

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q**

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

For the quarterly period ended **June 30, 2023**

OR

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

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

Commission File Number **001-40350**

**FTC SOLAR, INC.**

(Exact name of Registrant as Specified in its Charter)

**Delaware**

(State or Other Jurisdiction of Incorporation or Organization)

**9020 N Capital of Texas Hwy, Suite I-260,  
Austin, Texas 78759**

(Address of Principal Executive Offices)

**81-4816270**

(I.R.S. Employer Identification No.)

**78759**

(Zip Code)

**(737) 787-7906**

Registrant's Telephone Number, Including Area Code

**Not Applicable**

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value	FTCI	The Nasdaq Stock Market LLC

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

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

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

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

Emerging growth company

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

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

As of July 31, 2023, 118,109,076 shares of the registrant's common stock were outstanding.



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## FORWARD-LOOKING STATEMENTS

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

The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We believe that these factors include, but are not limited to, the factors set forth under the heading “Risk Factors.” In addition, with respect to prior period acquisitions, these factors also include risks related to: (1) costs attributable to integration of the acquisitions, (2) the inability to successfully merge goals and technology with the acquired businesses, (3) the ability to recognize the anticipated benefits of the acquisitions (including expected orders and revenues for the acquired businesses, which are based on our reasonable due diligence of each business and the information and representations that were made to us), which may be affected by, among other things, competition, brand recognition, the ability of the combined businesses to grow and manage growth profitably and retain their key employees, (4) the failure of the combined businesses to effectively scale tracker systems and solutions in certain international markets and (5) changes in applicable laws or regulations that impact the feasibility of the operations of the combined businesses. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements.

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

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

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

ITEM 1. FINANCIAL STATEMENTS

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

(in thousands, except shares and per share data)	June 30, 2023	December 31, 2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 33,817	\$ 44,385
Accounts receivable, net	69,728	49,052
Inventories	6,045	14,949
Prepaid and other current assets	10,276	10,304
<b>Total current assets</b>	<b>119,866</b>	<b>118,690</b>
Operating lease right-of-use assets	2,217	1,154
Property and equipment, net	1,508	1,702
Intangible assets, net	792	1,113
Goodwill	7,173	7,538
Equity method investment	900	—
Other assets	4,979	4,201
<b>Total assets</b>	<b>\$ 137,435</b>	<b>\$ 134,398</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 27,049	\$ 15,801
Accrued expenses	12,248	23,896
Income taxes payable	337	443
Deferred revenue	2,512	11,316
Other current liabilities	8,775	8,884
<b>Total current liabilities</b>	<b>50,921</b>	<b>60,340</b>
Operating lease liability, net of current portion	1,497	786
Other non-current liabilities	5,623	6,822
<b>Total liabilities</b>	<b>58,041</b>	<b>67,948</b>
Commitments and contingencies (Note 14)		
Stockholders' equity		
Preferred stock par value of \$0.0001 per share, 10,000,000 shares authorized; none issued as of June 30, 2023 and December 31, 2022	—	—
Common stock par value of \$0.0001 per share, 850,000,000 shares authorized; 118,118,220 and 105,032,588 shares issued and outstanding as of June 30, 2023 and December 31, 2022	12	11
Treasury stock, at cost; 10,762,566 shares as of June 30, 2023 and December 31, 2022	—	—
Additional paid-in capital	350,877	315,345
Accumulated other comprehensive loss	(474)	(61)
Accumulated deficit	(271,021)	(248,845)
<b>Total stockholders' equity</b>	<b>79,394</b>	<b>66,450</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 137,435</b>	<b>\$ 134,398</b>

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

**FTC Solar, Inc.**  
**Condensed Consolidated Statements of Comprehensive Loss**  
**(unaudited)**

(in thousands, except shares and per share data)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
<b>Revenue:</b>				
Product	\$ 21,074	\$ 9,166	\$ 53,653	\$ 40,134
Service	11,285	21,555	19,600	40,140
Total revenue	32,359	30,721	73,253	80,274
<b>Cost of revenue:</b>				
Product	19,152	16,426	50,919	51,389
Service	11,006	20,807	18,098	44,684
Total cost of revenue	30,158	37,233	69,017	96,073
<b>Gross profit (loss)</b>	2,201	(6,512)	4,236	(15,799)
<b>Operating expenses</b>				
Research and development	1,873	2,711	3,795	5,412
Selling and marketing	1,852	2,927	3,563	4,899
General and administrative	8,843	13,089	19,642	26,907
Total operating expenses	12,568	18,727	27,000	37,218
<b>Loss from operations</b>	(10,367)	(25,239)	(22,764)	(53,017)
Interest expense, net	(28)	(427)	(86)	(722)
Gain from disposal of investment in unconsolidated subsidiary	—	—	898	337
Other income (expense), net	(141)	73	(215)	92
<b>Loss before income taxes</b>	(10,536)	(25,593)	(22,167)	(53,310)
(Provision) benefit for income taxes	122	(90)	(9)	(166)
<b>Net loss</b>	(10,414)	(25,683)	(22,176)	(53,476)
<b>Other comprehensive income (loss):</b>				
Foreign currency translation adjustments	(408)	60	(413)	117
<b>Comprehensive loss</b>	\$ (10,822)	\$ (25,623)	\$ (22,589)	\$ (53,359)
<b>Net loss per share:</b>				
Basic and diluted	\$ (0.09)	\$ (0.26)	\$ (0.20)	\$ (0.54)
<b>Weighted-average common shares outstanding:</b>				
Basic and diluted	112,669,296	100,321,943	109,632,336	99,752,707

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

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

(in thousands, except shares)	Preferred stock		Common stock		Treasury stock		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity (deficit)
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance as of December 31, 2022	—	\$ —	105,032,588	\$ 11	10,762,566	\$ —	\$ 315,345	\$ (61)	\$ (248,845)	\$ 66,450
Shares issued during the period for vested restricted stock awards	—	—	1,498,987	—	—	—	2,775	—	—	2,775
Issuance of common stock upon exercise of stock options	—	—	265,125	—	—	—	51	—	—	51
Shares issued for legal settlement	—	—	797,396	—	—	—	2,000	—	—	2,000
Sale of shares	—	—	2,683,000	—	—	—	6,292	—	—	6,292
Stock offering costs	—	—	—	—	—	—	(32)	—	—	(32)
Stock-based compensation	—	—	—	—	—	—	2,472	—	—	2,472
Net loss	—	—	—	—	—	—	—	—	(11,762)	(11,762)
Other comprehensive loss	—	—	—	—	—	—	—	(5)	—	(5)
Balance as of March 31, 2023	—	—	110,277,096	11	10,762,566	—	328,903	(66)	(260,607)	68,241
Shares issued during the period for vested restricted stock awards	—	—	1,213,037	—	—	—	2,085	—	—	2,085
Issuance of common stock upon exercise of stock options	—	—	39,087	—	—	—	—	—	—	—
Sale of shares	—	—	6,589,000	1	—	—	17,347	—	—	17,348
Stock offering costs	—	—	—	—	—	—	(127)	—	—	(127)
Stock-based compensation	—	—	—	—	—	—	2,669	—	—	2,669
Net loss	—	—	—	—	—	—	—	—	(10,414)	(10,414)
Other comprehensive loss	—	—	—	—	—	—	—	(408)	—	(408)
Balance as of June 30, 2023	—	\$ —	118,118,220	\$ 12	10,762,566	\$ —	\$ 350,877	\$ (474)	\$ (271,021)	\$ 79,394

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

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

(in thousands, except shares)	Preferred stock		Common stock		Treasury stock		Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Total stockholders' equity (deficit)
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance as of December 31, 2021	—	\$ —	92,619,641	\$ 9	10,762,566	\$ —	\$ 292,082	\$ 7	\$ (149,232)	\$ 142,866
Shares issued during the period for vested restricted stock awards	—	—	5,311,326	1	—	—	(1)	—	—	—
Issuance of common stock upon exercise of stock options	—	—	1,793,876	—	—	—	428	—	—	428
Stock-based compensation	—	—	—	—	—	—	4,610	—	—	4,610
Net loss	—	—	—	—	—	—	—	—	(27,793)	(27,793)
Other comprehensive gain	—	—	—	—	—	—	—	57	—	57
Balance as of March 31, 2022	—	—	99,724,843	10	10,762,566	—	297,119	64	(177,025)	120,168
Shares issued during the period for vested restricted stock awards	—	—	729,106	—	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	266,225	—	—	—	86	—	—	86
Shares issued for HX Tracker acquisition	—	—	1,000,000	—	—	—	4,370	—	—	4,370
Stock-based compensation	—	—	—	—	—	—	998	—	—	998
Net loss	—	—	—	—	—	—	—	—	(25,683)	(25,683)
Other comprehensive gain	—	—	—	—	—	—	—	60	—	60
Balance as of June 30, 2022	—	\$ —	101,720,174	\$ 10	10,762,566	\$ —	\$ 302,573	\$ 124	\$ (202,708)	\$ 99,999

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

**FTC Solar, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**(unaudited)**

(in thousands)	Six months ended June 30,	
	2023	2022
<b>Cash flows from operating activities</b>		
Net loss	\$ (22,176)	\$ (53,476)
Adjustments to reconcile net loss to cash used in operating activities:		
Stock-based compensation	7,852	5,608
Depreciation and amortization	666	265
Loss from sale of property and equipment	—	111
Amortization of debt issue costs	355	349
Provision for obsolete and slow-moving inventory	1,261	12
Gain from disposal of investment in unconsolidated subsidiary	(898)	(337)
Warranty provision	2,852	4,184
Warranty recoverable from manufacturer	30	(181)
Credit losses and bad debt expense	203	1,147
Deferred income taxes	184	—
Lease expense and other	497	384
Impact on cash from changes in operating assets and liabilities:		
Accounts receivable, net	(17,879)	30,397
Inventories	7,643	(4,829)
Prepaid and other current assets	70	3,586
Other assets	(1,422)	(384)
Accounts payable	11,247	(3,943)
Accruals and other current liabilities	(7,895)	(22,127)
Deferred revenue	(8,804)	5,460
Other non-current liabilities	(4,264)	(2,334)
Lease payments and other, net	(331)	(290)
Net cash used in operations	<u>(30,809)</u>	<u>(36,398)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(195)	(683)
Proceeds from sale of property and equipment	—	53
Investment in Alpha Steel	(900)	—
Acquisitions, net of cash acquired	—	18
Proceeds from disposal of investment in unconsolidated subsidiary	898	337
Net cash used in investing activities	<u>(197)</u>	<u>(275)</u>
<b>Cash flows from financing activities:</b>		
Sale of common stock	20,640	—
Stock offering costs paid	(114)	—
Proceeds from stock option exercises	51	514
Net cash provided by financing activities	<u>20,577</u>	<u>514</u>
Effect of exchange rate changes on cash and cash equivalents	(139)	(1)
Net decrease in cash and cash equivalents	(10,568)	(36,160)
Cash and cash equivalents at beginning of period	44,385	102,185
Cash and cash equivalents at end of period	<u>\$ 33,817</u>	<u>\$ 66,025</u>
<b>Supplemental disclosures of cash flow information:</b>		
Purchases of property and equipment included in ending accounts payable and accruals	\$ 12	\$ 78
HX Tracker purchase price included in ending accruals	\$ —	\$ 4,347
Stock issued for accrued legal settlement	\$ 2,000	\$ —
Right-of-use asset and lease liability recognition for new leases	\$ 1,417	\$ —
Cash paid during the period for third party interest	\$ 255	\$ 403
Cash paid during the period for taxes, net of refunds	\$ 126	\$ 146

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



**FTC Solar, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**1. Description of business**

FTC Solar, Inc. (the “Company”, “we”, “our”, or “us”) was founded in 2017 and is incorporated in the state of Delaware. In April 2021, we completed an initial public offering (“IPO”) and our common stock began trading on the Nasdaq Global Market under the symbol “FTCI”.

We are a global provider of solar tracker systems, supported by proprietary software and value-added engineering services. Solar tracker systems move solar panels throughout the day to maintain an optimal orientation relative to the sun, thereby increasing the amount of solar energy produced at a solar installation. Our primary tracker system is currently marketed under the Voyager brand name (“Voyager”), which is our two-panel in-portrait (“2P”) single-axis tracker solution. In September 2022, we announced the introduction of Pioneer, our new one module-in-portrait (“1P”) solar tracker solution. We also launched a new mounting solution to support the installation and use of U.S.-manufactured thin-film modules by project owners. In addition, we have a team of renewable energy professionals available to assist our U.S. and worldwide clients in site layout, structural design, pile testing and other needs across the solar project development and construction cycle. The Company is headquartered in Austin, Texas, and has international subsidiaries in Australia, China, India and South Africa.

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

**2. Summary of significant accounting policies**

**Basis of presentation and principles of consolidation**

The accompanying unaudited condensed consolidated financial statements include the results of the Company and its wholly owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial statements and pursuant to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments have been made that are considered necessary for a fair statement of our financial position as of June 30, 2023, and December 31, 2022, our results of operations for the three and six months ended June 30, 2023 and 2022, and our cash flows for the six months ended June 30, 2023 and 2022. The condensed consolidated balance sheet as of December 31, 2022 has been derived from the Company’s audited consolidated financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. Operating results for the three and six months ended June 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023. Intercompany balances and transactions have been eliminated in consolidation.

Certain information and disclosures normally included in the notes to annual financial statements prepared in accordance with U.S. GAAP have been omitted from these interim financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 (our “2022 Annual Report”).

We currently operate in one business segment, the manufacturing and servicing of solar tracker systems.

**Liquidity**

We have incurred cumulative losses since inception, resulting in an accumulated deficit of \$271.0 million as of June 30, 2023, and have a history of cash outflows from operations. During the years ended December 31, 2021 and 2022, and the six months ended June 30, 2023, we had \$132.9 million, \$54.5 million and \$30.8 million, respectively, of cash outflows from operations. As of June 30, 2023, we had \$33.8 million of cash on hand, \$68.9 million of working capital, approximately \$75.6 million of remaining capacity available for future sales of our common stock under our ATM program as described further in Note 4 below, and approximately \$98.0 million of unused

borrowing capacity under our existing Senior Secured Revolving Credit Facility (the "Credit Facility") until termination on April 30, 2024. The Credit Facility includes a financial condition covenant stating we are required to have a minimum liquidity, consisting of cash on hand and unused borrowing capacity, of \$125.0 million as of each quarter end. Additionally, our only material contractual obligation requiring the use of cash as of June 30, 2023, was for additional equity investment capital contributions that may be required, as described further in "Note 3, Equity method investment".

The Uyghur Forced Labor Prevention Act ("UFLPA") was passed by the U.S. Congress and signed into law by President Biden on December 23, 2021. The UFLPA establishes a rebuttable presumption that the importation of any goods, wares, articles, and merchandise mined, produced, or manufactured wholly or in part in the Xinjiang Uyghur Autonomous Region of the People's Republic of China ("Xinjiang"), or that are produced by certain entities, is prohibited by Section 307 of the Tariff Act of 1930 and that such goods, wares, articles, and merchandise are not entitled to entry to the United States. U.S. Customs and Border Protection ("CBP") began implementing the presumption set out in the UFLPA on June 21, 2022, resulting in new rules for solar module importers and reviews by CBP. There continues to be uncertainty in the market around achieving full compliance with the UFLPA for the importation of solar modules, whether related to sufficient traceability of materials or other factors.

On April 1, 2022, the U.S. Department of Commerce, in response to a petition by Auxin Solar, Inc., published a notice initiating an investigation ("the Solar Circumvention Investigation") of claims related to alleged circumvention of U.S. antidumping and countervailing duties ("AD/CVD") by solar manufacturers in certain Southeast Asian countries, in an effort to determine whether or not solar cells and/or modules made in those Southeast Asian nations use parts originating from China in order to circumvent the AD/CVD tariffs. On June 6, 2022, President Biden issued a proclamation allowing U.S. solar deployers the ability to import solar modules and cells from Cambodia, Malaysia, Thailand and Vietnam free from certain duties for 24 months, along with other incentives designed to accelerate U.S. domestic production of clean energy technologies.

Since 2016, CBP has issued a number of withhold release orders ("WRO") directed at forced labor in China, including WROs directed specifically at activity in Xinjiang. To date, CBP has used the WROs to detain solar panels, which has disrupted the U.S. solar installation market and caused additional uncertainty on future projects.

These policies and actions have resulted in some developers deferring projects due to the uncertainty of panel supply and costs, which negatively impacted our 2022 revenues and cash flows and are continuing to negatively impact our revenues and our cash flows to date in 2023.

The most notable incentive program impacting our U.S. business has been the investment tax credit ("ITC") for solar energy projects, which allows taxpayers to offset their U.S. federal income tax liability by a certain percentage of their cost basis in solar energy systems placed in service for commercial use. The Inflation Reduction Act of 2022, passed by the U.S. Congress and signed into law by President Biden on August 16, 2022, expanded and extended the tax credits and other tax benefits available to solar energy projects and the solar energy supply chain. ITCs have been extended for such projects through at least 2032 and, depending on the location of a particular project and its ability to satisfy certain labor and domestic content requirements, the ITC percentage can range between 30% and 50%. U.S. manufacturers of specific solar components are now eligible to claim production tax credits as an alternative to the ITC. Implementing regulations for this law are still being finalized.

Our costs are affected by the costs of certain components and materials, such as costs including steel, motors and micro-chips, as well as transportation costs. Current market conditions and international conflicts that constrain the supply of materials and disrupt the flow of materials from international vendors impact the cost of our products and services, along with overall rates of inflation in the global economy, which have been higher than pre-COVID 19 pandemic historical rates. Transportation costs, including ocean freight and U.S. domestic haul rates, increased at the beginning of the COVID-19 pandemic but have since returned to pre-pandemic rates. Domestic fuel prices, however, continue to be slightly elevated compared to pre-pandemic rates. Additionally, COVID-19 shutdowns in China during 2022 created a backlog of exports and increased demand for container shipments from China, but such shutdowns have since been eased by the Chinese government. These cost increases and decreases impact our operating margins. We have taken steps to expand and diversify our manufacturing partnerships and have adjusted our modes of transportation to mitigate the impact of headwinds that arise in the global supply chain and logistics markets. As an example, we have modified our ocean freight from previously using charter shipments to now using containerized shipments as costs in the container market began to decrease in 2022. We continue to monitor the logistics markets and will continue to evaluate our use of various modes of transportation when warranted to optimize our transportation costs. Additionally, in February 2022, we contracted with a related-party consulting firm to support us in making ongoing improvements to our processes and performance in various areas, including design, sourcing, logistics, pricing, software and our distributed generation business. For further information regarding this consulting firm, see "Note 16. Related party transactions".

