

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

FORM 10-Q

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

For the quarterly period ended September 30, 2025

or

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

Commission file number: 001-39991

SMARTRENT, INC.

(Exact name of Registrant as specified in its charter)

Delaware

*(State or Other Jurisdiction of
Incorporation or Organization)*

**6811 E. Mayo Blvd., 4th Floor
Phoenix, Arizona**

(Address of Principal Executive Offices)

85-4218526

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

85054

(Zip Code)

(844) 479-1555

(Registrant's Telephone Number)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.0001 par value	SMRT	The New York Stock Exchange

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

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

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

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

As of November 3, 2025, there were 189,200,722 shares of the registrant's Class A Common Stock outstanding, par value \$0.0001 per share.

TABLE OF CONTENTS

	<u>Page</u>
<u>PART I - Financial Information</u>	3
<u>Item 1 - Financial Statements (unaudited)</u>	3
<u>Condensed Consolidated Balance Sheets as of September 30, 2025 and December 31, 2024</u>	3
<u>Condensed Consolidated Statements of Operations and Comprehensive Loss for the three and nine months ended September 30, 2025 and 2024</u>	4
<u>Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Deficit for the three and nine months ended September 30, 2025 and 2024</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2025 and 2024</u>	7
<u>Notes to the Condensed Consolidated Financial Statements (Unaudited)</u>	9
<u>Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	35
<u>Item 3 - Quantitative and Qualitative Disclosures About Market Risk</u>	53
<u>Item 4 - Controls and Procedures</u>	53
<u>PART II - Other Information</u>	53
<u>Item 1 - Legal Proceedings</u>	53
<u>Item 1A - Risk Factors</u>	53
<u>Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds</u>	54
<u>Item 3 - Defaults Upon Senior Securities</u>	54
<u>Item 4 - Mine Safety Disclosures</u>	54
<u>Item 5 - Other Information</u>	54
<u>Item 6 - Exhibits</u>	55
<u>Signatures</u>	56

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q ("Report") contains 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") that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, "forward-looking statements." Words such as "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "could," "would," "project," "plan," "potentially," "preliminary," "likely," "aim" and similar expressions, and the negatives of these expressions, are intended to identify forward-looking statements. Forward-looking statements appear in a number of places throughout this Report and include statements regarding our intentions, beliefs, or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies, and the markets in which we operate. Forward-looking statements contained in this Report include statements about:

- our future financial performance, including our expectations regarding revenue, cost of revenue, operating expenses, capital expenditures, cash flows, and ability to achieve profitability;
- our future operational performance, including our expectations regarding our metrics, including, among others, Annual Recurring Revenue, Average Revenue per Unit, Customer Churn, Property Net Revenue Retention, Customer Net Revenue Retention, Bookings, the number of Units Deployed, New Units Deployed, Units Shipped, and Units Booked;
- the impact of macroeconomic conditions and geopolitical events on our business;
- our anticipated investments in sales and marketing and research and development;
- our recent leadership changes;
- our ability to attract new customers, sell into new and existing markets, upsell customers, and develop new products;
- our ability to maintain our brand;
- the impact of international trade restrictions, such as tariffs and other controls on imports or exports of goods, technology, or data;
- our ability to successfully defend litigation brought against us;
- the sufficiency of our cash, cash equivalents and investments to meet our liquidity needs;
- our ability to achieve or maintain profitability;
- our ability to effectively manage our growth and future expenses;
- our ability to manage our supply chain;
- our investment strategy, business strategy and growth strategy, including the use of acquisitions to grow our business;
- management's plans, beliefs and objectives for future operations;
- our expectations about competition and our ability to compete effectively with new and existing competitors in new and existing markets and offerings;
- the impact of our acquisitions and our ability to successfully integrate acquired businesses;
- the impact of seasonal factors on our business;
- our ability to successfully expand in our existing markets and into new markets;
- our ability to maintain the security and availability of our platform and products;
- potential harm caused by significant disruptions of service, or the actual or perceived failure of our products to prevent security incidents;
- our ability to prevent serious errors or defects across, and to otherwise maintain the uninterrupted operation of our network;
- our expectations regarding our share repurchase program;
- our ability to satisfy certain New York Stock Exchange ("NYSE") listing requirements;
- our ability to maintain, protect and enhance our intellectual property;
- our expectations of the impact of, and our ability to comply with existing, modified or new laws and regulations applicable to our business; and

- our ability to correctly estimate our tax obligations.

The foregoing list may not contain all of the forward-looking statements made in this Report.

