

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2024

OR

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

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

Commission File Number 001-37900

**Everspin Technologies, Inc.**

(Exact name of Registrant as specified in its Charter)

Delaware  
(State or other jurisdiction  
of incorporation or organization)

26-2640654  
(I.R.S. Employer  
Identification No.)

5670 W. Chandler Boulevard, Suite 130  
Chandler, Arizona 85226  
(Address of principal executive offices including zip code)

Registrant's telephone number, including area code: (480) 347-1111

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 \$0.0001	MRAM	The Nasdaq Stock Market LLC

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). YES  NO

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

The number of shares of the Registrant's Common Stock outstanding as of August 1, 2024, was 21,743,166.

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In this Quarterly Report on Form 10-Q, “we,” “our,” “us,” “Everspin Technologies,” and “the Company” refer to Everspin Technologies, Inc. The Everspin logo and other trade names, trademarks or service marks of Everspin Technologies are the property of Everspin Technologies, Inc. This report contains references to our trademarks and to trademarks belonging to other entities. Trade names, trademarks and service marks of other companies appearing in this report are the property of their respective holders. We do not intend our use or display of other companies’ trade names or trademarks to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

**PART I—FINANCIAL INFORMATION****Item 1. Financial Statements**

**EVERSPIN TECHNOLOGIES, INC.**  
**Condensed Balance Sheets**  
**(In thousands, except share and per share amounts)**  
**(Unaudited)**

	<u>June 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 36,764	\$ 36,946
Accounts receivable, net	10,114	11,554
Inventory	7,987	8,391
Prepaid expenses and other current assets	517	988
Total current assets	<u>55,382</u>	<u>57,879</u>
Property and equipment, net	3,790	3,717
Right-of-use assets	5,182	5,495
Other assets	211	212
Total assets	<u>\$ 64,565</u>	<u>\$ 67,303</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 1,950	\$ 2,916
Accrued liabilities	1,760	4,336
Deferred revenue	—	336
Lease liabilities, current portion	1,275	1,190
Total current liabilities	<u>4,985</u>	<u>8,778</u>
Lease liabilities, net of current portion	3,996	4,390
Long-term income tax liability	162	214
Total liabilities	<u>\$ 9,143</u>	<u>\$ 13,382</u>
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value per share; 5,000,000 shares authorized; no shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	—	—
Common stock, \$0.0001 par value per share; 100,000,000 shares authorized; 21,656,683 and 21,080,472 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	2	2
Additional paid-in capital	195,774	191,569
Accumulated deficit	<u>(140,354)</u>	<u>(137,650)</u>
Total stockholders' equity	<u>55,422</u>	<u>53,921</u>
Total liabilities and stockholders' equity	<u>\$ 64,565</u>	<u>\$ 67,303</u>

The accompanying notes are an integral part of these condensed financial statements.

**EVERSPIN TECHNOLOGIES, INC.**  
**Condensed Statements of Operations and Comprehensive (Loss) Income**  
(In thousands, except share and per share amounts)  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Product sales	\$ 9,887	\$ 13,406	\$ 20,747	\$ 27,183
Licensing, royalty, patent, and other revenue	749	2,341	4,319	3,410
Total revenue	10,636	15,747	25,066	30,593
Cost of product sales	5,235	6,090	11,238	12,213
Cost of licensing, royalty, patent, and other revenue	185	464	452	757
Total cost of sales	5,420	6,554	11,690	12,970
Gross profit	5,216	9,193	13,376	17,623
Operating expenses: <sup>1</sup>				
Research and development	3,457	2,708	6,875	5,907
General and administrative	3,254	3,507	7,290	6,727
Sales and marketing	1,324	1,355	2,630	2,670
Total operating expenses	8,035	7,570	16,795	15,304
(Loss) income from operations	(2,819)	1,623	(3,419)	2,319
Interest expense	—	—	—	(63)
Other income, net	393	2,262	791	2,390
Net (loss) income before income taxes	(2,426)	3,885	(2,628)	4,646
Income tax (expense) benefit	(76)	—	(76)	—
Net (loss) income and comprehensive (loss) income	\$ (2,502)	\$ 3,885	\$ (2,704)	\$ 4,646
Net (loss) income per common share:				
Basic	\$ (0.12)	\$ 0.19	\$ (0.13)	\$ 0.23
Diluted	\$ (0.12)	\$ 0.18	\$ (0.13)	\$ 0.22
Weighted average shares of common stock outstanding:				
Basic	21,566,863	20,657,404	21,409,611	20,554,769
Diluted	21,566,863	21,234,253	21,409,611	21,068,059
<sup>1</sup> Operating expenses include stock-based compensation as follows:				
Research and development	\$ 689	\$ 503	\$ 1,269	\$ 949
General and administrative	980	624	1,960	1,235
Sales and marketing	193	133	347	236
Total stock-based compensation	\$ 1,862	\$ 1,260	\$ 3,576	\$ 2,420

The accompanying notes are an integral part of these condensed financial statements.

**EVERSPIN TECHNOLOGIES, INC.**  
**Condensed Statements of Stockholders' Equity**  
(In thousands, except share and per share amounts)  
(Unaudited)

	Six Months Ended June 30, 2024				
	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at December 31, 2023	21,080,472	\$ 2	\$ 191,569	\$ (137,650)	\$ 53,921
Exercise of stock options	96,116	—	353	—	353
Issuance of common stock under stock incentive plans	229,923	—	—	—	—
Stock-based compensation expense	—	—	1,714	—	1,714
Net loss	—	—	—	(202)	(202)
Balance at March 31, 2024	21,406,511	\$ 2	\$ 193,636	\$ (137,852)	\$ 55,786
Exercise of stock options	9,549	—	35	—	35
Issuance of common stock under stock incentive plans	240,623	—	241	—	241
Stock-based compensation expense	—	—	1,862	—	1,862
Net loss	—	—	—	(2,502)	(2,502)
Balance at June 30, 2024	21,656,683	\$ 2	\$ 195,774	\$ (140,354)	\$ 55,422

	Six Months Ended June 30, 2023				
	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at December 31, 2022	20,374,288	\$ 2	\$ 185,364	\$ (146,702)	\$ 38,664
Exercise of stock options	3,020	—	13	—	13
Issuance of common stock under stock incentive plans	157,436	—	—	—	—
Stock-based compensation expense	—	—	1,160	—	1,160
Net income	—	—	—	761	761
Balance at March 31, 2023	20,534,744	\$ 2	\$ 186,537	\$ (145,941)	\$ 40,598
Exercise of stock options	36,353	—	148	—	148
Issuance of common stock under stock incentive plans	172,325	—	181	—	181
Stock-based compensation expense	—	—	1,260	—	1,260
Net income	—	—	—	3,885	3,885
Balance at June 30, 2023	20,743,422	\$ 2	\$ 188,126	\$ (142,056)	\$ 46,072

The accompanying notes are an integral part of these condensed financial statements.

**EVERSPIN TECHNOLOGIES, INC.**  
**Condensed Statements of Cash Flows**  
(In thousands)  
(Unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities</b>		
Net (loss) income	\$ (2,704)	\$ 4,646
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	795	617
Gain on sale of property and equipment	—	(15)
Stock-based compensation	3,576	2,420
Loss on prepayment and termination of credit facility	—	170
Non-cash warrant revaluation	—	23
Non-cash interest expense	—	26
Changes in operating assets and liabilities:		
Accounts receivable	1,440	1,639
Inventory	404	(662)
Prepaid expenses and other current assets	471	193
Other assets	1	—
Accounts payable	(595)	(741)
Accrued liabilities	(2,628)	(701)
Deferred revenue	(336)	(96)
Lease liabilities, net	4	12
Net cash provided by operating activities	<u>428</u>	<u>7,531</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(1,239)	(1,063)
Proceeds received from sale of property and equipment	—	15
Net cash used in investing activities	<u>(1,239)</u>	<u>(1,048)</u>
<b>Cash flows from financing activities</b>		
Payments on long-term debt	—	(2,790)
Proceeds from exercise of stock options and purchase of shares in employee stock purchase plan	629	342
Net cash provided by (used in) financing activities	<u>629</u>	<u>(2,448)</u>
Net (decrease) increase in cash and cash equivalents	(182)	4,035
Cash and cash equivalents at beginning of period	36,946	26,795
Cash and cash equivalents at end of period	<u>\$ 36,764</u>	<u>\$ 30,830</u>
<b>Supplementary cash flow information:</b>		
Interest paid	\$ —	\$ 37
Operating cash flows paid for operating leases	\$ 699	\$ 692
Financing cash flows paid for finance leases	\$ 28	\$ 6
<b>Non-cash investing and financing activities:</b>		
Right-of-use assets obtained in exchange for finance lease liabilities	\$ 297	\$ —
Purchases of property and equipment in accounts payable and accrued liabilities	\$ 75	\$ —

The accompanying notes are an integral part of these condensed financial statements.

## EVERSPIN TECHNOLOGIES, INC.

### Notes to Unaudited Condensed Financial Statements

#### 1. Organization and Nature of Business

Everspin Technologies, Inc. (the Company) was incorporated in Delaware on May 16, 2008. The Company's magnetoresistive random-access memory (MRAM) solutions offer the persistence of non-volatile memory with the speed and endurance of random-access memory (RAM) and enable the protection of mission critical data particularly in the event of power interruption or failure. The Company's MRAM solutions allow its customers in key markets, such as industrial, medical, automotive/transportation, aerospace and data center markets to design high performance, power efficient and reliable systems without the need for bulky batteries or capacitors.

#### 2. Summary of Significant Accounting Policies

##### *Basis of Presentation*

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) and applicable rules and regulations of the Securities and Exchange Commission (SEC) regarding interim financial reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by GAAP have been condensed or omitted, and accordingly the balance sheet as of December 31, 2023, has been derived from the audited financial statements at that date but does not include all of the information required by GAAP for complete financial statements. These unaudited interim condensed financial statements have been prepared on the same basis as the Company's annual financial statements and, in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) that are necessary for a fair statement of the Company's financial information. The results of operations for the three and six months ended June 30, 2024, are not necessarily indicative of the results to be expected for the year ending December 31, 2024 or for any other interim period or for any other future year.

The accompanying condensed financial statements and related financial information should be read in conjunction with the audited financial statements and the related notes thereto for the year ended December 31, 2023, included in the Company's Annual Report on Form 10-K filed with the SEC.

##### *Use of Estimates*

The preparation of the condensed financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the condensed financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition, fair value of assets and liabilities, inventory net realizable value, deferred tax assets and related valuation allowances, and stock-based compensation. The Company believes its estimates and assumptions are reasonable; however, actual results may differ from the Company's estimates.

##### *Accounts receivable, net*

The Company establishes an allowance for product returns. The Company analyzes historical returns, current economic trends and changes in customer demand and acceptance of products when evaluating the adequacy of sales returns. Returns are processed as credits on future purchases and, as a result, the allowance is recorded against the balance of trade accounts receivable. In addition, the Company, from time to time, may establish an allowance for estimated price adjustments related to its distributor agreements. The Company estimates credits to distributors based on the historical rate of credits provided to distributors relative to sales and evaluation of current market conditions.

Accounts receivable, net consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Trade accounts receivable	\$ 10,193	\$ 11,489
Unbilled accounts receivable	281	475
Allowance for product returns and price adjustments	(360)	(410)
Accounts receivable, net	<u>\$ 10,114</u>	<u>\$ 11,554</u>

**Concentration of Credit Risk**

Financial instruments that potentially expose the Company to a concentration of credit risk consist principally of cash and cash equivalents that are held by a financial institution in the United States and accounts receivable. Amounts on deposit with a financial institution may at times exceed federally insured limits.

Significant customers are those which represent more than 10% of the Company’s total revenue or net accounts receivable balance at each respective balance sheet date. For the purposes of this disclosure, the Company defines “customer” as the entity that is purchasing the products or licenses directly from the Company, which includes the distributors of the Company’s products in addition to end customers that the Company sells to directly. For each significant customer, revenue as a percentage of total revenue and accounts receivable as a percentage of total accounts receivable, net are as follows:

Customers	Revenue				Accounts Receivable, net	
	Three Months Ended June 30,		Six Months Ended June 30,		June 30, 2024	As of December 31, 2023
	2024	2023	2024	2023		
Customer A	*	17 %	*	16 %	*	13 %
Customer B	*	13 %	*	14 %	*	*
Customer C	*	10 %	12 %	*	*	22 %
Customer D	26 %	13 %	25 %	15 %	53 %	37 %
Customer E	14 %	13 %	*	12 %	11 %	*

\* Less than 10%

**Fair Value of Financial Instruments**

Fair value is defined as an exit price, representing the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. The framework for measuring fair value provides a three-tier hierarchy prioritizing inputs to valuation techniques used in measuring fair value as follows:

Level 1— Observable inputs such as quoted prices for identical assets or liabilities in active markets;

Level 2— Inputs, other than quoted prices for identical assets or liabilities in active markets, which are observable either directly or indirectly; and

Level 3— Unobservable inputs in which there is little or no market data requiring the reporting entity to develop its own assumptions.