In accordance with Accounting Standards Codification ("ASC") 205-40, Going Concern, we have evaluated whether there are conditions and events, considered in the aggregate, which raise substantial doubt about our ability to continue as a going concern within one year after the date these condensed consolidated financial statements are issued. While the UFLPA continues to create uncertainty in the market, we believe that passage of the Inflation Reduction Act of 2022, as described above, has reduced the level of uncertainty among solar project owners and developers with regard to new project development in the United States. We note that implementing regulations for the Inflation Reduction Act are still being finalized, which creates uncertainty about the extent of its impact on our Company and the solar energy industry. We also took significant steps in 2022, and are continuing to take further steps in 2023, to address the recent market challenges and our historical use of cash through the following actions:

- certain members of our senior management team elected to forego certain cash compensation during the second half of 2022 in exchange for equity compensation;
- the members of our board of directors agreed to take equity compensation in lieu of cash compensation during 2023;
- we began making certain incentive compensation payments to all employees in stock rather than cash beginning at the end of the second quarter of 2022;
- we reduced our workforce by approximately 8% near the end of 2022;
- we initially froze non-essential hiring in 2022, placed restrictions on certain travel, decreased the future use of consultants and continue to defer non-critical initiatives;
- we have initiated frequent, consistent communication with our customers, which in certain cases has allowed us to resolve issues preventing timely collection of certain past due outstanding receivables;
- we have emphasized cash collections from customers, and continue to negotiate improved payment terms with both our customers and vendors and have switched vendors when needed to obtain cost savings;
- we launched Pioneer, a 1P solar tracker solution, and a new solution for thin-film modules not subject to UFLPA;
- we reached a settlement agreement with FCX Solar, LLC in December 2022, regarding a lawsuit filed against us relating to claims of patent infringement in order to eliminate future time and expense involved in defending ourselves in this action; under the settlement agreement, we were able to utilize our common stock to satisfy a portion of the settlement payment;
- we made an investment to acquire a 45% ownership interest in Alpha Steel, a manufacturing partnership with Taihua, which will enhance our domestic supply chain to reduce our exposure to import duties and import restrictions, as described further in "Note 3, Equity method investment" below;
- we began selling newly issued shares of our common stock under our ATM program (as defined herein) in 2023, as described further in "Note 4, ATM program" below; and
- we continue to actively explore options to obtain additional sources of capital through either the issuance of new debt or equity.

A number of the steps above, as well as improvements in the logistics markets and easing of supply chain constraints, contributed to us having positive gross profit in the six months ended June 30, 2023, which also reduced our use of cash required to fund our operations during the current year-to-date period.

Management believes that our existing cash on hand, as well as the continuing impact of certain of the actions described above and our expectations of improved market conditions and positive results from our efforts to continue to increase gross margins, will allow us to grow profitably and generate positive cash flow from operations during the next twelve months in amounts that will be sufficient, along with our other available resources, to fund our operations for at least one year from the date of issuance of the condensed consolidated financial statements.

We have achieved success in executing certain of the initiatives above and we continue to work to further reduce our use of cash to fund our operations. We expect to begin seeing the benefits from production of our Pioneer solution in our financial results during the second half of 2023 and we believe passage of the Inflation Reduction Act of 2022 and our investment in Alpha Steel will also ultimately benefit demand for our products in the United States. At the same time, however, new rules for module importers and reviews by CBP pursuant to achieving full compliance with the UFLPA are expected to continue creating uncertainty in the market. However, once there is additional clarity around compliance with the UFLPA and customers get line-of-sight to module deliveries, we believe the market will see a recovery. While there are already many underlying drivers of growth in the solar industry, the expected positive impact on demand for our products could take longer than expected to occur. In addition, market conditions could deteriorate significantly from what we currently

expect, and regulatory and international trade policies could become more stringent as a result of (i) findings from the Solar Circumvention Investigation, (ii) CBP's enforcement of the UFLPA, and (iii) other factors, which may result in a need for us to issue additional debt or obtain new equity financing, which could result in additional shareholder dilution, to continue to adequately fund our existing operations beyond the next twelve months. We may be unable to obtain any desired additional financing on terms favorable to us, or at all, depending on market and other conditions which could result in curtailment of our current operations and our ability to further invest in our products and new technology. The ability to raise additional financing depends on numerous factors that are outside of our control, including macroeconomic factors such as the impact of inflation, the ongoing conflict in the Ukraine, market conditions, the health of financial institutions (including the recent bankruptcy of certain regional banks and related impacts that have occurred and continue to occur in the banking industry), investors' and lenders' assessments of our prospects and the prospects of the solar industry in general.

### **Use of estimates**

Preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenue and expenses during the period. Estimates are used for calculating the measure of progress of our solar tracker projects and deriving the standalone selling prices of the individual performance obligations when determining amounts to recognize for revenue, estimating allowances for credit losses and slow-moving and obsolete inventory, determining useful lives of long-lived assets and the estimated fair value of those assets for impairment assessments, and estimating the fair value of investments, stock compensation awards, warranty liabilities and federal and state taxes, including tax valuation allowances, as well as other contingencies. We base our estimates on historical experience and anticipated results, trends, and various other assumptions that we believe are reasonable under the circumstances, including assumptions as to future events. Actual results could differ from those estimates due to risks and uncertainties.

### **Concentration of credit risk**

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and accounts receivable.

We regularly maintain cash balances with various financial institutions that exceed federally insured amounts, but we have experienced no losses associated with these amounts to date. We also took action in early 2023 to reallocate cash balances between different financial institutions based on our assessment as to the financial health of certain institutions.

We extend credit to customers in the normal course of business, often without requiring collateral. We also perform credit analyses and monitor the financial health of our customers to reduce credit risk.

The Company's accounts receivables are derived from revenue earned from customers primarily located in the U.S. and Australia. No countries other than the U.S. and Australia account for 10% or more of our revenue. Most of our customers are project developers, solar asset owners and engineering, procurement and construction ("EPC") contractors that design and build solar energy projects. We typically rely on a small number of customers that account for a large portion of our revenue each period and our outstanding receivables at each period end.

### **Cash and cash equivalents**

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

### **Accounts receivable, net**

Trade receivables are recorded at invoiced amounts, net of allowances for credit losses, and do not bear interest. We generally do not require collateral from our customers; however, in certain circumstances, we may require letters of credit, other collateral, additional guarantees or advance payments.

The allowance for credit losses is based on the lifetime expected credit loss of our customer accounts. To assess the lifetime expected credit loss, we utilize a loss rate method that takes into consideration historical experience and certain other factors, as appropriate, such as credit quality and current economic or other conditions that may affect a customer's ability to pay.

Receivables arising from revenue recognized in excess of billings represents our unconditional right to consideration before customers are invoiced due to the level of progress obtained as of period end on our contracts to procure and deliver tracker systems and related equipment. Further information may be found below in our revenue recognition policy.

### **Inventories, net**

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

### **Impairment**

We review our long-lived assets that are held for use for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable or that its useful life may be shorter than previously expected. If such impairment indicators are present or other factors exist that indicate the carrying amount of the asset may not be recoverable, we determine whether an impairment has occurred through the use of an undiscounted cash flow analysis of the asset at the lowest level for which identifiable cash flows exist. If an impairment has occurred, we recognize a loss for the difference between the carrying amount and the fair value of the asset, which in most cases is estimated based upon Level 3 unobservable inputs. If the asset is determined to have a remaining useful life shorter than previously expected, an adjustment for the shorter remaining life will be made for purposes of recognizing future depreciation expense. Assets are classified as held for sale when we have a plan, approved by the appropriate levels of management, for disposal of such assets, as well as other considerations, and those assets are stated at the lower of carrying value or estimated fair value less estimated costs to sell.

### **Intangible assets, net**

Intangible assets consist of developed technology in the form of software tools, licenses and intellectual property, which are amortized over the period of their estimated useful lives, generally 2.5 to 3.0 years, using the straight-line method. We evaluate our intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of our intangible assets may not be recoverable or that their useful lives may be shorter than previously expected.

### **Goodwill**

We recognize goodwill as the excess of the purchase price over the estimated fair value of the identified assets and liabilities acquired in a business combination accounted for using the acquisition method. Goodwill is not amortized but is subject to a periodic assessment for impairment at least annually, or whenever events and circumstances indicate an impairment may exist.

### **Equity method investment**

We use the equity method of accounting for investments in which we have the ability to exercise significant influence, but not control, over operating and financial policies of the investee. Our proportionate share of the net income or loss of these investees is included in our condensed consolidated statements of comprehensive loss. Judgment regarding the level of influence over each equity method investment includes considering key factors such as our ownership interest, legal form of the investee, representation on the board of directors or managers, participation in policy-making decisions and material intra-entity transactions. We account for distributions received from equity method investees under the "nature of the distribution" approach based on the nature of the activity or activities of the investee that generated the distribution as either a return on investment (classified as cash inflows from operating activities) or a return of investment (classified as cash inflows from investing activities).

We evaluate equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment might not be recoverable.

### **Warranty**

Typically, the sale of solar tracker projects includes parts warranties to customers as part of the overall price of the product. We provide standard assurance type warranties for our products for periods generally ranging from two to ten years. We record a provision for estimated warranty expenses in cost of sales, net of amounts recoverable from manufacturers under their warranty obligations to us. We do

not maintain general or unspecified reserves; all warranty reserves are related to specific projects. All actual or estimated material costs incurred for warranty services in subsequent periods are charged to those established reserves.

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

### **Stock-based compensation**

We recognize compensation expense for all share-based payment awards made, including stock options and RSUs, based on the estimated fair value of the award on the grant date. We calculate the fair value of stock options using the Black-Scholes option pricing model for awards with service-based vesting or through use of a lattice model or a Monte Carlo simulation for awards with market conditions. The fair value of RSUs is based on the estimated fair value of the Company's common stock on the date of grant. We consider the closing price of our stock, as reported on the Nasdaq Global Market, to be the fair value of our stock on the grant date.

Forfeitures are accounted for as they occur. For service-based awards, stock-based compensation is recognized using the straight-line attribution approach over the requisite service period. For performance-based awards, stock-based compensation is recognized based on graded vesting over the requisite service period when the performance condition is probable of being achieved. Stock compensation expense for market-based awards is recognized over the derived service period determined in the valuation model, inclusive of any vesting conditions.

### **Revenue recognition**

Product revenue is derived from the sale of solar tracker systems and customized components for those systems, individual part sales for certain specific transactions and the sale of term-based software licenses. Term-based licensed software is deployed on the customers' own servers and has significant standalone functionality.

Service revenue includes revenue from shipping and handling services, engineering consulting and pile testing services, our subscription-based enterprise licensing model and maintenance and support services in connection with the term-based software licenses. Our subscription-based enterprise licensing model typically has contract terms ranging from one to two years and consists of subscription fees from the licensing of subscription services. Our hosted on-demand service arrangements do not provide customers with the right to take possession of the software supporting the hosted services. Support services include ongoing security updates, upgrades, bug fixes, and maintenance.

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

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

Contracts we enter into with our customers for sale of solar tracker systems are generally under two different types of arrangements: (1) purchase agreements and equipment supply contracts ("Purchase Agreements"), and (2) sale of individual parts for those systems.

Change orders from our customers are generally modifications to existing contracts and are included in the total estimated contract revenue when it is probable that the change order will result in additional value that can be reliably estimated and realized.

*Identify the performance obligations in the contract:* We enter into contracts that can include various combinations of products and services, which are either capable of being distinct and accounted for as separate performance obligations or as one performance obligation since the majority of tasks and services are part of a single project or capability. However, determining whether products or services are considered distinct performance obligations that should be accounted for separately versus together may sometimes require significant judgment.

Our Purchase Agreements typically include two performance obligations: 1) our solar tracker systems or customized components of those systems, and 2) shipping and handling services. The deliverables included as part of our solar tracker systems are predominantly accounted for as one performance obligation, as these deliverables are part of a combined promise to deliver a project.

The revenue for shipping and handling services will be recognized over time based on progress in meeting shipping terms of the arrangements, as this faithfully depicts the Company's performance in transferring control. Revenue for stand-alone engineering consulting and pile testing services is recognized at a point in time upon completion of the services performed.

Sales of individual parts of our solar tracker systems for certain specific transactions include multiple performance obligations consisting of individual parts of those systems. Revenue is recognized for parts sales at a point in time when the obligations under the terms of the contract with our customer are satisfied. Generally, this occurs with the transfer of control of the asset, which is in line with shipping terms.

*Determine the transaction price:* The transaction price is determined based on the consideration to which we will be entitled in exchange for transferring services to the customer. Such amounts are typically stated in the customer contract, and to the extent that we identify variable consideration, we will estimate the variable consideration at the onset of the arrangement as long as it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The majority of our contracts do not contain variable consideration provisions as a continuation of the original contract. None of our contracts contain a significant financing component. Taxes collected from customers and remitted to governmental authorities are not included in revenue.

*Allocate the transaction price to performance obligations in the contract:* Once we have determined the transaction price, we allocate the total transaction price to each performance obligation in a manner depicting the amount of consideration to which we expect to be entitled in exchange for transferring the good(s) or service(s) to the customer. We allocate the transaction price to each performance obligation identified in the contract on a relative standalone selling price basis.

We use the expected cost-plus margin approach based on hardware, labor, and related overhead cost to estimate the standalone selling price of our solar tracker systems, customized components of those systems, and individual parts for certain specific transactions. We also use the expected cost-plus margin approach based on expected third-party shipping and transportation costs to estimate the standalone selling price of our shipping, handling and logistics performance obligations. We use the adjusted market assessment approach for all other performance obligations.

*Recognize revenue when or as the Company satisfies a performance obligation:* For each performance obligation identified, we determine at contract inception whether we satisfy the performance obligation over time or at a point in time. The performance obligations in the contracts for our solar tracker systems and customized components of those systems are satisfied over time as work progresses, utilizing an input measure of progress determined by cost-to-cost measures on these projects as this faithfully depicts our performance in transferring control. Additionally, our performance does not create an asset with an alternative use, due to the highly customized nature of the product, and we have an enforceable right to payment for performance completed to date. Our performance obligations for individual part sales for certain specific transactions are recognized at a point in time as and when control transfers based on the Incoterms for the contract. Our performance obligations for engineering consulting and pile testing services are recognized at a point in time upon completion of the services. Our performance obligations for term-based software licenses are recognized at a point in time as and when control transfers, either upon delivery to the customer or the software license start date, whichever is later. Our performance obligations for shipping and handling services are satisfied over time as the services are delivered over the term of the contract. We recognize revenue for subscription and other services on a straight-line basis over the contract period. With regard to support revenue, a time-elapsed method is used to measure progress because we transfer control evenly over the contractual period. Accordingly, the fixed consideration related to support revenue is generally recognized on a straight-line basis over the contract term.

*Contract assets and liabilities:* The timing of revenue recognition, billing, and cash collection results in the recognition of accounts receivable, unbilled receivables for revenue recognized in excess of billings, and deferred revenue in the condensed consolidated balance sheets. We may receive advances or deposits from our customers before revenue is recognized, resulting in contract liabilities, which are

reflected as “deferred revenue” in our condensed consolidated balance sheets. Revenue recognized during the three and six months ended June 30, 2023 from amounts included in deferred revenue at December 31, 2022 totaled \$1.7 million and \$9.3 million, respectively.

Cost of revenue consists primarily of costs related to raw materials, freight and delivery, product warranty, and personnel costs (salaries, bonuses, benefits, and stock-based compensation). Personnel costs in cost of revenue include both direct labor costs as well as costs attributable to any individuals whose activities relate to the procurement, installment, and delivery of the finished product and services. Deferred cost of revenue results from the timing differences between the costs incurred in advance of the satisfaction of all revenue recognition criteria consistent with our revenue recognition policy.

### **Recent accounting pronouncements adopted**

We adopted ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”), as amended, effective January 1, 2023. ASU 2016-13 changed the impairment model for most financial assets and requires the use of an expected loss model in place of the previously used incurred loss method. Under this model, we now estimate the lifetime expected credit loss on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. We did not have a material impact on our condensed consolidated financial statements upon adoption of ASU 2016-13.

### **3. Equity method investment**

On February 9, 2023, we entered into a limited liability company agreement (the “LLC Agreement”) with Taihua New Energy (Thailand) Co., LTD (“Taihua”), a leading steel fabricator and an existing vendor, and DAYV LLC, for the creation of Alpha Steel LLC (“Alpha Steel”), a Delaware limited liability company dedicated to producing steel components, including torque tubes, for utility-scale solar projects. The Alpha Steel facility, which will be located outside of Houston in Sealy, Texas, is expected to begin commercial production in the third quarter of 2023.

Alpha Steel is intended to enhance our domestic supply chain, our ability to support our customers and the growth of the U.S. solar market, with domestic manufacturing utilizing U.S. steel. We have a 45% interest in Alpha Steel, which is accounted for under the equity method of accounting. Taihua has a 51% interest in Alpha Steel and DAYV LLC, an entity owned by members of the Board of Managers of Alpha Steel and a related party with the parent company of Taihua, has a 4% interest in Alpha Steel. The Chief Executive Officer of Taihua is the General Manager of Alpha Steel. We have equal voting representation with Taihua and DAYV LLC, combined, on Alpha Steel’s Board of Managers which will be responsible, through majority vote, for making certain “major decisions” involving Alpha Steel, as specified in the LLC Agreement, including, among other things, approval of an annual business plan.

