
| Balance, March 31, 2021 | 35 | $ — | 102,773 | $ 103 | $ 757,352 | $ (750,221) | (8,704) | $ 7 | $ (1,463) |
| Net loss | — | — | — | — | — | (13,043) | — | — | (13,043) |
| Foreign currency translation adjustment | — | — | — | — | — | — | 2,425 | — | 2,425 |
| Exercise of stock options, vesting of restricted stock units and stock issued under employee stock purchase plan | — | — | 336 | — | 1,282 | — | — | — | 1,282 |
| Taxes withheld on net settled vesting of restricted stock units | — | — | — | — | (356) | — | — | — | (356) |
| Issuance of common shares in connection with a public offering, net of issuance costs | — | — | — | — | (59) | — | — | — | (59) |
| Share-based compensation | — | — | — | — | 2,307 | — | — | — | 2,307 |
| Net noncontrolling interest acquired | — | — | — | — | — | — | — | 1 | 1 |
| Series E preferred stock dividends | — | — | — | — | 886 | (886) | — | — | — |
| Balance, June 30, 2021 | 35 | $ — | 103,109 | $ 103 | $ 761,412 | $ (764,150) | $ (6,279) | $ 8 | $ (8,906) |
| | | | | | | | | | |
| Balance, March 31, 2022 | 25 | $ — | 107,389 | $ 107 | $ 784,267 | $ (812,931) | $ (5,633) | $ — | $ (34,190) |
| Net loss | — | — | — | — | — | $ (12,376) | — | — | (12,376) |
| Foreign currency translation adjustment | — | — | — | — | — | $ — | 536 | — | 536 |
| Exercise of stock options, vesting of restricted stock units and stock issued under employee stock purchase plan | — | — | 256 | 1 | 74 | $ — | — | — | 75 |
| Taxes withheld on net settled vesting of restricted stock units | — | — | — | — | (22) | $ — | — | — | (22) |
| Share-based compensation | — | — | — | — | 2,287 | $ — | — | — | 2,287 |
| Series E preferred stock dividends | — | — | — | — | 677 | (677) | — | — | — |
| Balance, June 30, 2022 | 25 | $ — | 107,645 | $ 108 | $ 787,283 | $ (825,984) | $ (5,097) | $ — | $ (43,690) |

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

| | Preferred Stock | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Noncontrolling Interests | Total Stockholders' Deficit |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | | |
| Balance, December 31, 2020 | 35 | $ — | 99,399 | $ 99 | $ 711,487 | $ (732,422) | $ (6,972) | $ (91) | $ (27,899) |
| Net loss | — | — | — | — | — | (30,215) | — | 214 | (30,001) |
| Foreign currency translation adjustment | — | — | — | — | — | — | 693 | — | 693 |
| Exercise of stock options, vesting of restricted stock units and stock issued under employee stock purchase plan | — | — | 1,765 | 2 | 2,842 | — | — | — | 2,844 |
| Taxes withheld on net settled vesting of restricted stock units | — | — | — | — | (825) | — | — | — | (825) |
| Issuance of common shares in connection with the conversion of 2025 Notes | — | — | 429 | 1 | 5,382 | — | — | — | 5,383 |
| Issuance of common shares in connection with a public offering, net of issuance costs | — | — | 1,516 | 1 | 29,368 | — | — | — | 29,369 |
| Share-based compensation | — | — | — | — | 11,405 | — | — | — | 11,405 |
| Series E preferred stock dividends | — | — | — | — | 1,753 | (1,753) | — | — | — |
| Net noncontrolling interest acquired | — | — | — | — | — | 240 | — | (115) | 125 |
| Balance, June 30, 2021 | 35 | — | 103,109 | $ 103 | $ 761,412 | $ (764,150) | $ (6,279) | $ 8 | $ (8,906) |
| | | | | | | | | | |
| Balance, December 31, 2021 | 25 | $ — | 105,381 | $ 105 | $ 770,619 | $ (787,047) | $ (8,531) | $ — | $ (24,854) |
| Net loss | — | — | — | — | — | (37,599) | — | — | (37,599) |
| Foreign currency translation adjustment | — | — | — | — | — | — | 3,434 | — | 3,434 |
| Adjustment relating to extinguishment of 2022 Notes | | | | | 1,728 | — | — | — | 1,728 |
| Exercise of stock options, vesting of restricted stock units and stock issued under employee stock purchase plan | — | — | 2,269 | 3 | 148 | — | — | — | 151 |
| Taxes withheld on net settled vesting of restricted stock units | — | — | (5) | — | (36) | — | — | — | (36) |
| Share-based compensation | — | — | — | — | 13,486 | — | — | — | 13,486 |
| Series E preferred stock dividends | — | — | — | — | 1,338 | (1,338) | — | — | — |
| Balance, June 30, 2022 | 25 | $ — | 107,645 | $ 108 | $ 787,283 | $ (825,984) | $ (5,097) | $ — | $ (43,690) |

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

| | Six Months Ended June 30, 2022 | Six Months Ended June 30, 2021 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss | $ (37,599) | $ (30,001) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 13,955 | 13,051 |
| (Recoveries) provision for bad debts | (15) | 266 |
| Impairment of capitalized software | — | 1,197 |
| Provision for excess and obsolete inventory | 896 | 496 |
| Share-based compensation expense | 13,486 | 11,405 |
| Amortization of debt discount and debt issuance costs | 2,022 | 746 |
| Fair value adjustment on derivative instrument | (902) | (1,823) |
| Loss on debt conversion and extinguishment, net | 450 | 432 |
| Deferred income taxes | (96) | 38 |
| Right-of-use assets | 1,070 | 883 |
| Other | — | (330) |
| Changes in assets and liabilities, net of effects of divestiture: | | |
| Accounts receivable | 5,239 | 6,483 |
| Inventories | (10,148) | (834) |
| Prepaid expenses and other assets | 3,100 | 1,158 |
| Accounts payable | (6,207) | (16,015) |
| Accrued expenses, income taxes, and other | (1,740) | 2,180 |
| Operating lease liabilities | (1,109) | (1,362) |
| Net cash used in operating activities | (17,598) | (12,030) |
| Cash flows from investing activities: | | |
| Acquisition of noncontrolling interest | — | (116) |
| Purchases of property, plant and equipment | (1,059) | (2,455) |
| Proceeds from the sale of property, plant and equipment | — | 506 |
| Additions to capitalized software development costs | (6,222) | (15,369) |
| Net cash used in investing activities | (7,281) | (17,434) |
| Cash flows from financing activities: | | |
| Net borrowing of bank and overdraft facilities | (139) | 295 |
| Principal payments under finance lease obligations | (62) | (2,173) |
| Proceeds from a public offering, net of issuance costs | — | 29,369 |
| Principal payments on financed assets | (1,231) | — |
| Proceeds from stock option exercises and employee stock purchase plan, net of taxes paid on vested restricted stock units | 115 | 2,020 |
| Net cash (used in) provided by financing activities | (1,317) | 29,511 |
| Effect of exchange rates on cash | 744 | 321 |
| Net (decrease) increase in cash, cash equivalents and restricted cash | (25,452) | 368 |
| Cash, cash equivalents and restricted cash, beginning of period | 49,812 | 40,015 |
| Cash, cash equivalents and restricted cash, end of period | $ 24,360 | $ 40,383 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the year for: | | |
| Interest | $ 2,631 | $ 2,782 |
| Income taxes | $ 26 | $ 252 |
| | | |
| Supplemental disclosures of non-cash activities: | | |
| Transfer of inventories to rental assets | $ 134 | $ 3,403 |
| Capital expenditures financed through accounts payable or accrued liabilities | $ 3,228 | $ 3,641 |
| Right-of-use assets obtained in exchange for operating leases liabilities | $ 158 | $ 148 |
| 2025 Notes conversion, including shares issued in satisfaction of interest make-whole payment | $ — | $ 5,383 |

