

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 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 001-37900

Everspin Technologies, Inc.

(Exact name of Registrant as specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

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

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

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

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

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

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

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

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

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

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

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

The number of shares of the Registrant's Common Stock outstanding as of August 1, 2023, was 20,787,579.

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

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

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

	June 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 30,830	\$ 26,795
Accounts receivable, net	9,026	10,665
Inventory	7,345	6,683
Prepaid expenses and other current assets	411	604
Total current assets	47,612	44,747
Property and equipment, net	3,522	3,883
Right-of-use assets	6,074	6,641
Other assets	62	62
Total assets	<u>\$ 57,270</u>	<u>\$ 55,333</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,230	\$ 2,778
Accrued liabilities	2,832	3,533
Deferred revenue	725	821
Current portion of long-term debt	—	2,594
Lease liabilities, current portion	1,156	1,122
Other liabilities	50	27
Total current liabilities	5,993	10,875
Long-term debt, net of current portion	—	—
Lease liabilities, net of current portion	4,991	5,580
Long-term income tax liability	214	214
Total liabilities	<u>\$ 11,198</u>	<u>\$ 16,669</u>
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value per share; 5,000,000 shares authorized; no shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	—	—
Common stock, \$0.0001 par value per share; 100,000,000 shares authorized; 20,743,422 and 20,374,288 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	2	2
Additional paid-in capital	188,126	185,364
Accumulated deficit	(142,056)	(146,702)
Total stockholders' equity	46,072	38,664
Total liabilities and stockholders' equity	<u>\$ 57,270</u>	<u>\$ 55,333</u>

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Product sales	\$ 13,406	\$ 13,223	\$ 27,183	\$ 25,894
Licensing, royalty, patent, and other revenue	2,341	1,484	3,410	3,160
Total revenue	15,747	14,707	30,593	29,054
Cost of product sales	6,090	5,793	12,213	11,545
Cost of licensing, royalty, patent, and other revenue	464	323	757	595
Total cost of sales	6,554	6,116	12,970	12,140
Gross profit	9,193	8,591	17,623	16,914
Operating expenses: ¹				
Research and development	2,708	2,699	5,907	5,135
General and administrative	3,507	2,860	6,727	5,589
Sales and marketing	1,355	1,292	2,670	2,426
Total operating expenses	7,570	6,851	15,304	13,150
Income from operations	1,623	1,740	2,319	3,764
Interest expense	—	(70)	(63)	(145)
Other income (expense), net	2,262	1	2,390	(13)
Net income before income taxes	3,885	1,671	4,646	3,606
Income tax expense	—	—	—	—
Net income and comprehensive income	\$ 3,885	\$ 1,671	\$ 4,646	\$ 3,606
Net income per common share:				
Basic	\$ 0.19	\$ 0.08	\$ 0.23	\$ 0.18
Diluted	\$ 0.18	\$ 0.08	\$ 0.22	\$ 0.17
Weighted average shares of common stock outstanding:				
Basic	20,657,404	20,069,444	20,554,769	19,983,526
Diluted	21,234,253	20,424,283	21,068,059	20,626,547
¹ Operating expenses include stock-based compensation as follows:				
Research and development	\$ 503	\$ 462	\$ 949	\$ 795
General and administrative	624	647	1,235	1,018
Sales and marketing	133	202	236	322
Total stock-based compensation	\$ 1,260	\$ 1,311	\$ 2,420	\$ 2,135

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

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

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

	Six Months Ended June 30, 2022				
	Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-In		
			Capital		Equity
Balance at December 31, 2021	19,858,460	\$ 2	\$ 180,067	\$ (152,831)	\$ 27,238
Exercise of stock options	15,830	—	69	—	69
Issuance of common stock under stock incentive plans	96,496	—	—	—	—
Stock-based compensation expense	—	—	824	—	824
Net loss	—	—	—	1,935	1,935
Balance at March 31, 2022	<u>19,970,786</u>	<u>\$ 2</u>	<u>\$ 180,960</u>	<u>\$ (150,896)</u>	<u>\$ 30,066</u>
Exercise of stock options	18,131	—	50	—	50
Issuance of common stock under stock incentive plans	148,603	—	167	—	167
Stock-based compensation expense	—	—	1,311	—	1,311
Net income	—	—	—	1,671	1,671
Balance at June 30, 2022	<u>20,137,520</u>	<u>\$ 2</u>	<u>\$ 182,488</u>	<u>\$ (149,225)</u>	<u>\$ 33,265</u>

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

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

	Six Months Ended June 30,	
	2023	2022
Cash flows from operating activities		
Net income	\$ 4,646	\$ 3,606
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	617	462
Gain on sale of property and equipment	(15)	(167)
Stock-based compensation	2,420	2,135
Loss on prepayment and termination of credit facility	170	—
Non-cash warrant revaluation	23	(21)
Non-cash interest expense	26	62
Changes in operating assets and liabilities:		
Accounts receivable	1,639	(1,090)
Inventory	(662)	20
Prepaid expenses and other current assets	193	(38)
Other assets	—	664
Accounts payable	(741)	(201)
Accrued liabilities	(701)	(1,414)
Deferred revenue	(96)	(832)
Lease liabilities	12	164
Net cash provided by operating activities	<u>7,531</u>	<u>3,350</u>
Cash flows from investing activities		
Purchases of property and equipment	(1,063)	(996)
Proceeds received from sale of property and equipment	15	202
Net cash used in investing activities	<u>(1,048)</u>	<u>(794)</u>
Cash flows from financing activities		
Payments on long-term debt	(2,790)	(1,200)
Proceeds from exercise of stock options and purchase of shares in employee stock purchase plan	342	286
Net cash used in financing activities	<u>(2,448)</u>	<u>(914)</u>
Net increase in cash and cash equivalents	4,035	1,642
Cash and cash equivalents at beginning of period	26,795	21,409
Cash and cash equivalents at end of period	<u>\$ 30,830</u>	<u>\$ 23,051</u>
Supplementary cash flow information:		
Interest paid	\$ 37	\$ 83
Operating cash flows paid for operating leases	\$ 692	\$ 635
Financing cash flows paid for finance leases	\$ 6	\$ 5
Non-cash investing and financing activities:		
Right-of-use assets obtained in exchange for operating lease liabilities	\$ —	\$ 3,350
Right-of-use assets obtained in exchange for finance lease liabilities	\$ —	\$ 36
Purchases of property and equipment in accounts payable and accrued liabilities	\$ —	\$ 783

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

EVERSPIN TECHNOLOGIES, INC.

Notes to Unaudited Condensed Financial Statements

1. Organization and Nature of Business

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

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) and applicable rules and regulations of the Securities and Exchange Commission (SEC) regarding interim financial reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by GAAP have been condensed or omitted, and accordingly the balance sheet as of December 31, 2022, has been derived from the audited financial statements at that date but does not include all of the information required by GAAP for complete financial statements. These unaudited interim condensed financial statements have been prepared on the same basis as the Company's annual financial statements and, in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) that are necessary for a fair statement of the Company's financial information. The results of operations for the three and six months ended June 30, 2023, are not necessarily indicative of the results to be expected for the year ending December 31, 2023 or for any other interim period or for any other future year.

The accompanying condensed financial statements and related financial information should be read in conjunction with the audited financial statements and the related notes thereto for the year ended December 31, 2022, included in the Company's Annual Report on Form 10-K filed with the SEC.