As of June 30, 2023, we made a required initial capital contribution to Alpha Steel of \$0.9 million. Pursuant to the LLC Agreement, we could be required to make up to \$2.6 million in additional capital contributions as Alpha Steel nears or begins commercial production. Alpha Steel had no operating revenues during the three and six months ended June 30, 2023.

In connection with the creation of Alpha Steel, we also entered into a three-year equipment supply agreement (the “Supply Agreement”) with Alpha Steel, the terms of which will apply to equipment purchase orders we expect to issue, including specified minimum purchase amounts for each twelve-month period during the term of the Supply Agreement, following commencement of production. The Supply Agreement may be terminated early in accordance with its provisions or may be extended beyond the initial term if mutually agreed to by the parties.

### **4. ATM program**

On September 14, 2022, we filed a prospectus supplement under which we may from time to time, in one or more transactions, offer and sell newly issued shares of our common stock having an aggregate offering price of up to \$100 million, to or through Credit Suisse Securities (USA) LLC (“Credit Suisse”), as our sales agent, in “at the money” offerings (the “ATM program”). We have and intend to continue to use the net proceeds from this offering for general corporate purposes, including working capital and operating expenses. We may also use a portion of such proceeds to acquire or invest in businesses, products, services or technologies; however, we do not have binding agreements or commitments for any material acquisitions or investments at this time.



In connection with the ATM program, on September 14, 2022, we entered into an equity distribution agreement (the "EDA") with Credit Suisse. The offering of our common stock pursuant to the EDA will terminate upon the earlier of (1) the sale of all common stock subject to the EDA or (2) the termination of the EDA by us or by Credit Suisse as permitted therein. The EDA contains customary representations, covenants and indemnification provisions.

Under the ATM program, we sold 6,589,000 and 9,272,000 shares of newly issued common stock valued at \$17.9 million and \$24.4 million, respectively (receiving proceeds, net of commissions and fees, of approximately \$17.3 million and \$23.6 million, respectively), during the three and six months ended June 30, 2023. This included approximately \$3.1 million in value for shares sold but not yet settled as of June 30, 2023 (approximately \$3.0 million, net of commissions and fees). As of June 30, 2023, approximately \$75.6 million of capacity remained for future sales of our common stock under the ATM program.

## 5. Accounts receivable, net

Accounts receivable consisted of the following:

(in thousands)	June 30, 2023	December 31, 2022
Trade receivables	\$ 41,898	\$ 35,367
Revenue recognized in excess of billings	26,103	14,844
Other receivables	3,114	25
Total	71,115	50,236
Allowance for credit losses	(1,387)	(1,184)
Accounts receivable, net	<u>\$ 69,728</u>	<u>\$ 49,052</u>

Included in total receivables above are amounts billed under retainage provisions totaling \$1.8 million and \$3.7 million as of June 30, 2023 and December 31, 2022, respectively, which are due within the upcoming year.

## 6. Inventories, net

Inventories consisted of the following:

(in thousands)	June 30, 2023	December 31, 2022
Finished goods	\$ 6,833	\$ 16,269
Allowance for slow-moving and obsolete inventory	(788)	(1,320)
Total	<u>\$ 6,045</u>	<u>\$ 14,949</u>

## 7. Prepaid and other current assets

Prepaid and other current assets consisted of the following:

(in thousands)	June 30, 2023	December 31, 2022
Vendor deposits	\$ 4,630	\$ 5,085
Prepaid expenses	3,836	3,544
Prepaid taxes	217	163
Deferred cost of revenue	404	—
Surety collateral	13	107
Other current assets	1,176	1,405
Total	<u>\$ 10,276</u>	<u>\$ 10,304</u>

## 8. Leases

We lease office and warehouse space in various locations, including our corporate headquarters in Austin, Texas. Additionally, we lease space for an applications laboratory in Austin, Texas and have a membership in a collaborative research facility in Colorado. During the three and six months ended June 30, 2023, we also leased space (i) in Sequin, Texas for a research and development facility that we expect to begin using in the third quarter of 2023 as a replacement for the collaborative research facility in Colorado, (ii) for new offices in

India and South Africa and (iii) for employee housing in Australia. All of our manufacturing is outsourced to contract manufacturing partners, and we currently do not own or lease any manufacturing facilities.

Our lease expense consisted of the following:

(in thousands)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Operating lease cost	\$ 268	\$ 186	\$ 497	\$ 384
Short-term lease cost	110	95	202	210
Total lease cost	<u>\$ 378</u>	<u>\$ 281</u>	<u>\$ 699</u>	<u>\$ 594</u>

Reported in:

Cost of revenue	\$ 250	\$ 165	\$ 465	\$ 358
Research and development	11	14	26	22
Selling and marketing	23	13	38	13
General and administrative	94	89	170	201
Total lease cost	<u>\$ 378</u>	<u>\$ 281</u>	<u>\$ 699</u>	<u>\$ 594</u>

Future remaining operating lease payment obligations were as follows:

(in thousands)	June 30, 2023
Remainder of 2023	\$ 437
2024	818
2025	755
2026	219
2027	192
Thereafter	16
Total lease payments	2,437
Less: imputed interest	(141)
Present value of operating lease liabilities	<u>\$ 2,296</u>
Current portion of operating lease liability	\$ 799
Operating lease liability, net of current portion	1,497
Present value of operating lease liabilities	<u>\$ 2,296</u>

## 9. Property and equipment, net

Property and equipment consisted of the following:

(in thousands)	June 30, 2023	December 31, 2022
Leasehold improvements	\$ 22	\$ 22
Field equipment	1,078	1,078
Information technology equipment	406	355
Tooling	851	824
Capitalized software	367	250
Total	2,724	2,529
Accumulated depreciation	(1,216)	(827)
Property and equipment, net	<u>\$ 1,508</u>	<u>\$ 1,702</u>

Depreciation expense recognized for the three and six months ended June 30, 2023, totaled \$0.2 million and \$0.4 million, respectively.

## 10. Intangible assets, net and goodwill

Intangible assets consisted of the following:

(in thousands)	Estimated Useful Lives (Years)	June 30, 2023	December 31, 2022
Developed technology	2.5 - 3.0	\$ 2,520	\$ 2,591
Total		2,520	2,591
Accumulated amortization		(1,728)	(1,478)
Intangible assets, net		\$ 792	\$ 1,113

Amortization expense recognized for the three and six months ended June 30, 2023, totaled \$0.1 million and \$0.3 million, respectively.

During the six months ended June 30, 2023, activity in our goodwill balance was as follows:

(in thousands)	Six months ended June 30, 2023
Balance at December 31, 2022	\$ 7,538
Translation	(365)
Balance at June 30, 2023	\$ 7,173

## 11. Debt

On April 30, 2021, we entered into an agreement for our Credit Facility with various lenders, including Barclays Bank PLC, as issuing lender, the swingline lender and as administrative agent (the "Credit Facility Agreement") providing aggregate commitments of up to \$100.0 million. We have not made any draws on our Credit Facility as of June 30, 2023. However, as of June 30, 2023, we had \$2.0 million in letters of credit outstanding that reduced our available borrowing capacity to approximately \$98.0 million.

On June 7, 2023, we entered into Amendment No. 3 to our Credit Facility Agreement with Barclays Bank PLC, pursuant to the occurrence of an Early Opt-in Election, to replace USD LIBOR with the secured overnight financing rate (SOFR) as the benchmark rate for future term loans ("Term SOFR") under the Credit Facility Agreement. No other material changes were made to the Credit Facility Agreement as part of this amendment.

We are required to maintain a liquidity level (defined as unrestricted cash and cash equivalents plus the available borrowing capacity under the Credit Facility) of no less than \$125.0 million at each quarter end in order to utilize the Credit Facility. As of June 30, 2023, we were over the required minimum liquidity level thus allowing us to continue to access our Credit Facility up to the available borrowing capacity, pending the measurement of our liquidity level again at the end of the next fiscal quarter.

## 12. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consisted of the following:

(in thousands)	June 30, 2023	December 31, 2022
Accrued cost of revenue	\$ 8,617	\$ 13,198
Accrued compensation	214	4,688
Other accrued expenses	3,417	6,010
Total accrued expenses	\$ 12,248	\$ 23,896
Warranty reserves	\$ 7,791	\$ 8,004
Current portion of operating lease liability	799	417
Non-federal tax obligations	185	463
Total other current liabilities	\$ 8,775	\$ 8,884

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

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

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

(in thousands)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Balance at beginning of period	\$ 12,557	\$ 9,236	\$ 12,426	\$ 9,346
Warranties issued during the period <sup>(a)</sup>	1,309	3,668	2,852	4,184
Settlements made during the period	(1,234)	(959)	(2,337)	(1,380)
Changes in liability for pre-existing warranties	(551)	(501)	(860)	(706)
Balance at end of period	\$ 12,081	\$ 11,444	\$ 12,081	\$ 11,444
Warranty accruals are reported in:				
Other current liabilities	\$ 7,791	\$ 6,290	\$ 7,791	\$ 6,290
Other non-current liabilities	4,290	5,154	4,290	5,154
Balance at end of period	\$ 12,081	\$ 11,444	\$ 12,081	\$ 11,444

(a) - Inclusive of accruals for expected remediation activities

### 13. Income taxes

For the three months ended June 30, 2023 and 2022 we recorded income tax benefit of \$0.12 million and income tax expense of \$0.09 million respectively. For the six months ended June 30, 2023 and 2022, we recorded income tax expense of \$0.01 million and \$0.17 million, respectively. These amounts for each period were lower than the statutory rate of 21%, primarily due to a valuation allowance established against the U.S. deferred tax assets.

We have had no material change in our unrecognized tax benefits since December 31, 2022. We recognize accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense. As of June 30, 2023 and December 31, 2022, we had no accrued interest or penalties related to unrecognized tax benefits.

### 14. Commitments and contingencies

We may become involved in various claims, lawsuits, investigations, and other proceedings, arising in the normal course of business. We accrue a liability when information available prior to the issuance of our financial statements indicates it is probable a loss has been incurred as of the date of the financial statements and the amount of loss can be reasonably estimated. If the reasonable estimate of the probable loss is a range, we record an accrual for the most likely estimate of the loss, or the low end of the range if there is no one best estimate. We adjust our accruals to reflect the impact of negotiation, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. Legal costs are expensed as incurred.

In March of 2023, CBP issued notices of tariff assessment that indicated a determination of action taken at the Import Specialist level with respect to merchandise imported from Thailand under entry number 004-1058562-5 (the "625 Assessment") and entry number 004-1063793-9 (the "939 Assessment", and collectively with the 625 Assessment, the "CBP Assessments"). The CBP Assessments relate to certain torque beams that are used in our Voyager+ product that were imported in 2022. The CBP Assessments assert that Section 301 China tariffs, Section 232 steel & aluminum tariffs, and antidumping and countervailing duties apply to the merchandise. Based on correspondence received to date from CBP and our calculations based on applicable duty and tariff rates, the 939 Assessment is currently for approximately \$7.56 million, and the 625 Assessment is currently for approximately \$2.11 million.

Upon review of the facts involved, and in consultation with outside legal counsel, we believe that the amounts claimed in the CBP Assessments are incorrect. In particular, the Section 301 tariffs of 25% or 7.5% of the value of the merchandise, depending on tariff classification, as well as the antidumping and countervailing duties, are only applicable to articles that originate in China. In this case, the

finished goods are products of Thailand because the conversion in Thailand from flat coiled steel to rectangular beams is a substantial transformation in Thailand that produces a new and different article of commerce with a new name, character, and use. Moreover, we believe that the goods in question were properly classified as parts of structures at the time of importation and that when properly classified, the beams and other materials are not subject to Section 232 duties applicable to more basic steel products.

We are in communication with CBP about the facts involved in an effort to resolve these matters expeditiously and amicably. CBP has legally finalized the 625 Assessment, which is likely to require that we file an administrative protest to challenge the amounts assessed. The 939 Assessment remains “suspended,” which allows the Company to work with CBP to resolve the matter without a formal protest, which we are pursuing. Based on the above, and under the relevant accounting guidance related to loss contingencies, we have made no accrual for the amounts claimed by CBP as of June 30, 2023, as we do not consider these amounts to be a probable obligation, as such term is defined and interpreted under the relevant accounting guidance, for us at this time. However, because matters of this nature are subject to inherent uncertainties, and unfavorable rulings or developments, including future assessments of additional duties or tariffs owed in respect of other shipments or other materials beyond what is presently included in the CBP Assessments, could occur despite our belief that the tariffs and duties asserted are incorrect, there can be no certainty that the Company may not ultimately incur charges that are not currently recorded as liabilities. Since the outcome of these matters cannot be predicted with certainty, the costs associated with them could have a material adverse effect on our consolidated results of operations, financial position, or liquidity.

## 15. Stock-based compensation

Stock compensation expense for each period was as follows:

(in thousands)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Cost of revenue	\$ 316	\$ 1,059	\$ 1,132	\$ 1,368
Research and development	115	459	364	647
Selling and marketing	271	502	655	1,032
General and administrative	2,260	1,118	5,701	4,701
Total stock compensation expense	\$ 2,962	\$ 3,138	\$ 7,852	\$ 7,748

## 16. Related party transactions

We have engaged Ayna.AI LLC (as successor in interest to Fernweh Engaged Operator Company LLC) (“Ayna”) to support us with improvements to our processes and performance in various areas including design, sourcing, logistics, pricing, software and standard configuration. The consideration for such engagement is a combination of cash and stock options, including options that vest over time, as well as options with vesting tied to certain performance metrics. The foregoing engagement constitutes a related party transaction as South Lake One LLC, an entity affiliated with Isidoro Quiroga Cortés, a member of our board of directors, and a holder of more than 5% of our outstanding capital stock, is an investor in Ayna. In addition, Discrimen LLC is an investor in Ayna, and Isidoro Quiroga Cortés is affiliated with that entity. Isidoro Quiroga Cortés is also on the board or directors of Ayna. For the three and six months ended June 30, 2023, we incurred \$0.5 million and \$1.4 million, respectively, of general and administrative expense associated with our engagement of Ayna. Cash payments to Ayna during the three and six months ended June 30, 2023, totaled \$0.8 million and \$1.7 million, respectively. During the three and six months ended June 30, 2022, we incurred \$0.9 million and \$2.1 million, respectively, of general and administrative expenses and made cash payments totaling \$1.7 million.

## 17. Net loss per share

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net loss (in thousands)	\$ (10,414)	\$ (25,683)	\$ (22,176)	\$ (53,476)
Weighted average shares outstanding for calculating basic and diluted loss per share	112,669,296	100,321,943	109,632,336	99,752,707
Basic and diluted loss per share	\$ (0.09)	\$ (0.26)	\$ (0.20)	\$ (0.54)

For purposes of computing diluted loss per share, weighted average common shares outstanding do not include potentially dilutive securities that are anti-dilutive, as shown below.

	<u>For the three and six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Anti-dilutive securities excluded from calculating dilutive loss per share:		
Shares of common stock issuable under stock option plans outstanding	6,505,638	8,151,733
Shares of common stock issuable upon vesting of RSUs	9,124,189	7,818,475
Potential common shares excluded from diluted net loss per share calculation	<u>15,629,827</u>	<u>15,970,208</u>

## 18. Subsequent events

Effective July 5, 2023, we agreed to acquire 312,500 shares of our outstanding common stock held by ARC Family Trust, a related party and greater than 10% shareholder, for no monetary consideration. The acquired shares were then retired. The ARC Family Trust was established by Mr. Ahmad Chatila, a member of our Board of Directors, for the benefit of certain members of his family. Mr. Shaker Sadasivam, the Chairman of our Board of Directors, is the trustee of the ARC Family Trust.

Concurrent with the transaction described above and with the approval of our Board of Directors, we issued 250,000 RSUs to Mr. Tony Alvarez, who was appointed as our Board Observer, effective July 5, 2023, and 62,500 RSUs to Mr. William Aldeen "Dean" Priddy, Jr., a member of our Board of Directors and Chairman of the Audit Committee of the Board. Both RSU grants will vest upon the one-year anniversary of the date of grant. The RSU grants were able to be made at zero dilution to the Company as a result of the concurrent acquisition for no monetary consideration and retirement of the same number of shares of common stock from ARC Family Trust, as described above.

In addition, we entered into amendment no. 1 to the Alpha Steel LLC Agreement with Taihua and DAYV LLC on July 28, 2023, to allow for members at their option, and with the approval of the Board of Managers, to make payments in respect of Alpha Steel's contractual obligations in the event that Alpha Steel does not or is not able to make such payments from its own resources ("Credit Support Payments"). Any such Credit Support Payments will be treated as capital contributions by the members to Alpha Steel, with any member funding more than its ratable share of Credit Support Payments being deemed to have loaned such excess to each underfunding member at the U.S. prime rate plus 2%.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes included in Item 1 of this Form 10-Q and along with information included in our 2022 Annual Report. In addition to historical financial information, the following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from such forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those identified below and those discussed in Part I, Item 1A. "Risk Factors" included in our 2022 Annual Report. Additionally, our historical results are not necessarily indicative of the results that may be expected in any future period.*

*This discussion and analysis of our financial condition and results of operations contain the presentation of Adjusted EBITDA, Adjusted Net Loss and Adjusted EPS, which are not presented in accordance with U.S. GAAP. Adjusted EBITDA, Adjusted Net Loss and Adjusted EPS are being presented because they provide the Company and readers of this Form 10-Q with additional insight into our operational performance relative to earlier periods and relative to our competitors. We do not intend Adjusted EBITDA, Adjusted Net Loss and Adjusted EPS to be substitutes for any U.S. GAAP financial information. Readers of this Form 10-Q should use Adjusted EBITDA Adjusted Net Loss and Adjusted EPS only in conjunction with Net Loss and Net Loss per Share, the most comparable U.S. GAAP financial measures. Reconciliations of Adjusted EBITDA, Adjusted Net Loss and Adjusted EPS to Net Loss and Net Loss per Share, the most comparable U.S. GAAP measures, are provided in "Non-GAAP Financial Measures" below.*

### Overview

FTC Solar, Inc. (the "Company", "we", "our", or "us") was founded in 2017 and is incorporated in the state of Delaware. In April 2021, we completed an initial public offering ("IPO") and our common stock began trading on the Nasdaq Global Market under the symbol "FTCI".