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 June 30, 2022 and the results of the Company's operations for the three and six months ended June 30, 2022 and 2021 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, 2021. The year-end condensed consolidated balance sheet data as of December 31, 2021 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. Certain prior period amounts were reclassified to conform to the current period presentation. These reclassifications did not affect total revenues, costs and expenses, net loss, assets, liabilities or stockholders' deficit. 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, 2021. 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, the novel coronavirus ("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 June 30, 2022, the Company had available cash and cash equivalents totaling $21.1 million, excluding restricted cash of $3.3 million.

On August 5, 2022, Inseego Corp. ("Inseego" or the "Company") entered into a Loan and Security Agreement (the "Credit Agreement"), by and among Siena Lending Group LLC, as lender ("Lender"), Inseego Wireless, Inc., a Delaware corporation ("Inseego Wireless"), and Inseego North America LLC, an Oregon limited liability company, as borrowers ("Inseego North America" and, together with Inseego Wireless, the "Borrowers"), and the Company, as guarantor (together with the Borrowers, the "Loan Parties"). The Credit Agreement establishes a secured asset-backed revolving credit facility which is comprised of a $50 million revolving credit facility (the "Credit Facility"), with a minimum draw of $4.5 million upon execution of the Credit Agreement. The Credit Facility matures on December 31, 2024. Availability under the Credit Facility is determined by a Borrowing Base (as defined in the Credit Agreement) comprised of a percentage of eligible accounts receivable and eligible inventory of the Borrowers. The Borrowers' obligations under the Credit Agreement are guaranteed by the Company. The Loan Parties' obligations under the Credit Agreement are secured by a continuing security interest in all property of each Loan Party, subject to certain Excluded Collateral (as defined in the Credit Agreement).

Borrowings under the Credit Facility may take the form of base rate loans or Secured Overnight Financing Rate ("SOFR") loans. SOFR loans will bear interest at a rate per annum equal to Term SOFR (as defined in the Credit Agreement) plus an adjustment based on the outstanding amount for a preceding month. If the outstanding amount for a preceding month is less than $15 million, the interest rate on the Credit Agreement is Term SOFR (as defined in the Credit Agreement) plus 3.50%, with a Term SOFR floor of 1.00%. If the outstanding amount for a preceding month is greater than $15 million, the interest rate is calculated by Term SOFR plus 4.00%, with a Term SOFR floor of 1.00%. If the outstanding amount for a preceding month is greater than $25 million, the interest rate is calculated by Term SOFR plus 5.50%, with a Term SOFR floor of 1.00%. The Credit Agreement is also subject to closing costs and financial covenants.

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 divested of $5.0 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.

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.

***Principles of Consolidation***

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-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. Estimates are assessed each period and updated to reflect current information, such as the economic considerations related to the impact that the COVID-19 pandemic could have on our significant accounting estimates. Significant estimates include revenue recognition, capitalized software costs, allowance for credit losses, 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.

***Cash, Cash Equivalents and Restricted Cash***

Cash and cash equivalents include highly liquid investments with original maturities of three months or less. The Company's cash and cash equivalents are generally held with large financial institutions worldwide to reduce the amount of exposure to any credit risk. Restricted cash consists of Company funds in escrow with a financial institution as collateral for potential future uninsured warranty claims related to the divestiture of Ctrack South Africa. Cash, cash equivalents and restricted cash are recorded at market value, which approximates cost. Gains and losses associated with the Company's foreign currency denominated demand deposits are recorded as a component of other income, net, in the consolidated statements of operations. The following table provides a reconciliation of cash, cash equivalents and restricted cash as reported within the consolidated balance sheets to "Cash, cash equivalents, and restricted cash, end of period" as reported within the consolidated statements of cash flows (in thousands):

| | June 30, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| Cash and cash equivalents | $ | 21,090 | $ | 46,474 |
| Restricted cash | | 3,270 | | 3,338 |
| Cash, cash equivalents and restricted cash, end of period | $ | 24,360 | $ | 49,812 |

***Recently Adopted Accounting Pronouncements***

In August 2020, the FASB issued Accounting Standards Update ("ASU") 2020-06, *Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40)-Accounting For Convertible Instruments and Contracts in an Entity's Own Equity*. The ASU simplifies accounting for convertible instruments by removing major separation models required under current GAAP. Consequently, more convertible debt instruments will be reported as a single liability instrument with no separate accounting for embedded conversion features. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, which will permit more equity contracts to qualify for it. The ASU also simplifies the diluted net income per share calculation in certain areas. The new guidance is effective for annual and interim periods beginning after December 15, 2021. The Company adopted this standard in the first quarter of fiscal 2022 and it did not have an impact to the condensed consolidated financial statements.

In May 2021, the FASB issued ASU 2021-04, *Earnings Per Share (Topic 260), Debt-Modifications and Extinguishments (Subtopic 470-50), Compensation-Stock Compensation (Topic 718), and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40)*. The new ASU addresses issuer's accounting for certain modifications or exchanges of freestanding equity-classified written call options. This amendment is effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Company adopted this standard in the first quarter of fiscal 2022 and it did not have an impact to the condensed consolidated financial statements.

***Recent Accounting Pronouncements Not Yet Adopted***

Other than the above mentioned recently adopted accounting pronouncements, there have been no recent accounting pronouncements, changes in accounting pronouncements or recent accounting pronouncements not yet adopted during the six months ended June 30, 2022 that are of significance or potential significance to the Company's financial position, results of operations and cash flows.

## 2. Financial Statement Details

*Inventories*

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

| | June 30, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| Finished goods | $ | 38,978 | $ | 33,112 |
| Raw materials and components | | 7,999 | | 4,290 |
| Total inventories | $ | 46,977 | $ | 37,402 |

*Prepaid expenses and other*

Prepaid expenses and other consists of the following (in thousands):

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Rebate receivables | $ 3,569 | $ 6,398 |
| Receivables from contract manufacturers | 1,671 | 2,626 |
| Software licenses | 1,777 | 1,261 |
| Insurance | 368 | 1,269 |
| Deposits | 1,006 | 1,023 |
| Financed assets | 655 | 323 |
| Other | 1,378 | 724 |
| | $ 10,424 | $ 13,624 |