The carrying value of accounts receivable, accounts payable, and other accruals readily convertible into cash approximate fair value because of the short-term nature of the instruments. The Company’s financial instruments consist of Level 1 assets. Where quoted prices are available in an active market, securities are classified as Level 1. Level 1 assets consist of highly liquid money market funds that are included in cash equivalents.



The following tables sets forth the fair value of the Company’s financial assets and liabilities measured at fair value on a recurring basis (in thousands):

	June 30, 2024			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Money market funds	\$ 36,764	\$ —	\$ —	\$ 36,764
Total assets measured at fair value	<u>\$ 36,764</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 36,764</u>

  

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Money market funds	\$ 36,946	\$ —	\$ —	\$ 36,946
Total assets measured at fair value	<u>\$ 36,946</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 36,946</u>

**Recently Issued Accounting Pronouncements Under Evaluation**

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280) – Improvements to Reportable Segment Disclosures*, which improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. This ASU also expands disclosure requirements to enable users of financial statements to better understand the entity’s measurement and assessment of segment performance and resource allocation. This guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact that the standard will have on its condensed financial statements.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which is intended to improve an entity’s income tax disclosures, primarily through disaggregated information about an entity’s effective income tax rate reconciliation and additional disclosures regarding income taxes paid. ASU 2023-09 is effective for the Company’s annual reporting periods, and interim periods within those years, beginning after December 15, 2024, on a prospective basis. The Company is currently evaluating the impact that the standard will have on its condensed financial statements.

The Company reviewed all other recently issued accounting pronouncements and concluded that they were either not applicable or not expected to have a significant impact to the condensed financial statements.

**3. Revenue**

The Company sells products to its distributors, original design manufacturers (ODMs), and original equipment manufacturers (OEMs). The Company also recognizes revenue under licensing, patent, and royalty agreements with some customers.

The following table presents the Company’s revenues disaggregated by sales channel (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Distributor	\$ 9,227	\$ 12,365	\$ 19,514	\$ 25,207
Non-distributor	1,409	3,382	5,552	5,386
Total revenue	<u>\$ 10,636</u>	<u>\$ 15,747</u>	<u>\$ 25,066</u>	<u>\$ 30,593</u>

The following table presents the Company's revenues disaggregated by timing of recognition (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Point in time	\$ 10,062	\$ 13,790	\$ 21,029	\$ 27,660
Over time	574	1,957	4,037	2,933
Total revenue	<u>\$ 10,636</u>	<u>\$ 15,747</u>	<u>\$ 25,066</u>	<u>\$ 30,593</u>

The following table presents the Company's revenues disaggregated by type (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Product sales	\$ 9,887	\$ 13,406	\$ 20,747	\$ 27,183
Licensing	306	1,899	3,527	2,817
Royalties	175	236	282	329
Patents	-	-	-	-
Other revenue	268	206	510	264
Total revenue	<u>\$ 10,636</u>	<u>\$ 15,747</u>	<u>\$ 25,066</u>	<u>\$ 30,593</u>

The Company recognizes revenue in three primary geographic regions: Asia-Pacific (APAC); North America; and Europe, Middle East and Africa (EMEA). The Company recognizes revenue by geography based on the region in which the Company's products are sold, and not to where the end products in which they are assembled are shipped. The Company's revenue by region for the periods indicated was as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
APAC	\$ 6,310	\$ 7,964	\$ 13,240	\$ 15,555
North America	3,051	4,517	5,843	8,847
EMEA	1,275	3,266	5,983	6,191
Total revenue	<u>\$ 10,636</u>	<u>\$ 15,747</u>	<u>\$ 25,066</u>	<u>\$ 30,593</u>

#### 4. Balance Sheet Components

##### *Inventory*

Inventory consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Raw materials	\$ 105	\$ 189
Work-in-process	6,754	6,724
Finished goods	1,128	1,478
Total inventory	<u>\$ 7,987</u>	<u>\$ 8,391</u>

##### *Accrued Liabilities*

Accrued liabilities consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Payroll-related expenses	\$ 1,093	\$ 3,347
Inventory	259	317
Other	408	672
Total accrued liabilities	<u>\$ 1,760</u>	<u>\$ 4,336</u>

**Deferred Revenue**

During the year ended December 31, 2021, the Company executed contractual arrangements with a customer for the development of a RAD-Hard product, consisting of a technology license, design license agreement and development subcontract (RAD-Hard 1). The Company does not share in the rights to future revenues or royalties. The total arrangements are for \$6.5 million in consideration.

The Company concluded these contractual arrangements represent one arrangement and evaluated its promises to the customer and whether the performance obligations granted under the arrangement were distinct. The licenses provided to the customer are not transferable, are of limited value without the promised development services, and the customer cannot benefit from the license agreements without the specific obligated services in the development subcontract, as there is strong interdependency between the licenses and the development subcontract. Accordingly, the Company determined the licenses were not distinct within the context of the contract and combined the license with other performance obligations. The total transaction price of \$6.5 million was allocated to the single performance obligation.

The Company recognizes revenue related to the performance obligations over time using the input method based on costs incurred to date relative to the total expected costs of the contract and began recognizing revenue in the second quarter of 2021 over the contract period. This method depicts performance under the contract and requires the Company to make estimates about the future costs expected to be incurred to perform under the contract, including labor and material costs.

The Company has recognized \$0.3 million and \$0.5 million in revenue for the three and six months ended June 30, 2024, respectively, and \$6.2 million in revenue since inception of the contractual agreements. The Company expects to recognize the remaining \$0.3 million of the transaction price as services are performed throughout the contractual period and performance is expected to be complete in the year ending December 31, 2024.

**5. Leases**

Operating leases consist primarily of office space expiring at various dates through 2029. Finance leases relate to server leases expiring at various dates through 2029. The Company’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The undiscounted future non-cancellable lease payments under the Company’s operating and finance leases were as follows (in thousands):

As of June 30, 2024	Amount
2024	\$ 739
2025	1,482
2026	1,497
2027	1,380
2028	595
Thereafter	48
Total lease payments	5,741
Less: imputed interest	(470)
Total lease liabilities	5,271
Less: current portion of lease liabilities	(1,275)
Total lease liabilities, net of current portion	<u>\$ 3,996</u>

Other information related to the Company’s operating lease liabilities was as follows:

	June 30, 2024	December 31, 2023
Weighted-average remaining lease term (years)	3.88	4.37
Weighted-average discount rate	4.50 %	4.50 %

Other information related to the Company's finance lease liabilities was as follows:

	June 30, 2024	December 31, 2023
Weighted-average remaining lease term (years)	4.57	1.09
Weighted-average discount rate	3.91 %	4.50 %

## 6. Debt

### 2019 Credit Facility

In March 2023, our credit facility with a lender pursuant to an Amended and Restated Loan and Security Agreement (the 2019 Credit Facility), consisting of a term loan and line of credit, was paid in full, and there was no outstanding balance as of June 30, 2024. The Company paid an early termination and prepayment fee of \$170,000, which was recorded within other income (expense) within the condensed statements of operations and comprehensive (loss) income for the six months ended June 30, 2023.

The Company was in compliance with all covenants throughout the 2019 Credit Facility payoff date in March 2023.

The amortization of the debt issuance costs and accretion of the debt discount is included in interest expense within the condensed statements of operations and comprehensive (loss) income and included in non-cash interest expense within the statement of cash flows.

## 7. Stock-Based Compensation

### Summary of Stock Option and Award Activity

The following table summarizes the stock option and award activity for the six months ended June 30, 2024:

	Options and Awards Available for Grant	Number of Options	Options Outstanding		Aggregate Intrinsic Value (In thousands)
			Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (years)	
Balance—December 31, 2023	598,397	1,829,428	\$ 5.96	6.9	\$ 5,676
Authorized	632,414				
RSUs granted	(977,783)				
RSUs cancelled/forfeited	10,007				
Warrants exercised	—				
Options granted	—	—	—		
Options exercised	—	(106,741)	\$ 3.67		\$ 498
Options cancelled/forfeited	3,951	(4,565)	\$ 6.22		
Balance—June 30, 2024	<u>266,986</u>	<u>1,718,122</u>	\$ 6.10	6.5	\$ 1,255
Options exercisable—					
June 30, 2024		<u>1,369,585</u>	\$ 5.86	6.2	\$ 1,197

The total grant date fair value of options vested was \$0.3 million and \$0.4 million during the three months ended June 30, 2024 and 2023, respectively, and \$0.7 million and \$1.3 million during the six months ended June 30, 2024 and 2023, respectively.

The weighted-average grant date fair value of options granted was \$4.43 per share during the three months ended June 30, 2023 and \$3.85 per share during the six months ended June 30, 2023. No shares were granted in the three and six months ended June 30, 2024.

As of June 30, 2024, there was \$1.6 million of total unrecognized stock-based compensation expense related to unvested options which is expected to be recognized over a weighted-average period of 1.28 years. Stock-based compensation cost for options capitalized within inventory at June 30, 2024 and 2023 was not material.

### **2016 Employee Stock Purchase Plan**

In January 2024, there was an increase of 210,804 shares reserved for issuance under the Company's Employee Stock Purchase Plan (ESPP) pursuant to the terms of the ESPP. The Company had 1,063,270 shares available for future issuance under the Company's ESPP as of June 30, 2024. Employees purchased 37,696 shares for \$241,000 during the three and six months ended June 30, 2024. Employees purchased 40,894 shares for \$181,000 during the three and six months ended June 30, 2023.

### **Restricted Stock Units**

The following table summarizes restricted stock units (RSUs) activity for the six months ended June 30, 2024:

	RSUs Outstanding	
	Number of Restricted Stock Units	Weighted-Average Grant Date Fair Value Per Share
Balance—December 31, 2023	905,781	\$ 6.59
Granted	977,783	\$ 8.62
Vested	(433,100)	\$ 6.69
Cancelled/forfeited	(10,007)	\$ 7.12
Balance—June 30, 2024	1,440,457	\$ 7.93

The fair value of RSUs is determined on the date of grant based on the market price of the Company's common stock on that date.

As of June 30, 2024, there was \$10.1 million of unrecognized stock-based compensation expense related to RSUs to be recognized over a weighted-average period of 2.6 years. Stock-based compensation cost related to RSUs capitalized within inventory at June 30, 2024 and 2023 was not material.

## **8. Significant Agreements**

### **GLOBALFOUNDRIES, Inc. Joint Development Agreement**

Since October 17, 2014, the Company has participated in a joint development agreement (JDA) with GLOBALFOUNDRIES Inc. (GF), a semiconductor foundry, for the joint development of Spin-transfer Torque MRAM (STT-MRAM), technology to produce a family of discrete and embedded MRAM technologies. The term of the JDA is until the completion, termination, or expiration of the last statement of work entered into pursuant to the JDA. The JDA was extended on December 31, 2019, to include a new phase of support for 12nm MRAM development.

Under the current JDA extension terms, each party licenses its relevant intellectual property to the other party. For certain jointly developed works, the parties have agreed to follow an invention allocation procedure to determine ownership. In addition, GF possesses the exclusive right to manufacture the Company's discrete and embedded STT-MRAM devices developed pursuant to the JDA until the earlier of three years after the qualification of the MRAM device for a particular technology node or four years after the completion of the relevant statement of work under which the device was developed. For the same exclusivity period associated with the relevant device, GF agreed not to license intellectual property developed in connection with the JDA to named competitors of the Company.

If GF manufactures, sells, or transfers to customers wafers containing production quantified STT-MRAM devices that utilize certain design information, GF will be required to pay the Company a royalty.

## **9. Net (Loss) Income Per Common Share**

Basic net (loss) income per common share is calculated by dividing the net income by the weighted-average number of shares of common stock outstanding for the period less shares subject to repurchase, without consideration of potentially dilutive securities. Diluted earnings per share is calculated using the treasury stock method by dividing net income by the

total weighted average shares of common stock outstanding in addition to the potential impact of dilutive securities including restricted stock units, warrants, and options. In periods with a net loss, potentially dilutive securities are excluded from the Company's calculation of earnings per share as their inclusion would have an antidilutive effect.