We are a global provider of solar tracker systems, supported by proprietary software and value-added engineering services. Solar tracker systems move solar panels throughout the day to maintain an optimal orientation relative to the sun, thereby increasing the amount of solar energy produced at a solar installation. Our primary tracker system is currently marketed under the Voyager brand name ("Voyager"), which is our two-panel in-portrait ("2P") single-axis tracker solution. In September 2022, we announced the introduction of Pioneer, our new one module-in-portrait ("1P") solar tracker solution. We also launched a new mounting solution to support the installation and use of U.S.-manufactured thin-film modules by project owners. In addition, we have a team of renewable energy professionals available to assist our U.S. and worldwide clients in site layout, structural design, pile testing and other needs across the solar project development and construction cycle. The Company is headquartered in Austin, Texas, and has international subsidiaries in Australia, China, India and South Africa.

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

### Key Factors Affecting Our Performance

**Government Regulations.** Changes in the U.S. trade environment, including the imposition of import tariffs, AD/CVD investigations and the UFLPA, which became effective in June 2022, can have an impact on the timing of developer projects. The UFLPA resulted in new rules for module importers and reviews by CBP. There is currently uncertainty in the market around achieving full compliance with UFLPA, whether related to sufficient traceability of materials or other factors. Escalating trade tensions, particularly between the United States and China, have led to increased tariffs and trade restrictions, including tariffs applicable to certain raw materials and components for our products. We have taken measures with the intention of mitigating the effect of tariffs and the impact of AD/CVD and UFLPA on our business by reducing our reliance on China and enhancing our U.S.-based supply chain, including through our investment in Alpha Steel, as described further in Note 3, "Equity method investment" in Part I, Item 1 of this Form 10-Q. In 2019, 90% of our supply chain was sourced from China. As of June 30, 2023, we have qualified suppliers outside of China for certain of our commodities and we continue to work to reduce the extent to which our supply chain for U.S.-based projects is subject to existing tariffs. We have entered into partnerships with manufacturers in the United States, Mexico, Canada, Spain, Brazil, Turkey, Saudi Arabia, India, Thailand, Vietnam and Korea to diversify our supply chain and optimize costs. On June 6, 2022, President Biden issued a proclamation allowing U.S. solar deployers to

import solar modules and cells from Cambodia, Malaysia, Thailand and Vietnam free from certain duties for 24 months, along with other incentives designed to accelerate U.S. domestic production of clean energy technologies.

The most notable incentive program impacting our U.S. business has been the ITC for solar energy projects, which allows taxpayers to offset their U.S. federal income tax liability by a certain percentage of their cost basis in solar energy systems placed in service for commercial use. The Inflation Reduction Act of 2022, passed by the U.S. Congress and signed into law by President Biden on August 16, 2022, expanded and extended the tax credits and other tax benefits available to solar energy projects and the solar energy supply chain. ITCs have been extended for such projects through at least 2032 and, depending on the location of a particular project and its ability to satisfy certain labor and domestic content requirements, the ITC percentage can range between 30% and 50%. U.S. manufacturers of specific solar components are now eligible to claim production tax credits as an alternative to the ITC. Implementing regulations for this law are still being finalized. We believe this law will bolster and extend future demand for our products in the United States, however as the implementing regulations for this law are not completely finalized, this creates uncertainty about the extent of its impact on our Company and the solar energy industry.

**Disruptions in Transportation and Supply Chain.** Our costs are affected by the costs of certain components and materials, such as costs including steel, motors and micro-chips, as well as transportation costs. Current market conditions and international conflicts that constrain the supply of materials and disrupt the flow of materials from international vendors impact the cost of our products and services, along with overall rates of inflation in the global economy, which have been higher than pre-COVID 19 pandemic historical rates. Transportation costs, including ocean freight and U.S. domestic haul rates, increased at the beginning of the COVID-19 pandemic but have since returned to pre-pandemic rates. Domestic fuel prices, however, continue to be slightly elevated compared to pre-pandemic rates. Additionally, COVID-19 shutdowns in China during 2022 created a backlog of exports and increased demand for container shipments from China, but such shutdowns have since been eased by the Chinese government. These cost increases and decreases impact our operating margins. We have taken steps to expand and diversify our manufacturing partnerships and have adjusted our modes of transportation to mitigate the impact of headwinds that arise in the global supply chain and logistics markets. As an example, we have modified our ocean freight from previously using charter shipments to now using containerized shipments as costs in the container market began to decrease in 2022. We continue to monitor the logistics markets and will continue to evaluate our use of various modes of transportation when warranted to optimize our transportation costs. Additionally, in February 2022, we contracted with a related-party consulting firm to support us in making ongoing improvements to our processes and performance in various areas, including design, sourcing, logistics, pricing, software and our distributed generation business. Further information may be found in Note 16, "Related party transactions" in Part 1, Item 1 of this Form 10-Q with regard to the related-party consulting firm. We intend to maintain a sharp focus on our design-to-value initiative to continue to improve margins by reducing manufacturing and material costs of our products.

**Megawatts ("MW") Produced and MW Shipped and Average Selling Price ("ASP").** The primary operating metrics we use to evaluate our sales performance and to track market acceptance of our products are the change in quantity of MW produced and MW shipped from period to period. MW are measured for each individual project and are calculated based on the expected output of that project once installed and fully operational. We also utilize metrics related to price and cost of goods sold per watt, including the change in ASP from period to period and cost per watt. ASP is calculated by dividing product and service revenue by total watts produced or shipped and product and service cost per watt is calculated by dividing product or service costs of goods sold by total watts. These metrics enable us to evaluate trends in pricing, manufacturing and logistics costs and profitability. Events such as the COVID-19 pandemic, global inflation rates and international conflicts have in the past impacted and may continue to impact the U.S. economy, global supply chains, and our business. These impacts can cause significant shipping delays and cost increases, as well as offsetting ASP increases, and also raise the price of inputs like steel and logistics, affecting our cost per watt.

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

**Impact of Climate Change.** Climate change has primarily impacted our business operations by increasing demand for solar power generation and, as a result, for use of our products. While climate change has not resulted in any material negative impact to our operations to date, we recognize the risk of disruptions to our supply chain due to extreme weather events. This has led us to expand the diversity of our supplier base and to partner with more local suppliers to reduce shipping and transportation needs. We are also increasingly partnering with larger scale steel producers rather than smaller suppliers to facilitate scaling of our operations while remaining conscious of the



environmental impacts of steel manufacturing as the regulatory landscape around these high-emitting industries evolves. An example of this is our investment in Alpha Steel, a U.S.-based manufacturing partnership with Taihua, a leading steel fabricator.

We also attempt to mitigate the climate-related risks from the use of our products by designing our equipment and systems to have a high-slope tolerance and wind mitigation capabilities, while at the same time reducing the required foundation/pile count needed. This allows our trackers to be installed in increasingly hostile environments with minimal disturbance to the surrounding land.

**Liquidity.** See "Liquidity and Capital Resources" below for a discussion of the impact of the items above on our liquidity position.

## **Non-GAAP Financial Measures**

### ***Adjusted EBITDA, adjusted net loss and adjusted earnings per share ("EPS")***

We utilize Adjusted EBITDA, Adjusted Net Loss, and Adjusted EPS as supplemental measures of our performance. We define Adjusted EBITDA as net loss plus (i) provision (benefit) for income taxes, (ii) interest expense, net, (iii) depreciation expense, (iv) amortization of intangibles, (v) stock-based compensation and (vi) non-routine legal fees, certain severance and other costs (credits). We also deduct the contingent gains from the disposal of our investment in unconsolidated subsidiary from net loss in arriving at Adjusted EBITDA. We define Adjusted Net Loss as net loss plus (i) amortization of debt issue costs and intangibles, (ii) stock-based compensation, (iii) non-routine legal fees, severance and certain other costs (credits), and (iv) the income tax expense (benefit) of those adjustments, if any. We also deduct the contingent gains from the disposal of our investment in unconsolidated subsidiary in arriving at Adjusted Net Loss. Adjusted EPS is defined as Adjusted Net Loss on a per share basis using our weighted average diluted shares outstanding.

Adjusted EBITDA, Adjusted Net Loss, and Adjusted EPS are intended as supplemental measures of performance that are neither required by, nor presented in accordance with, U.S. GAAP. We present Adjusted EBITDA, Adjusted Net Loss and Adjusted EPS, because we believe they assist investors and analysts in comparing our performance across reporting periods on an ongoing basis by excluding items that we do not believe are indicative of our core operating performance. In addition, we use Adjusted EBITDA, Adjusted Net Loss and Adjusted EPS to evaluate the effectiveness of our business strategies.

Among other limitations, Adjusted EBITDA, Adjusted Net Loss, and Adjusted EPS do not reflect (i) our cash expenditures, or future requirements, for capital expenditures or contractual commitments, and (ii) the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations. Further, the adjustments noted in Adjusted EBITDA do not reflect the impact of any income tax expense or benefit. Additionally, other companies in our industry may calculate Adjusted EBITDA, Adjusted Net Loss, and Adjusted EPS differently than we do, which limits its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA, Adjusted Net Loss, and Adjusted EPS should not be considered in isolation or as substitutes for performance measures calculated in accordance with U.S. GAAP, and you should not rely on any single financial measure

to evaluate our business. These non-GAAP financial measures, when presented, are reconciled to the most closely applicable U.S. GAAP measure as disclosed below:

(in thousands, except shares and per share data)	Three months ended June 30,			
	2023		2022	
	Adjusted EBITDA	Adjusted Net Loss	Adjusted EBITDA	Adjusted Net Loss
<b>Net loss per U.S. GAAP</b>	\$ (10,414)	\$ (10,414)	\$ (25,683)	\$ (25,683)
Reconciling items -				
Provision for income taxes	(122)	—	90	—
Interest expense, net	28	—	427	—
Amortization of debt issue costs in interest expense	—	178	—	176
Depreciation expense	196	—	144	—
Amortization of intangibles	136	136	—	—
Stock-based compensation	2,962	2,962	3,138	3,138
Non-routine legal fees <sup>(a)</sup>	(25)	(25)	3,822	3,822
Severance <sup>(b)</sup>	—	—	111	111
Other costs <sup>(c)</sup>	—	—	210	210
<b>Adjusted Non-GAAP amounts</b>	<b>\$ (7,239)</b>	<b>\$ (7,163)</b>	<b>\$ (17,741)</b>	<b>\$ (18,226)</b>
<b>U.S. GAAP net loss per share:</b>				
Diluted	N/A	\$ (0.09)	N/A	\$ (0.26)
<b>Adjusted Non-GAAP net loss per share (Adjusted EPS):</b>				
Diluted	N/A	\$ (0.06)	N/A	\$ (0.18)
<b>Weighted-average common shares outstanding:</b>				
Diluted	N/A	112,669,296	N/A	100,321,943

(a) Non-routine legal fees represent legal fees and other costs incurred for matters that were not ordinary or routine to the operations of the business.

(b) Severance costs were incurred in 2022 related to agreements with certain executives due to restructuring changes.

(c) Other costs in 2022 include shareholder follow on registration costs pursuant to our IPO and acquisition related costs.

(in thousands, except shares and per share data)	Six months ended June 30,			
	2023		2022	
	Adjusted EBITDA	Adjusted Net Loss	Adjusted EBITDA	Adjusted Net Loss
<b>Net loss per U.S. GAAP</b>	\$ (22,176)	\$ (22,176)	\$ (53,476)	\$ (53,476)
Reconciling items -				
Provision (benefit) for income taxes	9	—	166	—
Interest expense, net	86	—	722	—
Amortization of debt issue costs in interest expense	—	355	—	349
Depreciation expense	390	—	265	—
Amortization of intangibles	276	276	—	—
Stock-based compensation	7,852	7,852	7,748	7,748
Gain from disposal of investment in unconsolidated subsidiary <sup>(a)</sup>	(898)	(898)	(337)	(337)
Non-routine legal fees <sup>(b)</sup>	83	83	4,900	4,900
Severance <sup>(c)</sup>	(13)	(13)	726	726
Other costs <sup>(d)</sup>	—	—	1,580	1,580
<b>Adjusted Non-GAAP amounts</b>	<b>\$ (14,391)</b>	<b>\$ (14,521)</b>	<b>\$ (37,706)</b>	<b>\$ (38,510)</b>

#### U.S. GAAP net loss per share:

Diluted	N/A	\$ (0.20)	N/A	\$ (0.54)
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#### Adjusted Non-GAAP net loss per share (Adjusted EPS):

Diluted	N/A	\$ (0.13)	N/A	\$ (0.39)
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#### Weighted-average common shares outstanding:

Diluted	N/A	109,632,336	N/A	99,752,707
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(a) Our management excludes the gain from collections of contingent contractual amounts arising from the sale in 2021 of our investment in our unconsolidated subsidiary when evaluating our operating performance.

(b) Non-routine legal fees represent legal fees and other costs incurred for matters that were not ordinary or routine to the operations of the business.

(c) Severance costs were incurred in 2022 related to agreements with certain executives due to restructuring changes. Amounts for 2023 represent adjustments to preexisting accruals associated with our December 2022 reduction in workforce.

(d) Other costs in 2022 include certain costs attributable to accelerated vesting of stock-based compensation awards resulting from our IPO, shareholder follow on registration costs pursuant to our IPO and acquisition related costs.

### Key Components of Our Results of Operations

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

#### Revenue

Revenue from the sale of our solar tracker systems and customized components of those systems is recognized over time, as work progresses, utilizing an input measure of progress determined by cost incurred to date relative to total expected cost on these projects to correlate with our performance in transferring control over the tracker systems and their components. Revenue from the sale of individual parts is recognized at a point in time as and when control transfers based on the terms of the contract. Revenue from sale of term-based software licenses is recognized upon transfer of control to the customer. Revenue for shipping and handling services is recognized over time based on progress in meeting shipping terms of the arrangements. Revenue for stand-alone engineering consulting and pile testing services is recognized at a point in time upon completion of the services performed. Subscription revenue, which is derived from our subscription-based enterprise licensing model, and support revenue, which is derived from ongoing security updates and maintenance, are generally recognized on a straight-line basis over the term of the contract.

Our customers include project developers, solar asset owners and EPC contractors that design and build solar energy projects. For each individual solar project, we enter into a contract with our customers covering the price, specifications, delivery dates and warranty for

the products being purchased, among other things. Our contractual delivery period for our solar tracker systems and related parts can vary depending on size of the project and availability of vessels and other means of delivery. Contracts can range in value from tens of thousands to tens of millions of dollars.

Our revenue is affected by changes in the volume and ASP of our solar tracking systems purchased by our customers and volume of sales of software products and engineering services, among other things. The ASP of our solar tracker systems and quarterly volume of sales is driven by the supply of, and demand for, our products, changes in product mix, geographic mix of our customers, strength of competitors' product offerings, tariff and import restrictions, supply chain issues and availability of government incentives to the end-users of our products. Additionally, our revenue may be impacted by seasonality due to cold weather, which can cause variability in site construction activity.

The vast majority of our revenue in the periods presented was attributable to sales in the United States and Australia. Our revenue growth is dependent on continued growth in the number of solar tracker projects and engineering services we win in competitive bidding processes and growth in our software sales each year, as well as our ability to increase our market share in each of the geographies in which we currently compete, expand our global footprint to new emerging markets, grow our sources of production to meet demand and continue to develop and introduce new and innovative products that address the changing technology and performance requirements of our customers, among other things.

#### ***Cost of revenue and gross profit (loss)***

We subcontract with third-party manufacturers to manufacture and deliver our products directly to our customers. Our product costs are affected by the underlying cost of raw materials procured by these contract manufacturers, including steel and aluminum; component costs, including electric motors and gearboxes; technological innovation in manufacturing processes; and our ability to achieve economies of scale resulting in lower component costs. We do not currently hedge against changes in the price of raw materials, but we continue to explore opportunities to mitigate the risks of foreign currency and commodity fluctuations through the use of hedges and foreign exchange lines of credit. Some of these costs, primarily personnel, are not directly affected by sales volume.

We have made changes to our headcount in recent years as we initially scaled up our business and, more recently, made adjustments at the end of 2022 in response to current market conditions. Our gross profit may vary period-to-period due to changes in our headcount, ASP, product costs, product mix, customer mix, geographical mix, shipping methods, warranty costs and seasonality.

#### ***Operating expenses***

Operating expenses consist of research and development expenses, selling and marketing expenses and general and administrative expenses. Personnel-related costs are the most significant component of our operating expenses and include salaries, benefits, bonuses, commissions and stock-based compensation expenses.

While we froze non-essential hiring during the latter part of 2022, in response to regulatory issues that were negatively impacting solar project activity levels, and implemented a reduction in workforce of approximately 8% of our employee base at the end of 2022, we have selectively resumed hiring new employees as needed to support our future expected growth and in response to current and expected turnover. In addition, our operating costs have been impacted by (i) our level of research activities to originate, develop and enhance our products, (ii) our sales and marketing efforts as we expand our development activities in other parts of the world, and (iii) variations in legal and professional fees, compliance costs, insurance, facility costs and other costs associated with strategic changes in response to changing market conditions and other matters.