*Accrued expenses and other current liabilities*

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

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Royalties | $ 1,762 | $ 2,243 |
| Payroll and related expenses | 9,092 | 9,326 |
| Warranty obligations | 480 | 473 |
| Professional fees | 548 | 502 |
| Bank overdrafts | 231 | 370 |
| Accrued interest | 877 | 877 |
| Contract liabilities | 5,042 | 3,832 |
| Operating lease liabilities | 1,580 | 1,769 |
| Accrued contract manufacturing liabilities | 999 | 927 |
| Liabilities related to financed assets | 272 | 1,593 |
| Value added tax payables | 394 | 642 |
| Other | 3,021 | 3,699 |
| Total accrued expenses and other current liabilities | $ 24,298 | $ 26,253 |

## 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 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 six months ended June 30, 2022 or 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 June 30, 2022 and December 31, 2021 (in thousands):

| | June 30, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Total Fair Value | Level 3 | Level 1 | Total Fair Value | Level 3 | Level 1 |
| **Assets** | | | | | | |
| Cash equivalents | | | | | | |
| Money market funds | $ — | $ — | $ — | $ 126 | $ — | $ 126 |
| Total assets | $ — | $ — | $ — | $ 126 | $ — | $ 126 |
| **Liabilities** | | | | | | |
| 2025 Notes | | | | | | |
| Interest make-whole payment | $ 24 | $ 24 | $ — | $ 926 | $ 926 | $ — |
| Total liabilities | $ 24 | $ 24 | $ — | $ 926 | $ 926 | $ — |

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

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Volatility | 50 % | 50 % |
| Stock price | $1.89 per share | $5.83 per share |
| Credit spread | 22.00 % | 15.93 % |
| Term | 2.84 years | 3.34 years |
| Dividend yield | — % | — % |
| Risk-free rate | 2.98 % | 1.02 % |

The following table sets forth a summary of changes in the fair value of Level 3 liabilities for the six months ended June 30, 2022 (in thousands):

| | Balance as of December 31, 2021 | Additions | Conversions | Change in fair value | Balance as of June 30, 2022 |
|---|---|---|---|---|---|
| Liabilities: | | | | | |
| Interest make-whole payment | $ 926 | $ — | $ — | $ (902) | $ 24 |

The Company evaluated the 2025 Notes under ASC 815, *Derivatives and Hedging*, and identified an embedded derivative that required bifurcation. The embedded derivative is an interest make-whole payment. The estimated fair values of the interest make-whole derivative liability at June 30, 2022 and December 31, 2021 were determined using significant assumptions which include an implied credit spread rate for notes with a similar term, the expected volatility and dividend yield of the Company's common stock and the risk-free interest rate.

Changes in the fair value of the interest make-whole payment totaling a gain of $0.9 million for the six months ended June 30, 2022 are included in the Company's condensed consolidated statement of operations within other income (expense), net. As of June 30, 2022, the embedded derivative had a fair value of $0.02 million.

***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 4. *Debt.* The Company carries its 2025 Notes at amortized cost adjusted for changes in fair value of the embedded derivative. As of June 30, 2022, $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.

## 4. Debt

### Asset-backed Revolving Line of Credit

On August 5, 2022, the Company entered into the Credit Agreement with Siena Lending Group LLC. The Credit Agreement establishes a secured asset-backed revolving credit facility which is comprised of a $50 million revolving Credit Facility, with a minimum draw of $4.5 million upon execution of the Credit Agreement. The Credit Facility matures on December 31, 2024. Availability under the Credit Facility is determined by a borrowing base comprised of a percentage of eligible accounts receivable and eligible inventory of the Borrowers. The Borrowers' obligations under the Credit Agreement are guaranteed by the Company. The Loan Parties' obligations under the Credit Agreement are secured by a continuing security interest in all property of each Loan Party, subject to certain Excluded Collateral (as defined in the Credit Agreement).

Borrowings under the Credit Facility may take the form of base rate loans or SOFR loans. SOFR loans will bear interest at a rate per annum equal to Term SOFR (as defined in the Credit Agreement) plus an adjustment based on the outstanding amount for a preceding month. If the outstanding amount for a preceding month is less than $15 million, the interest rate on the Credit Agreement is Term SOFR plus 3.50% per annum, with a Term SOFR floor of 1.00%. If the outstanding amount for a preceding month is greater than $15 million, the interest rate is calculated by Term SOFR Rate plus 4.00%, with a Term SOFR floor of 1.00%. If the outstanding amount for a preceding month is greater than $25 million, the interest rate is calculated by Term SOFR Rate plus 5.50%, with a Term SOFR floor of 1.00%. The Credit Agreement is also subject to closing costs and financial covenants.

***2025 Notes***

On May 12, 2020, the Company completed its registered public offering of $100.0 million aggregate principal amount of 2025 Notes and issued $80.4 million principal amount of 2025 Notes in the privately negotiated exchange agreements that closed concurrently with the registered offering in May 2020.

During the six months ended June 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 June 30, 2022, $161.9 million in principal amount of the 2025 Notes were outstanding, $80.4 million of which were held by related parties, and $0.4 million of accrued interest due to related parties was included within accrued expenses and other current liabilities on the condensed consolidated balance sheets. As of December 31, 2021, $161.9 million in principal amount of the 2025 Notes were outstanding, $80.4 million of which were held by related parties, and $0.4 million of accrued interest due to related parties was included within accrued expenses and other current liabilities on the condensed consolidated balance sheets. Assuming no repurchases or conversions of the 2025 Notes prior to May 1, 2025, the entire principal balance of $161.9 million of the 2025 Notes is due on May 1, 2025.

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

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Principal | $ 161,898 | $ 161,898 |
| Add: fair value of embedded derivative | 24 | 926 |
| Less: unamortized debt discount | (2,346) | (2,761) |
| Less: unamortized issuance costs | (1,868) | (2,197) |
| Net carrying amount | $ 157,708 | $ 157,866 |

The effective interest rate on the liability component of the 2025 Notes was 4.18% and 4.17% for the three months ended June 30, 2022 and 2021, respectively, and 4.20% and 4.16% for the six months ended June 30, 2022 and 2021, respectively. The following table sets forth total interest expense recognized related to the 2025 Notes (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Contractual interest expense | $ 1,315 | $ 1,315 | $ 2,631 | $ 2,584 |
| Amortization of debt discount | 207 | 207 | 414 | 415 |
| Amortization of debt issuance costs | 165 | 165 | 330 | 330 |
| Total interest expense | $ 1,687 | $ 1,687 | $ 3,375 | $ 3,329 |

## 5. Share-based Compensation

During the six months ended June 30, 2022, the Company granted awards under the 2018 Omnibus Incentive Compensation Plan, previously named the Amended and Restated 2009 Omnibus Incentive Compensation Plan (the “2018 Plan”), and the 2015 Incentive Compensation Plan (the “2015 Plan”). The Compensation Committee of the Board of Directors administers the plans. Under the 2018 Plan, a maximum of 8,897,084 shares of common stock may be issued upon the exercise of stock options, in the form of restricted stock, or in settlement of restricted stock units (“RSUs”) or other awards, including awards with alternative vesting schedules such as performance-based criteria.