Use of Estimates

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

Accounts receivable, net

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

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

	June 30, 2023	December 31, 2022
Trade accounts receivable	\$ 9,122	\$ 10,498
Unbilled accounts receivable	129	551
Allowance for product returns and price adjustments	(225)	(384)
Accounts receivable, net	<u>\$ 9,026</u>	<u>\$ 10,665</u>

Concentration of Credit Risk

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

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

Customers	Revenue				Accounts Receivable, net	
	Three Months Ended		Six Months Ended		June 30, 2023	As of December 31, 2022
	June 30, 2023	2022	June 30, 2023	2022		
Customer A	*	24 %	*	21 %	*	30 %
Customer B	17 %	11 %	16 %	12 %	16 %	18 %
Customer C	13 %	10 %	14 %	*	*	*
Customer D	13 %	10 %	12 %	*	*	*
Customer E	13 %	*	15 %	*	19 %	*
Customer F	10 %	*	*	*	19 %	*

* Less than 10%

Fair Value of Financial Instruments

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

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

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

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

As of June 30, 2023, based on Level 2 inputs and the borrowing rates available to the Company for loans with similar terms and consideration of the Company’s credit risk, the carrying value of the Company’s variable interest rate debt, excluding unamortized debt issuance costs, approximates fair value. The Company’s financial instruments consist of Level 1 assets and a Level 3 liability. Level 1 assets consist of highly liquid money market funds that are included in cash equivalents. The Company’s Level 3 liability consists of warrants issued in connection with the Company’s 2019 Credit Facility.

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

	June 30, 2023			Total
	Level 1	Level 2	Level 3	
Assets:				
Money market funds	\$ 30,830	\$ —	\$ —	\$ 30,830
Total assets measured at fair value	<u>\$ 30,830</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 30,830</u>
Liabilities:				
Warrant liability	\$ —	\$ —	\$ 50	\$ 50
Total liabilities measured at fair value	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 50</u>	<u>\$ 50</u>
December 31, 2022				
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	\$ 26,812	\$ —	\$ —	\$ 26,812
Total assets measured at fair value	<u>\$ 26,812</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 26,812</u>
Liabilities:				
Warrant liability	\$ —	\$ —	\$ 27	\$ 27
Total liabilities measured at fair value	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 27</u>	<u>\$ 27</u>

Government Tax Credits, Incentives and Grants

From time to time, the Company may receive government funding in the form of tax credits, operating-related grants, capital-related grants, or other incentives to support various business activities, including capital development, research and development, and other activities as defined by the relevant government agency awarding the tax credit, incentive, or grant. The amount received is typically based on the amount of qualifying costs incurred. The Company typically has to meet certain requirements to retain the government funding. The Company records operating-related grants and non-income related tax credits as other income in the condensed statements of income and comprehensive income when there is reasonable assurance that the grant will be received, and the Company will comply with the conditions specified in the grant agreement.

The Company received Employee Retention Tax Credit (“ERTC”) refunds from the United States Treasury totaling \$2.0 million, relating to the payroll periods from October 1, 2020 through September 30, 2021. The amounts were received pursuant to provisions within the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), the Taxpayer Certainty and Disaster Tax Relief Act of 2020 enacted as part of the Consolidated Appropriations Act, 2021 (“Relief Act”), the American Rescue Plan Act of 2021 (“ARPA”) which provide tax relief and other stimulus measures, including the ERTC. The ERTC program allows for employers to claim a refundable tax credit against a portion of the employer share of Social Security tax for qualified wages paid to employees from March 13, 2020 through September 30, 2021.

The Company recognized the \$2.0 million tax credit within other income (expense), net in the condensed statements of income and comprehensive income for the three and six month periods ended June 30, 2023, which is when the amount was received and it was determined that those amounts were reasonably assured to be retained by the Company. The Company’s compliance with the program’s qualifications may be subject to audit through the year ended December 31, 2025, which is when the statute of limitation expires. The Company has received all expected ERTC refunds based on applications that have been submitted.

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amends the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. As the Company is a smaller reporting company, ASU 2016-13 is effective for the Company's annual reporting periods, and interim periods within those years, beginning after December 15, 2022, and requires a cumulative effect adjustment to the balance sheet as of the beginning of the first reporting period in which the guidance is effective. In April 2019, the FASB issued ASU 2019-04, *Codification Improvements Financial Instruments-Credit Losses (Topic 326)*. ASU 2019-04 provides narrow-scope amendments to help apply ASU 2016-13, and is effective with the adoption of ASU 2016-13. The Company adopted ASU 2016-13 and ASU 2019-04 on January 1, 2023, and it did not have a material impact on its condensed financial statements.

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

3. Revenue

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Distributor	\$ 12,365	\$ 12,805	\$ 25,207	23,600
Non-distributor	3,382	1,902	5,386	5,454
Total revenue	<u>\$ 15,747</u>	<u>\$ 14,707</u>	<u>\$ 30,593</u>	<u>\$ 29,054</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Point in time	\$ 13,790	\$ 13,532	\$ 27,660	26,650
Over time	1,957	1,175	2,933	2,404
Total revenue	<u>\$ 15,747</u>	<u>\$ 14,707</u>	<u>\$ 30,593</u>	<u>\$ 29,054</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Product sales	\$ 13,406	\$ 13,223	\$ 27,183	\$ 25,894
Licensing	1,899	771	2,817	1,346
Royalties	236	224	329	624
Other revenue	206	489	264	1,190
Total revenue	<u>\$ 15,747</u>	<u>\$ 14,707</u>	<u>\$ 30,593</u>	<u>\$ 29,054</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
APAC	\$ 7,964	\$ 8,371	\$ 15,555	\$ 17,605
North America	4,517	3,780	8,847	6,885
EMEA	3,266	2,556	6,191	4,564
Total revenue	<u>\$ 15,747</u>	<u>\$ 14,707</u>	<u>\$ 30,593</u>	<u>\$ 29,054</u>

4. Balance Sheet Components

Inventory

Inventory consisted of the following (in thousands):

	June 30,	December 31,
	2023	2022
Raw materials	\$ 392	\$ 666
Work-in-process	5,503	4,746
Finished goods	1,450	1,271
Total inventory	<u>\$ 7,345</u>	<u>\$ 6,683</u>

Accrued Liabilities

Accrued liabilities consisted of the following (in thousands):

	June 30,	December 31,
	2023	2022
Payroll-related expenses	\$ 2,037	\$ 2,886
Inventory	405	185
Other	390	462
Total accrued liabilities	<u>\$ 2,832</u>	<u>\$ 3,533</u>

Deferred Revenue

During the year ended December 31, 2021, the Company executed contractual arrangements with a customer for the development of a RAD-Hard product, consisting of a technology license, design license agreement, and development subcontract (RAD-Hard 1). The total arrangements are for \$6.5 million in consideration.

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

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

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As of June 30, 2023, the Company has billed \$6.0 million for the performance under the RAD-Hard 1 contractual agreements. Under the input method of recognition, the Company has recognized \$0.3 and \$0.5 million in revenue for the three and six months ended June 30, 2023, respectively, and \$5.5 million in revenue since inception of the contractual agreements. As a result, the Company has recorded \$0.5 million in deferred revenue as of June 30, 2023. The Company expects to recognize the remaining \$1.0 million of the transaction price as services are performed throughout the contractual period and performance is expected to be complete in the year ended December 31, 2024.