The following tables set forth the computation of basic and diluted net (loss) income per share attributable to common stockholders (in thousands, except share and per share amounts):

Basic EPS

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
<b>Numerator:</b>				
Net (loss) income	\$ (2,502)	\$ 3,885	\$ (2,704)	\$ 4,646
<b>Denominator:</b>				
Weighted-average shares of common stock outstanding, basic	21,566,863	20,657,404	21,409,611	20,554,769
<b>Net (loss) income per common share, basic</b>	<b>\$ (0.12)</b>	<b>\$ 0.19</b>	<b>\$ (0.13)</b>	<b>\$ 0.23</b>

Diluted EPS

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
<b>Numerator:</b>				
Net (loss) income	\$ (2,502)	\$ 3,885	\$ (2,704)	\$ 4,646
Warrant liability fair value loss recognized	—	—	—	23
Net (loss) income attributable to common stockholders, diluted	\$ (2,502)	\$ 3,885	\$ (2,704)	\$ 4,669
<b>Denominator:</b>				
Weighted-average shares of common stock outstanding, basic	21,566,863	20,657,404	21,409,611	20,554,769
Dilutive effect of stock options and RSUs	—	576,849	—	513,290
Weighted-average shares of common stock outstanding, diluted	21,566,863	21,234,253	21,409,611	21,068,059
<b>Net (loss) income per common share, diluted</b>	<b>\$ (0.12)</b>	<b>\$ 0.18</b>	<b>\$ (0.13)</b>	<b>\$ 0.22</b>

Potentially dilutive securities representing 2.1 million and 0.9 million stock options and RSUs that were outstanding during the three months ended June 30, 2024, and 2023, respectively, and 1.7 million and 1.3 million stock options and RSUs outstanding during the six months ended June 30, 2024 and 2023, respectively, were excluded from the computation of diluted earnings per common share during these periods as their inclusion would have an antidilutive effect.

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

*You should read the following discussion and analysis of our financial condition and results of operations together with our condensed financial statements and related notes included in Part I, Item 1 of this report and with our audited financial statements and related notes thereto included as part of our Annual Report on Form 10-K for the year ended December 31, 2023.*

### **Forward-Looking Statements**

*This discussion contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act). Forward-looking statements are identified by words such as “believe,” “will,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “expect,” “predict,” “could,” “potentially” or the negative of these terms or similar expressions. You should read these statements carefully because they discuss future expectations, contain projections of future results of operations or financial condition, or state other “forward-looking” information. These statements relate to, among other things, our industry, business, future plans, strategies, objectives, expectations, intentions and financial performance. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in this report in Part II, Item 1A — “Risk Factors,” and elsewhere in this report, as well as in our other filings with the Securities and Exchange Commission (SEC). Forward-looking statements are based on our management’s beliefs and assumptions and on information currently available to our management. These statements, like all statements in this report, speak only as of their date, and we undertake no obligation to update or revise these statements in light of future developments. In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q. While we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into or review of, all relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely on these statements. We caution investors that our business and financial performance are subject to substantial risks and uncertainties.*

### **Overview**

Everspin is a pioneer in the successful commercialization of Magnetoresistive Random Access Memory (MRAM) technology. Our portfolio of MRAM technologies, including Toggle MRAM and Spin-transfer Torque MRAM (STT-MRAM), is delivering superior performance, persistence and reliability in non-volatile memories that transform how mission-critical data is protected against power loss. With over 15 years of MRAM technology and manufacturing leadership, our memory solutions deliver significant value to our customers in key markets such as industrial, medical, automotive/transportation, aerospace and data center. We are the leading supplier of discrete MRAM components and a successful licensor of our broad portfolio of related technology intellectual property.

We sell our products directly and through our established distribution channels to industry-leading OEMs and ODMs.

We manufacture our MRAM products using both captive and third-party manufacturing capabilities. We purchase industry-standard complementary metal-oxide semiconductor (CMOS) wafers from semiconductor foundries and perform back end of line (BEOL) processing that includes our magnetic-bit technology at our 200mm fabrication facility in Chandler, Arizona. We also manufacture full-flow 300mm CMOS wafers with our STT-MRAM magnetic-bit technology integrated in BEOL as part of our strategic relationship with GLOBALFOUNDRIES.

### **Key Metrics**

We monitor a variety of key financial metrics to help us evaluate trends, establish budgets, measure the effectiveness of our business strategies and assess operational efficiencies. These financial metrics include revenue, gross margin, operating expenses and operating income determined in accordance with GAAP. Additionally, we monitor and project cash flow to determine our sources and uses for working capital to fund our operations. We also monitor Adjusted EBITDA, a non-GAAP financial measure, and design wins. We define Adjusted EBITDA as net income or loss adjusted

for interest expense, taxes, depreciation and amortization, stock-based compensation expense, and restructuring costs, if any.

*Adjusted EBITDA.* Our management and board of directors use Adjusted EBITDA to understand and evaluate our operating performance and trends, to prepare and approve our annual budget and to develop short-term and long-term operating and financing plans. Accordingly, we believe that Adjusted EBITDA provides useful information for investors in understanding and evaluating our operating results in the same manner as our management and our board of directors. Adjusted EBITDA is a non-GAAP financial measure and should be considered in addition to, not as superior to, or as a substitute for, net income reported in accordance with GAAP. The following table presents a reconciliation of net income, the most directly comparable GAAP measure, to Adjusted EBITDA for the periods indicated:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
<b>Adjusted EBITDA reconciliation:</b>				
Net (loss) income	\$ (2,502)	\$ 3,885	\$ (2,704)	\$ 4,646
Depreciation and amortization	397	284	795	617
Stock-based compensation expense	1,862	1,260	3,576	2,420
Interest expense	—	—	—	63
Income tax (benefit) expense	76	—	76	—
Adjusted EBITDA	<u>\$ (167)</u>	<u>\$ 5,429</u>	<u>\$ 1,743</u>	<u>\$ 7,746</u>



## Results of Operations

The following tables set forth our results of operations for the periods indicated:

	Three Months Ended June 30,			
	2024	2023	2024	2023
	(In thousands)		(As a percentage of revenue)	
Product sales	\$ 9,887	\$ 13,406	93 %	85 %
Licensing, royalty, patent, and other revenue	749	2,341	7	15
Total revenue	10,636	15,747	100	100
Cost of product sales	5,235	6,090	49	39
Cost of licensing, royalty, patent, and other revenue	185	464	2	3
Total cost of sales	5,420	6,554	51	42
Gross profit	5,216	9,193	49	58
Operating expenses:				
Research and development	3,457	2,708	33	17
General and administrative	3,254	3,507	31	22
Sales and marketing	1,324	1,355	12	9
Total operating expenses	8,035	7,570	76	48
(Loss) income from operations	(2,819)	1,623	(27)	10
Other income, net	393	2,262	4	14
Net (loss) income before income taxes	(2,426)	3,885	(23)	25
Income tax (expense) benefit	(76)	—	(1)	—
Net (loss) income and comprehensive (loss) income	\$ (2,502)	\$ 3,885	(24)%	25 %

	Six Months Ended June 30,			
	2024	2023	2024	2023
	(In thousands)		(As a percentage of revenue)	
Product sales	\$ 20,747	\$ 27,183	83 %	89 %
Licensing, royalty, patent, and other revenue	4,319	3,410	17	11
Total revenue	25,066	30,593	100	100
Cost of product sales	11,238	12,213	45	40
Cost of licensing, royalty, patent, and other revenue	452	757	2	2
Total cost of sales	11,690	12,970	47	42
Gross profit	13,376	17,623	53	58
Operating expenses:				
Research and development	6,875	5,907	27	19
General and administrative	7,290	6,727	29	22
Sales and marketing	2,630	2,670	10	9
Total operating expenses	16,795	15,304	67	50
(Loss) income from operations	(3,419)	2,319	(14)	8
Interest expense	—	(63)	—	—
Other income, net	791	2,390	3	8
Net (loss) income before income taxes	(2,628)	4,646	(10)	15
Income tax (expense) benefit	(76)	—	—	—
Net (loss) income and comprehensive (loss) income	\$ (2,704)	\$ 4,646	(11)%	15 %

### Comparison of the three months ended June 30, 2024 and 2023

#### Revenue

We generated 87% and 79% of our revenue from products sold to distributors for the three months ended June 30, 2024 and 2023, respectively.

In addition to selling our products to our distributors, we maintain a direct selling relationship, for strategic purposes, with several key customer accounts. We have organized our sales team and representatives into three primary

regions: North America; EMEA; and APAC. We recognize revenue by geography based on the region in which our customer is located and to which our products are sold, and not to where the end products in which they are assembled are shipped. Our revenue by region and by type of revenue for the periods indicated were as follows (in thousands):

	<b>Three Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
APAC	\$ 6,310	\$ 7,964
North America	3,051	4,517
EMEA	1,275	3,266
Total revenue	<u>\$ 10,636</u>	<u>\$ 15,747</u>

	<b>Three Months Ended June 30,</b>		<b>Change</b>	
	<b>2024</b>	<b>2023</b>	<b>Amount</b>	<b>%</b>
	<b>(Dollars in thousands)</b>			
Product sales	\$ 9,887	\$ 13,406	\$ (3,519)	(26.2)%
Licensing, royalty, patent, and other revenue	749	2,341	(1,592)	(68.0)%
Total revenue	<u>\$ 10,636</u>	<u>\$ 15,747</u>	<u>\$ (5,111)</u>	<u>(32.5)%</u>

Total revenue decreased by \$5.1 million, or 32.5%, from \$15.7 million during the three months ended June 30, 2023 to \$10.6 million during the three months ended June 30, 2024. The decrease was primarily due to a decrease in product sales of \$3.5 million due to timing of customer demand, and a decrease in licensing revenue generated from our RAD-Hard projects of \$1.5 million, along with a decrease of \$0.1 million in other revenue related to foundry services.

Licensing, royalty, patent, and other revenue is a highly variable revenue item characterized by a small number of transactions annually with revenue based on size and terms of each transaction. Our best estimate of royalty revenue earned is made throughout the year for royalty contracts with an annual performance period, with an annual adjustment recognized for actual sales in the first quarter of each fiscal year. Licensing, royalty, patent, and other revenue decreased by \$1.6 million, or 68.0% from \$2.3 million during the three months ended June 30, 2023, to \$0.7 million during the three months ended June 30, 2024. The decrease was driven by a decrease of \$1.5 million in licensing revenue generated from our RAD-Hard projects, along with a decrease of \$0.1 million of other revenue related to foundry services.

#### *Cost of Sales and Gross Margin*

	<b>Three Months Ended June 30,</b>		<b>Change</b>	
	<b>2024</b>	<b>2023</b>	<b>Amount</b>	<b>%</b>
	<b>(Dollars in thousands)</b>			
Cost of product sales	\$ 5,235	\$ 6,090	\$ (855)	(14.0)%
Cost of licensing, royalty, patent, and other revenue	185	464	(279)	(60.1)%
Total cost of sales	<u>\$ 5,420</u>	<u>\$ 6,554</u>	<u>\$ (1,134)</u>	<u>(17.3)%</u>
Gross margin	49.0 %	58.4 %		

Cost of product sales decreased by \$0.9 million, or 14.0%, from \$6.1 million during the three months ended June 30, 2023, to \$5.2 million during the three months ended June 30, 2024. The decrease was primarily due to a reduction in product sales, partially offset by increased yields on our toggle products.

Cost of licensing, royalty, patent, and other revenue decreased by \$0.3 million, or 60.1% from \$0.5 million during the three months ended June 30, 2023, to \$0.2 million during the three months ended June 30, 2024. The decrease was primarily due to a decrease in licensing costs related to labor and materials associated with the progression of our RAD-Hard projects.

Gross margin decreased from 58.4% during the three months ended June 30, 2023, to 49.0% during the three months ended June 30, 2024. Gross margin decreased as a result of a decrease in product sales and licensing revenue, partially offset by increased yields on our toggle products.

*Operating Expenses*

Our operating expenses consist of research and development, general and administrative and sales and marketing expenses. Personnel-related expenses, including salaries, benefits, bonuses and stock-based compensation, are among the most significant components of each of our operating expense categories.

	Three Months Ended June 30,		Change	
	2024	2023	Amount	%
Research and development	\$ 3,457	\$ 2,708	\$ 749	27.7 %
Research and development as a % of revenue	33 %	17 %		

*Research and Development Expenses.* Research and development expenses increased by \$0.7 million, or 27.7%, from \$2.7 million during the three months ended June 30, 2023, to \$3.5 million during the three months ended June 30, 2024. The primary driver of research and development expenses relates to our new Extended Serial Peripheral Interface (xSPI) family of STT-MRAM products. Our xSPI products offer high-performance, multiple I/O, SPI-compatibility and feature a high-speed, low pin count SPI compatible interface.