For the three and six months ended June 30, 2022 and 2021 the following table presents total share-based compensation expense in each functional line item on the unaudited condensed consolidated statements of operations (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Cost of revenues | $ 259 | $ 234 | $ 1,674 | $ 1,812 |
| Research and development | 428 | 534 | 4,498 | 3,762 |
| Sales and marketing | 554 | 559 | 2,597 | 2,547 |
| General and administrative | 1,046 | 980 | 4,717 | 3,284 |
| Total | $ 2,287 | $ 2,307 | $ 13,486 | $ 11,405 |

During the quarter ended March 31, 2022, the Board of Directors of the Company approved and the Company granted restricted stock units to eligible employees under the 2018 Plan that were immediately vested, as fiscal 2021 annual bonus payments. The total charges recorded during the quarter ended March 31, 2022 were $8.8 million. Such bonus payments in fiscal 2021 were paid and recorded in the quarter ended March 31, 2021 and total charges related to such bonus payments were $7.0 million.

*Stock Options*

The Compensation Committee of the Board of Directors determines eligibility, vesting schedules and exercise prices for stock options granted. The Company generally uses the Black-Scholes option pricing model to estimate the fair value of its stock options. For performance stock awards subject to market-based vesting conditions, fair values are determined using the Monte-Carlo simulation model. Stock options generally have a term of ten years and vest over a three- to four-year period.

The following table summarizes the Company's stock option activity for the six months ended June 30, 2022:

| | |
|---|---|
| Outstanding — December 31, 2021 | 8,085,793 |
| Granted | 1,422,500 |
| Exercised | (212,791) |
| Canceled | (657,005) |
| Outstanding — June 30, 2022 | 8,638,497 |
| Exercisable — June 30, 2022 | 5,229,193 |

At June 30, 2022, total unrecognized compensation expense related to stock options was $10.1 million, which is expected to be recognized over a weighted-average period of 2.92 years.

*Restricted Stock Units*

Pursuant to the 2018 Plan and the 2015 Plan, the Company may issue RSUs that, upon satisfaction of vesting conditions, allow recipients to receive common stock. Issuances of such awards reduce common stock available under the 2018 Plan and 2015 Plan for stock incentive awards. The Company measures compensation cost associated with grants of RSUs at fair value, which is generally the closing price of the Company's stock on the date of grant. RSUs generally vest over a three- to four-year period.

The following table summarizes the Company's RSU activity for the six months ended June 30, 2022:

| | |
|---|---|
| Non-vested — December 31, 2021 | 1,247,723 |
| Granted | 2,203,100 |
| Vested | (1,911,264) |
| Forfeited | (130,633) |
| Non-vested — June 30, 2022 | 1,408,926 |

At June 30, 2022, total unrecognized compensation expense related to RSUs was $5.2 million, which is expected to be recognized over a weighted-average period of 3.15 years.

## 6. Earnings Per Share

Basic earnings per share ("EPS") excludes dilution and is computed by dividing net loss attributable to common stockholders 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 2025 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.

The calculation of basic and diluted earnings per share was as follows (in thousands, except share and per share data):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Net loss attributable to common stockholders | $ (13,053) | $ (13,929) | $ (38,937) | $ (31,968) |
| Weighted-average common shares outstanding | 107,511,660 | 102,935,213 | 106,585,684 | 102,157,146 |
| Basic and diluted net loss per share | $ (0.12) | $ (0.14) | $ (0.37) | $ (0.31) |

The following is a summary of outstanding anti-dilutive potential common stock that was excluded from diluted net loss per share attributable to stockholders in the following periods:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (in thousands) | 2022 | 2021 | 2022 | 2021 |
| 2025 Notes | 14,341 | 14,341 | 14,341 | 14,341 |
| Warrants | 2,500 | 2,500 | 2,500 | 2,500 |
| Non-qualified stock options | 8,693 | 8,571 | 8,521 | 8,571 |
| Restricted stock units | 1,443 | 420 | 1,433 | 420 |
| Employee stock purchase plan | 355 | 20 | 355 | 20 |
| Total | 27,332 | 25,852 | 27,150 | 25,852 |

## 7. Private Placements and Public Offering

*Common Stock*

On March 28, 2019, the Company issued warrants to purchase 2,500,000 shares of common stock (the "2019 Warrants") to certain 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, and became exercisable on September 28, 2019. The Company assessed the terms of the warrants under ASC 815. Pursuant to this guidance, the Company had determined that the warrants do not require liability accounting and has classified the warrants as equity. As of June 30, 2022, the warrants expired unexercised.

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.

## 8. 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 June 30, | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | | 2021 |
| United States and Canada | $ 52,826 | $ 51,473 | $ 105,468 | | $ 94,209 |
| Europe | 7,602 | 2,035 | 13,222 | | 5,534 |
| South Africa | — | 7,790 | — | | 14,898 |
| Other | 1,428 | 4,395 | 4,550 | | 8,649 |
| Total | $ 61,856 | $ 65,693 | $ 123,240 | 123240000 | $ 123,290 |

*Concentrations of Credit Risk*

For the three months ended June 30, 2022, two customers accounted for 31.4% and 40.9% of net revenues, respectively. For the three months ended June 30, 2021, two customers accounted for 46.7% and 21.3%, respectively, of net revenues.

For the six months ended June 30, 2022, two customers accounted for 34.3% and 40.4% of net revenues, respectively. For the six months ended June 30, 2021, two customers accounted for 46.4% and 18.7%, respectively, of net revenues.

As of June 30, 2022, two customers accounted for 25.4% and 30.9% of accounts receivable, net, respectively. As of December 31, 2021, two customers accounted for 61.7% and 12.6% of accounts receivable, net, respectively.

## 9. Commitments and Contingencies

*Noncancellable Purchase Obligations*

The Company typically enters into commitments with its contract manufacturers that require future purchase of goods or services in the three to four quarters following the balance sheet date. Such commitments are noncancellable (“noncancellable purchase obligations”). As of June 30, 2022, future payments under these noncancellable purchase obligations were approximately $145.1 million. As of December 31, 2021, future payments under these noncancellable purchase obligations were approximately $165.8 million.

*Legal*

The Company is, from time to time, party to various legal proceedings arising in the ordinary course of business and may be required to indirectly participate in other U.S. patent infringement actions pursuant to its contractual indemnification obligations to certain customers.

*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.

## 10. 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.

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.

The components of the right-of-use assets and lease liabilities were as follows (in thousands):

| | Balance Sheet Classification | June 30, 2022 | December 31, 2021 |
|---|---|---|---|
| Right-of-use assets, net | Right-of-use assets, net | $ 6,985 | $ 7,839 |
| | | | |
| Current operating lease liabilities | Accrued expenses and other current liabilities | $ 1,580 | $ 1,769 |
| Non-current operating lease liabilities | Other long-term liabilities | 6,231 | 7,112 |
| Total operating lease liabilities | | $ 7,811 | $ 8,881 |
| | | | |
| Weighted-average remaining lease term (in years) | | 4.7 | 5.0 |
| Weighted-average discount rate | | 9.1 % | 9.1 % |

The components of lease cost were as follows (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Operating lease costs included in operating costs and expenses: | | | | |
| Operating leases | $ 590 | $ 290 | $ 1,200 | $ 800 |

Supplemental cash flow information related to leases was as follows (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Cash paid for amounts included in the measurement of operating lease liabilities: | | | | |
| Operating cash flows related to operating leases | 617 | $ 744 | $ 1,239 | $ 1,279 |
| | | | | |
| Right-of-use assets obtained in exchange for lease liabilities: | | | | |
| Operating leases | 79 | $ 108 | $ 158 | $ 148 |

The future minimum payments under operating leases were as follows as of June 30, 2022 (in thousands):

| | |
|---|---|
| 2022 (remainder) | $ 1,205 |
| 2023 | 2,018 |
| 2024 | 1,896 |
| 2025 | 1,685 |
| 2026 | 1,686 |
| 2027 | 1,125 |
| Thereafter | — |
| Total minimum operating lease payments | $ 9,615 |
| Less: amounts representing interest | (1,804) |
| Present value of net minimum operating lease payments | 7,811 |
| Less: current portion | (1,580) |
| Long-term portion of operating lease obligations | $ 6,231 |

*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*.