During the year ended December 31, 2022, the Company executed a contractual arrangement with a customer for the development of a strategic radiation hardened field programmable gate array product, consisting of a technology license to provide design and development services under the contractual agreement (RAD-Hard 2). The total arrangement is for \$6.5 million in consideration and services are expected to be performed through the year ended December 31, 2024, subject to certain termination and extension provisions defined in the arrangement. The accounting for this contract follows the same revenue recognition as the RAD-Hard 1 contractual agreements. As of June 30, 2023, the Company has billed \$2.8 million for the performance under the RAD-Hard 2 contractual agreement. Under the input method of recognition, the Company has recognized \$1.6 million and \$2.3 million in revenue for the three and six months ended June 30, 2023, respectively, and \$2.6 million in revenue since inception of the contractual agreement. As a result, the Company has recorded \$0.2 million in deferred revenue as of June 30, 2023.

5. Leases

Operating leases consist primarily of office space expiring at various dates through 2029. Finance leases relate to a server lease expiring in January 2025. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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

As of June 30, 2023	Amount
2023	\$ 698
2024	1,411
2025	1,416
2026	1,431
2027	1,314
Thereafter	566
Total lease payments	6,836
Less: imputed interest	(689)
Total lease liabilities	6,147
Less: current portion of lease liabilities	(1,156)
Total lease liabilities, net of current portion	\$ 4,991

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

	June 30, 2023	December 31, 2022
Weighted-average remaining lease term (years)	4.86	5.35
Weighted-average discount rate	4.50 %	4.50 %

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

	June 30, 2023	December 31, 2022
Weighted-average remaining lease term (years)	1.59	2.09
Weighted-average discount rate	4.50 %	4.50 %

6. Debt

2019 Credit Facility

In March 2023, the 2019 Credit Facility, consisting of the Company's Term Loan and Line of Credit, was paid in full, and there was no outstanding balance as of June 30, 2023. The Company paid an early termination and prepayment fee of \$170,000, which was recorded within other income (expense) within the condensed statements of income and comprehensive income for the six months ended June 30, 2023. There were no payments or fees recorded related to the 2019 Credit Facility during the three months ended June 30, 2023.

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

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

7. Stock-Based Compensation

Summary of Stock Option and Award Activity

The following table summarizes the stock option and award activity for the six months ended June 30, 2023:

	Options and Awards Available for Grant	Number of Options	Options Outstanding		Aggregate Intrinsic Value (In thousands)
			Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (years)	
Balance—December 31, 2022	689,472	1,994,726	\$ 5.88	7.8	\$ 1,275
Authorized	611,228				
RSUs granted	(693,518)				
RSUs cancelled/forfeited	—				
Options granted	(8,000)	8,000	\$ 6.47		
Options exercised	—	(39,373)	\$ 4.09		\$ 146
Options cancelled/forfeited	3,210	(3,210)	\$ 7.05		
Balance—June 30, 2023	<u>602,392</u>	<u>1,960,143</u>	\$ 5.92	7.3	\$ 6,488
Options exercisable—					
June 30, 2023		<u>1,203,081</u>	\$ 5.67	6.8	\$ 4,299

The total grant date fair value of options vested was \$0.4 million and \$0.9 million during the three months ended June 30, 2023 and 2022, respectively, and \$1.3 million and \$1.8 million during the six months ended June 30, 2023 and 2022, respectively.

The weighted-average grant date fair value of options granted was \$4.43 and \$4.40 per share during the three months ended June 30, 2023 and 2022, respectively, and \$3.85 and \$5.40 per share during the six months ended June 30, 2023 and 2022, respectively.

As of June 30, 2023, there was \$3.0 million of total unrecognized stock-based compensation expense related to unvested options which is expected to be recognized over a weighted-average period of 2.0 years. Compensation cost capitalized within inventory at June 30, 2023 and 2022 was not material.

2016 Employee Stock Purchase Plan

In January 2023, there was an increase of 203,742 shares reserved for issuance under the Company's Employee Stock Purchase Plan (ESPP) pursuant to the terms of the ESPP. The Company had 936,985 shares available for future issuance under the Company's ESPP as of June 30, 2023. Employees purchased 40,894 shares for \$181,000 during the three and six months ended June 30, 2023. Employees purchased 37,017 shares for \$167,000 during the three and six months ended June 30 2022.

Restricted Stock Units

The following table summarizes restricted stock units (RSUs) activity for the six months ended June 30, 2023:

	RSUs Outstanding	
	Number of Restricted Stock Units	Weighted-Average Grant Date Fair Value Per Share
Balance—December 31, 2022	656,646	\$ 6.45
Granted	693,518	\$ 6.43
Vested	(288,867)	\$ 6.18
Cancelled/forfeited	—	\$ —
Balance—June 30, 2023	1,061,297	\$ 6.50

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

As of June 30, 2023, there was \$6.1 million of unrecognized stock-based compensation expense related to RSUs to be recognized over a weighted-average period of 2.1 years. Compensation cost capitalized within inventory at June 30, 2023 and 2022 was not material.

8. Significant Agreements

GLOBALFOUNDRIES, Inc. Joint Development Agreement

Since October 17, 2014, the Company has participated in a joint development agreement (JDA) with GLOBALFOUNDRIES Inc. (GF), a semiconductor foundry, for the joint development of Spin-transfer Torque MRAM (STT-MRAM), technology to produce a family of discrete and embedded MRAM technologies. The term of the agreement is until the completion, termination, or expiration of the last statement of work entered into pursuant to the joint development agreement. The Company entered into a Statement of Work (SOW) and an Amendment to the SOW, under the JDA with GF effective August 2016 and June 2018, respectively. The agreement was extended on December 31, 2019 to include a new phase of support for 12nm MRAM development.

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

Generally, unless otherwise specified in the agreement or a statement of work, the Company and GF share project costs, which do not include personnel or production qualification costs, under the JDA. If GF manufactures, sells or transfers to customers wafers containing production quantified STT-MRAM devices that utilize certain design information, GF will be required to pay the Company a royalty.

9. Net Income Per Common Share

Basic net income per common share is calculated by dividing the net income by the weighted-average number of shares of common stock outstanding for the period less shares subject to repurchase, without consideration of potentially dilutive securities. Diluted earnings per share is calculated using the treasury stock method by dividing net income by the total weighted average shares of common stock outstanding in addition to the potential impact of dilutive securities including restricted stock units, warrants, and options. In periods with a net loss, potentially dilutive securities are excluded from the Company's calculation of earnings per share as their inclusion would have an antidilutive effect.

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

Basic EPS

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Numerator:				
Net income	\$ 3,885	\$ 1,671	\$ 4,646	\$ 3,606
Denominator:				
Weighted-average shares of common stock outstanding, basic	20,657,404	20,069,444	20,554,769	19,983,526
Net income per common share, basic	<u>\$ 0.19</u>	<u>\$ 0.08</u>	<u>\$ 0.23</u>	<u>\$ 0.18</u>

Diluted EPS

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Numerator:				
Net income	\$ 3,885	\$ 1,671	\$ 4,646	\$ 3,606
Less: warrant liability fair value loss (gain) recognized	—	(11)	23	(21)
Net income attributable to common stockholders, diluted	<u>3,885</u>	<u>1,660</u>	<u>\$ 4,669</u>	<u>\$ 3,585</u>
Denominator:				
Weighted-average shares of common stock outstanding, basic	20,657,404	20,069,444	20,554,769	19,983,526
Dilutive effect of stock options and RSUs	576,849	354,839	513,290	643,021
Weighted-average shares of common stock outstanding, diluted	<u>21,234,253</u>	<u>20,424,283</u>	<u>21,068,059</u>	<u>20,626,547</u>
Net income per common share, diluted	<u>\$ 0.18</u>	<u>\$ 0.08</u>	<u>\$ 0.22</u>	<u>\$ 0.17</u>

Potentially dilutive securities representing 0.9 million and 2.0 million stock options and RSUs that were outstanding during the three months ended of June 30, 2023, and 2022, respectively, and 1.3 million and 0.6 million stock options and RSUs outstanding during the six months ended June 30, 2023 and 2022, respectively, were excluded from the computation of diluted earnings per common share during these periods as their inclusion would have an antidilutive effect.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our condensed financial statements and related notes included in Part I, Item 1 of this report and with our audited financial statements and related notes thereto included as part of our Annual Report on Form 10-K for the year ended December 31, 2022.