	Three Months Ended June 30,		Change	
	2024	2023	Amount	%
General and administrative	\$ 3,254	\$ 3,507	\$ (253)	(7.2)%
General and administrative as a % of revenue	31 %	22 %		

*General and Administrative Expenses.* General and administrative expenses decreased by \$0.3 million, or 7.2%, from \$3.5 million during the three months ended June 30, 2023, to \$3.2 million during the three months ended June 30, 2024. The decrease is primarily due to reduced professional services costs.

	Three Months Ended June 30,		Change	
	2024	2023	Amount	%
Sales and marketing	\$ 1,324	\$ 1,355	\$ (31)	(2.3)%
Sales and marketing as a % of revenue	12 %	9 %		

*Sales and Marketing Expenses.* Sales and marketing expenses remained consistent at \$1.3 million during the three months ended June 30, 2024 and 2023, respectively. Sales and marketing expenses relate primarily to compensation costs and contract labor.

*Other Income (Expense), Net*

	Three Months Ended June 30,		Change	
	2024	2023	Amount	%
Other income, net	\$ 393	\$ 2,262	\$ (1,869)	(82.6)%

Other income, net decreased by \$1.9 million in income for the three months ended June 30, 2024. The change was primarily due to an employee retention tax credit of \$2.0 million during the three months ended June 30, 2023, partially offset by interest income.

**Comparison of the six months ended June 30, 2024 and 2023**

*Revenue*

We generated 78% and 82% of our revenue from products sold to distributors for the six months ended June 30, 2024 and 2023, respectively.

Our revenue by region and by type of revenue for the periods indicated were as follows (in thousands).

	<b>Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
APAC	\$ 13,240	\$ 15,555
North America	5,843	8,847
EMEA	5,983	6,191
Total revenue	<u>\$ 25,066</u>	<u>\$ 30,593</u>

	<b>Six Months Ended June 30,</b>		<b>Change</b>	
	<b>2024</b>	<b>2023</b>	<b>Amount</b>	<b>%</b>
	(Dollars in thousands)			
Product sales	\$ 20,747	\$ 27,183	\$ (6,436)	(23.7)%
Licensing, royalty, patent, and other revenue	4,319	3,410	909	26.7 %
Total revenue	<u>\$ 25,066</u>	<u>\$ 30,593</u>	<u>\$ (5,527)</u>	<u>(18.1)%</u>

Total revenue decreased by \$5.5 million, or 18.1%, from \$30.6 million during the six months ended June 30, 2023 to \$25.1 million during the six months ended June 30, 2024. The decrease was primarily due to a decrease in product sales of \$6.4 million due to timing of customer demand, offset by an increase in licensing revenue generated from our RAD-Hard projects of \$0.7 million, along with an increase of \$0.2 million in other revenue related to foundry services.

Licensing, royalty, patent and other revenue is a highly variable revenue item characterized by a small number of transactions annually with revenue based on size and term of each transaction. Our best estimate of royalty revenue earned is made through the year, with an annual adjustment recognized for actual sales in the first quarter of each fiscal year. Licensing, royalty, patent, and other revenue increased by \$0.9 million, or 26.7%, from \$3.4 million during the six months ended June 30, 2023, to \$4.3 million during the six months ended June 30, 2024. The increase was driven by an increase of \$0.7 million in licensing revenue generated from our RAD-Hard projects, along with an increase of \$0.2 million of other revenue related to foundry services.

#### *Cost of Sales and Gross Margin*

	<b>Six Months Ended June 30,</b>		<b>Change</b>	
	<b>2024</b>	<b>2023</b>	<b>Amount</b>	<b>%</b>
	(Dollars in thousands)			
Cost of product sales	\$ 11,238	\$ 12,213	\$ (975)	(8.0)%
Cost of licensing, royalty, patent, and other revenue	452	757	(305)	(40.3)%
Total cost of sales	<u>\$ 11,690</u>	<u>\$ 12,970</u>	<u>\$ (1,280)</u>	<u>(9.9)%</u>
Gross margin	53.4 %	57.6 %		

Cost of product sales decreased by \$1.0 million, or 8.0%, from \$12.2 million during the six months ended June 30, 2023, to \$11.2 million during the six months ended June 30, 2024. The decrease was primarily due to a reduction in product sales and increased yields on our toggle products.

Cost of licensing, royalty, patent, and other revenue decreased by \$0.3 million, or 40.3% from \$0.8 million during the six months ended June 30, 2023, to \$0.5 million during the six months ended June 30, 2024. The decrease was due to a decrease in licensing costs related to labor and materials associated with the progression of our RAD-Hard projects.

Gross margin decreased from 57.6% during the six months ended June 30, 2023, to 53.4% during the six months ended June 30, 2024. Gross margin decreased as a result of a decrease in product sales and increased yields on our toggle products, partially offset by increased licensing revenue.

*Operating Expenses*

Our operating expenses consist of research and development, general and administrative and sales and marketing expenses. Personnel-related expenses, including salaries, benefits, bonuses and stock-based compensation, are among the most significant components of each of our operating expense categories.

	<u>Six Months Ended June 30,</u>		<u>Change</u>	
	<u>2024</u>	<u>2023</u>	<u>Amount</u>	<u>%</u>
	(Dollars in thousands)			
Research and development	\$ 6,875	\$ 5,907	\$ 968	16.4 %
Research and development as a % of revenue	27 %	19 %		

*Research and Development Expenses.* Research and development expenses increased by \$1.0 million, or 16.4%, from \$5.9 million during the six months ended June 30, 2023, to \$6.9 million during the six months ended June 30, 2024. The primary driver of research and development expenses relates to our new xSPI family of STT-MRAM products.

	<u>Six Months Ended June 30,</u>		<u>Change</u>	
	<u>2024</u>	<u>2023</u>	<u>Amount</u>	<u>%</u>
	(Dollars in thousands)			
General and administrative	\$ 7,290	\$ 6,727	\$ 563	8.4 %
General and administrative as a % of revenue	29 %	22 %		

*General and Administrative Expenses.* General and administrative expenses increased by \$0.6 million, or 8.4%, from \$6.7 million during the six months ended June 30, 2023, to \$7.3 million during the six months ended June 30, 2024. The increase is primarily due to increases related to stock-based compensation and professional services.

	<u>Six Months Ended June 30,</u>		<u>Change</u>	
	<u>2024</u>	<u>2023</u>	<u>Amount</u>	<u>%</u>
	(Dollars in thousands)			
Sales and marketing	\$ 2,630	\$ 2,670	\$ (40)	(1.5)%
Sales and marketing as a % of revenue	10 %	9 %		

*Sales and Marketing Expenses.* Sales and marketing expenses remained consistent at \$2.6 million during the six months ended June 30, 2024 and 2023, respectively.

*Interest Expense*

	<u>Six Months Ended</u>		<u>Change</u>	
	<u>June 30,</u>	<u>June 30,</u>	<u>Amount</u>	<u>%</u>
	<u>2024</u>	<u>2023</u>	(Dollars in thousands)	
Interest expense	\$ —	\$ 63	\$ (63)	(100.0)%

Interest expense decreased by \$0.1 million, or 100.0%, from \$0.1 million during the six months ended June 30, 2023, to \$0 during the six months ended June 30, 2024. The decrease was due to having no outstanding balance under our 2019 Credit Facility that we paid off in full in March 2023, resulting in no interest incurred during the six months ended June 30, 2024.

*Other Income (Expense), Net*

	<u>Six Months Ended</u>		<u>Change</u>	
	<u>June 30,</u>	<u>June 30,</u>	<u>Amount</u>	<u>%</u>
	<u>2024</u>	<u>2023</u>	(Dollars in thousands)	
Other income, net	\$ 791	\$ 2,390	\$ (1,599)	(66.9)%

Other income, net decreased by \$1.6 million in income for the six months ended June 30, 2024. The change was primarily due to an employee retention tax credit of \$2.0 million during the six months ended June 30, 2023, partially offset by interest income.

## Liquidity and Capital Resources

As of June 30, 2024, we had \$36.8 million of cash and cash equivalents, compared to \$36.9 million as of December 31, 2023. As of June 30, 2024, we have no outstanding debt as we paid off our 2019 Credit Facility in full in March 2023. We believe our cash and cash equivalents are sufficient to meet our anticipated capital requirements in the next 12 months. Our future capital requirements will depend on many factors, including, among other things, our growth rate, the timing and extent of our spending to support research and development activities, the timing and cost of establishing additional sales and marketing capabilities, and the introduction of new products.

### Cash Flows

The following table summarizes our cash flows for the periods indicated (in thousands):

	Six Months Ended June 30,	
	2024	2023
	(In thousands)	
Cash provided by operating activities	\$ 428	\$ 7,531
Cash used in investing activities	(1,239)	(1,048)
Cash provided by (used in) financing activities	629	(2,448)

### Cash Flows From Operating Activities

During the six months ended June 30, 2024, cash provided by operating activities was \$0.4 million, which consisted of net loss of \$2.7 million, non-cash charges of \$4.4 million and changes of net operating assets and liabilities of \$1.2 million. The non-cash charges consisted of stock-based compensation of \$3.6 million and depreciation and amortization of \$0.8 million. The change in our net operating assets and liabilities was primarily due to a decrease in accounts receivable of \$1.4 million due to timing of cash receipts for outstanding balances, a decrease in prepaid and other current assets of \$0.5 million, and a decrease in inventory of \$0.4 million offset by a decrease in accounts payable of \$0.6 million, a decrease in accrued liabilities of \$2.6 million and a decrease in deferred revenue of \$0.3 million.

During the six months ended June 30, 2023, cash provided by operating activities was \$7.5 million, which consisted of net income of \$4.6 million, non-cash charges of \$3.2 million and changes of net operating assets and liabilities of \$0.3 million. The non-cash charges primarily consisted of stock-based compensation of \$ 2.4 million, depreciation and amortization of \$0.6 million, and a loss on prepayment and termination of our 2019 Credit Facility of \$0.2 million. The change in our net operating assets and liabilities was primarily due to an increase in inventory of \$0.7 million, a decrease in accounts payable of \$0.7 million, a decrease in accrued liabilities of \$0.7 million primarily due to timing of variable compensation costs, and a decrease in deferred revenue of \$0.1 million, offset by a decrease in accounts receivable of \$1.6 million due to timing of cash receipts for outstanding balances and a decrease in prepaid and other current assets of \$0.2 million.

### Cash Flows From Investing Activities

Cash used in investing activities during the six months ended June 30, 2024, was \$1.2 million, reflecting purchases of manufacturing equipment.

Cash used in investing activities during the six months ended June 30, 2023 was \$1.0 million, reflecting \$1.1 million for the purchases of manufacturing equipment offset by a nominal amount in proceeds received on the sale of property and equipment.

### Cash Flows From Financing Activities

Cash provided by financing activities during the six months ended June 30, 2024, was \$0.6 million, consisting of proceeds from the exercise of employee stock options and purchase of shares under our employee stock purchase plan.

Cash used in financing activities during the six months ended June 30, 2023, was \$2.5 million, consisting mainly of \$2.8 million of payments to pay off our 2019 Credit Facility, offset by \$0.3 million in proceeds from the exercise of employee stock options.

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

Our condensed financial statements have been prepared in accordance with GAAP. The preparation of these condensed financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenue generated, and expenses incurred during the reporting periods. We base our estimates on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

There have been no changes to our critical accounting policies and estimates described in the Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 29, 2024, that have had a material impact on our condensed financial statements and related notes.

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

Not required for a smaller reporting company.

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

*Evaluation of disclosure controls and procedures.*

Our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of June 30, 2024, the end of the period covered by this Quarterly Report on Form 10-Q.

Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2024.

There have been no changes in our internal control over financial reporting that occurred during the six months ended June 30, 2024 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

*Inherent limitation on the effectiveness of internal control.*

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurances. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

## **PART II—OTHER INFORMATION**

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

We are not party to any material legal proceedings at this time. From time to time, we may become involved in various legal proceedings that arise in the ordinary course of our business.