**11. Income Taxes**

The Company's income tax (benefit) provision was $(0.3) million and $0.2 million for the three months ended June 30, 2022 and 2021, respectively. The Company's income tax (benefit) provision was $(0.6) million and $0.4 million for the six months ended June 30, 2022 and 2021, respectively. The income tax (benefit) provision 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 several of its foreign subsidiaries. The tax benefit in 2022 and the tax expense in 2021 were largely driven by foreign currency losses, and gains, respectively, at the Company's 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, 2022.

On October 28, 2021, the House Rules Committee, under the Biden Administration released new proposed tax legislation under the "Build Back Better Act" ("BBBA") which contains potential reversals and revisions of key provisions of the 2017 Tax Cuts and Jobs Act. The BBBA, which was passed by the U.S. House of Representatives in November 2021, is proposed legislation that has not yet been enacted into law. Additionally, in late March 2022, the Biden administration proposed a 28% corporate income tax rate. The Company does not believe this will have a material impact on its effective tax rate, though it continues to monitor the Biden Administration's proposals.

**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, such as inflation, 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, including government efforts to reduce the spread of the disease, 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 international conflicts such as the Russia-Ukraine crisis, and foreign currency risks;
- the pace of 5G wireless network rollouts globally and their adoption by customers;
- 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, 2021 (“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. 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-owned subsidiaries.

**Trademarks**

“Inseego”, “Inseego Subscribe”, “Inseego Manage”, “Inseego Secure”, “Inseego Vision”, the Inseego logo, “MiFi”, “MiFi Intelligent Mobile Hotspot”, “Wavemaker”, “Clarity”, 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.

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, 2021, 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), 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, 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.

**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, mobile hotspots, 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 U.S. Cellular in the United States, Rogers and Telus in Canada, Telstra in Australia, Swisscom in Switzerland, 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 delivery platforms include our telematics and asset tracking and management platforms, which provide fleet, vehicle, aviation, asset and other telematics applications. 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.

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;
- 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
- 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 and additional service offerings, industrial 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, 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 and six months ended June 30, 2022 was consistent with our expectations. 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 June 30, 2022 Compared to Three Months Ended June 30, 2021**

***Net revenues***. Net revenues for the three months ended June 30, 2022 were $61.9 million, compared to $65.7 million for the same period in 2021.

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

| | Three Months Ended June 30, | | Change | |
|---|---|---|---|---|
| **Product Category** | **2022** | **2021** | **$** | **%** |
| IoT & Mobile Solutions | $ 54,990 | $ 51,836 | $ 3,154 | 6.1 % |
| Enterprise SaaS Solutions | 6,866 | 13,857 | (6,991) | (50.5)% |
| Total | $ 61,856 | $ 65,693 | $ (3,837) | (5.8)% |

*IoT & Mobile Solutions.* The increase in IoT & Mobile Solutions net revenues is primarily due to increases in our enterprise and carrier offerings within IoT & Mobile Solutions, specifically increased sales of our second-generation 5G hotspot related to our MiFi business of $7.4 million and increased revenues in our Inseego Subscribe business due to subscriber growth of $0.9 million, partially offset by $5.1 million decrease in revenues from our 4G products and others.

*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. Enterprise SaaS Solutions revenues from the rest of the world stayed relatively flat. SaaS revenue was no longer generated in South Africa beginning in August 2021. We continue to provide telematics solutions in the rest of the world, including in Europe and Australia.

***Cost of net revenues.*** Cost of net revenues for the three months ended June 30, 2022 was $44.0 million, or 71.1% of net revenues, compared to $45.3 million, or 69.0% of net revenues, for the same period in 2021.

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

| Product Category | Three Months Ended June 30, 2022 | 2021 | Change $ | % |
|---|---|---|---|---|
| IoT & Mobile Solutions | $ 40,694 | $ 39,740 | $ 954 | 2.4 % |
| Enterprise SaaS Solutions | 3,270 | 5,604 | (2,334) | (41.6)% |
| Total | $ 43,964 | $ 45,344 | $ (1,380) | (3.0)% |

*IoT & Mobile Solutions.* The increase in IoT & Mobile Solutions cost of net revenues is primarily attributable to $4.2 million increase from higher sales of our second-generation 5G hotspot, and $0.3 million increase of freight charges, partially offset by $3.6 million decrease from lower sales of our 4G products.

*Enterprise SaaS Solutions.* Enterprise SaaS Solutions cost of net revenues decreased by $2.3 million compared to the same period in 2021 primarily due to lower sales of Enterprise SaaS Solutions as a result of the divestiture of Ctrack South Africa on July 30, 2021. Enterprise SaaS Solutions cost of net revenues from the rest of the world stayed relatively flat.

***Gross profit.*** Gross profit for the three months ended June 30, 2022 was $17.9 million, or a gross margin of 28.9%, compared to $20.3 million, or a gross margin of 31.0%, for the same period in 2021. The decrease in gross profit was primarily attributable to increased freight charges and increased production cost on our 4G products.

The following table summarizes operating costs and expenses (dollars in thousands):

| Operating costs and expenses | Three Months Ended June 30, 2022 | 2021 | Change $ | % |
|---|---|---|---|---|
| Research and development | $ 13,619 | $ 11,773 | $ 1,846 | 15.7 % |
| Sales and marketing | 7,721 | 9,821 | (2,100) | (21.4)% |
| General and administrative | 6,142 | 7,414 | (1,272) | (17.2)% |
| Amortization of purchased intangible assets | 443 | 664 | (221) | (33.3)% |
| Impairment of capitalized software | — | 1,197 | (1,197) | (100.0)% |
| Total | $ 27,925 | $ 30,869 | $ (2,944) | (9.5)% |

***Research and development expenses.*** Research and development expenses for the three months ended June 30, 2022 were $13.6 million, or 22.0% of net revenues, compared to $11.8 million, or 17.9% of net revenues, for the same period in 2021. The increase was primarily a result of $1.4 million increase in amortization, and $0.3 million increase in testing equipment and materials.

***Sales and marketing expenses.*** Sales and marketing expenses for the three months ended June 30, 2022 were $7.7 million, or 12.5% of net revenues, compared to $9.8 million, or 14.9% of net revenues, for the same period in 2021. 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. This decrease was partially offset by the increase in outbound freight charges and consulting expenses.

***General and administrative expenses.*** General and administrative expenses for the three months ended June 30, 2022 were $6.1 million, or 9.9% of net revenues, compared to $7.4 million, or 11.3% of net revenues, for the same period in 2021. 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.