Forward-Looking Statements

This discussion contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act). Forward-looking statements are identified by words such as “believe,” “will,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “expect,” “predict,” “could,” “potentially” or the negative of these terms or similar expressions. You should read these statements carefully because they discuss future expectations, contain projections of future results of operations or financial condition, or state other “forward-looking” information. These statements relate to, among other things, our industry, business, future plans, strategies, objectives, expectations, intentions and financial performance, as well as anticipated impacts from, and our responses to, the existence of COVID-19 and our expectations regarding current supply constraints, and the assumptions that underlie these statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in this report in Part II, Item 1A — “Risk Factors,” and elsewhere in this report, as well as in our other filings with the Securities and Exchange Commission (SEC). Forward-looking statements are based on our management’s beliefs and assumptions and on information currently available to our management. These statements, like all statements in this report, speak only as of their date, and we undertake no obligation to update or revise these statements in light of future developments. In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q. While we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into or review of, all relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely on these statements. We caution investors that our business and financial performance are subject to substantial risks and uncertainties.

Overview

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

We sell our products directly and through our established distribution channels to industry-leading OEMs and original design manufacturers (ODMs).

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

Key Metrics

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

EBITDA, a non-GAAP financial measure, and design wins. We define Adjusted EBITDA as net income or loss adjusted for interest expense, taxes, depreciation and amortization, stock-based compensation expense, and restructuring costs, if any.

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

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Adjusted EBITDA reconciliation:				
Net income	\$ 3,885	\$ 1,671	\$ 4,646	\$ 3,606
Depreciation and amortization	284	204	617	462
Stock-based compensation expense	1,260	1,311	2,420	2,135
Interest expense	—	70	63	145
Adjusted EBITDA	<u>\$ 5,429</u>	<u>\$ 3,256</u>	<u>\$ 7,746</u>	<u>\$ 6,348</u>

Our Adjusted EBITDA for the three and six months ended June 30, 2023 includes a one-time employee retention tax credit received of \$2.0 million.

Effect of COVID-19 on our Business

The COVID-19 outbreak resulted in government authorities around the world implementing numerous measures to try to reduce the spread of COVID-19. Overall, our business remained operational in the midst of the COVID-19 pandemic. Recently, the United States Government declared that it was no longer treating COVID-19 as a pandemic. Since our business is dependent on a global supply chain, we expect to continue to navigate the impact of COVID-19, particularly in some Asian countries. We will continue to monitor the situation and take additional actions as warranted. These actions may include further altering our operations in order to protect the best interests of our employees, customers and suppliers, and to comply with government requirements, while also planning and executing our business to best support our customers, suppliers, and partners.

The ultimate extent of the impact of COVID-19 on our business, results of operations and financial condition will depend on future developments, which are highly uncertain, continuously evolving and cannot be predicted, See “Risk Factors” in Part II, Item 1A of this report for additional risks we face due to the existence of COVID-19.

Results of Operations

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

	Three Months Ended June 30,			
	2023		2022	
	(In thousands)		(As a percentage of revenue)	
Product sales	\$ 13,406	\$ 13,223	85 %	90 %
Licensing, royalty, patent, and other revenue	2,341	1,484	15	10
Total revenue	15,747	14,707	100	100
Cost of product sales	6,090	5,793	39	39
Cost of licensing, royalty, patent, and other revenue	464	323	3	2
Total cost of sales	6,554	6,116	42	42
Gross profit	9,193	8,591	58	58
Operating expenses:				
Research and development	2,708	2,699	17	18
General and administrative	3,507	2,860	22	19
Sales and marketing	1,355	1,292	9	9
Total operating expenses	7,570	6,851	48	46
Income from operations	1,623	1,740	10	12
Interest expense	—	(70)	—	—
Other income (expense), net	2,262	1	14	—
Net income and comprehensive income	\$ 3,885	\$ 1,671	25 %	11 %

	Six Months Ended June 30,			
	June 30,		June 30,	
	2023	2022	2023	2022
	(In thousands)		(As a percentage of revenue)	
Product sales	\$ 27,183	\$ 25,894	89 %	89 %
Licensing, royalty, patent, and other revenue	3,410	3,160	11	11
Total revenue	30,593	29,054	100	100
Cost of product sales	12,213	11,545	40	40
Cost of licensing, royalty, patent, and other revenue	757	595	2	3
Total cost of sales	12,970	12,140	42	42
Gross profit	17,623	16,914	58	58
Operating expenses:				
Research and development	5,907	5,135	19	18
General and administrative	6,727	5,589	22	19
Sales and marketing	2,670	2,426	9	8
Total operating expenses	15,304	13,150	50	45
Income from operations	2,319	3,764	8	13
Interest expense	(63)	(145)	—	(1)
Other income (expense), net	2,390	(13)	8	—
Net income and comprehensive income	\$ 4,646	\$ 3,606	15 %	12 %

Comparison of the three months ended June 30, 2023 and 2022

Revenue

We generated 79% and 87% of our revenue from products sold to distributors for the three months ended June 30, 2023 and 2022, respectively.

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

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

	Three Months Ended June 30,	
	2023	2022
APAC	\$ 7,964	\$ 8,371
North America	4,517	3,780
EMEA	3,266	2,556
Total revenue	<u>\$ 15,747</u>	<u>\$ 14,707</u>

	Three Months Ended June 30,		Change	
	2023	2022	Amount	%
	(Dollars in thousands)			
Product sales	\$ 13,406	\$ 13,223	\$ 183	1.4 %
Licensing, royalty, patent, and other revenue	2,341	1,484	857	57.7 %
Total revenue	<u>\$ 15,747</u>	<u>\$ 14,707</u>	<u>\$ 1,040</u>	<u>7.1 %</u>

Total revenue increased by \$1.0 million, or 7.1%, from \$14.7 million during the three months ended June 30, 2022 to \$15.7 million during the three months ended June 30, 2023. The increase was primarily due to an increase in licensing revenue generated from the RAD-Hard 2 project, along with a higher volume of units produced and sold related to our toggle MRAM products.

Licensing, royalty, patent, and other revenue is a highly variable revenue item characterized by a small number of transactions annually with revenue based on size and terms of each transaction. Our best estimate of royalty revenue earned is made through the year, with an annual adjustment recognized for actual sales in the first quarter of each fiscal year. Licensing, royalty, patent, and other revenue increased by \$0.8 million, or 57.7%, from \$1.5 million during the three months ended June 30, 2022 to \$2.3 million during the three months ended June 30, 2023. The increase was driven by an increase of \$1.1 million in licensing revenue for the three months ended June 30, 2023 compared to the three months ended June 30, 2022, offset by a decrease of \$0.3 million of other revenue related to foundry services.