**Results of Operations - Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022**

(in thousands, except percentages)	Three months ended June 30,			
	2023		2022	
	Amounts	Percentage of revenue	Amounts	Percentage of revenue
<b>Revenue:</b>				
Product	\$ 21,074	65.1 %	\$ 9,166	29.8 %
Service	11,285	34.9 %	21,555	70.2 %
Total revenue	32,359	100.0 %	30,721	100.0 %
<b>Cost of revenue:</b>				
Product	19,152	59.2 %	16,426	53.5 %
Service	11,006	34.0 %	20,807	67.7 %
Total cost of revenue	30,158	93.2 %	37,233	121.2 %
<b>Gross profit (loss)</b>	<b>2,201</b>	<b>6.8 %</b>	<b>(6,512)</b>	<b>(21.2 %)</b>
<b>Operating expenses</b>				
Research and development	1,873	5.8 %	2,711	8.8 %
Selling and marketing	1,852	5.7 %	2,927	9.5 %
General and administrative	8,843	27.3 %	13,089	42.6 %
Total operating expenses	12,568	38.8 %	18,727	61.0 %
<b>Loss from operations</b>	<b>(10,367)</b>	<b>(32.0 %)</b>	<b>(25,239)</b>	<b>(82.2 %)</b>
Interest expense, net	(28)	(0.1 %)	(427)	(1.4 %)
Other income (expense)	(141)	(0.4 %)	73	0.2 %
<b>Loss before income taxes</b>	<b>(10,536)</b>	<b>(32.6 %)</b>	<b>(25,593)</b>	<b>(83.3 %)</b>
(Provision) benefit for income taxes	122	0.4 %	(90)	(0.3 %)
<b>Net loss</b>	<b>\$ (10,414)</b>	<b>(32.2 %)</b>	<b>\$ (25,683)</b>	<b>(83.6 %)</b>

**Revenue**

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

(in thousands)	Three months ended June 30,			
	2023	2022	\$ Change	% Change
Product	\$ 21,074	\$ 9,166	\$ 11,908	129.9 %
Service	11,285	21,555	(10,270)	(47.6)%
Total revenue	\$ 32,359	\$ 30,721	\$ 1,638	5.3 %

**Product revenue**

The increase in product revenue for the three months ended June 30, 2023, as compared to the three months ended June 30, 2022, was primarily due to an increase of 133% in the amount of megawatts produced as activity during the three months ended June 30, 2022, was adversely impacted by regulatory issues involving the Solar Circumvention Investigation and the UFLPA. Partially offsetting the volume increase was a decrease of 1% in ASP.

**Service revenue**

The decrease in service revenue for the three months ended June 30, 2023, as compared to the three months ended June 30, 2022, primarily resulted from a decrease of 31% in the amount of MW delivered as a result of timing of project manufacturing completions, as well as a decrease of 24% in ASP as pricing has moderated in relation to lower transportation costs as compared to the three months ended June 30, 2022.

### Cost of revenue and gross profit (loss)

Cost of revenue consists primarily of costs related to raw materials, freight and delivery, product warranty, and personnel costs (salaries, bonuses, benefits, and stock-based compensation). Personnel costs in cost of revenue include both direct labor costs as well as costs attributable to any individuals whose activities relate to the procurement, installment, and delivery of the finished product and services.

Gross profit may vary from period-to-period and is primarily affected by our ASP, product costs, timing of tracker production and delivery, customer mix, geographical mix, shipping method, logistics costs, warranty costs, indirect cost control efforts and seasonality.

(in thousands)	Three months ended June 30,			
	2023	2022	\$ Change	% Change
Product	\$ 19,152	\$ 16,426	\$ 2,726	16.6%
Service	11,006	20,807	(9,801)	(47.1)%
Total cost of revenue	\$ 30,158	\$ 37,233	\$ (7,075)	(19.0)%
<b>Gross profit (loss)</b>	\$ 2,201	\$ (6,512)	\$ 8,713	(133.8)%
Gross profit (loss) percentage of revenue	6.8%	(21.2%)		

The decrease in cost of revenue for the three months ended June 30, 2023, as compared to the three months ended June 30, 2022, was primarily driven by a decrease of 31% in shipping and logistics activity. While there was an increase of 133% in MW produced, the cost per MW produced decreased 50% as a result of lower direct and warranty costs, as well as reduced overhead spending due to cost control efforts and reduced headcount during much of the period.

Our gross profit (loss) percentage of revenue for the three months ended June 30, 2023 was a positive 6.8%, as compared to negative 21.2% for the three months ended June 30, 2022.

We had positive gross margin for the three months ended June 30, 2023 largely due to lower direct and indirect product costs resulting from our design to value efforts and higher production activity.

We had a gross margin loss for the three months ended June 30, 2022 as production volumes were not sufficient to cover certain relatively fixed overhead costs.

### Research and development

Research and development expenses consist primarily of salaries, employee benefits, stock-based compensation expense and travel expense related to our engineers performing research and development activities to originate, develop and enhance our products. Additional expenses include consulting charges, component purchases and other costs for performing research and development on our software products.

(in thousands)	Three months ended June 30,			
	2023	2022	\$ Change	% Change
Research and development	\$ 1,873	\$ 2,711	\$ (838)	(30.9)%

The decrease in research and development expenses for the three months ended June 30, 2023, as compared to the three months ended June 30, 2022, was primarily attributable to (i) lower third-party spending on lab activity and materials of \$0.4 million, (ii) lower stock-based compensation costs of \$0.3 million and, (iii) lower payroll-related costs of \$0.1 million as a result of decreased headcount. Research and development expenses as a percentage of revenue were 5.8% for the three months ended June 30, 2023, as compared to 8.8% for the three months ended June 30, 2022.

### Selling and marketing

Selling and marketing expenses consist primarily of salaries, employee benefits, stock-based compensation expense and travel expense related to our sales and marketing and business development personnel. Additionally, selling and marketing expenses include costs associated with professional fees and support charges for software subscriptions and licenses, trade shows and conventions.

(in thousands)	Three months ended June 30,			
	2023	2022	\$ Change	% Change
Selling and marketing	\$ 1,852	\$ 2,927	\$ (1,075)	(36.7)%

The decrease in selling and marketing expenses for the three months ended June 30, 2023, as compared to the three months ended June 30, 2022, was primarily attributable to lower provisions for credit losses of \$1.0 million related mainly to a charge associated with a specific customer account during the three months ended June 30, 2022. Selling and marketing costs as a percentage of revenue were 5.7% for the three months ended June 30, 2023, compared to 9.5% for the three months ended June 30, 2022.

### **General and administrative**

General and administrative expenses consist primarily of salaries, employee benefits, stock-based compensation expense and travel expense related to our executives, finance team, and administrative employees. It also consists of legal, consulting, and professional fees, rent and lease expense pertaining to our headquarters and international offices, business insurance costs and certain other costs.

<b>(in thousands)</b>	<b>Three months ended June 30,</b>			
	<b>2023</b>	<b>2022</b>	<b>\$ Change</b>	<b>% Change</b>
General and administrative	\$ 8,843	\$ 13,089	\$ (4,246)	(32.4)%

The decrease in general and administrative expenses for the three months ended June 30, 2023, as compared to the three months ended June 30, 2022, was primarily attributable to (i) \$4.3 million of lower professional service fees and legal settlement costs, primarily related to our December 2022 settlement of an outstanding legal matter which eliminated a large amount of legal fees and costs during the three months ended June 30, 2023 and (ii) \$0.8 million of lower payroll-related costs due mainly to lower headcount. These decreases were partially offset by \$1.1 million of higher stock-based compensation expense. General and administrative expenses as a percentage of revenue were 27.3% for the three months ended June 30, 2023, compared to 42.6% for the three months ended June 30, 2022.

### **Interest expense, net**

<b>(in thousands)</b>	<b>Three months ended June 30,</b>			
	<b>2023</b>	<b>2022</b>	<b>\$ Change</b>	<b>% Change</b>
Interest expense, net	\$ 28	\$ 427	\$ (399)	(93.4)%

Interest expense totaled approximately \$0.3 million and nearly \$0.5 million during the three months ended June 30, 2023 and 2022, respectively, and primarily consisted of commitment fees on the Credit Facility, along with associated debt issue cost amortization. Interest income earned on our cash equivalents was approximately \$0.3 million during the three months ended June 30, 2023. The amount of interest income for the three months ended June 30, 2022 was not significant.

**Results of Operations - Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022**

(in thousands, except percentages)	Six months ended June 30,			
	2023		2022	
	Amounts	Percentage of revenue	Amounts	Percentage of revenue
<b>Revenue:</b>				
Product	\$ 53,653	73.2 %	\$ 40,134	50.0 %
Service	19,600	26.8 %	40,140	50.0 %
Total revenue	73,253	100.0 %	80,274	100.0 %
<b>Cost of revenue:</b>				
Product	50,919	69.5 %	51,389	64.0 %
Service	18,098	24.7 %	44,684	55.7 %
Total cost of revenue	69,017	94.2 %	96,073	119.7 %
<b>Gross profit (loss)</b>	4,236	5.8 %	(15,799)	(19.7 %)
<b>Operating expenses</b>				
Research and development	3,795	5.2 %	5,412	6.7 %
Selling and marketing	3,563	4.9 %	4,899	6.1 %
General and administrative	19,642	26.8 %	26,907	33.5 %
Total operating expenses	27,000	36.9 %	37,218	46.4 %
<b>Loss from operations</b>	(22,764)	(31.1 %)	(53,017)	(66.0 %)
Interest expense, net	(86)	(0.1 %)	(722)	(0.9 %)
Gain from disposal of investment in unconsolidated subsidiary	898	1.2 %	337	0.4 %
Other income (expense), net	(215)	(0.3 %)	92	0.1 %
<b>Loss before income taxes</b>	(22,167)	(30.3 %)	(53,310)	(66.4 %)
Provision for income taxes	(9)	0.0 %	(166)	(0.2 %)
<b>Net loss</b>	\$ (22,176)	(30.3 %)	\$ (53,476)	(66.6 %)

**Revenue**

(in thousands)	Six months ended June 30,			
	2023	2022	\$ Change	% Change
Product	\$ 53,653	\$ 40,134	\$ 13,519	33.7 %
Service	19,600	40,140	(20,540)	(51.2)%
Total revenue	\$ 73,253	\$ 80,274	\$ (7,021)	(8.7)%

**Product revenue**

The increase in product revenue for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022, was primarily due to (i) an increase of 15% in the amount of MW produced as activity during the six months ended June 30, 2022 was adversely impacted by regulatory issues involving the Solar Circumvention Investigation and the UFLPA and (ii) an increase of 11% in ASP as a result of improved project pricing. In addition, product revenue for the six months ended June 30, 2022 was negatively impacted by a customer concession charge of \$2.0 million.

**Service revenue**

The decrease in service revenue for the six months ended June 30, 2023, as compared to the six months ended June 30, 2022, primarily resulted from a decrease of 43% in the amount of MW delivered as a result of timing of project manufacturing completions, as well as a decrease of 20% in ASP as pricing has moderated in relation to lower transportation costs as compared to the six months ended June 30, 2022. In addition, service revenue for the six months ended June 30, 2022 was negatively impacted by a customer concession charge of \$3.0 million.

During the six months ended June 30, 2022, shipping and logistics costs were not fully recoverable under certain existing contracts at that time.



### Cost of revenue and gross profit (loss)

(in thousands)	Six months ended June 30,			
	2023	2022	\$ Change	% Change
Product	\$ 50,919	\$ 51,389	\$ (470)	(0.9)%
Service	18,098	44,684	(26,586)	(59.5)%
Total cost of revenue	\$ 69,017	\$ 96,073	\$ (27,056)	(28.2)%
<b>Gross profit (loss)</b>	\$ 4,236	\$ (15,799)	\$ 20,035	(126.8)%
Gross profit (loss) percentage of revenue	5.8%	(19.7%)		

The decrease in cost of revenue for the six months ended June 30, 2023, as compared to the six months ended June 30, 2022, was primarily driven by a decrease of 43% in shipping and logistics activity. While there was an increase of 15% in MW produced, the cost per MW produced decreased by 14% as a result of lower direct and warranty costs, as well as reduced overhead spending due to cost control efforts and reduced headcount during much of the period.

Our gross profit (loss) percentage of revenue for the six months ended June 30, 2023 was a positive 5.8%, as compared to negative 19.7% for the six months ended June 30, 2022.

We had positive gross margin for the six months ended June 30, 2023 largely due to (i) an increase of 11% in our product ASP and (ii) lower direct and indirect product costs resulting from our design to value efforts and higher production activity.

We had a gross margin loss for the six months ended June 30, 2022 as a result of (i) production volumes that were not sufficient to cover certain relatively fixed overhead costs, (ii) our inability to recover certain increased logistics costs on fixed price contracts, and (iii) recognition of a \$5.0 million customer concession during the period.

### Research and development

(in thousands)	Six months ended June 30,			
	2023	2022	\$ Change	% Change
Research and development	\$ 3,795	\$ 5,412	\$ (1,617)	(29.9)%

The decrease in research and development expenses for the six months ended June 30, 2023, as compared to the six months ended June 30, 2022, was primarily attributable to (i) lower payroll-related costs of \$0.5 million as a result of decreased headcount, (ii) lower spending of \$0.5 million on lab activity and materials, (iii) lower research facility costs of \$0.3 million and, (iv) lower stock-based compensation expense of \$0.3 million. Research and development expenses as a percentage of revenue were 5.2% for the six months ended June 30, 2023, as compared to 6.7% for the six months ended June 30, 2022.

### Selling and marketing

(in thousands)	Six months ended June 30,			
	2023	2022	\$ Change	% Change
Selling and marketing	\$ 3,563	\$ 4,899	\$ (1,336)	(27.3)%

The decrease in selling and marketing expenses for the six months ended June 30, 2023, as compared to the six months ended June 30, 2022, was primarily attributable to (i) lower provisions for credit losses of \$0.9 million related mainly to a charge associated with a specific customer account during the six months ended June 30, 2022 and (ii) \$0.4 million of lower stock-based compensation expense. Selling and marketing expenses as a percentage of revenue were 4.9% for six months ended June 30, 2023, compared to 6.1% for the six months ended June 30, 2022.

### General and administrative

(in thousands)	Six months ended June 30,			
	2023	2022	\$ Change	% Change
General and administrative	\$ 19,642	\$ 26,907	\$ (7,265)	(27.0)%

The decrease in general and administrative expenses for the six months ended June 30, 2023, as compared to the six months ended June 30, 2022, was primarily attributable to (i) \$5.6 million of lower professional service fees and legal settlement costs, primarily related to our December 2022 settlement of an outstanding legal matter which eliminated a large amount of legal fees and costs during the six

months ended June 30, 2023, and (ii) \$2.7 million of lower payroll-related costs due to lower severance and cash incentive expense as compared to the same period last year. These decreases were partially offset by \$1.0 million of higher stock-based compensation expense. General and administrative expenses as a percentage of revenue were 26.8% for the six months ended June 30, 2023, compared to 33.5% for the six months ended June 30, 2022.

### **Interest expense, net**

(in thousands)	Six months ended June 30,			
	2023	2022	\$ Change	% Change
Interest expense, net	\$ 86	\$ 722	\$ (636)	(88.1)%

Interest expense for the six months ended June 30, 2023 and 2022, totaled approximately \$0.6 million and almost \$0.8 million, respectively, and primarily consisted of commitment fees on the Credit Facility, along with associated debt issue cost amortization. Interest income earned on our cash equivalents totaled approximately \$0.5 million during the six months ended June 30, 2023. The amount of interest income for the six months ended June 30, 2022 was less than \$0.1 million.

### **Gain from disposal of investment in unconsolidated subsidiary**

(in thousands)	Six months ended June 30,			
	2023	2022	\$ Change	% Change
Gain from disposal of investment in unconsolidated subsidiary	\$ 898	\$ 337	\$ 561	166.5%

We sold our interest in our unconsolidated subsidiary, Dimension Energy LLC ("Dimension"), on June 24, 2021. Dimension is a community solar developer based in Atlanta, Georgia that provides renewable energy solutions for local communities in the United States. The sales agreement with Dimension includes an earnout provision which provides the potential to receive additional contingent consideration of up to approximately \$14.0 million through December 2024, based on Dimension achieving certain performance milestones. The sales agreement also includes a projects escrow release which is an additional contingent consideration to receive \$7 million based on Dimension's completion of certain construction projects in progress at the time of the sale. We made an accounting policy election to account for the contingent gains from the earnout provision and projects escrow release only when those amounts become realizable in the periods subsequent to the disposal date. During the six months ended June 30, 2023 and 2022, we received escrow release payments of \$0.9 million and \$0.3 million, respectively, that were recognized in accordance with our policy election.

## **Liquidity and Capital Resources**

### **Liquidity**

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

We have incurred cumulative losses since inception, resulting in an accumulated deficit of \$271.0 million as of June 30, 2023, and have a history of cash outflows from operations. During the years ended December 31, 2021 and 2022, and the six months ended June 30, 2023, we had \$132.9 million, \$54.5 million and \$30.8 million, respectively, of cash outflows from operations. As of June 30, 2023, we had \$33.8 million of cash on hand, \$68.9 million of working capital, approximately \$75.6 million of remaining capacity available for future sales of our common stock under our ATM program as described further in Note 4, "ATM program" in Part I, Item 1 above, and have approximately \$98.0 million of unused borrowing capacity under our Credit Facility until termination on April 30, 2024. The Credit Facility includes a financial condition covenant stating we are required to have a minimum liquidity, consisting of cash on hand and unused borrowing capacity, of \$125.0 million as of each quarter end. Additionally, our only material contractual obligation requiring the use of cash as of June 30, 2023, was for the additional equity investment capital contributions that may be required, as described further in "Note 3, Equity method investment" above.

The UFLPA was passed by the U.S. Congress and signed into law by President Biden on December 23, 2021. The UFLPA establishes a rebuttable presumption that the importation of any goods, wares, articles, and merchandise mined, produced, or manufactured wholly or in part in Xinjiang, or that are produced by certain entities, is prohibited by Section 307 of the Tariff Act of 1930 and that such goods, wares, articles, and merchandise are not entitled to entry to the United States. CBP began implementing the presumption set out in the UFLPA on June 21, 2022, resulting in new rules for solar module importers and reviews by CBP. There continues to be uncertainty in the

market around achieving full compliance with the UFLPA for the importation of solar modules, whether related to sufficient traceability of materials or other factors.

On April 1, 2022, the U.S. Department of Commerce, in response to a petition by Auxin Solar, Inc., published a notice initiating the Solar Circumvention Investigation. On June 6, 2022, President Biden issued a proclamation allowing U.S. solar deployers the ability to import solar modules and cells from Cambodia, Malaysia, Thailand and Vietnam free from certain duties for 24 months, along with other incentives designed to accelerate U.S. domestic production of clean energy technologies.