***Amortization of purchased intangible assets.*** Amortization of purchased intangible assets for the three months ended June 30, 2022 and 2021 was $0.4 million and $0.7 million, respectively. The decrease was primarily as a result of certain purchased intangible assets being fully amortized as of the fourth quarter of 2021.

***Impairment of capitalized software.*** During the three months ended June 30, 2021, we recorded a loss of $1.2 million on capitalized software development costs. There was no such expense for the three months ended June 30, 2022.

The following table summarizes other income (expense) (dollars in thousands):

| Other (expense) income | Three Months Ended June 30, 2022 | Three Months Ended June 30, 2021 | Change $ | Change % |
|---|---|---|---|---|
| Interest expense, net | $ (1,664) | $ (1,678) | $ 14 | (0.8)% |
| Other (expense) income, net | (982) | (617) | (365) | 59.2 % |
| Total | $ (2,646) | $ (2,295) | $ (351) | 15.3 % |

***Interest expense, net.*** Interest expense, net, for the three months ended June 30, 2022 and 2021 was $1.7 million.

***Other (expense) income, net.*** Other expense, net, for the three months ended June 30, 2022 was $1.0 million, which primarily includes $1.0 million of foreign currency exchange gains and losses partially offset by the $0.3 million fair value adjustment related to our interest make-whole arrangement. For the same period in 2021, other expense, net, was $0.6 million, which primarily includes the fair value adjustment related to our interest make-whole arrangement. Fair value input changes between the periods are primarily related to increased interest rates and a lower stock price.

The following table summarizes income tax provision, net income attributable to noncontrolling interests, and Series E preferred stock dividends (dollars in thousands):

| | Three Months Ended June 30, 2022 | Three Months Ended June 30, 2021 | Change $ | Change % |
|---|---|---|---|---|
| Income tax provision | $ (303) | $ 228 | $ (531) | (232.9)% |
| Series E preferred stock dividends | (677) | (886) | 209 | (23.6)% |

***Income tax (benefit) provision.*** The income tax benefit of $0.3 million for the three months ended June 30, 2022 and the income tax provision of $0.2 million for the same period in 2021, respectively, consisted primarily of foreign income taxes at certain of our international entities and minimum state taxes for our U.S.-based entities. Our income tax expense is different than the expected expense based on statutory rates primarily due to full valuation allowances at all of our U.S.-based entities and several of our foreign subsidiaries. The tax benefit in 2022 and the tax expense in 2021 were largely driven by foreign currency losses, and gains, respectively, at our foreign subsidiaries.

***Series E preferred stock dividends.*** During the three months ended June 30, 2022 and 2021, we recorded dividends of $0.7 million and $0.9 million, respectively, on our Fixed-Rate Cumulative Perpetual Preferred Stock, Series E, par value $0.001 per share (the "Series E Preferred Stock"). The decrease was primarily attributable to a decrease in 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 accrued preferred stock dividends for the period ended June 30, 2022. See Note 7. *Private Placements and Public Offering* in the accompanying unaudited condensed consolidated financial statements for further information.

**Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021**

***Net revenues***. Net revenues for the six months ended June 30, 2022 were $123.2 million, compared to $123.3 million for the same period in 2021

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

| | Six Months Ended June 30, | | Change | |
|---|---|---|---|---|
| **Product Category** | **2022** | **2021** | **$** | **%** |
| IoT & Mobile Solutions | $ 109,495 | $ 94,795 | $ 14,700 | 15.5 % |
| Enterprise SaaS Solutions | 13,745 | 28,495 | (14,750) | (51.8)% |
| Total | $ 123,240 | $ 123,290 | $ (50) | — % |

*IoT & Mobile Solutions.* The increase in IoT & Mobile Solutions net revenues is primarily due to an increase in our enterprise and carrier offers within IoT & Mobile solutions, specifically increased sales of our second-generation 5G hotspot related to our MiFi business of $23.3 million and increased revenues in our Inseego Subscribe business due to subscriber growth of $1.5 million, partially offset by a $10.1 million decrease in revenues from our 4G products.

*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. Enterprise SaaS Solutions revenues from the rest of the world stayed relatively flat. SaaS revenue was no longer generated in South Africa beginning in August 2021. We continue to provide telematics solutions in the rest of the world, including in Europe and Australia.

***Cost of net revenues.*** Cost of net revenues for the six months ended June 30, 2022 was $90.1 million or 73.1% of net revenues, compared to $84.5 million or 68.5% of net revenues, for the six months ended June 30, 2021.

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

| | Six Months Ended June 30, | | Change | |
|---|---|---|---|---|
| **Product Category** | **2022** | **2021** | **$** | **%** |
| IoT & Mobile Solutions | $ 83,597 | $ 73,178 | $ 10,419 | 14.2 % |
| Enterprise SaaS Solutions | 6,503 | 11,288 | (4,785) | (42.4)% |
| Total | $ 90,100 | $ 84,466 | $ 5,634 | 6.7 % |

*IoT & Mobile Solutions.* The increase in IoT & Mobile Solutions cost of net revenues is primarily attributable to $16.4 million increase from higher sales of our second-generation 5G hotspot, and $1.0 million increase of freight charges, partially offset by $6.9 million decrease from lower sales of our 4G products.

*Enterprise SaaS Solutions.* Enterprise SaaS Solutions cost of net revenues decreased by 42.4% compared to the same period in 2021 primarily due to lower sales of Enterprise SaaS Solutions as a result of the divestiture of Ctrack South Africa on July 30, 2021. Enterprise SaaS Solutions cost of net revenues from the rest of the world stayed relatively flat.

***Gross profit.*** Gross profit for the six months ended June 30, 2022 was $33.1 million, or a gross margin of 26.9%, compared to $38.8 million, or a gross margin of 31.5%, for the same period in 2021. The decrease in gross margin was primarily attributable to increased freight charges and increased production cost on our 4G products.

| Operating costs and expenses | Six Months Ended June 30, 2022 | Six Months Ended June 30, 2021 | Change $ | Change % |
|---|---|---|---|---|
| Research and development | $ 32,179 | $ 26,328 | $ 5,851 | 22.2 % |
| Sales and marketing | 17,494 | 20,825 | (3,331) | (16.0)% |
| General and administrative | 14,380 | 16,058 | (1,678) | (10.4)% |
| Amortization of purchased intangible assets | 887 | 1,130 | (243) | (21.5)% |
| Impairment of capitalized software | — | 1,197 | (1,197) | (100.0)% |
| Total | $ 64,940 | $ 65,538 | $ (598) | (0.9)% |

***Research and development expenses.*** Research and development expenses for the six months ended June 30, 2022 were $32.2 million, or 26.1% of net revenues, compared to $26.3 million, or 21.4% of net revenues, for the same period in 2021. The increase was primarily a result of staffing, test units, other development spending related to 5G product programs, and the amount of bonus grants to eligible employees during the six months ended June 30, 2022 compared to the amount of bonus grants awarded to eligible employees during the six months ended June 30, 2021. See Note 5. *Share-based Compensation* in the accompanying unaudited condensed consolidated financial statements for further information.