Cost of Sales and Gross Margin

	Three Months Ended June 30,		Change	
	2023	2022	Amount	%
	(Dollars in thousands)			
Cost of product sales	\$ 6,090	\$ 5,793	\$ 297	5.1 %
Cost of licensing, royalty, patent, and other revenue	464	323	141	43.7 %
Total cost of sales	<u>\$ 6,554</u>	<u>\$ 6,116</u>	<u>\$ 438</u>	<u>7.2 %</u>
Gross margin	58.4 %	58.4 %		

Cost of product sales increased by \$0.3 million, or 5.1%, from \$5.8 million during the three months ended June 30, 2022, to \$6.1 million during the three months ended June 30, 2023. The increase was due to price increases from suppliers, partially offset by increased yields on toggle products.

Cost of licensing, royalty, patent, and other revenue increased by \$141,000, or 43.7% from \$323,000 during the three months ended June 30, 2022, to \$464,000 during the three months ended June 30, 2023. The increase was due to an increase in licensing costs associated with our RAD-Hard projects.

Gross margin remained consistent at 58.4% during the three months ended June 30, 2023 and 2022, respectively. We have been able to maintain a consistent margin by offsetting increased pricing from suppliers with increased yield on toggle products and increased licensing revenue.

Operating Expenses

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

	Three Months Ended June 30,		Change	
	2023	2022	Amount	%
	(Dollars in thousands)			
Research and development	\$ 2,708	\$ 2,699	\$ 9	0.3 %
Research and development as a % of revenue	17 %	18 %		

Research and Development Expenses. Research and development expenses remained consistent at \$2.7 million during the three months ended June 30, 2023 and 2022, respectively. The primary driver of research and development expenses relate to our new xSPI family of STT-MRAM products.

	Three Months Ended June 30,		Change	
	2023	2022	Amount	%
	(Dollars in thousands)			
General and administrative	\$ 3,507	\$ 2,860	\$ 647	22.6 %
General and administrative as a % of revenue	22 %	19 %		

General and Administrative Expenses. General and administrative expenses increased by \$0.6 million, or 22.6%, from \$2.9 million during the three months ended June 30, 2022 to \$3.5 million during the three months ended June 30, 2023. The increase is primarily due to increases related professional service and depreciation costs.

	Three Months Ended June 30,		Change	
	2023	2022	Amount	%
	(Dollars in thousands)			
Sales and marketing	\$ 1,355	\$ 1,292	\$ 63	4.9 %
Sales and marketing as a % of revenue	9 %	9 %		

Sales and Marketing Expenses. Sales and marketing expenses increased by \$0.1 million, or 4.9%, from \$1.3 million during the three months ended June 30, 2022, to \$1.4 million during the three months ended June 30, 2023. The increase was primarily due to an increase in variable compensation costs.

Interest Expense

	Three Months Ended June 30,		Change	
	2023	2022	Amount	%
	(Dollars in thousands)			
Interest expense	\$ —	\$ 70	\$ (70)	(100.0)%

Interest expense decreased by \$70,000, or 100.0%, from \$70,000 during the three months ended June 30, 2022, to \$0 during the three months ended June 30, 2023. The decrease was due to no outstanding balance under the credit facility during the three months ended June 30, 2023 as we paid off the outstanding balance in full in March 2023, resulting in no interest incurred during the three months ended June 30, 2023.

Other Income (Expense), Net

	Three Months Ended June 30,		Change	
	2023	2022	Amount	%
	(Dollars in thousands)			
Other income (expense), net	\$ 2,262	\$ 1	\$ 2,261	226,100.0 %

Other income (expense), net increased by \$2.3 million in income for the three months ended June 30, 2023. The change was primarily due to the employee retention tax credit received of \$2.0 million along with an increase in interest income earned on the money market cash account as a result of the increased cash balances and increasing interest rates, offset by a loss on prepayment and termination of our 2019 Credit Facility.

Comparison of the six months ended June 30, 2023 and 2022

Revenue

We generated 82% and 81% of our revenue from products sold to distributors for the six months ended June 30, 2023 and 2022, respectively.

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

	Six Months Ended June 30,	
	2023	2022
APAC	\$ 15,555	\$ 17,605
North America	8,847	6,885
EMEA	6,191	4,564
Total revenue	<u>\$ 30,593</u>	<u>\$ 29,054</u>

	Six Months Ended June 30,		Change	
	2023	2022	Amount	%
	(Dollars in thousands)			
Product sales	\$ 27,183	\$ 25,894	\$ 1,289	5.0 %
Licensing, royalty, patent, and other revenue	3,410	3,160	250	7.9 %
Total revenue	<u>\$ 30,593</u>	<u>\$ 29,054</u>	<u>\$ 1,539</u>	5.3 %

Total revenue increased by \$1.5 million, or 5.3%, from \$29.1 million during the six months ended June 30, 2022 to \$30.6 million during the six months ended June 30, 2023. The increase was primarily due to an increase of product sales by \$1.3 million, or 5.0%, from \$25.9 million to \$27.2 million driven by a higher volume of toggle units produced and sold, along with average sales price increases to offset supplier price increases.

Licensing, royalty, patent, and other revenue increased by \$0.2 million, or 7.9%, from \$3.2 million during the six months ended June 30, 2022 to \$3.4 million during the six months ended June 30, 2023. The increase was driven by a increase of \$1.4 million in licensing, offset by a decline of \$0.9 million in revenue related to foundry services and a decline of \$0.3 million in royalty revenue.

Cost of Sales and Gross Margin

	Six Months Ended June 30,		Change	
	2023	2022	Amount	%
	(Dollars in thousands)			
Cost of product sales	\$ 12,213	\$ 11,545	\$ 668	5.8 %
Cost of licensing, royalty, patent, and other revenue	757	595	162	27.2 %
Total cost of sales	<u>\$ 12,970</u>	<u>\$ 12,140</u>	<u>\$ 830</u>	6.8 %
Gross margin	57.6 %	58.2 %		

Cost of product sales increased by \$0.7 million, or 5.8%, from \$11.5 million during the six months ended June 30, 2022, to \$12.2 million during the six months ended June 30, 2023. The increase was due to an increase in product sales and price increases from suppliers, partially offset by increased yields on toggle products.

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Cost of licensing, royalty, patent, and other revenue increased by \$0.2 million, or 27.2% from \$0.6 million during the six months ended June 30, 2022, to \$0.8 million during the six months ended June 30, 2023. The increase was due to an increase in licensing costs associated with the RAD-Hard projects.

Gross margin decreased from 58.2% during the six months ended June 30, 2022, to 57.6% during the six months ended June 30, 2023. Our gross margin decreased primarily due to price increases from suppliers along with a decrease in foundry services and royalty revenues.

Operating Expenses

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

	Six Months Ended June 30,		Change	
	2023	2022	Amount	%
	(Dollars in thousands)			
Research and development	\$ 5,907	\$ 5,135	\$ 772	15.0 %
Research and development as a % of revenue	19 %	18 %		

Research and Development Expenses. Research and development expenses increased by \$0.8 million, or 15.0%, from \$5.1 million during the six months ended June 30, 2022, to \$5.9 million during the six months ended June 30, 2023. The increase is primarily due to development expenses related to our new xSPI family of STT-MRAM products.

	Six Months Ended June 30,		Change	
	2023	2022	Amount	%
	(Dollars in thousands)			
General and administrative	\$ 6,727	\$ 5,589	\$ 1,138	20.4 %
General and administrative as a % of revenue	22 %	19 %		

General and Administrative Expenses. General and administrative expenses increased by \$1.1 million, or 20.4%, from \$5.6 million during the six months ended June 30, 2022 to \$6.7 million during the six months ended June 30, 2023. The increase is primarily due to increases related to profit sharing, professional service costs, and depreciation.