## Item 1A. Risk Factors

*The following are important factors that could cause actual results or events to differ materially from those contained in any forward-looking statements made by us or on our behalf. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we deem immaterial also may impair our business operations. If any of the following risks or such other risks actually occurs, our business, financial condition, results of operations and cash flows could be harmed.*

### Risk Factor Summary

We are subject to a variety of risks and uncertainties, including risks related to our financial condition, risks related to our business and our industry, risks related to our intellectual property and technology, risks related to regulatory matters and compliance, risks related to our common stock and certain general risks, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. These risks include, but are not limited to, the following principal risks:

- We may need additional funding and may be unable to raise capital when needed, which could force us to delay, reduce, or eliminate planned activities.
- We cannot be certain that we will sustain profitability.
- The limited history of STT-MRAM adoption makes it difficult to evaluate our current business and future prospects.
- We may be unable to match production with customer demand for a variety of reasons including macroeconomic factors due to the cyclical nature of the semiconductor industry, our inability to accurately forecast customer demand, supply chain constraints, or the capacity constraints of our suppliers, which could adversely affect our operating results.
- As we expand into new potential markets, we expect to face intense competition, including from our customers and potential customers, and may not be able to compete effectively, which could harm our business.
- We rely on third parties to distribute, manufacture, package, assemble and test our products, which exposes us to a number of risks, including reduced control over manufacturing and delivery timing and potential exposure to price fluctuations, which could result in a loss of revenue or reduced profitability.
- Disruptions in our supply chain and increased cost of components used in our products may adversely impact our business, results of operations and financial condition, including our ability to fulfill customer demand.
- Our joint development agreement and strategic relationships involve numerous risks.
- We must continuously develop new and enhanced products, and if we are unable to successfully market our new and enhanced products for which we incur significant expenses to develop, our results of operations and financial condition will be materially adversely affected.
- Our success and future revenue depend on our ability to secure design wins and on our customers' ability to successfully sell the products that incorporate our solutions. Securing design wins is a lengthy, expensive, and competitive process, and may not result in actual orders and sales, which could cause our revenue to decline.
- The loss of one or several of our customers or reduced orders or pricing from existing customers may have a significant adverse effect on our operations and financial results.
- We face competition and expect competition to increase in the future. If we fail to compete effectively, our revenue growth and results of operations will be materially and adversely affected.
- Our costs may increase substantially if we or our third-party manufacturing contractors do not achieve satisfactory product yields or quality.



- The complexity of our products may lead to defects, which could negatively impact our reputation with customers and result in liability.
- We may experience difficulties in transitioning to new wafer fabrication process technologies or in achieving higher levels of design integration, which may result in reduced manufacturing yields, delays in product deliveries and increased expenses.
- Changes to industry standards and technical requirements relevant to our products and markets could adversely affect our business, results of operations, and prospects.
- Our success depends on our ability to attract and retain key employees, and our failure to do so could harm our ability to grow our business and execute our business strategies.
- We currently maintain, and are seeking to expand, operations outside the United States which exposes us to significant risks.

For a more complete discussion of the material risk factors applicable to us, see below.

### **Risk Factors Related to Our Financial Condition**

***We may need additional funding and may be unable to raise capital when needed, which could force us to delay, reduce, or eliminate planned activities.***

Our total revenue was approximately \$25.1 million for the six months ended June 30, 2024, and \$63.8 million for the year ended December 31, 2023. As of June 30, 2024, we had cash and cash equivalents of approximately \$36.8 million. Based on our current operating plan, we believe our existing cash and cash equivalents, coupled with our anticipated growth and sales levels, will be sufficient to meet our anticipated cash requirements for at least the next 12 months. However, our existing capital may be insufficient to meet our long-term requirements. We have no committed sources of funding and there is no assurance that additional funding will be available to us in the future or be secured on acceptable terms. If adequate funding is not available when needed, we may be forced to curtail operations, including our commercial activities and research and development programs, or cease operations altogether, file for bankruptcy, or undertake any combination of the foregoing. In such event, our stockholders may lose their entire investment in our company.

Further, we may need to raise additional funds through financings or borrowings in order to accomplish our long-term planned objectives. If we raise additional funds through issuances of equity, convertible debt securities or other securities convertible into equity, our existing stockholders could suffer significant dilution in their percentage ownership of our company, and any new equity securities we issue could have rights, preferences, and privileges senior to those of holders of our common stock.

In addition, if we do not meet our payment obligations to third parties as they become due, we may be subject to litigation claims and our creditworthiness would be adversely affected. Even if we are successful in defending against these claims, litigation could result in substantial costs and would be a distraction to management, and may have other unfavorable results that could further adversely impact our financial condition. Stockholders should not rely on our balance sheet as an indication of the amount of proceeds that would be available to satisfy claims of creditors, and potentially be available for distribution to stockholders, in the event of liquidation.

***We cannot be certain that we will sustain profitability.***

While our products offer unique benefits over other industry memory technologies, the rate of adoption of our products and our ability to capture market share from legacy technologies is uncertain. Our revenue may also be adversely impacted by a number of other possible reasons, many of which are outside our control, including business conditions that adversely affect the semiconductor memory industry resulting in a decline in end market demand for our products, adverse impacts resulting from pandemics or endemics, increased competition, ongoing supply chain constraints, or our failure to capitalize on growth opportunities. We also rely on achieving specific cost reduction targets that have uncertainty in their timing and magnitude. We may also incur unforeseen expenses in the ongoing operation of our business that cause us to exceed our operational spending plan. As a result, our ability to generate sufficient revenue growth and/or control expenses to transition to profitability and generate consistent positive cash flows is uncertain.

## **Risk Factors Related to Our Business and Our Industry**

### ***The limited history of STT-MRAM adoption makes it difficult to evaluate our current business and future prospects.***

We have been in existence as a stand-alone company since 2008, when Freescale Semiconductor, Inc. (subsequently acquired by NXP Semiconductor) spun-out its MRAM business as Everspin. We have been shipping magnetoresistive random-access memory (MRAM) products since our incorporation in 2008. However, we only began to manufacture and ship our STT-MRAM products in the fourth quarter of 2017. We began to manufacture our second set of STT-MRAM products targeting the NVSRAM markets in the fourth quarter of 2022.

Our limited experience in selling our STT-MRAM products, combined with the rapidly evolving and competitive nature of our markets, makes it difficult to evaluate our current business and future prospects. In addition, we have limited insight into emerging trends that may adversely affect our business, financial condition, results of operations and prospects. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries, including unpredictable and volatile revenue and increased expenses as we continue to grow our business. The viability and demand for our products may be affected by many factors outside of our control, such as the factors affecting the growth of the industrial, automotive, transportation, and data center market segments and changes in macroeconomic conditions. If we do not manage these risks and overcome these difficulties successfully, our business will suffer.

### ***We may be unable to match production with customer demand for a variety of reasons including macroeconomic factors due to the cyclical nature of the semiconductor industry, our inability to accurately forecast customer demand, supply chain constraints, or the capacity constraints of our suppliers, which could adversely affect our operating results.***

We make planning and spending decisions, including determining production levels, production schedules, component procurement commitments, personnel needs, and other resource requirements, based on our estimates of product demand and customer requirements. Our products are typically purchased pursuant to individual purchase orders. While our customers may provide us with their demand forecasts, they are not contractually committed to buy any quantity of products beyond purchase orders. Furthermore, many of our customers may increase, decrease, cancel, or delay purchase orders already in place without significant penalty. The short-term nature of commitments by our customers and the possibility of unexpected changes in demand for their products reduce our ability to accurately estimate future customer requirements. On occasion, customers may require rapid increases in production, which can strain our resources, necessitate more onerous procurement commitments, and reduce our gross margin. If we overestimate customer demand, we may purchase products that we may not be able to sell, which could result in decreases in our prices or write-downs of unsold inventory. Conversely, we could lose sales opportunities and could lose market share or damage our customer relationships if, for example, we underestimate customer demand, are affected by supply chain constraints, or sufficient manufacturing is unavailable. We manufacture MRAM products at our 200mm facility we lease in Chandler, Arizona and use a single foundry, GLOBALFOUNDRIES, for production of higher density products on advanced technology nodes, which may not have sufficient capacity to meet customer demand. The rapid pace of innovation in our industry could also render significant portions of our inventory obsolete. Excess or obsolete inventory levels could result in unexpected expenses or write-downs of inventory values that could adversely affect our business, operating results, and financial condition.

### ***As we expand into new potential markets, we expect to face intense competition, including from our customers and potential customers, and may not be able to compete effectively, which could harm our business.***

We expect that our new and future MRAM products will be applicable to markets in which we are not currently operating. The markets in which we operate and may operate in the future are extremely competitive and are characterized by rapid technological change, continuous evolving customer requirements and declining average selling prices. We may not be able to compete successfully against current or potential competitors, which include our current or potential customers as they seek to internally develop solutions competitive with ours or as we develop products potentially competitive with their existing products. If we do not compete successfully, our market share and revenue may decline. We compete with large semiconductor manufacturers and designers and others, and our current and potential competitors have longer operating histories, significantly greater resources and name recognition and a larger base of customers than we do. This may allow them to respond more quickly than we can to new or emerging

technologies or changes in customer requirements. In addition, these competitors may have greater credibility with our existing and potential customers. Some of our current and potential customers with their own internally developed solutions may choose not to purchase products from third-party suppliers like us.

***We rely on third parties to distribute, manufacture, package, assemble and test our products, which exposes us to a number of risks, including reduced control over manufacturing and delivery timing and potential exposure to price fluctuations, which could result in a loss of revenue or reduced profitability.***

Although we operate an integrated magnetic fabrication line located in Chandler, Arizona, we purchase wafers from third parties and outsource the manufacturing, packaging, assembly and testing of our products to third-party foundries and assembly and testing service providers. We use a single foundry, GLOBALFOUNDRIES Singapore Pte. Ltd., for production of higher density products on advanced technology nodes. Our primary product package and test operations are located in China, Taiwan and other Asian countries. We also use standard CMOS wafers from third-party foundries, which we process at our Chandler, Arizona facility.

Relying on third-party distribution, manufacturing, assembly, packaging, and testing presents a number of risks, including but not limited to:

- our interests could diverge from those of our foundries, or we may not be able to agree with them on ongoing development, manufacturing and operational activities, or on the amount, timing, or nature of further investments in our joint development;
- capacity and materials shortages during periods of high demand or supply constraints;
- reduced control over delivery schedules, inventories and quality;
- the unavailability of, or potential delays in obtaining access to, key process technologies;
- the inability to achieve required production or test capacity and acceptable yields on a timely basis;
- misappropriation of our intellectual property;
- the third party's ability to perform its obligations due to bankruptcy or other financial constraints;
- exclusive representatives for certain customer engagements;
- limited warranties on wafers or products supplied to us; and
- potential increases in prices including due to inflation.

Our manufacturing agreement with GLOBALFOUNDRIES includes a customary forecast and ordering mechanism for the supply of certain of our wafers, and we are obligated to order and pay for, and GLOBALFOUNDRIES is obligated to supply, wafers consistent with the binding portion of our forecast. However, our manufacturing arrangement is also subject to both a minimum and maximum order quantity that while we believe currently addresses our projected foundry capacity needs, may not address our maximum foundry capacity requirements in the future. We may also be obligated to pay for unused capacity if our demand decreases in the future, or if our estimates prove inaccurate. GLOBALFOUNDRIES also has the ability to discontinue its manufacture of any of our wafers upon due notice and completion of the notice period. This could cause us to have to find another foundry to manufacture those wafers or redesign our core technology and would mean that we may not have products to sell until such time. Any time spent engaging a new manufacturer or redesigning our core technology could be costly and time consuming and may allow potential competitors to take opportunities in the marketplace. Moreover, if we are unable to find another foundry to manufacture our products or if we have to redesign our core technology, this could cause material harm to our business and operating results.

If we need other foundries or packaging, assembly, and testing contractors, or if we are unable to obtain timely and adequate deliveries from our providers, we might not be able to cost-effectively and quickly retain other vendors to satisfy our requirements. Because the lead time needed to establish a relationship with a new third-party supplier could

be several quarters, there is no readily available alternative source of supply for any specific component. In addition, the time and expense to qualify a new foundry could result in additional expense, diversion of resources or lost sales, any of which would negatively impact our financial results.

If any of our current or future foundries or packaging, assembly and testing subcontractors significantly increases the costs of wafers or other materials or services, interrupts or reduces our supply, including for reasons outside of their control, such as due to pandemics or epidemics, or if any of our relationships with our suppliers is terminated, our operating results could be adversely affected. Such occurrences could also damage our customer relationships, result in lost revenue, cause a loss in market share, or damage our reputation.

***Disruptions in our supply chain and increased cost of components used in our products may adversely impact our business, results of operations and financial condition, including our ability to fulfill customer demand.***

If we fail to procure sufficient components used in our products, we may be unable to deliver our products to our customers on a timely basis, which could lead to customer dissatisfaction and could harm our reputation and ability to compete. We would likely experience significant delays or cessation in producing some of our products if a labor strike, natural disaster, public health crisis, geopolitical event, or other supply disruption were to occur, including as a result of public health issues, such as pandemics and epidemics, or the ongoing military conflict between Russia and Ukraine, at any of our main suppliers.