***Sales and marketing expenses.*** Sales and marketing expenses for the six months ended June 30, 2022 were $17.5 million, or 14.2% of net revenues, compared to $20.8 million, or 16.9% of net revenues, for the same period in 2021. The decrease was primarily a result of the decrease in payroll costs for Ctrack South Africa employees, given the divestiture was completed on July 30, 2021. The decrease was partially offset by higher spend on marketing 5G products, and the amount of bonus grants to eligible employees during the six months ended June 30, 2022 compared to the amount of bonus grants awarded to eligible employees during the six months ended June 30, 2021. See Note 5. *Share-based Compensation* in the accompanying unaudited condensed consolidated financial statements for further information.

***General and administrative expenses.*** General and administrative expenses for the six months ended June 30, 2022 were $14.4 million, or 11.7% of net revenues, compared to $16.1 million, or 13.0% of net revenues, for the same period in 2021. 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, partially offset by the amount of bonus grants to eligible employees during the six months ended June 30, 2022 compared to the amount of bonus grants awarded to eligible employees during the six months ended June 30, 2021. See Note 5. *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 each of the six months ended June 30, 2022 and 2021 was $0.9 million and $1.1 million, respectively. The decrease was primarily as a result of certain purchased intangible assets being fully amortized in the prior year.

***Impairment of capitalized software.*** During the six months ended June 30, 2021, we recorded a loss of $1.2 million on capitalized software development costs. There was no such expense for the six months ended June 30, 2022.

| Other (expense) income | Six Months Ended June 30, 2022 | Six Months Ended June 30, 2021 | Change $ | Change % |
|---|---|---|---|---|
| Loss on debt conversion and extinguishment, net | (450) | (432) | (18) | 4.2 % |
| Interest expense, net | (4,587) | (3,523) | (1,064) | 30.2 % |
| Other (expense) income, net | (1,387) | 1,117 | (2,504) | (224.2)% |
| Total | $ (6,424) | $ (2,838) | $ (3,586) | 126.4 % |

***Loss on debt conversion and extinguishment.*** The loss on debt conversion and extinguishment, net of $0.5 million during the six months ended June 30, 2022 was primarily a result of certain 2022 Notes debt extinguishments related adjustments in prior years recorded in the current period. For the same period in 2021, loss on debt conversion and extinguishment, net was $0.4 million which was primarily related to the extinguishment of the 2022 Notes.

***Interest expense, net.*** Interest expense, net for each of the six months ended June 30, 2022 and 2021 was $4.6 million and $3.5 million, respectively. The increase in interest expense was primarily a result of certain 2022 Notes debt extinguishments related adjustments in prior years recorded in the current period.

***Other income (expense), net.*** Other income (expense), net, for each of the six months ended June 30, 2022 and 2021 was ($1.4 million) and $1.1 million, respectively, which primarily includes the fair value adjustment related to our interest make-whole arrangement as well as foreign currency transaction gains and losses.

| | Six Months Ended June 30, | | Change | |
|---|---|---|---|---|
| | 2022 | 2021 | $ | % |
| Income tax provision | $ (625) | $ 449 | $ (1,074) | (239.2)% |
| Net income attributable to noncontrolling interests | — | (214) | 214 | (100.0)% |
| Series E preferred stock dividends | (1,338) | (1,753) | 415 | (23.7)% |

***Income tax provision (benefit).*** The income tax benefit of $0.6 million for the six months ended June 30, 2022 and the income tax provision of $0.4 million for the six months ended June 30, 2021, 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. Our income tax expense is different than the expected expense based on statutory rates primarily due to full valuation allowances at all of our U.S.-based entities and several of our foreign subsidiaries. The tax benefit in 2022 and the tax expense in 2021 were largely driven by foreign currency losses, and gains, respectively, at our foreign subsidiaries.

***Net loss (income) attributable to noncontrolling interests.*** There was no net income or loss attributable to noncontrolling interests for the six months ended June 30, 2022, compared to a net income attributable to noncontrolling interests of $0.2 million for the same period in 2021, due to the sale of the noncontrolling interests as part of the sale of Ctrack South Africa.

***Series E preferred stock dividends.*** During the six months ended June 30, 2022, and 2021 we recorded dividends of $1.3 million and $1.8 million, respectively, on our Series E Preferred Stock. The decrease was primarily attributable to a decrease in 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 for the period ended June 30, 2022. See Note 7. *Private Placements and Public Offering* in the accompanying unaudited condensed consolidated financial statements for further information.

**Liquidity and Capital Resources**

Our principal sources of liquidity are our existing cash and cash equivalents and cash generated from operations. As of June 30, 2022, we had available cash and cash equivalents totaling $21.1 million, as well as $3.3 million of restricted cash that will become available in July 2022.

On August 5, 2022, Inseego Corp. ("Inseego" or the "Company") entered into a Loan and Security Agreement (the "Credit Agreement"), by and among Siena Lending Group LLC, as lender ("Lender"), Inseego Wireless, Inc., a Delaware corporation ("Inseego Wireless"), and Inseego North America LLC, an Oregon limited liability company, as borrowers ("Inseego North America" and, together with Inseego Wireless, the "Borrowers"), and the Company, as guarantor (together with the Borrowers, the "Loan Parties"). The Credit Agreement establishes a secured asset-backed revolving credit facility which is comprised of a $50 million revolving credit facility (the "Credit Facility"), with a minimum draw of $4.5 million upon execution of the Credit Agreement. The Credit Facility matures on December 31, 2024. Availability under the Credit Facility is determined by a Borrowing Base (as defined in the Credit Agreement) comprised of a percentage of eligible accounts receivable and eligible inventory of the Borrowers. The Borrowers' obligations under the Credit Agreement are guaranteed by the Company. The Loan Parties' obligations under the Credit Agreement are secured by a continuing security interest in all property of each Loan Party, subject to certain Excluded Collateral (as defined in the Credit Agreement).

Borrowings under the Credit Facility may take the form of base rate loans or Secured Overnight Financing Rate ("SOFR") loans. SOFR loans will bear interest at a rate per annum equal to Term SOFR (as defined in the Credit Agreement) plus an adjustment based on the outstanding amount for a preceding month. If the outstanding amount for a preceding month is less than $15 million, the interest rate on the Credit Agreement is Term SOFR plus 3.50% per annum, with a Term SOFR floor of 1.00%. If the outstanding amount for a preceding month is greater than $15 million, the interest rate is calculated by Term SOFR plus 4.00%, with a Term SOFR floor of 1.00%. If the outstanding amount for a preceding month is greater than $25 million, the interest rate is calculated by Term SOFR plus 5.50%, with a Term SOFR floor of 1.00%. The Credit Agreement is also subject to closing costs and financial covenants.

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 the buyer.

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.

As of June 30, 2022, our outstanding debt primarily consisted of $161.9 million in principal amount of 2025 Notes.

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 compromised 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. Ultimately, our ability to attain profitability and to generate positive cash flow is dependent upon achieving a level of revenues adequate to support our evolving cost structure and increasing working capital needs. If events or circumstances occur such that we do not meet our operating plan as expected, we may be required to raise additional 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. There can be no assurance that any required or desired restructuring or financing will be available on terms favorable to us, or at all. If additional funds are raised by the issuance of equity securities, Company stockholders could experience dilution of their ownership interests and securities issued may have rights senior to those of the holders of the Company's common stock. If additional funds are raised by the issuance of debt securities, we may be subject to additional limitations on our operations. 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 three and six months ended June 30, 2022.