	Six Months Ended June 30,		Change	
	2023	2022	Amount	%
	(Dollars in thousands)			
Sales and marketing	\$ 2,670	\$ 2,426	\$ 244	10.1 %
Sales and marketing as a % of revenue	9 %	8 %		

Sales and Marketing Expenses. Sales and marketing expenses increased by \$0.3 million, or 10.1%, from \$2.4 million during the six months ended June 30, 2022, to \$2.7 million during the six months ended June 30, 2023. The increase was primarily due to an increase in variable compensation costs.

Interest Expense

	Six Months Ended June 30,		Change	
	2023	2022	Amount	%
	(Dollars in thousands)			
Interest expense	\$ 63	\$ 145	\$ (82)	(56.6)%

Interest expense decreased by \$82,000, or 16.0%, from \$145,000 during the six months ended June 30, 2022, to \$63,000 during the six months ended June 30, 2023. The decrease was due to lower outstanding balances under the credit facility that we paid off in full in March 2023, resulting in less interest incurred.

Other Income (Expense), Net

	Six Months Ended			
	June 30,		Change	
	2023	2022	Amount	%
Other income (expense), net	\$ 2,390	\$ (13)	\$ 2,403	(18,484.6)%

Other income (expense), net increased by \$2.4 million in income for the six months ended June 30, 2023. The change was primarily due to the ERTC received of \$2.0 million along with an increase in interest income earned on the money market cash account as a result of the increased cash balances and increasing interest rates, offset by a loss on prepayment and termination of our 2019 Credit Facility.

Liquidity and Capital Resources

As of June 30, 2023, we had \$30.8 million of cash and cash equivalents, compared to \$26.8 million as of December 31, 2022. As of June 30, 2023, we have no outstanding debt as we paid off our 2019 Credit Facility in full in March 2023. We believe our cash and cash equivalents are sufficient to meet our anticipated capital requirements in the next 12 months. Our future capital requirements will depend on many factors, including, among other things, our growth rate, the timing and extent of our spending to support research and development activities, the timing and cost of establishing additional sales and marketing capabilities, and the introduction of new products.

Cash Flows

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

	Six Months Ended	
	June 30,	
	2023	2022
	(In thousands)	
Cash provided by operating activities	\$ 7,531	\$ 3,350
Cash used in investing activities	(1,048)	(794)
Cash used in financing activities	(2,448)	(914)

Cash Flows From Operating Activities

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

During the six months ended June 30, 2022, cash provided by operating activities was \$3.4 million, which consisted of net income of \$3.6 million, non-cash charges of \$2.5 million and changes of net operating assets and liabilities of \$2.7 million. The non-cash charges primarily consisted of stock-based compensation of \$2.1 million, and depreciation and amortization of \$0.5 million. The change in our net operating assets and liabilities was primarily due to an increase in accounts receivable of \$1.1 million due to timing of cash receipts for outstanding balances, a decrease in other assets of \$0.7 million, a decrease in accounts payable of \$0.2 million, a decrease in accrued liabilities of \$1.4 million primarily due to variable compensation costs and profit sharing, and a decrease in deferred revenue of \$0.8 million.

Cash Flows From Investing Activities

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

Cash used in investing activities during the six months ended June 30, 2022 was \$0.8 million, reflecting \$1.0 million for the purchase of manufacturing equipment offset by \$0.2 million in proceeds received on the sale of property and equipment.

Cash Flows From Financing Activities

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

Cash used in financing activities during the six months ended June 30, 2022 was \$0.9 million, consisting mainly of \$1.2 million of payments of term loan installments offset by \$0.3 million in proceeds from the exercise of employee stock options.

Critical Accounting Policies and Significant Judgements and Estimates

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

There have been no changes to our critical accounting policies and estimates described in the Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 2, 2023, that have had a material impact on our condensed financial statements and related notes.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not required for a smaller reporting company.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures.

Our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of June 30, 2023, the end of the period covered by this Quarterly Report on Form 10-Q.

Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2023.

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

Inherent limitation on the effectiveness of internal control.

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

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

The following are important factors that could cause actual results or events to differ materially from those contained in any forward-looking statements made by us or on our behalf. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we deem immaterial also may impair our business operations. If any of the following risks or such other risks actually occurs, our business, financial condition, results of operations and cash flows could be harmed. In addition, many of the following risks and uncertainties may be exacerbated by the ongoing presence of COVID-19, including any new variants that may become predominant, and any worsening of the global business and economic environment as a result.

Risk Factor Summary

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

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

- We face competition and expect competition to increase in the future. If we fail to compete effectively, our revenue growth and results of operations will be materially and adversely affected.
- Our costs may increase substantially if we or our third-party manufacturing contractors do not achieve satisfactory product yields or quality.
- The complexity of our products may lead to defects, which could negatively impact our reputation with customers and result in liability.
- We may experience difficulties in transitioning to new wafer fabrication process technologies or in achieving higher levels of design integration, which may result in reduced manufacturing yields, delays in product deliveries and increased expenses.
- Changes to industry standards and technical requirements relevant to our products and markets could adversely affect our business, results of operations, and prospects.
- Our success depends on our ability to attract and retain key employees, and our failure to do so could harm our ability to grow our business and execute our business strategies.
- We currently maintain, and are seeking to expand, operations outside the United States which exposes us to significant risks.

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

Risk Factors Related to Our Financial Condition and Our Indebtedness

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

Our total revenue was approximately \$30.6 million for the six months ended June 30, 2023, and \$60.0 million for the year ended December 31, 2022. As of June 30, 2023, we had cash and cash equivalents of approximately \$30.8 million. Based on our current operating plan, we believe our existing cash and cash equivalents, coupled with our anticipated growth and sales levels, will be sufficient to meet our anticipated cash requirements for at least the next 12 months. However, our existing capital may be insufficient to meet our long-term requirements. We have no committed sources of funding and there is no assurance that additional funding will be available to us in the future or be secured on acceptable terms. If adequate funding is not available when needed, we may be forced to curtail operations, including our commercial activities and research and development programs, or cease operations altogether, file for bankruptcy, or undertake any combination of the foregoing. In such event, our stockholders may lose their entire investment in our company.

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

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

We cannot be certain that we will sustain profitability.

While our products offer unique benefits over other industry memory technologies, the rate of adoption of our products and our ability to capture market share from legacy technologies is uncertain. Our revenue may also be adversely impacted by a number of other possible reasons, many of which are outside our control, including business conditions that adversely affect the semiconductor memory industry resulting in a decline in end market demand for our products, adverse impacts resulting from the COVID-19 pandemic, increased competition, ongoing supply chain

constraints, or our failure to capitalize on growth opportunities. We also rely on achieving specific cost reduction targets that have uncertainty in their timing and magnitude. We may also incur unforeseen expenses in the ongoing operation of our business that cause us to exceed our operational spending plan. As a result, our ability to generate sufficient revenue growth and/or control expenses to maintain and grow profitability and generate consistent positive cash flows is uncertain.

Risk Factors Related to Our Business and Our Industry

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

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

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

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

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

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

We expect that our new and future MRAM products will be applicable to markets in which we are not currently operating. The markets in which we operate and may operate in the future are extremely competitive and are characterized by rapid technological change, continuous evolving customer requirements and declining average selling prices. We may not be able to compete successfully against current or potential competitors, which include our current or potential customers as they seek to internally develop solutions competitive with ours or as we develop products potentially competitive with their existing products. If we do not compete successfully, our market share and revenue

may decline. We compete with large semiconductor manufacturers and designers and others, and our current and potential competitors have longer operating histories, significantly greater resources and name recognition and a larger base of customers than we do. This may allow them to respond more quickly than we can to new or emerging technologies or changes in customer requirements. In addition, these competitors may have greater credibility with our existing and potential customers. Some of our current and potential customers with their own internally developed solutions may choose not to purchase products from third-party suppliers like us.