Since 2016, CBP has issued a number of WROs directed at forced labor in China, including WROs directed specifically at activity in Xinjiang. To date, CBP has used the WROs to detain solar panels, which has disrupted the U.S. solar installation market and caused additional uncertainty on future projects.

These policies and actions have resulted in some developers deferring projects due to the uncertainty of panel supply and costs, which negatively impacted our 2022 revenues and cash flows and are continuing to negatively impact our revenues and our cash flows to date in 2023.

The most notable incentive program impacting our U.S. business has been the ITC for solar energy projects, which allows taxpayers to offset their U.S. federal income tax liability by a certain percentage of their cost basis in solar energy systems placed in service for commercial use. The Inflation Reduction Act of 2022, passed by the U.S. Congress and signed into law by President Biden on August 16, 2022, expanded and extended the tax credits and other tax benefits available to solar energy projects and the solar energy supply chain. ITCs have been extended for such projects through at least 2032 and, depending on the location of a particular project and its ability to satisfy certain labor and domestic content requirements, the ITC percentage can range between 30% and 50%. U.S. manufacturers of specific solar components are now eligible to claim production tax credits as an alternative to the ITC. Implementing regulations for this law are still being finalized.

Our costs are affected by the costs of certain components and materials, such as costs including steel, motors and micro-chips, as well as transportation costs. Current market conditions and international conflicts that constrain the supply of materials and disrupt the flow of materials from international vendors impact the cost of our products and services, along with overall rates of inflation in the global economy, which have been higher than pre-COVID 19 pandemic historical rates. Transportation costs, including ocean freight and U.S. domestic haul rates, increased at the beginning of the COVID-19 pandemic but have since returned to pre-pandemic rates. Domestic fuel prices, however, continue to be slightly elevated compared to pre-pandemic rates. Additionally, COVID-19 shutdowns in China during 2022 created a backlog of exports and increased demand for container shipments from China, but such shutdowns have since been eased by the Chinese government. These cost increases and decreases impact our operating margins. We have taken steps to expand and diversify our manufacturing partnerships and have adjusted our modes of transportation to mitigate the impact of headwinds that arise in the global supply chain and logistics markets. As an example, we have modified our ocean freight from previously using charter shipments to now using containerized shipments as costs in the container market began to decrease in 2022. We continue to monitor the logistics markets and will continue to evaluate our use of various modes of transportation when warranted to optimize our transportation costs. Additionally, in February 2022, we contracted with a related-party consulting firm to support us in making ongoing improvements to our processes and performance in various areas, including design, sourcing, logistics, pricing, software and our distributed generation business. For further information regarding this consulting firm, see Note 16, "Related party transactions" in Part I, Item 1 of this Quarterly Report on Form 10-Q.

In accordance with ASC 205-40, Going Concern, we have evaluated whether there are conditions and events, considered in the aggregate, which raise substantial doubt about our ability to continue as a going concern within one year after the date these condensed consolidated financial statements are issued. While the UFLPA continues to create uncertainty in the market, we believe that passage of the Inflation Reduction Act of 2022, as described above, has reduced the level of uncertainty among solar project owners and developers with regard to new project development in the United States. We note that implementing regulations for the Inflation Reduction Act are still being finalized, which creates uncertainty about the extent of its impact on our Company and the solar energy industry. We also took significant steps in 2022, and are continuing to take further steps in 2023, to address the recent market challenges and our historical use of cash through the following actions:

- certain members of our senior management team elected to forego certain cash compensation during the second half of 2022 in exchange for equity compensation;
- the members of our board of directors agreed to take equity compensation in lieu of cash compensation during 2023;
- we began making certain incentive compensation payments to all employees in stock rather than cash beginning at the end of the second quarter of 2022;
- we reduced our workforce by approximately 8% near the end of 2022;
- we initially froze non-essential hiring in 2022, placed restrictions on certain travel, decreased the future use of consultants and continue to defer non-critical initiatives;
- we have initiated frequent, consistent communication with our customers, which in certain cases has allowed us to resolve issues preventing timely collection of certain past due outstanding receivables;
- we have emphasized cash collections from customers, and continue to negotiate improved payment terms with both our customers and vendors and have switched vendors when needed to obtain cost savings;
- we launched Pioneer, a 1P solar tracker solution, and a new solution for thin-film modules not subject to UFLPA;
- we reached a settlement agreement with FCX Solar, LLC in December 2022, regarding a lawsuit filed against us relating to claims of patent infringement in order to eliminate future time and expense involved in defending ourselves in this action; under the settlement agreement, we were able to utilize our common stock to satisfy a portion of the settlement payment;
- we made an investment to acquire a 45% ownership interest in Alpha Steel, a manufacturing partnership with Taihua, which will enhance our domestic supply chain to reduce our exposure to import duties and import restrictions, as described further in "Note 3, Equity method investment" above;
- we began selling newly issued shares of our common stock under our ATM program (as defined herein) in 2023, as described further in "Note 4, ATM program" above; and
- we continue to actively explore options to obtain additional sources of capital through either the issuance of new debt or equity.

A number of the steps above, as well as improvements in the logistics markets and easing of supply chain constraints, contributed to us having positive gross profit in the six months ended June 30, 2023, which also reduced our use of cash required to fund our operations during the current year-to-date period.

Management believes that our existing cash on hand, as well as the continuing impact of certain of the actions described above and our expectations of improved market conditions and positive results from our efforts to continue to increase gross margins, will allow us to grow profitably and generate positive cash flow from operations during the next twelve months in amounts that will be sufficient, along with our other available resources, to fund our operations for at least one year from the date of issuance of the condensed consolidated financial statements.

We have achieved success in executing certain of the initiatives above and we continue to work to further reduce our use of cash to fund our operations. We expect to begin seeing the benefits from production of our Pioneer solution in our financial results during the second half of 2023 and we believe passage of the Inflation Reduction Act of 2022 and our investment in Alpha Steel will also ultimately benefit demand for our products in the United States. At the same time, however, new rules for module importers and reviews by CBP pursuant to achieving full compliance with the UFLPA are expected to continue creating uncertainty in the market. However, once there is additional clarity around compliance with the UFLPA and customers get line-of-sight to module deliveries, we believe the market will see a recovery. While there are already many underlying drivers of growth in the solar industry, the expected positive impact on demand for our products could take longer than expected to occur. In addition, market conditions could deteriorate significantly from what we currently

expect, and regulatory and international trade policies could become more stringent as a result of (i) findings from the Solar Circumvention Investigation, (ii) CBP's enforcement of the UFLPA, and (iii) other factors, which may result in a need for us to issue additional debt or obtain new equity financing, which could result in additional shareholder dilution, to continue to adequately fund our existing operations beyond the next twelve months. We may be unable to obtain any desired additional financing on terms favorable to us, or at all, depending on market and other conditions which could result in curtailment of our current operations and our ability to further invest in our products and new technology. The ability to raise additional financing depends on numerous factors that are outside of our control, including macroeconomic factors such as the impact of inflation, the ongoing conflict in the Ukraine, market conditions, the health of financial institutions (including the recent bankruptcy of certain regional banks and related impacts that have occurred and continue to occur in the banking industry), investors' and lenders' assessments of our prospects and the prospects of the solar industry in general.

### **Statements of cash flows**

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

(in thousands)	Six months ended June 30,	
	2023	2022
Net cash used in operations	\$ (30,809)	\$ (36,398)
Net cash used in investing activities	(197)	(275)
Net cash provided by financing activities	20,577	514
Effect of exchange rate changes on cash and cash equivalents	(139)	(1)
Net decrease in cash and cash equivalents	\$ (10,568)	\$ (36,160)

#### Operating activities

During the six months ended June 30, 2023, we used approximately \$9.2 million of cash to fund a portion of our current period expenditures for personnel and facilities, legal and professional fees, insurance, research and development and various other operating activities. This compares to \$41.9 million of cash used during the six months ended June 30, 2022, primarily for funding of (i) losses on certain projects largely related to increased material and logistics costs due to supply chain disruptions that were not fully recoverable and (ii) prior period expenditures for personnel and facilities, legal and professional fees, and various other period costs.

Approximately \$21.6 million of cash was also used for working capital and other increases during the six months ended June 30, 2023, primarily as a result of production activity and the timing of customer receipts, net of vendor payments. During the six months ended June 30, 2022, we generated approximately \$5.5 million of cash from decreases in working capital and other items, largely related to settlements reached with certain customers to collect past due receivables owed during the period, partially offset by reductions in project-related accruals due to a decline in project activity levels.

#### Investing activities

During the six months ended June 30, 2023, we made an initial equity investment of \$0.9 million in Alpha Steel, a manufacturing partnership with Taihua, in which we hold a 45% interest. Additionally, we received \$0.9 million of contingent payments from escrow in connection with the June 2021 sale of our equity interest in Dimension due to the subsequent completion of certain construction projects that were in progress at the time of the sale.

During the six months ended June 30, 2022, our cash capital spending on new lab, computer and IT equipment was approximately \$0.7 million. Additionally, we received \$0.3 million in contingent payments from escrow in connection with the sale of our equity interest in Dimension as described above.

#### Financing activities

During the six months ended June 30, 2023, we began selling newly issued shares of our common stock in various daily transactions under our ATM program, receiving cash proceeds of \$20.6 million. We also received \$0.1 million of proceeds from employee exercises of stock options. During the six months ended June 30, 2022, \$0.5 million of proceeds from employee exercises of stock options were received.

#### **Revolving line of credit**

On April 30, 2021, we entered into the Credit Facility Agreement, which terminates on April 30, 2024.

On June 7, 2023, we entered into Amendment No. 3 to our Credit Facility Agreement with Barclays Bank PLC, pursuant to the occurrence of an Early Opt-in Election, to replace USD LIBOR with the secured overnight financing rate (SOFR) as the benchmark rate for future term loans (“Term SOFR”) under the Credit Facility Agreement. No other material changes were made to the Credit Facility Agreement as part of this amendment.

The Credit Facility Agreement, as amended, includes the following terms: (i) a base rate of Term SOFR, plus 3.25% per annum, (ii) initial commitment fees of 0.50% per annum; (iii) initial letter of credit fees of 3.25% per annum; and (iv) other customary terms for a corporate revolving credit facility.

We have not made any draws on our Credit Facility as of June 30, 2023. However, as of June 30, 2023, we had \$2.0 million in letters of credit outstanding that reduced our available borrowing capacity to approximately \$98.0 million.

The Credit Facility is secured by a first priority lien on substantially all of our assets, subject to certain exclusions, and customary guarantees. As of June 30, 2023, we were in full compliance with our financial condition covenants.

We are required to maintain a liquidity level (defined as unrestricted cash and cash equivalents plus the available borrowing capacity under the Credit Facility) of no less than \$125.0 million at each quarter end in order to utilize the Credit Facility. As of June 30, 2023, we were over the required minimum liquidity level thus allowing us to continue to access our Credit Facility up to the available borrowing capacity, pending the measurement of our liquidity level again at the end of the next fiscal quarter.

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

Preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenue and expenses during the period. Estimates are used for calculating the measure of progress of our solar tracker projects and deriving the standalone selling prices of the individual performance obligations when determining amounts to recognize for revenue, estimating allowances for credit losses and slow-moving and obsolete inventory, determining useful lives of long-lived assets and the estimated fair value of those assets for impairment assessments, and estimating the fair value of investments, stock compensation awards, warranty liabilities and federal and state taxes, including tax valuation allowances, as well as other contingencies. We base our estimates on historical experience and anticipated results, trends, and various other assumptions that we believe are reasonable under the circumstances, including assumptions as to future events. Actual results could differ from those estimates due to risks and uncertainties.

To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management’s judgments and estimates. Critical accounting policies and estimates are those that we consider the most important to the portrayal of our financial condition and results of operations because they require our most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain.

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

#### ***Revenue recognition***

##### Policy description

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

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

Contracts we enter into with our customers for sale of solar tracker systems are generally under two different types of arrangements: (1) purchase agreements and equipment supply contracts ("Purchase Agreements"), and (2) sale of individual parts for those systems.

Change orders from our customers are generally modifications to existing contracts and are included in the total estimated contract revenue when it is probable that the change order will result in additional value that can be reliably estimated and realized.

*Identify the performance obligations in the contract:* We enter into contracts that can include various combinations of products and services, which are either capable of being distinct and accounted for as separate performance obligations or as one performance obligation since the majority of tasks and services are part of a single project or capability. However, determining whether products or services are considered distinct performance obligations that should be accounted for separately versus together may sometimes require significant judgment.

Our Purchase Agreements typically include two performance obligations: 1) our solar tracker systems or customized components of those systems, and 2) shipping and handling services. The deliverables included as part of our solar tracker systems are predominantly accounted for as one performance obligation, as these deliverables are part of a combined promise to deliver a project.

The revenue for shipping and handling services will be recognized over time based on progress in meeting shipping terms of the arrangements, as this faithfully depicts the Company's performance in transferring control. Revenue for stand-alone engineering consulting and pile testing services is recognized at a point in time upon completion of the services performed.

Sales of individual parts of our solar tracker systems for certain specific transactions include multiple performance obligations consisting of individual parts of those systems. Revenue is recognized for parts sales at a point in time when the obligations under the terms of the contract with our customer are satisfied. Generally, this occurs with the transfer of control of the asset, which is in line with shipping terms.

*Determine the transaction price:* The transaction price is determined based on the consideration to which we will be entitled in exchange for transferring services to the customer. Such amounts are typically stated in the customer contract, and to the extent that we identify variable consideration, we will estimate the variable consideration at the onset of the arrangement as long as it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The majority of our contracts do not contain variable consideration provisions as a continuation of the original contract. None of our contracts contain a significant financing component. Taxes collected from customers and remitted to governmental authorities are not included in revenue.

*Allocate the transaction price to performance obligations in the contract:* Once we have determined the transaction price, we allocate the total transaction price to each performance obligation in a manner depicting the amount of consideration to which we expect to be entitled in exchange for transferring the good(s) or service(s) to the customer. We allocate the transaction price to each performance obligation identified in the contract on a relative standalone selling price basis.

We use the expected cost-plus margin approach based on hardware, labor, and related overhead cost to estimate the standalone selling price of our solar tracker systems, customized components of those systems, and individual parts for certain specific transactions. We also use the expected cost-plus margin approach based on expected third-party shipping and transportation costs to estimate the standalone selling price of our shipping, handling and logistics performance obligations. We use the adjusted market assessment approach for all other performance obligations.

*Recognize revenue when or as the Company satisfies a performance obligation:* For each performance obligation identified, we determine at contract inception whether we satisfy the performance obligation over time or at a point in time. The performance obligations in the contracts for our solar tracker systems and customized components of those systems are satisfied over time as work progresses, utilizing an input measure of progress determined by cost-to-cost measures on these projects as this faithfully depicts our performance in transferring control. Additionally, our performance does not create an asset with an alternative use, due to the highly customized nature of the product, and we have an enforceable right to payment for performance completed to date. Our performance obligations for individual part sales for certain specific transactions are recognized at a point in time as and when control transfers based on the Incoterms for the contract. Our performance obligations for engineering consulting and pile testing services are recognized at a point in time upon completion of the services. Our performance obligations for term-based software licenses are recognized at a point in time as and when control transfers, either upon delivery to the customer or the software license start date, whichever is later. Our performance obligations for shipping and handling services are satisfied over time as the services are delivered over the term of the contract. We recognize revenue for subscription and other services on a straight-line basis over the contract period. With regard to support revenue, a time-elapsed method is used to measure progress because we transfer control evenly over the contractual period. Accordingly, the fixed consideration related to support revenue is generally recognized on a straight-line basis over the contract term.

*Contract assets and liabilities:* The timing of revenue recognition, billing, and cash collection results in the recognition of accounts receivable, unbilled receivables for revenue recognized in excess of billings, and deferred revenue in the condensed consolidated balance sheets. We may receive advances or deposits from our customers before revenue is recognized, resulting in contract liabilities, which are reflected as “deferred revenue” in our condensed consolidated balance sheets.

#### Judgments and assumptions

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

#### **Accounts receivable, net**

##### Policy description

Trade receivables are recorded at invoiced amounts, net of allowances for credit losses, and do not bear interest. We generally do not require collateral from our customers; however, in certain circumstances, we may require letters of credit, other collateral, additional guarantees or advance payments.

We adopted ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments effective January 1, 2023. As a result, we now establish an allowance for credit losses based on the expected lifetime credit loss of our customer accounts. For the three and six months ended June 30, 2022, we utilized the incurred loss model in estimating our allowance for doubtful accounts during that period.

##### Judgments and assumptions

The allowance for credit losses is based on the lifetime expected credit loss of our customer accounts. To assess the lifetime expected credit loss, we utilize a loss rate method that takes into consideration historical experience and certain other factors, as appropriate, such as credit quality and current economic or other conditions that may affect a customer's ability to pay.

Adjustments to the allowance are largely dependent on historical experience involving amounts previously collected from our customers in recent years. Historical experience used in making such adjustments may not reflect current actual experience and may result in greater variability in the amounts recognized in our allowance for expected credit losses as compared to the incurred loss method that was utilized prior to January 1, 2023.



## **Warranty**

### Policy description

Typically, the sale of solar tracker projects includes parts warranties to customers as part of the overall price of the product. We provide standard assurance type warranties for our products for periods generally ranging from two to ten years. We record a provision for estimated warranty expenses in cost of sales, net of amounts recoverable from manufacturers under their warranty obligations to us. We do not maintain general or unspecified reserves; all warranty reserves are related to specific projects. All actual or estimated material costs incurred for warranty services in subsequent periods are charged to those established reserves.

### Judgments and assumptions

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

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

## **Stock-based compensation**

### Policy description

We recognize compensation expense for all share-based payment awards made, including stock options and RSUs, based on the estimated fair value of the award on the grant date. We calculate the fair value of stock options using the Black-Scholes option pricing model for awards with service-based vesting or through use of a lattice model or a Monte Carlo simulation for awards with market conditions. The fair value of RSUs is based on the estimated fair value of the Company's common stock on the date of grant. We consider the closing price of our stock, as reported on the Nasdaq Global Market, to be the fair value of our stock on the grant date.