Further, the upturn in the semiconductor industry has stretched the supply chain, and we are subject to supply shortages, as well as higher costs as suppliers opportunistically raise prices. For example, there is currently a worldwide shortage of semiconductor, memory and other electronic components affecting many industries. Our products are dependent on some of these electronic components. A continued shortage of electronic components may impact us significantly and could cause us to experience extended lead times and increased prices from our suppliers, which could be significant. Extended lead times and decreased availability of key components could result in a significant disruption to our production schedule, all of which would have an adverse effect on our business, results of operations and financial condition. Additionally, the military conflict between Russia and Ukraine creates additional uncertainty and risks relating to our supply chain and the cost of components. See “-General Risk Factors-Unfavorable economic, market and geopolitical conditions, domestically and internationally, may adversely affect our business, financial condition, results of operations and cash flows” for additional information.

We do not have any guarantees of supply from our third-party suppliers, and in certain cases we have limited contractual arrangements or are relying on standard purchase orders or on component parts available on the open market, which may further result in increased costs combined with reduced availability. A continued delay in our ability to produce and deliver our products could also cause our customers to purchase alternative products from our competitors and/or harm our reputation.

***Our joint development agreement and strategic relationships involve numerous risks.***

We have entered into strategic relationships to manufacture products and develop new manufacturing process technologies and products. These relationships include our joint development agreement with GLOBALFOUNDRIES to develop advanced MTJ technology and STT-MRAM. These relationships are subject to various risks that could adversely affect the value of our investments and our results of operations. These risks include the following:

- our interests could diverge from those of our foundries, or we may not be able to agree with them on ongoing development, manufacturing and operational activities, or on the amount, timing, or nature of further investments in our joint development;
- we may experience difficulties in transferring technology to a foundry;
- we may experience difficulties and delays in getting to and/or ramping production at foundries;
- our control over the operations of foundries is limited;
- due to financial constraints, our joint development collaborators may be unable to meet their commitments to us and may pose credit risks for our transactions with them;

- due to differing business models or long-term business goals, our collaborators may decide not to join us in funding capital investment, which may result in higher levels of cash expenditures by us;
- our cash flows may be inadequate to fund increased capital requirements;
- we may experience difficulties or delays in collecting amounts due to us from our collaborators;
- the terms of our arrangements may turn out to be unfavorable;
- we are migrating toward a fabless model as 300mm production becomes required and this increases risks related to less control over our critical production processes; and
- changes in tax, legal, or regulatory requirements may necessitate changes in our agreements.

The term of the agreement, as amended, is the completion, termination, or expiration of the last statement of work entered into pursuant to the joint development agreement.

If our strategic relationships are unsuccessful, our business, results of operations, or financial condition may be materially adversely affected.

***We must continuously develop new and enhanced products, and if we are unable to successfully market our new and enhanced products for which we incur significant expenses to develop, our results of operations and financial condition will be materially adversely affected.***

To compete effectively in our markets, we must continually design, develop, and introduce new and improved technology and products with improved features in a cost-effective manner in response to changing technologies and market demand. This requires us to devote substantial financial and other resources to research and development. We are developing new technology and products, which we expect to be one of the drivers of our revenue growth in the future. We also face the risk that customers may not value or be willing to bear the cost of incorporating our new and enhanced products into their products, particularly if they believe their customers are satisfied with current solutions. Regardless of the improved features or superior performance of our new and enhanced products, customers may be unwilling to adopt our solutions due to design or pricing constraints, or because they do not want to rely on a single or limited supply source. Because of the extensive time and resources that we invest in developing new and enhanced products, if we are unable to sell customers our new products, our revenue could decline and our business, financial condition, results of operations and cash flows would be negatively affected. For example, if we are unable to generate more customer adoption of our 1Gb product and address new growth opportunities with subsequent STT-MRAM products, we may not be able to materially increase our revenue. If we are unable to successfully develop and market our new and enhanced products that we have incurred significant expenses developing, our results of operations and financial condition will be materially and adversely affected.

***Our success and future revenue depend on our ability to secure design wins and on our customers' ability to successfully sell the products that incorporate our solutions. Securing design wins is a lengthy, expensive, and competitive process, and may not result in actual orders and sales, which could cause our revenue to decline.***

We sell to customers, including OEMs and ODMs, that incorporate MRAM into their products. A design win occurs after a customer has tested our product, verified that it meets the customer's requirements and qualified our solutions for their products. We believe we are dependent, among other things, on the adoption of our 256Mb and 1Gb MRAM products by our customers to secure design wins. Our customers may need several months to years to test, evaluate, and adopt our product and additional time to begin volume production of the product that incorporates our solution. Due to this generally lengthy design cycle, we may experience significant delays from the time we increase our operating expenses and make investments in our products to the time that we generate revenue from sales of these products. Moreover, even if a customer selects our solution, we cannot guarantee that this will result in any sales of our products, as the customer may ultimately change or cancel its product plans, or efforts by our customer to market and sell its product may not be successful. We may not generate any revenue from design wins after incurring the associated costs, which would cause our business and operating results to suffer.

If a current or prospective customer incorporates a competitor's solution into its product, it becomes significantly more difficult for us to sell our solutions to that customer because changing suppliers involves significant time, cost, effort, and risk for the customer even if our solutions are superior to other solutions and remain compatible with their product design. Our ability to compete successfully depends on customers viewing us as a stable and reliable supplier to mission-critical customer applications when we have less production capacity and less financial resources compared to most of our larger competitors. If current or prospective customers do not include our solutions in their products and we fail to achieve a sufficient number of design wins, our results of operations and business may be harmed.

***The loss of one or several of our customers or reduced orders or pricing from existing customers may have a significant adverse effect on our operations and financial results.***

We have derived and expect to continue to derive a significant portion of our revenues from a small group of customers during any particular period due in part to the concentration of market share in the semiconductor industry. Our two largest end customers together accounted for 32% of our total revenue for the six months ended June 30, 2024, and each of these customers accounted for more than 10% of our revenue during that period. Our two largest end customers together accounted for 22% of our total revenue for the year ended December 31, 2023, and one of those customers individually accounted for more than 10% of our total revenue during the period. The loss of a significant customer, a business combination among our customers, a reduction in orders or decrease in price from a significant customer or disruption in any of our commercial or distributor arrangements may result in a significant decline in our revenues and could have a material adverse effect on our business, liquidity, results of operations, financial condition, and cash flows.

***We face competition and expect competition to increase in the future. If we fail to compete effectively, our revenue growth and results of operations will be materially and adversely affected.***

The global semiconductor market in general, and the semiconductor memory market in particular, are highly competitive. We expect competition to increase and intensify as other semiconductor companies enter our markets, many of which have greater financial and other resources with which to pursue technology development, product design, manufacturing, marketing and sales and distribution of their products. Increased competition could result in price pressure, reduced revenue, and profitability and loss of market share, any of which could materially and adversely affect our business, revenue, and operating results. Currently, our competitors range from large, international companies offering a wide range of traditional memory technologies to companies specializing in other alternative, specialized emerging memory technologies. Our primary memory competitors include Fujitsu, Infineon, Integrated Silicon Solution, Intel, Macronix, Microchip, Micron, Renesas, Samsung, and Toshiba. In addition, as the MRAM market opportunity grows, we expect new entrants may enter this market and existing competitors, including leading semiconductor companies, may make significant investments to compete more effectively against our products. These competitors could develop technologies or architectures that make our products or technologies obsolete.

Our ability to compete successfully depends on factors both within and outside of our control, including:

- the functionality and performance of our products and those of our competitors;
- our relationships with our customers and other industry participants;
- prices of our products and prices of our competitors' products;
- our ability to develop innovative products;
- our competitors' greater resources to make acquisitions;
- our ability to obtain adequate capital to finance operations;
- our ability to retain high-level talent, including our management team and engineers; and
- the actions of our competitors, including merger and acquisition activity, launches of new products and other actions that could change the competitive landscape.

In the event of a market downturn, competition in the markets in which we operate may intensify as our customers reduce their purchase orders. Our competitors that are significantly larger and have greater financial, technical, marketing, distribution, customer support and other resources or more established market recognition than us may be better positioned to accept lower prices and withstand adverse economic or market conditions.

***Our costs may increase substantially if we or our third-party manufacturing contractors do not achieve satisfactory product yields or quality.***

The fabrication process is extremely complicated and small changes in design, specifications or materials can result in material decreases in product yields or even the suspension of production. From time to time, we and/or the third-party foundries that we contract to manufacture our products may experience manufacturing defects and reduced manufacturing yields. In some cases, we and/or our third-party foundries may not be able to detect these defects early in the fabrication process or determine the cause of such defects in a timely manner. There may be a higher risk of product yield issues in newer STT-MRAM products.

Generally, in pricing our products, we assume that manufacturing yields will continue to improve, even as the complexity of our products increases. Once our products are initially qualified either internally or with our third-party foundries, minimum acceptable yields are established. We are responsible for the costs of the units if the actual yield is above the minimum set with our third-party foundries. If actual yields are below the minimum, we are not required to purchase the units. Typically, minimum acceptable yields for our new products are generally lower at first and gradually improve as we achieve full production but yield issues can occur even in mature processes due to break downs in mechanical systems, equipment failures or calibration errors. Unacceptably low product yields or other product manufacturing problems could substantially increase overall production time and costs and adversely impact our operating results. Product yield losses may also increase our costs and reduce our gross margin. In addition to significantly harming our results of operations and cash flow, poor yields may delay shipment of our products and harm our relationships with existing and potential customers.

***The complexity of our products may lead to defects, which could negatively impact our reputation with customers and result in liability.***

Products as complex as ours may contain defects when first introduced to customers or as new versions are released. Delivery of products with production defects or reliability, quality or compatibility problems could significantly delay or hinder market acceptance of the products or result in a costly recall and could damage our reputation and adversely affect our ability to retain existing customers and attract new customers. Defects could cause problems with the functionality of our products, resulting in interruptions, delays, or cessation of sales of these products to our customers. We may also be required to make significant expenditures of capital and resources to resolve such problems. We cannot assure our stockholders that problems will not be found in new products, both before and after commencement of commercial production, despite testing by us, our suppliers, or our customers. For example, any such problems could result in:

- delays in development, manufacture and roll-out of new products;
- additional development costs;
- loss of, or delays in, market acceptance;
- diversion of technical and other resources from our other development efforts;
- claims for damages by our customers or others against us; and
- loss of credibility with our current and prospective customers.

Any such event could have a material adverse effect on our business, financial condition, and results of operations.

***We may experience difficulties in transitioning to new wafer fabrication process technologies or in achieving higher levels of design integration, which may result in reduced manufacturing yields, delays in product deliveries and increased expenses.***

We aim to use the most advanced manufacturing process technology appropriate for our solutions that is available from our third-party foundries. As a result, we periodically evaluate the benefits of migrating our solutions to other technologies to improve performance and reduce costs. These ongoing efforts require us from time to time to modify the manufacturing processes for our products and to redesign some products, which in turn may result in delays in product deliveries.

For example, as smaller line width geometry manufacturing processes become more prevalent, we intend to move our future products to increasingly smaller geometries to integrate greater levels of memory capacity and/or functionality into our products. This transition will require us and our third-party foundries to migrate to new designs and manufacturing processes for smaller geometry products.

We may face difficulties, delays, and increased expense as we transition our products to new processes, and potentially to new foundries. We will depend on our third-party foundries as we transition to new processes. We cannot assure our stockholders that our third-party foundries will be able to effectively manage such transitions or that we will be able to maintain our relationship with our third-party foundries or develop relationships with new third-party foundries. If we or any of our third-party foundries experience significant delays in transitioning to new processes or fail to efficiently implement transitions, we could experience reduced manufacturing yields, delays in product deliveries and increased expenses, any of which could harm our relationships with our customers and our operating results.

***Changes to industry standards and technical requirements relevant to our products and markets could adversely affect our business, results of operations and prospects.***

Our products are only a part of larger electronic systems. All products incorporated into these systems must comply with various industry standards and technical requirements created by regulatory bodies or industry participants to operate efficiently together. Industry standards and technical requirements in our markets are evolving and may change significantly over time. For our products, the industry standards are developed by the Joint Electron Device Engineering Council, an industry trade organization. In addition, large industry-leading semiconductor and electronics companies play a significant role in developing standards and technical requirements for the product ecosystems within which our products can be used. Our customers also may design certain specifications and other technical requirements specific to their products and solutions. These technical requirements may change as the customer introduces new or enhanced products and solutions.