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

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

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

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

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

If we need other foundries or packaging, assembly, and testing contractors, or if we are unable to obtain timely and adequate deliveries from our providers, we might not be able to cost-effectively and quickly retain other vendors to satisfy our requirements. Because the lead time needed to establish a relationship with a new third-party supplier could be several quarters, there is no readily available alternative source of supply for any specific component. In addition, the time and expense to qualify a new foundry could result in additional expense, diversion of resources or lost sales, any of which would negatively impact our financial results.

If any of our current or future foundries or packaging, assembly and testing subcontractors significantly increases the costs of wafers or other materials or services, interrupts or reduces our supply, including for reasons outside of their control, such as due to COVID-19, or if any of our relationships with our suppliers is terminated, our operating results could be adversely affected. Such occurrences could also damage our customer relationships, result in lost revenue, cause a loss in market share, or damage our reputation.

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

If we fail to procure sufficient components used in our products, we may be unable to deliver our products to our customers on a timely basis, which could lead to customer dissatisfaction and could harm our reputation and ability to compete. We would likely experience significant delays or cessation in producing some of our products if a labor strike, natural disaster, public health crisis, geopolitical event, or other supply disruption were to occur, including as a result of COVID-19 or the military conflict in Ukraine, at any of our main suppliers.

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

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

Our joint development agreement and strategic relationships involve numerous risks.

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

- our interests could diverge from those of our foundries, or we may not be able to agree with them on ongoing development, manufacturing and operational activities, or on the amount, timing, or nature of further investments in our joint development;
- we may experience difficulties in transferring technology to a foundry;
- we may experience difficulties and delays in getting to and/or ramping production at foundries;
- our control over the operations of foundries is limited;

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

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

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

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

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

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

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

product may not be successful. We may not generate any revenue from design wins after incurring the associated costs, which would cause our business and operating results to suffer.

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

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

We have derived and expect to continue to derive a significant portion of our revenues from a small group of customers during any particular period due in part to the concentration of market share in the semiconductor industry. Our largest end customer accounted for 10% of our total revenue for the six months ended June 30, 2023. Our largest end customer accounted for 14% of our total revenue for the year ended December 31, 2022. The loss of a significant customer, a business combination among our customers, a reduction in orders or decrease in price from a significant customer or disruption in any of our commercial or distributor arrangements may result in a significant decline in our revenues and could have a material adverse effect on our business, liquidity, results of operations, financial condition, and cash flows.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

personnel, which could severely impact our business and prospects. The loss of the services of one or more of our key employees, especially our key engineers, or our inability to attract and retain qualified engineers, could harm our business, financial condition, and results of operations.

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

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

- public health issues, such as COVID-19, which can result in varying impacts to our business, employees, partners, customers, distributors or suppliers internationally as discussed elsewhere in this “Risk Factors” section;
- difficulties, inefficiencies and costs associated with staffing and managing foreign operations;
- longer and more difficult customer qualification and credit checks;
- greater difficulty collecting accounts receivable and longer payment cycles;
- the need for various local approvals to operate in some countries;
- difficulties in entering some foreign markets without larger-scale local operations;
- changes in import/export laws, trade restrictions, regulations and customs and duties and tariffs (foreign and domestic);
- compliance with local laws and regulations;
- unexpected changes in regulatory requirements, including the elimination of tax holidays;
- reduced protection for intellectual property rights in some countries;
- adverse tax consequences as a result of repatriating cash generated from foreign operations to the United States;
- adverse tax consequences, including potential additional tax exposure if we are deemed to have established a permanent establishment outside of the United States;
- the effectiveness of our policies and procedures designed to ensure compliance with the Foreign Corrupt Practices Act of 1977 and similar regulations;
- fluctuations in currency exchange rates, which could increase the prices of our products to customers outside of the United States, increase the expenses of our international operations by reducing the purchasing power of the U.S. dollar and expose us to foreign currency exchange rate risk if, in the future, we denominate our international sales in currencies other than the U.S. dollar;
- new and different sources of competition;
- political, economic, and social instability;

- terrorism and acts of war, such as the military conflict in Ukraine, which could have a negative impact on sales throughout Europe and Asia; and
- US Department of Commerce regulations or restrictions on exports of certain semiconductor technologies and equipment to China.

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

Risk Factors Related to Our Intellectual Property and Technology

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

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

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

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

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

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

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

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

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

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

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

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

Interruptions in our information technology systems could adversely affect our business.

We rely on the efficient and uninterrupted operation of complex information technology systems and networks to operate our business. Any significant disruption to our systems or networks, including, but not limited to, new system implementations, computer viruses, security breaches, facility issues, natural disasters, terrorism, war, telecommunication failures or energy blackouts, could have a material adverse impact on our operations, sales, and financial results. Such disruption could result in a loss of our intellectual property or the release of sensitive competitive information or supplier, customer, or employee personal data. Any loss of such information could harm our competitive position, result in a loss of customer confidence, and cause us to incur significant costs to remedy the damages caused by any such disruptions or security breaches. Additionally, any failure to properly manage the collection, handling, transfer, or disposal of personal data of employees and customers may result in regulatory penalties, enforcement actions, remediation obligations, litigation, fines, and other sanctions.

We may experience attacks on our data, attempts to breach our security and attempts to introduce malicious software into our IT systems. If attacks are successful, we may be unaware of the incident, its magnitude, or its effects until significant harm is done. Any such attack or disruption could result in additional costs related to rebuilding of our internal systems, defending litigation, responding to regulatory actions, or paying damages. Such attacks or disruptions could have a material adverse impact on our business, operations, and financial results.

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

Risk Factors Related to Regulatory Matters and Compliance

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

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

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

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

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

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

In general, under Section 382 of the U.S. Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its pre-change net operating losses, or NOLs, to offset future taxable income and tax credits to offset tax. As of December 31, 2022, we had gross federal net operating loss carryforwards of approximately \$119.9 million, of which \$79.1 million will expire in 2028 through 2037 if not utilized, and \$40.8 million will carryover indefinitely. As of December 31, 2022, we had state net operating loss carryforwards of approximately \$50.3 million, of which \$47.5 million will expire in 2028 through 2042 if not utilized, and \$2.8 million will carryover indefinitely. The federal NOLs generated prior to 2018 will continue to be governed by the NOL tax rules as they existed prior to the adoption of the 2017 Tax Cuts and Jobs Act (2017 Tax Act), which means that generally they will expire 20 years after they were generated if not used prior thereto. The 2017 Tax Act repealed the 20-year carryforward and two-year carryback of NOLs originating after December 31, 2017, and also limits the NOL deduction to 80% of taxable income for tax years beginning after December 31, 2017. Any NOLs generated in 2018 and forward will be carried forward and will not expire. There is no current impact to us as we continue to be in a loss position for U.S. income tax purposes. Future changes in our stock ownership, many of which are outside of our control, could result in an ownership change under Section 382 of the Code. The ability to utilize our net operating losses and tax credits could also be impaired under state law. As a result, we might not be able to utilize a material portion of our state NOLs and tax credits.