Forfeitures are accounted for as they occur. For service-based awards, stock-based compensation is recognized using the straight-line attribution approach over the requisite service period. For performance-based awards, stock-based compensation is recognized based on graded vesting over the requisite service period when the performance condition is probable of being achieved. Stock compensation expense for market-based awards is recognized over the derived service period determined in the valuation model, inclusive of any vesting conditions.

### Judgments and assumptions

Our service-based options currently outstanding were initially granted prior to or shortly after our IPO. We used the Black-Scholes model to estimate the fair value of the options at the grant date. The Black-Scholes model relies on various assumptions, in addition to the exercise price of the option and the value of our common stock on the date of grant. These assumptions include:

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

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

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

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

We used Monte Carlo simulations for certain awards granted with market conditions which provided an estimated average present value for each award based on a simulation assuming Geometric Brownian Motion in a risk-neutral framework using 100,000 simulation paths to determine the derived service and vesting periods.

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

## **Impairment**

### Policy description - long-lived assets and intangible assets

We review our long-lived assets that are held for use for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable or that its useful life may be shorter than previously expected. If such impairment indicators are present or other factors exist that indicate the carrying amount of the asset may not be recoverable, we determine whether an impairment has occurred through the use of an undiscounted cash flow analysis of the asset at the lowest level for which identifiable cash flows exist. If an impairment has occurred, we recognize a loss for the difference between the carrying amount and the fair value of the asset, which in most cases is estimated based upon Level 3 unobservable inputs. If the asset is determined to have a remaining useful life shorter than previously expected, an adjustment for the shorter remaining life will be made for purposes of recognizing future depreciation expense. Assets are classified as held for sale when we have a plan, approved by the appropriate levels of management, for disposal of such assets, as well as other considerations, and those assets are stated at the lower of carrying value or estimated fair value less estimated costs to sell.

### Policy description - goodwill

Goodwill is not amortized but is subject to a periodic assessment for impairment at least annually, or whenever events and circumstances indicate an impairment may exist. Our assessments may include qualitative factors such as current or expected industry and market conditions, our overall financial performance, share price trends, market capitalization and other company-specific events.

We operate in one segment, being the consolidated entity, which we have also determined is the reporting unit for goodwill impairment.

### Judgments and assumptions

Key judgments and assumptions may include:

- determination of whether events or changes in circumstances indicate that the carrying value of our long-lived assets or goodwill might be impaired. Such factors to consider may include an evaluation of changes in the business or regulatory climate, market conditions or other events impacting our operations;
- estimating future cash flows of our long-lived assets or asset groups and intangible assets, which may involve assumptions as to the lowest level of our assets at which cash flows are generated, as well as future growth and risk-adjusted discount rates, as well as a terminal growth rate or value and future market conditions;
- estimates of assumptions a market participant would use in determining the fair value of the affected long-lived assets or asset groups; and
- estimating the fair value of the consolidated company, which can be affected by changes in the market value of our common stock.

We have not identified any impairments of our long-lived assets, intangible assets or goodwill as of June 30, 2023.

### ***JOBS Act accounting election***

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

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

#### ***Fair value of financial instruments***

Our financial instruments consist of cash, cash equivalents, accounts receivable and accounts payable. Cash, cash equivalents, accounts receivable and accounts payable are stated at their carrying value, which approximates fair value due to the short time to the expected receipt or payment date.

We had \$33.8 million of cash and cash equivalents on hand, the vast majority of which was located in the United States, and no debt outstanding as of June 30, 2023. We regularly maintain cash balances with various financial institutions that exceed federally insured amounts, but we have experienced no losses associated with these amounts to date. We also took action in early 2023 to reallocate cash balances between different financial institutions based on our assessment as to the financial health of certain institutions.

We have no other financial instruments as of June 30, 2023, other than cash equivalents and certain non-functional currency intercompany and third-party receivables and payables, which are subject to foreign exchange, interest rate or market risks.

#### ***Concentrations of major customers***

Our customers include project developers, solar asset owners and EPC contractors that design and build solar energy projects. We extend credit to customers in the normal course of business, often without requiring collateral. We also perform credit analyses and monitor the financial health of our customers to reduce credit risk.

We typically rely on a small number of customers that account for a large portion of our revenue each period and our outstanding receivables at each period end.

Further, our accounts receivables are from companies within or serving the solar industry and, as such, we are exposed to normal industry credit risks. We continually evaluate our reserves for potential credit losses and establish initial reserves based on our expectation of lifetime expected credit losses.

#### ***Commodity Price Risk***

We subcontract to various contract manufacturers, who manufacture and deliver products directly to our customers. We, therefore, do not procure raw materials and commodities directly, except for items added to our inventory. We are subject to indirect risk from fluctuating market prices of certain commodity raw materials, including steel and aluminum, which are used in our products, through our contract manufacturers, as increases in these commodity prices would increase our cost of procuring subcontracting services. Prices of these raw materials may be affected by supply restrictions or other market factors from time to time. Significant price increases for these raw materials could reduce our operating margins if we are unable to recover such increases in costs from our customers, and could harm our business, financial condition and results of operations.

## **ITEM 4. CONTROLS AND PROCEDURES**

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

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act") as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q were effective in providing reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company can be detected.

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

There were no changes in our internal control over financial reporting that occurred during the three months ended June 30, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### **ITEM 1. LEGAL PROCEEDINGS**

From time to time, we may become involved in various claims, lawsuits, investigations, and other proceedings, arising in the normal course of business.

In March of 2023, CBP issued notices of tariff assessment that indicated a determination of action taken at the Import Specialist level with respect to merchandise imported from Thailand under entry number 004-1058562-5 (the "625 Assessment") and entry number 004-1063793-9 (the "939 Assessment", and collectively with the 625 Assessment, the "CBP Assessments"). The CBP Assessments relate to certain torque beams that are used in our Voyager+ product that were imported in 2022. The CBP Assessments assert that Section 301 China tariffs, Section 232 steel & aluminum tariffs, and antidumping and countervailing duties apply to the merchandise. Based on correspondence received to date from CBP and our calculations based on applicable duty and tariff rates, the 939 Assessment is currently for approximately \$7.56 million, and the 625 Assessment is currently for approximately \$2.11 million.

Upon review of the facts involved, and in consultation with outside legal counsel, we believe that the amounts claimed in the CBP Assessments are incorrect. In particular, the Section 301 tariffs of 25% or 7.5% of the value of the merchandise, depending on tariff classification, as well as the antidumping and countervailing duties, are only applicable to articles that originate in China. In this case, the finished goods are products of Thailand because the conversion in Thailand from flat coiled steel to rectangular beams is a substantial transformation in Thailand that produces a new and different article of commerce with a new name, character, and use. Moreover, we believe that the goods in question were properly classified as parts of structures at the time of importation and that when properly classified, the beams and other materials are not subject to Section 232 duties applicable to more basic steel products.

We are in communication with CBP about the facts involved in an effort to resolve these matters expeditiously and amicably. CBP has legally finalized the 625 Assessment, which is likely to require that we file an administrative protest to challenge the amounts assessed. The 939 Assessment remains "suspended," which allows the Company to work with CBP to resolve the matter without a formal protest, which we are pursuing. Based on the above, and under the relevant accounting guidance related to loss contingencies, we have made no accrual for the amounts claimed by CBP as of June 30, 2023, as we do not consider these amounts to be a probable obligation, as such term is defined and interpreted under the relevant accounting guidance, for us at this time. However, because matters of this nature are subject to inherent uncertainties, and unfavorable rulings or developments, including future assessments of additional duties or tariffs owed in respect of other shipments or other materials beyond what is presently included in the CBP Assessments, could occur despite our belief that the tariffs and duties asserted are incorrect, there can be no certainty that the Company may not ultimately incur charges that are not currently recorded as liabilities. Since the outcome of these matters cannot be predicted with certainty, the costs associated with them could have a material adverse effect on our consolidated results of operations, financial position, or liquidity.

### **ITEM 1A. RISK FACTORS**

We are subject to a number of risks that if realized could adversely affect our business, strategies, prospects, financial condition, results of operations and cash flows. Some of the more significant risks and uncertainties we face include those summarized below. The summary below is not exhaustive and is qualified by reference to the full set of risk factors set forth in Item 1A. "Risk Factors" in our 2022 Annual Report. Please carefully consider all of the information in this Quarterly Report on Form 10-Q and our 2022 Annual Report, including the full set of risks set forth in Item 1A. "Risk Factors" of our 2022 Annual Report, and in our other filings with the SEC before making an investment decision regarding us.

- **Risks related to our business and our industry** – We are a relatively new public company with a history of losses that provides products and services to the solar industry, which is rapidly changing and dependent on being competitive with the price of electricity generated from other sources. We face competition from other companies that may be larger than us and have more financial resources than we have which could impact our ability to compete for new business.
- **Risks related to government regulations and legal compliance** – We face risks to the demand for our products from our customers due to changes in, or expiration of, governmental incentives and existing tax credits and other benefits. Additionally, changes in the trade environment and tax treaties between the United States and other countries, such as China, as well as import tariffs and other laws and regulations that impact the ability to import our products or other products necessary for the construction of solar energy projects, have adversely and could continue to adversely affect our business.

- **Risks related to manufacturing and supply chain** – We face risks in meeting the needs of our customers due to our reliance on contract manufacturers, including on their ability to obtain raw materials in a cost effective and timely manner and to provide timely deliveries of finished products to us and our customers.
- **Risks related to intellectual property** – We face the risk of not being able to adequately protect or defend our intellectual property and property rights in the various countries in which we do business.
- **Risks related to information technology and data privacy** – We face reputational and monetary risks from cybersecurity incidents and the unauthorized disclosure of personal or sensitive data relating to our employees, customers, vendors and others.
- **Risks related to ownership of our common stock** – The holders of our common stock face a risk of loss in their investment in us due to fluctuations in our stock price as a result of changing market conditions, any future issuances of stock, our future financial performance, our corporate legal structure and the substantial ownership in our stock by our directors, executive officers and principal stockholders.
- **Risks related to COVID-19 and other health epidemics** – We face risks of our business being adversely impacted by the effects of a widespread outbreak of contagious disease, such as the recent COVID-19 pandemic. COVID-19 caused significant supply chain disruptions beginning in 2020 that resulted in delays in product delivery and completion and caused increased transportation costs, as well as labor shortages. In May 2023, both the World Health Organization and the U.S. Department of Health and Human Services ended their declared status of COVID-19 as being a public health emergency.

Additionally, as described further in Note 2 in Part 1, Item 1 under the section "Liquidity" and in Part 1, Item 2 of this Quarterly Report on Form 10-Q under the section "Liquidity and Capital Resources", we have a history of cash outflows to fund operations.

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

### Unregistered Sales of Equity Securities

None.

### Use of Proceeds From Initial Public Offering of Common Stock

On April 30, 2021, the Company completed an IPO (Commission file number 333-254797) of 19,840,000 shares of its common stock receiving proceeds of \$241.2 million, net of underwriting discounts and commissions, but before offering costs. Prior to the completion of the IPO, the board of directors and stockholders approved an approximately 8.25-for-1 forward stock split of the Company's shares of common stock which became effective on April 28, 2021. Proceeds from the IPO were used to purchase an aggregate of 4,455,384 shares of our common stock at a cost of \$54.2 million, including shares resulting from the settlement of certain vested RSUs and exercise of certain options in connection with the IPO at the IPO price, less underwriting discounts and commissions. All of the remaining net proceeds from the IPO have been used for general corporate purposes, including working capital, capital expenditures and operating expenses as described in our final prospectus filed with the SEC pursuant to Rule 424(b).

### Purchases of Equity Securities

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

(a) Information required to be disclosed in a report on Form 8-K during the period covered by this Form 10-Q, but not reported.

None

(b) Furnish the information required by Item 407(c)(3) of Regulation S-K (§229.407 of this chapter)

None

(c) Furnish the information required by Item 408(a) of Regulation S-K (17 CFR 229.408(a)).

During the three months ended June 30, 2023, seven of our executive officers terminated plans intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Securities Exchange Act of 1934 ("10b5-1 Plan), as follows:

- On May 11, 2023, Sean Hunkler, our Chief Executive Officer, terminated his 10b5-1 Plan originally adopted on December 8, 2022 for the sale of up to 171,234 shares of the Company's common stock until January 31, 2024. The terminated trading arrangement was previously in place solely for sales in order to satisfy tax obligations payable due to the vesting and settlement of certain restricted stock units;
- On May 11, 2023, Robert Phelps Morris, our Chief Financial Officer, terminated his 10b5-1 Plan originally adopted on December 8, 2022 for the sale of up to 67,703 shares of the Company's common stock until December 29, 2023. The terminated trading arrangement was previously in place solely for sales in order to satisfy tax obligations payable due to the vesting and settlement of certain restricted stock units;
- On May 11, 2023, Patrick M. Cook, our Chief Commercial Officer, terminated his 10b5-1 Plan originally adopted on December 13, 2022 for the sale of up to 84,005 shares of the Company's common stock until January 31, 2024. The terminated trading arrangement was previously in place solely for sales in order to satisfy tax obligations payable due to the vesting and settlement of certain restricted stock units;
- On May 11, 2023, Sasan Aminpour, our Chief Operating Officer, terminated his 10b5-1 Plan originally adopted on December 7, 2022 for the sale of up to 44,000 shares of the Company's common stock until August 14, 2023. The terminated trading arrangement was previously in place solely for sales in order to satisfy tax obligations payable due to the vesting and settlement of certain restricted stock units;
- On May 11, 2023, Mary Cathy Behnen, our Chief Accounting Officer, terminated her 10b5-1 Plan originally adopted on December 12, 2022 for the sale of up to 46,650 shares of the Company's common stock until January 31, 2024;
- On May 11, 2023, Kristian Nolde, our Vice President, Marketing & Strategy, terminated his 10b5-1 Plan originally adopted on March 14, 2023 for the sale of up to 68,544 shares of the Company's common stock until December 29, 2023; and
- On May 16, 2023, Nagendra Cherukupalli, our Chief Technology Officer, terminated his 10b5-1 Plan originally adopted on December 13, 2022 for the sale of up to 76,527 shares of the Company's common stock until January 31, 2024. The terminated trading arrangement was previously in place solely for sales in order to satisfy tax obligations payable due to the vesting and settlement of certain restricted stock units;

**ITEM 6. EXHIBITS**

The following exhibits are filed as part of this report:

<b>Exhibit Number</b>		<b>Description</b>
3.1	**	<a href="#"><u>Amended and Restated Certificate of Incorporation of FTC Solar, Inc.(filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 3, 2021 and incorporated herein by reference).</u></a>
3.2	**	<a href="#"><u>Amended and Restated Bylaws of FTC Solar, Inc.(filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 3, 2021 and incorporated herein by reference).</u></a>
3.3	**	<a href="#"><u>Certificate of Correction of Amended and Restated Certificate of Incorporation (Filed as Exhibit 3.3 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on June 8, 2021 and incorporated herein by reference)</u></a>
4.1	**	<a href="#"><u>Specimen Common Stock Certificate (filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on April 29, 2021 and incorporated herein by reference)</u></a>
10.1	*	<a href="#"><u>Amendment, dated May 11, 2023, to Employment Agreement, dated as of March 31, 2022, between FTC Solar, Inc. and Phelps Morris</u></a>
10.2	**	<a href="#"><u>Employment Agreement by and between FTC Solar, Inc. and Patrick M. Cook (filed as Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 3, 2021 and incorporated herein by reference).</u></a>
10.3	*	<a href="#"><u>Amendment, dated July 1, 2022, to Employment Agreement, dated as of April 26, 2021, between FTC Solar, Inc. and Patrick Cook</u></a>
10.4	*	<a href="#"><u>Amendment, dated August 17, 2022, to Employment Agreement, dated as of April 26, 2021, between FTC Solar, Inc. and Patrick Cook</u></a>
10.5	*	<a href="#"><u>Amendment, dated May 11, 2023, to Employment Agreement, dated as of April 26, 2021, between FTC Solar, Inc. and Patrick Cook</u></a>
10.6	*	<a href="#"><u>Amendment No. 3 to the Senior Secured Revolving Facility, by and among FTC Solar, Inc., as borrower, and Barclays Bank PLC, as administrative agent, dated as of June 7, 2023</u></a>
31.1	*	<a href="#"><u>Certification of Principal Executive Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
31.2	*	<a href="#"><u>Certification of Principal Financial Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
32.1	*	<a href="#"><u>Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
32.2	*	<a href="#"><u>Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101.INS	*	Inline XBRL Instance Document
101.SCH	*	Inline XBRL Taxonomy Extension Schema Document
101.CAL	*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in exhibit 101)

\* Filed herewith

\*\* Incorporated herein by reference



**SIGNATURES**

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

**FTC SOLAR, INC.**

Date: August 9, 2023

/s/ Sean Hunkler

Sean Hunkler, President and Chief Executive Officer

Date: August 9, 2023

/s/ Phelps Morris

Phelps Morris, Chief Financial Officer



May 11, 2023

Re: Amendment to Employment Agreement, dated as of March 31, 2022 (the “Employment Agreement”), between FTC Solar, Inc. (the “Company”) and Phelps Morris (“you”)

Dear Phelps:

As discussed between you and the Company, you are agreeing to forego your cash bonus(es) that was otherwise earned by you in respect of Q1 of 2023 under the Company’s bonus policies. In exchange, you will receive Restricted Stock Units (“RSUs”) that will entitle you to receive the Company’s Common Stock (the “Common Stock”) in accordance with the Company’s equity plan and based on the delivery terms described herein and therein. The grant date for such award will be May 17, 2023. Your RSUs shall become vested in full upon grant. Shortly after vesting, the Company shall issue to you a number of shares of Company stock equal to the then-vested RSUs.

The number of RSUs granted pursuant to the foregoing paragraph will be determined as follows: the applicable cash bonus earned in respect of Q1 of 2023 divided by the 30-day volume-weighted average price (VWAP) of the Company’s publicly traded stock as of the date of grant.