Our ability to compete in the future will depend on our ability to identify and comply with evolving industry standards and technical requirements. The emergence of new industry standards and technical requirements could render our products incompatible with products developed by other suppliers or make it difficult for our products to meet the requirements of certain of our customers in automotive, transportation, industrial, data storage, and other markets. As a result, we could be required to invest significant time and effort and to incur significant expense to redesign our products to ensure compliance with relevant standards and requirements. If our products are not in compliance with prevailing industry standards and technical requirements for a significant period of time, we could miss opportunities to achieve crucial design wins, our revenue may decline and we may incur significant expenses to redesign our products to meet the relevant standards, which could adversely affect our business, results of operations and prospects.

***Our success depends on our ability to attract and retain key employees, and our failure to do so could harm our ability to grow our business and execute our business strategies.***

Our success depends on our ability to attract and retain our key employees, including our management team and experienced engineers. Competition for personnel in the semiconductor memory technology field, and in the MRAM space in particular, is intense, and the availability of suitable and qualified candidates is limited. We compete to attract and retain qualified research and development personnel with other semiconductor companies, universities, and research institutions. Given our experience as an early entrant in the MRAM space, our employees are frequently contacted by MRAM startups and MRAM groups within larger companies seeking to employ them. The members of our management and our key employees are at-will. If we lose the services of any key senior management member or employee, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new personnel, which could severely impact our business and prospects. The loss of the services of one or more of our key employees, especially our key engineers, or our inability to attract and retain qualified engineers, could harm our business, financial condition, and results of operations.



***We currently maintain and are seeking to expand operations outside of the United States which exposes us to significant risks.***

The success of our business depends, in large part, on our ability to operate successfully from geographically disparate locations and to further expand our international operations and sales. Operating in international markets requires significant resources and management attention and subjects us to regulatory, economic, and political risks that are different from those we face in the United States. We cannot be sure that further international expansion will be successful. In addition, we face risks in doing business internationally that could expose us to reduced demand for our products, lower prices for our products or other adverse effects on our operating results. The success and profitability, as well as the expansion, of our international operations are subject to numerous risks and uncertainties, many of which are outside of our control, such as the following:

- public health issues, such as pandemics and epidemics, which can result in varying impacts to our business, employees, partners, customers, distributors or suppliers internationally as discussed elsewhere in this “Risk Factors” section;
- difficulties, inefficiencies and costs associated with staffing and managing foreign operations;
- longer and more difficult customer qualification and credit checks;
- greater difficulty collecting accounts receivable and longer payment cycles;
- the need for various local approvals to operate in some countries;
- difficulties in entering some foreign markets without larger-scale local operations;
- changes in import/export laws, trade restrictions, regulations and customs and duties and tariffs (foreign and domestic);
- compliance with local laws and regulations;
- unexpected changes in regulatory requirements, including the elimination of tax holidays;
- reduced protection for intellectual property rights in some countries;
- adverse tax consequences as a result of repatriating cash generated from foreign operations to the United States;
- adverse tax consequences, including potential additional tax exposure if we are deemed to have established a permanent establishment outside of the United States;
- the effectiveness of our policies and procedures designed to ensure compliance with the Foreign Corrupt Practices Act of 1977 and similar regulations;
- fluctuations in currency exchange rates, which could increase the prices of our products to customers outside of the United States, increase the expenses of our international operations by reducing the purchasing power of the U.S. dollar and expose us to foreign currency exchange rate risk if, in the future, we denominate our international sales in currencies other than the U.S. dollar;
- new and different sources of competition;
- political, economic, and social instability;
- terrorism and acts of war, such as ongoing military conflict between Russia and Ukraine, which could have a negative impact on the operations of our business or the businesses of our customers; and
- US Department of Commerce regulations or restrictions on exports of certain semiconductor technologies and equipment to China.

Our failure to manage any of these risks successfully could harm our operations and reduce our revenue.

## **Risk Factors Related to Our Intellectual Property and Technology**

### ***Failure to protect our intellectual property could substantially harm our business.***

Our success and ability to compete depend in part upon our ability to protect our intellectual property. We rely on a combination of intellectual property rights, including patents, mask work protection, copyrights, trademarks, trade secrets and know-how, in the United States and other jurisdictions. The steps we take to protect our intellectual property rights may not be adequate, particularly in foreign jurisdictions such as China. Any patents we hold may not adequately protect our intellectual property rights or our products against competitors, and third parties may challenge the scope, validity, or enforceability of our issued patents, which third parties may have significantly more financial resources with which to litigate their claims than we have to defend against them. In addition, other parties may independently develop similar or competing technologies designed around any patents or patent applications that we hold. Some of our products and technologies are not covered by any patent or patent application, as we do not believe patent protection of these products and technologies is critical to our business strategy at this time. A failure to timely seek patent protection on products or technologies generally precludes us from seeking future patent protection on these products or technologies.

In addition to patents, we also rely on contractual protections with our customers, suppliers, distributors, employees, and consultants, and we implement security measures designed to protect our trade secrets and know-how. However, we cannot assure our stockholders that these contractual protections and security measures will not be breached, that we will have adequate remedies for any such breach or that our customers, suppliers, distributors, employees, or consultants will not assert rights to intellectual property or damages arising out of such contracts.

We may initiate claims against third parties to protect our intellectual property rights if we are unable to resolve matters satisfactorily through negotiation. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management. It could also result in the impairment or loss of portions of our intellectual property, as an adverse decision could limit our ability to assert our intellectual property rights, limit the value of our technology or otherwise negatively impact our business, financial condition, and results of operations. Additionally, any enforcement of our patents or other intellectual property may provoke third parties to assert counterclaims against us. Our failure to secure, protect and enforce our intellectual property rights could materially harm our business.

### ***We may face claims of intellectual property infringement, which could be time-consuming, costly to defend or settle, result in the loss of significant rights, harm our relationships with our customers and distributors, or otherwise materially adversely affect our business, financial condition, and results of operations.***

The semiconductor memory industry is characterized by companies that hold patents and other intellectual property rights and that vigorously pursue, protect, and enforce intellectual property rights. These companies include patent holding companies or other adverse patent owners who have no relevant product revenue and against whom our own patents may provide little or no deterrence. From time to time, third parties may assert against us and our customers' patent and other intellectual property rights to technologies that are important to our business. We have in the past, and may in the future, face such claims.

Claims that our products, processes, or technology infringe third-party intellectual property rights, regardless of their merit or resolution, could be costly to defend or settle and could divert the efforts and attention of our management and technical personnel. We may also be obligated to indemnify our customers or business partners in connection with any such litigation, which could result in increased costs. Infringement claims also could harm our relationships with our customers or distributors and might deter future customers from doing business with us. If any such proceedings result in an adverse outcome, we could be required to:

- cease the manufacture, use or sale of the infringing products, processes or technology;
- pay substantial damages for infringement;

- expend significant resources to develop non-infringing products, processes or technology, which may not be successful;
- license technology from the third-party claiming infringement, which license may not be available on commercially reasonable terms, or at all;
- cross-license our technology to a competitor to resolve an infringement claim, which could weaken our ability to compete with that competitor; or
- pay substantial damages to our customers to discontinue their use of or to replace infringing technology sold to them with non-infringing technology, if available.

Any of the foregoing results could have a material adverse effect on our business, financial condition, and results of operations. Furthermore, our exposure to the foregoing risks may also be increased if we acquire other companies or technologies. For example, we may have a lower level of visibility into the development process with respect to intellectual property or the care taken to safeguard against infringement risks with respect to the acquired company or technology. In addition, third parties may make infringement and similar or related claims after we have acquired technology that had not been asserted prior to the acquisition.

***We make significant investments in new technologies and products that may not achieve technological feasibility or profitability or that may limit our revenue growth.***

We have made and will continue to make significant investments in research and development of new technologies and products, including new and more technically advanced versions of our MRAM technology.

Investments in new technologies are speculative and technological feasibility may not be achieved. Commercial success depends on many factors including demand for innovative technology, availability of materials and equipment, selling price the market is willing to bear, competition and effective licensing or product sales. We may not achieve significant revenue from new product investments for a number of years, if at all. Moreover, new technologies and products may not be profitable, and even if they are profitable, operating margins for new products and businesses may not be as high as the margins we have experienced historically or originally anticipated. Our inability to capitalize on or realize substantial revenue from our significant investments in research and development could harm our operating results and distract management, harming our business.

***Interruptions in or other compromises of our information technology systems or data or that of third parties upon whom we rely could adversely affect our business.***

We rely on the efficient, uninterrupted and uncompromised operation of complex information technology systems and networks (and those of third parties) to operate our business. Any significant disruption to or other compromise of our systems, networks or data (or those of third parties upon whom we rely), including, but not limited to, due to new system implementations, computer viruses, social-engineering attacks, personnel (including former personnel) misconduct or error, supply-chain attacks, ransomware attacks, software bugs, software or hardware failure, security breaches, facility issues, natural disasters, terrorism, war, telecommunication failures, energy blackouts, loss, theft or similar threats, could have a material adverse impact on our operations, sales, and financial results. Such disruption or other compromise could result in a loss of our intellectual property or the release of sensitive competitive information or supplier, customer, personnel or other relevant stakeholder's personal data. Additionally, future or past business transactions (such as acquisitions or integrations) could expose us to additional cybersecurity risks and vulnerabilities, as our systems could be negatively affected by vulnerabilities present in acquired or integrated entities' systems and technologies. Furthermore, we may discover security issues that were not found during due diligence of such acquired or integrated entities, and it may be difficult to integrate companies into our information technology environment and security program. Any loss of such information could harm our competitive position, result in a loss of customer confidence, result in breaches of applicable obligations (such as laws and contracts) and cause us to incur significant costs to remedy the damages caused by any such disruptions or security breaches. Additionally, any failure to properly manage the collection, handling, transfer, or disposal of personal data of employees and customers may result in regulatory penalties, bans on processing personal data or orders not to use or destroy data, enforcement actions, remediation obligations, litigation, fines, and other actions.

We may experience attacks on our data and/or information systems, attempts to breach our security and attempts to introduce malicious software into our IT systems. Such threats are prevalent and continue to rise, are increasingly difficult to detect, and come from a variety of sources. During times of war and other major conflicts, we and the third parties upon which we rely may be vulnerable to a heightened risk of these attacks. If attacks are successful, we may be unaware of the incident, its magnitude, or its effects until significant harm is done. Any such attack or disruption could result in additional costs related to rebuilding of our internal systems, defending litigation, responding to regulatory actions, or paying damages. Such attacks or disruptions could have a material adverse impact on our business, operations, and financial results. Attempts to gain unauthorized access to our IT systems or other attacks have in the past, in certain instances and to certain degrees, been successful (but have not caused significant harm), and may in the future be successful, and in some cases, we might be unaware of an incident or its magnitude and effects.

Third-party service providers, such as wafer foundries, assembly and test contractors, distributors and other vendors have access to certain portions of our and our customers' sensitive data. Our ability to monitor these third parties' information security practices is limited, and these third parties may not have adequate information security measures in place. In the event that these service providers do not properly safeguard the data that they hold, security breaches and loss of data could result. Any such loss of data by our third-party service providers could negatively impact our business, operations, and financial results, as well as our relationship with our customers.

While we have implemented security measures designed to protect against security incidents, there can be no assurance that these measures will be effective. We take steps designed to detect, mitigate, and remediate vulnerabilities in our information systems (such as our hardware and/or software, including that of third parties upon which we rely). We may not, however, detect and remediate all such vulnerabilities including on a timely and effective basis. Further, we may experience delays in developing and deploying remedial measures and patches designed to address identified vulnerabilities. Vulnerabilities could be exploited and result in a security incident.

We may expend significant resources or modify our business activities to try to protect against security incidents. Additionally, certain data privacy and security obligations may require us to implement and maintain specific security measures or industry-standard or reasonable security measures to protect our information technology systems and sensitive data.