Risks Related to Our Common Stock

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

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

- the duration and severity of COVID-19 and its effects on our business, financial condition, results of operations and cash flows;
- the introduction of new products or product enhancements by us or others in our industry;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures, capital commitments or restructurings;
- disputes or other developments with respect to our or others’ intellectual property rights;
- product liability claims or other litigation;
- quarterly variations in our results of operations or those of others in our industry;
- sales of large blocks of our common stock, including sales by our executive officers and directors;
- changes in senior management or key personnel;
- changes in earnings estimates or recommendations by securities analysts; and
- general market conditions and other factors, including factors unrelated to our operating performance or the operating performance of our competitors, including those due to the duration and severity of COVID-19 and the military conflict in Ukraine.

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

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

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

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

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

- our board of directors has the right to expand the size of our board of directors and to elect directors to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- our stockholders may not act by written consent or call special stockholders' meetings; as a result, a holder, or holders, controlling a majority of our capital stock would not be able to take certain actions other than at annual stockholders' meetings or special stockholders' meetings called by the board of directors pursuant to a resolution adopted by a majority of the total number of authorized directors, the chairman of the board or the chief executive officer;
- our amended and restated certificate of incorporation prohibits cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the affirmative vote of holders of at least 66-2/3% of the voting power of all of the then outstanding shares of voting stock, voting as a single class, will be required (a) to amend certain provisions of our certificate of incorporation, including provisions relating to the size of the board, special meetings, actions by written consent and cumulative voting and (b) to amend or repeal our amended and restated bylaws, although such bylaws may be amended by a simple majority vote of our board of directors;
- stockholders must provide advance notice and additional disclosures to nominate individuals for election to the board of directors or to propose matters that can be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of our company; and
- our board of directors may issue, without stockholder approval, shares of undesignated preferred stock; the ability to issue undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire us.

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

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

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

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

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

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

General Risk Factors

Unfavorable economic and market conditions and the presence of COVID-19, domestically and internationally, may adversely affect our business, financial condition, results of operations and cash flows.

We have significant customer sales both in the United States and internationally. We also rely on domestic and international suppliers, manufacturing partners and distributors. We are therefore susceptible to adverse U.S. and international economic and market conditions. If any of our manufacturing partners, customers, distributors or suppliers experience slowdowns in their business, serious financial difficulties or cease operations, including as a result of the presence of COVID-19, our business will be adversely affected. In addition, the adverse impact of general economic factors that are beyond our control, including, but not limited to, housing markets, recession, inflation, deflation, consumer credit activity, consumer debt levels, fuel and energy costs, interest rates, bank failures, tax rates and policy, unemployment trends, potential industry downturn, the impact of natural disasters such as pandemics, civil disturbances, terrorist activities and acts of war, including the military conflict in Ukraine, may adversely impact consumer spending, which may adversely impact our customers' spending and demand for our products. As an example, in the United States, capital markets have experienced and continue to experience volatility and disruption. Furthermore, inflation rates in the United States have recently increased to levels not seen in decades resulting in federal action to increase interest rates, affecting capital markets. In addition to the foregoing, adverse developments that affect financial institutions, transactional counterparties or other third parties, such as bank failures, or concerns or speculation about any similar events or risks, could lead to market-wide liquidity problems, which in turn may cause third parties, including customers, to become unable to meet their obligations under various types of financial arrangements as well as general disruptions

or instability in the financial markets. Additionally, the military conflict in Ukraine and escalating geopolitical tensions resulting from such conflict have resulted and may continue to result in sanctions, tariffs, and import-export restrictions which, when combined with retaliatory actions taken by Russia, could cause further inflationary pressures and economic and supply chain disruptions, as well as cause us to experience extended lead times and increased prices from our suppliers. Any of the foregoing could adversely affect our business, financial condition, results of operations and cash flows.

Additionally, we could be negatively impacted by the widespread outbreak of an illness, any other communicable disease or any other public health crisis that results in economic and trade disruptions, including the disruption of global supply chains. The global COVID-19 pandemic has disrupted, and may continue to disrupt, our day-to-day operations and the operations of our customers, partners and service providers. For example, we have experienced electronics supply chain and demand disruptions from extended factory shutdowns, particularly in some Asian countries, which created unusual order patterns, and subsequently slowed Toggle MRAM demand, particularly from our industrial customers. While some of the restrictions implemented by many government authorities and businesses have begun to be lifted, the lingering impact of COVID-19 continues to create significant volatility throughout the global economy, including supply chain constraints, labor supply issues, and higher inflation.

Widespread recovery from COVID-19 will be impacted by future developments, including future waves of outbreak or new variant strains of the virus, government and private sector requirements, and the emergence and effectiveness of medical and other measures to address COVID-19. Any of the foregoing could adversely affect our business, financial condition, and results of operations. The ultimate impact of COVID-19 on our business, operations, or the global economy as a whole remains highly uncertain.

To the extent macroeconomic uncertainties and COVID-19 continue to adversely affect our business, financial condition, and results of operations, many of the other risks described in this “Risk Factors” section will be exacerbated, including but not limited to, those related to our ability to increase sales to existing and new customers, develop and deploy new offerings and applications and maintain effective marketing and sales capabilities.

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

Our operations and business, and those of our manufacturing partners, customers, distributors, or suppliers, can be disrupted by natural disasters; industrial accidents; public health issues, such as COVID-19; cybersecurity incidents; interruptions of service from utilities, transportation, telecommunications, or IT systems providers; manufacturing equipment failures; or other catastrophic events. For example, some of our foundries and suppliers’ facilities in Asia are located near known earthquake fault zones and, therefore, are vulnerable to damage from earthquakes. We are also vulnerable to damage from other types of disasters, such as power loss, fire, floods, and similar events. If any such natural disasters or other catastrophic events were to occur, our ability to operate our business could be seriously impaired. In addition, we may not have adequate insurance to cover our losses resulting from disasters or other similar significant business interruptions. Any significant losses that are not recoverable under our insurance policies could seriously impair our business and financial condition.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits**EXHIBIT INDEX**

<u>Exhibit Number</u>	<u>Description</u>	<u>Incorporation By Reference</u>			<u>Filing Date</u>
		<u>Form</u>	<u>SEC File No.</u>	<u>Exhibit/Reference</u>	
3.1	Amended and Restated Certificate of Incorporation	8-K	001-37900	3.1	10/13/2016
3.1.1	Amendment to Amended and Restated Certificate of Incorporation	8-K	001-37900	3.1	5/22/2019
3.1.2	Amendment to Amended and Restated Certificate of Incorporation	8-K	001-37900	3.1	5/27/2020
3.1.3	Amendment to Amended and Restated Certificate of Incorporation	8-K	001-37900	3.1	5/25/2023
3.2	Amended and Restated Bylaws	8-K	001-37900	3.2	5/22/2019
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act				
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act				
32.1**	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document				

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101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

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

SIGNATURES

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

Everspin Technologies, Inc.

Date: August 3, 2023

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

Date: August 3, 2023

By: /s/ Anuj Aggarwal
Anuj Aggarwal
Chief Financial Officer
(Principal Financial and Accounting Officer)

Certification of the Principal Executive Officer

I, Sanjeev Aggarwal, certify that:

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

Date: August 3, 2023

/s/ Sanjeev Aggarwal

Sanjeev Aggarwal
Chief Executive Officer
(Principal Executive Officer)

Certification of Principal Financial Officer

I, Anuj Aggarwal, certify that:

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

Date: August 3, 2023

/s/Anuj Aggarwal
Anuj Aggarwal
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

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

1. The Company’s Quarterly Report on Form 10-Q for the period ended June 30, 2023, to which this Certification is attached as Exhibit 32.1 (the “Periodic Report”), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2023

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

/s/ Anuj Aggarwal
Anuj Aggarwal
Chief Financial Officer
(Principal Financial Officer)

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