In addition, you and the Company hereby agree that any cash bonus that you earn in respect of Q2, Q3 or Q4 of 2023 (or any other cash bonus in respect of 2023) under the Company’s bonus policies may also be paid in the form of RSUs or other equity based compensation as determined by the Company. Any decision to pay such cash bonuses in the form of RSUs or other equity based compensation shall be in the Company’s sole discretion, and the Company may elect not to pay such bonuses in such a manner (or pay only a portion of such bonuses in such a manner).

Except as provided by this letter, your Employment Agreement shall remain in full force and effect and is hereby ratified and confirmed, and the execution, delivery and performance of this letter shall not constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of any party under your Employment Agreement.

This letter may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one agreement, and shall become effective when signed and delivered by each of the Company and you. A manual signature on this letter whose image shall



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have been transmitted electronically will constitute an original signature, and delivery of copies of this letter by electronic transmission will constitute delivery of this letter, for all purposes.

**Please confirm your agreement to the above by signing and returning this letter to the Company.**

Sincerely,

/s/ Sean Hunkler  
Sean Hunkler  
Chief Executive Officer  
FTC Solar, Inc.

**Acknowledged and Accepted:**

By: /s/ Phelps Morris  
Name: Phelps Morris

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July 1, 2022

Re: Amendment to Employment Agreement, dated as of April 26, 2021 (the “Employment Agreement”), between FTC Solar, Inc. (the “Company”) and Patrick Cook (“you”)

Dear Patrick:

As discussed between you and the Company, and as approved by the Compensation Committee of the Board of Directors of the Company on June 7, 2022, you are agreeing to forego your cash salary (other than the Retained Cash Salary, as defined below) for the period from July 1, 2022 until December 31, 2022. In exchange, you will receive 51,878 Restricted Stock Units (“RSUs”) that will entitle you to receive the Company’s Common Stock (the “Common Stock”) in accordance with the Company’s equity plan and based on the delivery terms described herein and therein. Your RSUs shall become vested over a six-month period as follows: 1/6 of such award will vest on the last day of each of July, August, September, October, November and December of 2022, so long as you are providing services to the Company at all times from the grant date through each applicable vesting date. Following a reasonable amount of time after the vesting of the RSUs (but no later than March 15 of the year following such date), the Company shall issue to you a number of shares of Company stock equal to the then-vested RSUs.

The foregoing shall not apply to your Retained Cash Salary, and your Retained Cash Salary will continue to be paid to you in accordance with the Company’s standard payroll practices. “Retained Cash Salary” means the minimum cash salary that is required to be paid to you in compliance with applicable law.

Except as provided by this letter, your Employment Agreement shall remain in full force and effect and is hereby ratified and confirmed, and the execution, delivery and performance of this letter shall not constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of any party under your Employment Agreement. This letter supersedes all prior oral or written understandings, discussions or agreements that cover the subject matter of this letter.

This letter may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one agreement, and shall become effective when signed and delivered by each of the Company and you. A manual signature on this letter whose image shall have been transmitted electronically will constitute an original signature, and delivery of copies of this letter by electronic transmission will constitute delivery of this letter, for all purposes.



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Please confirm your agreement to the above by signing and returning this letter to the Company.

Sincerely,

/s/ Sean Hunker  
Sean Hunkler  
Chief Executive Officer  
FTC Solar, Inc.

**Acknowledged and Accepted:**

By: /s/ Patrick Cook  
Name: Patrick Cook



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August 17, 2022

Re: Amendment to Employment Agreement, dated as of April 26, 2021 (the “Employment Agreement”), between FTC Solar, Inc. (the “Company”) and Patrick Cook (“you”)

Dear Patrick:

As discussed between you and the Company, you are agreeing to forego your cash bonus that was otherwise earned by you in respect of Q2 of 2022 under the Company’s bonus policies. In exchange, you will receive Restricted Stock Units (“RSUs”) that will entitle you to receive the Company’s Common Stock (the “Common Stock”) in accordance with the Company’s equity plan and based on the delivery terms described herein and therein. The grant date for such award will be August 17, 2022. Your RSUs shall become vested in full upon grant. Shortly after vesting, the Company shall issue to you a number of shares of Company stock equal to the then-vested RSUs.

The number of RSUs granted pursuant to the foregoing paragraph will be determined as follows: the applicable cash bonus earned in respect of Q2 of 2022 divided by the 30-day volume-weighted average price (VWAP) of the Company’s publicly traded stock as of the date of grant.

In addition, you and the Company hereby agree that any cash bonus that you earn in respect of Q3 or Q4 of 2022 under the Company’s bonus policies may also be paid in the form of RSUs based on the same terms and conditions as set forth above. Any decision to pay such cash bonuses in the form of RSUs shall be in the Company’s sole discretion, and the Company may elect not to pay such bonuses in such a manner (or pay only a portion of such bonuses in such a manner).

Except as provided by this letter, your Employment Agreement shall remain in full force and effect and is hereby ratified and confirmed, and the execution, delivery and performance of this letter shall not constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of any party under your Employment Agreement.

This letter may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one agreement, and shall become effective when signed and delivered by each of the Company and you. A manual signature on this letter whose image shall have been transmitted electronically will constitute an original signature, and delivery of copies of this letter by electronic transmission will constitute delivery of this letter, for all purposes.

**Please confirm your agreement to the above by signing and returning this letter to the Company.**

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Sincerely,

/s/ Sean Hunkler  
Sean Hunkler  
Chief Executive Officer  
FTC Solar, Inc.

**Acknowledged and Accepted:**

By: /s/ Patrick Cook  
Name: Patrick Cook





May 11, 2023

Re: Amendment to Employment Agreement, dated as of April 26, 2021 (the “Employment Agreement”), between FTC Solar, Inc. (the “Company”) and Patrick Cook (“you”)

Dear Patrick:

As discussed between you and the Company, you are agreeing to forego your cash bonus(es) that was otherwise earned by you in respect of Q1 of 2023 under the Company’s bonus policies. In exchange, you will receive Restricted Stock Units (“RSUs”) that will entitle you to receive the Company’s Common Stock (the “Common Stock”) in accordance with the Company’s equity plan and based on the delivery terms described herein and therein. The grant date for such award will be May 17, 2023. Your RSUs shall become vested in full upon grant. Shortly after vesting, the Company shall issue to you a number of shares of Company stock equal to the then-vested RSUs.

The number of RSUs granted pursuant to the foregoing paragraph will be determined as follows: the applicable cash bonus earned in respect of Q1 of 2023 divided by the 30-day volume-weighted average price (VWAP) of the Company’s publicly traded stock as of the date of grant.

In addition, you and the Company hereby agree that any cash bonus that you earn in respect of Q2, Q3 or Q4 of 2023 (or any other cash bonus in respect of 2023) under the Company’s bonus policies may also be paid in the form of RSUs or other equity based compensation as determined by the Company. Any decision to pay such cash bonuses in the form of RSUs or other equity based compensation shall be in the Company’s sole discretion, and the Company may elect not to pay such bonuses in such a manner (or pay only a portion of such bonuses in such a manner).

Except as provided by this letter, your Employment Agreement shall remain in full force and effect and is hereby ratified and confirmed, and the execution, delivery and performance of this letter shall not constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of any party under your Employment Agreement.

This letter may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one agreement, and shall become effective when signed and delivered by each of the Company and you. A manual signature on this letter whose image shall

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have been transmitted electronically will constitute an original signature, and delivery of copies of this letter by electronic transmission will constitute delivery of this letter, for all purposes.

**Please confirm your agreement to the above by signing and returning this letter to the Company.**

Sincerely,

/s/ Sean Hunkler  
Sean Hunkler  
Chief Executive Officer  
FTC Solar, Inc.

**Acknowledged and Accepted:**

By: /s/ Patrick Cook  
Name: Patrick Cook

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866-FTC-Solar  
ftcsolar.com



## AMENDMENT NO. 3 TO CREDIT AGREEMENT

This Amendment No. 3 to Credit Agreement, dated as of June 7, 2023 (this “**Amendment**”), is entered into by and among FTC SOLAR, INC., a Delaware corporation (the “**Borrower**”), and BARCLAYS BANK PLC (“**Barclays**”), as Administrative Agent (together with its permitted successors in such capacity, the “**Administrative Agent**”).

## WITNESSETH:

WHEREAS, the Borrower, the Lenders and Issuing Lenders from time to time party thereto and the Administrative Agent are parties to that certain Credit Agreement, dated as of April 30, 2021 (as amended, restated, amended and restated, supplemented or otherwise modified prior to the date hereof, the “**Existing Credit Agreement**” and as may be further amended, restated, amended and restated, supplemented or otherwise modified from time to time, including by this Amendment, the “**Credit Agreement**”). Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Credit Agreement and as may be further amended from time to time;

WHEREAS, an Early Opt-in Election has occurred with respect to USD LIBOR and USD LIBOR has or will be replaced with Term SOFR as the Benchmark Replacement for purposes of the Existing Credit Agreement and the other Loan Documents for settings of benchmark rates that occur as of or after the Effective Date (as defined below) in accordance with the benchmark replacement provisions set forth in any applicable Loan Documents, and pursuant thereto, the Administrative Agent is exercising its right to make certain Benchmark Replacement Conforming Changes in connection with the implementation of the applicable Benchmark Replacement as set forth herein; and

WHEREAS, the amendments and modifications set forth in this Amendment constitute Benchmark Replacement Conforming Changes for purposes of the Existing Credit Agreement and the other Loan Documents;

NOW, THEREFORE, in consideration of the premises and agreements, provisions and covenants herein contained, the parties hereto agree as follows:

1. **Amendments to the Credit Agreement.** Effective as of the Effective Date and subject to the satisfaction (or waiver) of the conditions precedent set forth in Section 2 hereof:

(a) The Existing Credit Agreement is hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in the pages of the Credit Agreement attached as Exhibit A hereto;

(b) Exhibit G (Form of Prepayment Notice) to the Existing Credit Agreement shall be deemed amended and restated in its entirety as attached as Exhibit B;

(c) Exhibit H-1 (Form of Revolving Loan Note) to the Existing Credit Agreement shall be deemed amended and restated in its entirety as attached as Exhibit C;

(d) Exhibit K (Form of Notice of Borrowing) to the Existing Credit Agreement shall be deemed amended and restated in its entirety as attached as Exhibit D;

(e) Exhibit L (Form of Notice of Conversion/Continuation) to the Existing Credit Agreement shall be deemed amended and restated in its entirety as attached as Exhibit E;

2. **Effective Date Conditions.** Notwithstanding anything to the contrary contained in the Existing Credit Agreement or in any other Loan Documents, the Existing Credit Agreement and each other applicable Loan Document are each hereby amended and modified to give effect to the provisions set forth on Exhibit A hereto on and as of June 7, 2023 (the “Effective Date”) if, and only if, the following conditions precedent have been satisfied:

(a) the Administrative Agent (or its counsel) shall have received a counterpart of this Amendment signed on behalf of the Borrower;

(b) The Administrative Agent has not received by 5:00 p.m. (New York City time) on June 6, 2023, written notice of objection to the Early Opt-in Election (as defined in the Existing Credit Agreement) posted on May 30, 2023 from Lenders comprising the Required Lenders; and

(c) The Borrower shall have paid (which may occur substantially simultaneously with the effectiveness of this Amendment on the Effective Date) (i) all reasonable, documented and invoiced fees and documented out-of-pocket costs and expenses payable to the Administrative Agent in connection with this Amendment and (ii) all reasonable fees, expenses and disbursements of Paul Hastings LLP, as counsel for the Administrative Agent, incurred in connection with the preparation, negotiation and execution of this Amendment.

3. **Effects of this Amendment.** On the Effective Date, the Existing Credit Agreement will be automatically amended to reflect the amendments thereto provided for in this Amendment. The rights and obligations of the parties hereto shall be governed (i) prior to the Effective Date, by the Existing Credit Agreement and (ii) on and after the Effective Date, by this Amendment and the Credit Agreement. Once the Effective Date has occurred, all references to the Existing Credit Agreement in any document, instrument, agreement, or writing shall be deemed to refer to the Credit Agreement and as further amended, supplemented or otherwise modified from time to time. Notwithstanding the foregoing, any Eurodollar Loans (as defined in the Existing Credit Agreement prior to giving effect to the Effective Date) made to Borrower under the Existing Credit Agreement prior to the Effective Date shall be permitted to remain outstanding after the Effective Date until the applicable Interest Periods (as defined in the Existing Credit Agreement prior to giving effect to the Effective Date) for such Eurodollar Loans expire and such Eurodollar Loans shall be subject to the provisions of the Existing Credit Agreement related to interest rates as in effect prior to giving effect to this Amendment.

4. **Notice.** To the extent that any Loan Document requires the Administrative Agent to provide notice to the Borrower, any Lender or any other Person party to the Existing Credit Agreement of (i) a Benchmark Replacement (or other analogous or similar event), (ii) the implementation of Term SOFR as a Benchmark Replacement (or other analogous or similar term) or (iii) any Benchmark Replacement Conforming Changes (or other similar conforming changes) in connection with the adoption and implementation of Term SOFR or the use and administration thereof, this Amendment shall constitute such notice.

5. **Representations and Warranties.** By its execution of this Amendment, the Borrower hereby represents and warrants that:



(a) The Borrower has the corporate or other organizational power and authority to execute, deliver and carry out the terms and provisions of this Amendment and has taken all necessary corporate or other organizational action to authorize the execution, delivery and performance of this Amendment; and

(b) The Borrower has duly executed and delivered this Amendment and this Amendment constitutes the legal, valid and binding obligation enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and subject to general principles of equity.

**6. Reaffirmation of the Borrower; Reference to and Effect on the Credit Agreement and the other Loan Documents.**

(a) The Borrower hereby consents to the terms of this Amendment and the amendment of the Existing Credit Agreement effected hereby. The Borrower hereby confirms that each Loan Document to which it is a party or otherwise bound and all Collateral encumbered thereby will continue to guarantee or secure, as the case may be, to the fullest extent possible in accordance with the Loan Documents the payment and performance of all "Obligations" under each of the Loan Documents to which it is a party (in each case as such terms are defined in the applicable Loan Document). The Borrower acknowledges and agrees that any of the Loan Documents (as they may be modified by this Amendment) to which it is a party or otherwise bound shall continue in full force and effect and that all of its obligations thereunder shall be valid and enforceable and shall not be impaired or limited by the execution or effectiveness of this Amendment other than to the extent expressly contemplated hereby.

(b) Except to the extent expressly set forth in this Amendment, the execution, delivery and performance of this Amendment shall not constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of any Agent Party or Lender under, the Credit Agreement or any of the other Loan Documents.

(c) On and after the Effective Date, each reference in the Existing Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import referring to the Existing Credit Agreement, and each reference in the other Loan Documents to the "Credit Agreement", "thereunder", "thereof" or words of like import referring to the Existing Credit Agreement shall mean and be a reference to the Credit Agreement.

**7. Miscellaneous.**

(a) Headings. The various headings of this Amendment are included for convenience of reference only and shall not affect the interpretation of this Amendment or any provision hereof.

(b) Execution in Counterparts; Electronic Execution. This Amendment may be executed in two or more counterparts, each of which shall constitute an original but all of which, when taken together, shall constitute but one contract, and shall become effective as provided in Article III. Delivery of an executed counterpart to this Amendment by facsimile transmission (or other electronic transmission pursuant to procedures approved by the Administrative Agent) shall be as effective as delivery of a manually signed original. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or by email as a ".pdf" or ".tif" attachment shall be effective as delivery of a manually executed counterpart of this Amendment. The words "execution," "signed," "signature," "delivery," and words of like import in this Amendment or any other document to be signed in connection with this Amendment and the transactions contemplated hereby shall be deemed to include electronic signatures, electronic records or the electronic matching of assignment terms and contract formations on electronic platforms approved by the

Administrative Agent, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

(c) Governing Law. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(d) Entire Agreement. This Amendment and the other Loan Documents constitute the entire contract between the parties relative to the subject matter hereof. Any previous agreement among or representations from the parties or their Affiliates with respect to the subject matter hereof is superseded by this Amendment and the other Loan Documents. Nothing in this Amendment or in the other Loan Documents, expressed or implied, is intended to confer upon any party other than the parties hereto and thereto any rights, remedies, obligations or liabilities under or by reason of this Amendment or the other Loan Documents.

(e) Loan Document Pursuant to Credit Agreement. This Amendment shall constitute a “Loan Document” for all purposes of the Existing Credit Agreement and the other Loan Documents and shall be construed, administered and applied in accordance with all of the terms and provisions of the Existing Credit Agreement (and, following the date hereof, the Credit Agreement). From and after the Effective Date, each reference in the Existing Credit Agreement to “this Agreement”, “hereunder”, “hereof”, “herein”, or words of like import, and each reference to the Existing Credit Agreement in any other Loan Document shall be deemed a reference to the Credit Agreement.

**IN WITNESS WHEREOF**, the parties have duly executed this Amendment on the day and year first written above.

**FTC SOLAR, INC.,**  
as the Borrower

By: /s/ Patrick Cook  
Name: Patrick Cook  
Title: Chief Commercial Officer

*[Amendment No. 3 to Credit Agreement]*

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**BARCLAYS BANK PLC**, as Administrative Agent

By: /s/ Craig J. Malloy  
Name: Craig J. Malloy  
Title: Director

*[Amendment No. 3 to Credit Agreement]*

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LEGAL\_US\_E # 170367049.6

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

I, Sean Hunkler, certify that:

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

Date: August 9, 2023

By: \_\_\_\_\_ /s/ Sean Hunkler

**Sean Hunkler**  
**President and Chief Executive Officer**



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

I, Phelps Morris, certify that:

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

Date: August 9, 2023

By: \_\_\_\_\_ /s/ Phelps Morris  
**Phelps Morris**  
**Chief Financial Officer**





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

In connection with the Quarterly Report of FTC Solar, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2023

By: \_\_\_\_\_ /s/ Sean Hunkler

**Sean Hunkler**  
**President and Chief Executive Officer**

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

In connection with the Quarterly Report of FTC Solar, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2023

By: \_\_\_\_\_ /s/ Phelps Morris

**Phelps Morris**  
**Chief Financial Officer**

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