***2025 Notes***

On May 12, 2020, we completed a registered public offering of $100.0 million aggregate principal amount of 2025 Notes and issued $80.4 million principal amount of 2025 Notes in the privately-negotiated exchange agreements that closed concurrently in May 2020.

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):

| | Six Months Ended June 30, | |
|---|---|---|
| | 2022 | 2021 |
| Net cash used in operating activities | $ (17,598) | $ (12,030) |
| Net cash used in investing activities | (7,281) | (17,434) |
| Net cash (used in) provided by financing activities | (1,317) | 29,511 |
| Effect of exchange rates on cash | 744 | 321 |
| Net (decrease) increase in cash, cash equivalents and restricted cash | (25,452) | 368 |
| Cash, cash equivalents and restricted cash, beginning of period | 49,812 | 40,015 |
| Cash, cash equivalents, and restricted cash, end of period | $ 24,360 | $ 40,383 |

***Operating activities.*** Net cash used in operating activities was $17.6 million for the six months ended June 30, 2022, compared to net cash used in operating activities of $12.0 million for the same period in 2021. Net cash used in operating activities for the six months ended June 30, 2022 was primarily attributable to $37.6 million net loss incurred during the period and a $0.9 million non-cash gain as a result of the fair value adjustment on derivative instruments, net cash used in working capital of $10.9 million, partially offset by non-cash charges including depreciation and amortization of $14.0 million, share-based compensation expense of $13.5 million, amortization of debt discount and debt issuance costs of $2.0 million, and loss on debt conversion of $0.5 million. Net cash used in operating activities for the six months ended June 30, 2021 was primarily attributable to a $30.0 million net loss incurred during the period, cash used in working capital of $8.4 million, and a $1.8 million non-cash gain as a result of the fair value adjustment on derivative instruments, partially offset by non-cash charges including depreciation and amortization of $13.1 million, impairment of capitalized software of $1.2 million, amortization of debt discount and debt issuance costs of $0.7 million, loss on debt conversion of $0.4 million, and share-based compensation expense of $11.4 million.

***Investing activities.*** Net cash used in investing activities during the six months ended June 30, 2022 was $7.3 million, compared to net cash used in investing activities of $17.4 million for the same period in 2021. Cash used in investing activities during the six months ended June 30, 2022 was primarily related to $1.1 million purchases of property, plant and equipment and $6.2 million spending on certain costs related to the 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 2021 was primarily related to $2.5 million purchases of property, plant and equipment and $15.4 million 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 used in financing activities during the six months ended June 30, 2022 was $1.3 million, compared to net cash provided by financing activities of $29.5 million for the same period in 2021. Net cash used in financing activities during the six months ended June 30, 2022 was primarily related to $1.2 million principal payments for financed other assets. Net cash provided by financing activities for the same period in 2021 was primarily related to $29.4 million net proceeds received from the ATM Offering, $2.0 million proceeds from stock option exercises and purchases through our employee stock purchase plan, partially offset by $2.2 million principal payments under finance lease obligations.

*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.

### Interest Rate Risk

***2025 Notes and Embedded Derivative***

Our total fixed-rate borrowings under the 2025 Notes as of both June 30, 2022 and December 31, 2021 were $161.9 million. We record all of our fixed-rate borrowings at amortized cost and therefore, any changes in interest rates do not impact the values that we report for these senior notes on our consolidated financial statements. As of both June 30, 2022 and December 31, 2021, we had no variable-rate borrowings.

The 2025 Notes include an embedded derivative which was marked to fair value at June 30, 2022 and December 31, 2021 of $0.02 million and $0.9 million, respectively. The fair value inputs to the derivative valuation include dividend yield, term, volatility, stock price, and risk-free rate. Consequently we may incur gains and losses on the derivative as changes occur in the stock price, volatility, and risk-free rate at each reporting period. Additional details regarding our 2025 Notes and the embedded derivative are included in Item I Part 1 Note 3. *Fair Value Measurement of Assets and Liabilities* and Note 4. *Debt* in this Quarterly Report on Form 10-Q.

### Currency Risk

***Foreign Currency Transaction Risk***

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. A majority of our 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 three and six months ended June 30, 2022, sales denominated in foreign currencies were approximately 14.6% and 14.4% of total revenue. Our expenses are generally denominated in the currencies in which our operations are located, which are primarily in the U.S. and to a lesser extent in Europe. Our 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 pound sterling, Euro, and Australian Dollar (collectively, the "Foreign Functional Currencies"). For the three and six months ended June 30, 2022, a hypothetical 10% change in Foreign Functional Currency exchange rates would have increased or decreased our revenue by approximately $0.9 million and $1.8 million, respectively. 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. With the completion of Ctrack South Africa divestiture in July 2021, our foreign currency transaction risk is expected to decrease.

***Foreign Currency Translation Risk***

Fluctuations in foreign currencies impact the amount of total assets, liabilities, earnings and cash flows that we report for our foreign subsidiaries upon the translation of these amounts into U.S. Dollars for, and as of the end of, each reporting period. In particular, the strengthening of the U.S. Dollar generally will reduce the reported amount of our foreign-denominated cash, cash equivalents, marketable securities, total revenues and total expense that we translate into U.S. Dollars and report in our consolidated financial statements for, and as of the end of, each reporting period. With the completion of the Ctrack South Africa divestiture in July 2021, our foreign currency translation risk is expected to decrease.

## 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 June 30, 2022, 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 June 30, 2022.

### 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 quarter ended June 30, 2022, 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 9. *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.

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

None.

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

Not applicable.

### Item 5. *Other Information.*

None.

**Item 6. *Exhibits.***

| Exhibit No. | Description |
|---|---|
| 3.1 | 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). |
| 3.2 | 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). |
| 3.3 | 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). |
| 3.4 | 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). |
| 31.1* | Certification of our Principal Executive Officer adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of our Principal Financial Officer adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1# | Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2# | Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101). |
| * | Filed herewith. |
| # | Furnished herewith |

## SIGNATURES

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

| | |
|---|---|
| Date: August 9, 2022 | Inseego Corp. |
| | By: /s/ ASHISH SHARMA |
| | **Ashish Sharma** |
| | **Chief Executive Officer** |
| | By: /s/ ROBERT G. BARBIERI |
| | **Robert G. Barbieri** |
| | **Chief Financial Officer** |

**Exhibit 31.1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

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

I, Ashish Sharma, 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: August 9, 2022

/s/ Ashish Sharma

**Ashish Sharma**

*Chief Executive Officer*
*(principal executive officer)*

**Exhibit 31.2**

**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: August 9, 2022

/s/ Robert G. Barbieri

**Robert G. Barbieri**

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

**Exhibit 32.1**

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

I, Ashish Sharma, 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 June 30, 2022 (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: August 9, 2022

/s/ Ashish Sharma

**Ashish Sharma**
*Chief Executive Officer*
*(principal executive officer)*

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO**

**18 U.S.C. SECTION 1350**

**AS ADOPTED PURSUANT TO SECTION 906**

**OF THE SARBANES-OXLEY ACT OF 2002**

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 June 30, 2022 (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: August 9, 2022

/s/ Robert G. Barbieri

**Robert G. Barbieri**

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