#### **Risk Factors Related to Regulatory Matters and Compliance**

***To comply with environmental laws and regulations, we may need to modify our activities or incur substantial costs, and if we fail to comply with environmental regulations, we could be subject to substantial fines or be required to have our suppliers alter their processes.***

The semiconductor memory industry is subject to a variety of international, federal, state, and local governmental regulations directed at preventing or mitigating environmental harm, as well as to the storage, discharge, handling, generation, disposal and labeling of toxic or other hazardous substances. Failure to comply with environmental regulations could subject us to civil or criminal sanctions and property damage or personal injury claims. Compliance with current or future environmental laws and regulations could restrict our ability to expand our business or require us to modify processes or incur other substantial expenses which could harm our business. In response to environmental concerns, some customers and government agencies impose requirements for the elimination of hazardous substances, such as lead (which is widely used in soldering connections in the process of semiconductor packaging and assembly), from electronic equipment. For example, the European Union adopted its Restriction on Hazardous Substance Directive which prohibits, with specified exceptions, the sale in the EU market of new electrical and electronic equipment containing more than agreed levels of lead or other hazardous materials and China has enacted similar regulations. Environmental laws and regulations such as these could become more stringent over time, causing a need to redesign technologies, imposing greater compliance costs, and increasing risks and penalties associated with violations, which could seriously harm our business.

Increasing public attention has been focused on the environmental impact of electronic manufacturing operations. While we have not experienced any materially adverse effects on our operations from recently adopted environmental regulations, our business and results of operations could suffer if for any reason we fail to control the storage or use of, or to adequately restrict the discharge or disposal of, hazardous substances under present or future environmental regulations.

***Regulations related to “conflict minerals” may force us to incur additional expenses, may make our supply chain more complex and may result in damage to our reputation with customers.***

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC has adopted requirements for companies that use certain minerals and metals, known as conflict minerals, in their products, whether or not these products are manufactured by third parties. These requirements require companies to perform diligence and disclose and report whether or not such minerals originate from the Democratic Republic of Congo and adjoining countries. These requirements could adversely affect the sourcing, availability and pricing of minerals used in the manufacture of our products, and affect our costs and relationships with customers, distributors, and suppliers as we must obtain additional information from them to ensure our compliance with the disclosure requirement. In addition, we incur additional costs in complying with the disclosure requirements, including costs related to determining the source of any of the relevant minerals and metals used in our products. Since our supply chain is complex, we have not been able to sufficiently verify the origins for these minerals and metals used in our products through the due diligence procedures that we implement, which may harm our reputation. In such event, we may also face difficulties in satisfying customers who require that all of the components of our products are certified as conflict mineral free and these customers may discontinue, or materially reduce, purchases of our products, which could result in a material adverse effect on our results of operations and our financial condition may be adversely affected.

***Our ability to use net operating losses to offset future taxable income may be subject to certain limitations.***

In general, under Section 382 of the U.S. Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its pre-change net operating losses, or NOLs, to offset future taxable income and tax credits to offset tax. As of December 31, 2023, we had gross federal net operating loss carryforwards of approximately \$96.2 million, of which \$55.8 million will expire in 2028 through 2037 if not utilized, and \$40.5 million will carryover indefinitely. As of December 31, 2023, we had state net operating loss carryforwards of approximately \$48.7 million, of which \$45.9 million will expire in 2028 through 2043 if not utilized, and \$2.8 million will carryover indefinitely. The federal NOLs generated prior to 2018 will continue to be governed by the NOL tax rules as they existed prior to the adoption of the 2017 Tax Cuts and Jobs Act (2017 Tax Act), which means that generally they will expire 20 years after they were generated if not used prior thereto. The 2017 Tax Act repealed the 20-year carryforward and two-year carryback of NOLs originating after December 31, 2017, and also limits the NOL deduction to 80% of taxable income for tax years beginning after December 31, 2017. Any NOLs generated in 2018 and forward will be carried forward and will not expire. There is no current impact to us as the NOLs that we are utilizing in the current year were generated prior to 2018, and therefore, are not subject to the 80% limitation. Future changes in our stock ownership, many of which are outside of our control, could result in an ownership change under Section 382 of the Code. The ability to utilize our net operating losses and tax credits could also be impaired under state law. As a result, we might not be able to utilize a material portion of our state NOLs and tax credits.

**Risks Related to Our Common Stock**

***We expect that the price of our common stock will fluctuate substantially.***

The market price of our common stock is likely to be highly volatile and may fluctuate substantially due to many factors, including:

- the introduction of new products or product enhancements by us or others in our industry;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures, capital commitments or restructurings;
- disputes or other developments with respect to our or others’ intellectual property rights;
- product liability claims or other litigation;
- quarterly variations in our results of operations or those of others in our industry;
- sales of large blocks of our common stock, including sales by our executive officers and directors;

- changes in senior management or key personnel;
- changes in earnings estimates or recommendations by securities analysts; and
- general market conditions and other factors, including factors unrelated to our operating performance or the operating performance of our competitors, including the effects of pandemics and epidemics and ongoing military conflict between Russia and Ukraine.

Stock markets generally have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Further, the semiconductor memory industry is highly cyclical, and our markets may experience significant cyclical fluctuations in demand as a result of changing economic conditions, budgeting and buying patterns of customers and other factors. Fluctuations in our revenue and operating results could also cause our stock price to decline.

In addition, in the past, class action litigation has often been instituted against companies whose securities have experienced periods of volatility in market price, or for other reasons. Securities litigation brought against us following volatility in our stock price or otherwise, regardless of the merit or ultimate results of such litigation, could result in substantial costs, which would hurt our financial condition and operating results and divert management's attention and resources from our business.

These and other factors may make the price of our stock volatile and subject to unexpected fluctuation.

***Provisions in our corporate charter documents and under Delaware law could make an acquisition of us more difficult and may prevent attempts by our stockholders to replace or remove our current management.***

Provisions in our amended and restated certificate of incorporation and our amended and restated bylaws may discourage, delay, or prevent a merger, acquisition, or other change in control of us that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Because our board of directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our stockholders to replace current members of our management team. Among others, these provisions include that:

- our board of directors has the right to expand the size of our board of directors and to elect directors to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- our stockholders may not act by written consent or call special stockholders' meetings; as a result, a holder, or holders, controlling a majority of our capital stock would not be able to take certain actions other than at annual stockholders' meetings or special stockholders' meetings called by the board of directors pursuant to a resolution adopted by a majority of the total number of authorized directors, the chairman of the board or the chief executive officer;
- our amended and restated certificate of incorporation prohibits cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the affirmative vote of holders of at least 66-2/3% of the voting power of all of the then outstanding shares of voting stock, voting as a single class, will be required (a) to amend certain provisions of our certificate of incorporation, including provisions relating to the size of the board, special meetings, actions by written consent and cumulative voting and (b) to amend or repeal our amended and restated bylaws, although such bylaws may be amended by a simple majority vote of our board of directors;
- stockholders must provide advance notice and additional disclosures to nominate individuals for election to the board of directors or to propose matters that can be acted upon at a stockholders' meeting, which may discourage

or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of our company; and

- our board of directors may issue, without stockholder approval, shares of undesignated preferred stock; the ability to issue undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire us.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

***Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware and the federal district courts of the United States of America will be the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.***

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee to us or our stockholders;
- any action asserting a claim against us arising under the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws; and
- any action asserting a claim against us that is governed by the internal-affairs doctrine.

This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions.

These exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees. If a court were to find either exclusive-forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could seriously harm our business.

## **General Risk Factors**

***Unfavorable economic and market conditions, domestically and internationally, may adversely affect our business, financial condition, results of operations and cash flows.***

We have significant customer sales both in the United States and internationally. We also rely on domestic and international suppliers, manufacturing partners and distributors. We are therefore susceptible to adverse U.S. and international economic and market conditions. If any of our manufacturing partners, customers, distributors or suppliers experience slowdowns in their business, serious financial difficulties or cease operations, our business will be adversely affected. In addition, the adverse impact of general economic factors that are beyond our control, including, but not

limited to, housing markets, recession, inflation, deflation, consumer credit activity, consumer debt levels, exchange rate volatility, fuel and energy costs, interest rates, bank failures, tax rates and policy, unemployment trends, potential industry downturn, the impact of natural disasters such as pandemics, civil disturbances, terrorist activities and acts of war, including ongoing military conflict between Russia and Ukraine, may adversely impact consumer spending, which may adversely impact our customers' spending and demand for our products. As an example, in the United States, capital markets have experienced and continue to experience volatility and disruption. Furthermore, inflation rates in the United States have recently increased to levels not seen in decades resulting in federal action to increase interest rates, affecting capital markets. In addition to the foregoing, adverse developments that affect financial institutions, transactional counterparties or other third parties, such as bank failures, or concerns or speculation about any similar events or risks, could lead to market-wide liquidity problems, which in turn may cause third parties, including customers, to become unable to meet their obligations under various types of financial arrangements as well as general disruptions or instability in the financial markets. Additionally, the military conflict in Ukraine and escalating geopolitical tensions resulting from such conflict have resulted and may continue to result in sanctions, tariffs, and import-export restrictions which, when combined with retaliatory actions taken by Russia, could cause further inflationary pressures and economic and supply chain disruptions, as well as cause us to experience extended lead times and increased prices from our suppliers. Any of the foregoing could adversely affect our business, financial condition, results of operations and cash flows.

***Our business may be adversely impacted by natural disasters and other catastrophic events.***

Our operations and business, and those of our manufacturing partners, customers, distributors, or suppliers, can be disrupted by natural disasters; industrial accidents; public health issues, such as pandemics and epidemics; cybersecurity incidents; interruptions of service from utilities, transportation, telecommunications, or IT systems providers; manufacturing equipment failures; or other catastrophic events. For example, some of our foundries and suppliers' facilities in Asia are located near known earthquake fault zones and, therefore, are vulnerable to damage from earthquakes. We are also vulnerable to damage from other types of disasters, such as power loss, fire, floods, and similar events. If any such natural disasters or other catastrophic events were to occur, our ability to operate our business could be seriously impaired. In addition, we may not have adequate insurance to cover our losses resulting from disasters or other similar significant business interruptions. Any significant losses that are not recoverable under our insurance policies could seriously impair our business and financial condition.

**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**

*Trading Arrangements of Directors and Executive Officers.*

None of our directors or executive officers adopted, modified, or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (as defined under Item 408(a) of Regulation S-K) during the quarter ended June 30, 2024.



**Item 6. Exhibits****EXHIBIT INDEX**

<u>Exhibit Number</u>	<u>Description</u>	<u>Incorporation By Reference</u>			<u>Filing Date</u>
		<u>Form</u>	<u>SEC File No.</u>	<u>Exhibit/Reference</u>	
3.1	<a href="#">Amended and Restated Certificate of Incorporation</a>	8-K	001-37900	3.1	10/13/2016
3.1.1	<a href="#">Amendment to Amended and Restated Certificate of Incorporation</a>	8-K	001-37900	3.1	5/22/2019
3.1.2	<a href="#">Amendment to Amended and Restated Certificate of Incorporation</a>	8-K	001-37900	3.1	5/27/2020
3.1.3	<a href="#">Amendment to Amended and Restated Certificate of Incorporation</a>	8-K	001-37900	3.1	5/25/2023
3.2	<a href="#">Amended and Restated Bylaws</a>	8-K	001-37900	3.2	5/22/2019
31.1*	<a href="#">Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act</a>				
31.2*	<a href="#">Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act</a>				
32.1**	<a href="#">Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>				
101.INS*	Inline XBRL Instance Document - 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				

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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)

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\* Filed herewith.

\*\* Furnished herewith. Exhibit 32.1 is being furnished and shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall such exhibit be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act or the Exchange Act, except as otherwise specifically stated in such filing.

**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.

Everspin Technologies, Inc.

Date: August 2, 2024

By: /s/ Sanjeev Aggarwal  
Sanjeev Aggarwal  
Chief Executive Officer  
(Principal Executive Officer)

Date: August 2, 2024

By: /s/ Matthew Tenorio  
Matthew Tenorio  
Interim Chief Financial Officer  
(Principal Financial and Accounting Officer)

**Certification of the Principal Executive Officer**

I, Sanjeev Aggarwal, certify that:

1. I have reviewed this Form 10-Q of Everspin Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 2, 2024

/s/ Sanjeev Aggarwal  
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Sanjeev Aggarwal  
*Chief Executive Officer*  
*(Principal Executive Officer)*

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**Certification of Principal Financial Officer**

I, Matthew Tenorio, certify that:

1. I have reviewed this Form 10-Q of Everspin Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 2, 2024

/s/ Matthew Tenorio  
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Matthew Tenorio  
*Interim Chief Financial Officer*  
*(Principal Financial Officer)*

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**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER**

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Sanjeev Aggarwal, Chief Executive Officer of Everspin Technologies, Inc. (the "Company"), and Matthew Tenorio, Interim Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2024, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2024

/s/ Sanjeev Aggarwal

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Sanjeev Aggarwal

*Chief Executive Officer*

*(Principal Executive Officer)*

/s/ Matthew Tenorio

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Matthew Tenorio

*Interim Chief Financial Officer*

*(Principal Financial Officer)*

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Everspin Technologies, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

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