You should not rely on forward-looking statements as predictions of future events. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations and business strategy. We cannot assure you that the events and circumstances reflected in the forward-looking statements will occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described in Part II, Item 1A "Risk Factors" of this Report and in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2024, filed on March 5, 2025. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the effect of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this Report may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

The forward-looking statements made in this Report relate only to events as of the date on which the statements were made. Except as required by law, we undertake no obligation to update any forward-looking statements for any reason after the date of this Report or to conform these statements to actual results or to changes in our expectations. You should read this Report and the documents that we reference in this Report and have filed as exhibits to this Report with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

Investors and others should note that we may announce material business and financial information to our investors using our investor relations website (investors.smartrent.com), SEC filings, webcasts, press releases, and conference calls. We use these mediums to communicate with investors and the general public about our company, our products and services, and other issues. It is possible that the information that we make available may be deemed to be material information. We therefore encourage investors, the media and others interested in our company to review the information that we post on our investor relations website.

SmartRent, the SmartRent logo and other trade names, trademarks or service marks of SmartRent appearing in this Report are the property of SmartRent. Trade names, trademarks and service marks of other companies appearing in this Report are the property of their respective holders.

Unless the context indicates otherwise, the terms "SmartRent," the "Company," "we," "us," and "our" as used in this Report refer to SmartRent, Inc., a Delaware corporation, and its subsidiaries taken as a whole.

PART I. Financial Information**Item 1 - Financial Statements (Unaudited)**

SMARTRENT, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands, except per share amounts)

	As of	
	September 30, 2025	December 31, 2024
ASSETS		
Current assets		
Cash and cash equivalents	\$ 100,022	\$ 142,482
Accounts receivable, net	52,195	59,299
Inventory	28,087	35,261
Deferred cost of revenue, current portion	4,356	8,727
Prepaid expenses and other current assets	16,805	11,881
Total current assets	201,465	257,650
Property and equipment, net	5,378	2,451
Deferred cost of revenue	374	3,073
Goodwill	92,339	117,268
Intangible assets, net	20,470	23,375
Other long-term assets	15,771	16,359
Total assets	\$ 335,797	\$ 420,176
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 10,811	\$ 8,716
Accrued expenses and other current liabilities	25,617	27,245
Deferred revenue, current portion	36,195	35,071
Total current liabilities	72,623	71,032
Deferred revenue	22,561	52,588
Other long-term liabilities	6,201	7,121
Total liabilities	101,385	130,741
Commitments and contingencies (Note 12)		
Convertible preferred stock, \$0.0001 par value; 50,000 shares authorized as of September 30, 2025 and December 31, 2024; no shares of preferred stock issued and outstanding as of September 30, 2025 and December 31, 2024	-	-
Stockholders' equity		
Class A common stock, \$0.0001 par value; 500,000 shares authorized as of September 30, 2025 and December 31, 2024, respectively; 189,196 and 192,049 shares issued and outstanding as of September 30, 2025 and December 31, 2024, respectively	19	19
Additional paid-in capital	643,830	637,361
Accumulated deficit	(410,060)	(347,847)
Accumulated other comprehensive loss	623	(98)
Total stockholders' equity	234,412	289,435
Total liabilities, convertible preferred stock and stockholders' equity	\$ 335,797	\$ 420,176

See accompanying Notes to Condensed Consolidated Financial Statements.

SMARTRENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)
(in thousands, except per share amounts)

	For the three months ended September 30,		For the nine months ended September 30,	
	2025	2024	2025	2024
Revenue				
Hardware	\$ 11,506	\$ 18,707	\$ 45,479	\$ 72,460
Professional services	7,035	3,308	15,255	12,582
Hosted services	17,661	18,495	55,120	54,475
Total revenue	<u>36,202</u>	<u>40,510</u>	<u>115,854</u>	<u>139,517</u>
Cost of revenue				
Hardware	13,836	13,843	40,664	48,845
Professional services	6,800	6,840	20,330	22,157
Hosted services	5,997	6,370	19,061	18,330
Total cost of revenue	<u>26,633</u>	<u>27,053</u>	<u>80,055</u>	<u>89,332</u>
Operating expense				
Research and development	6,149	6,596	20,872	22,442
Sales and marketing	4,354	4,444	15,499	13,714
General and administrative	6,093	14,154	34,500	42,843
Total operating expense	<u>16,596</u>	<u>25,194</u>	<u>70,871</u>	<u>78,999</u>
Impairment charge	-	-	24,929	-
Loss from operations	(7,027)	(11,737)	(60,001)	(28,814)
Interest income, net	891	2,019	3,103	6,718
Other (expense) income, net	(78)	(187)	(285)	7
Loss before income taxes	(6,214)	(9,905)	(57,183)	(22,089)
Income tax expense	56	18	131	131
Net loss	<u>\$ (6,270)</u>	<u>\$ (9,923)</u>	<u>\$ (57,314)</u>	<u>\$ (22,220)</u>
Other comprehensive loss				
Foreign currency translation adjustment	(6)	270	721	265
Comprehensive loss	<u>\$ (6,276)</u>	<u>\$ (9,653)</u>	<u>\$ (56,593)</u>	<u>\$ (21,955)</u>
Net loss per common share				
Basic and diluted	<u>\$ (0.03)</u>	<u>\$ (0.05)</u>	<u>\$ (0.30)</u>	<u>\$ (0.11)</u>
Weighted-average number of shares used in computing net loss per share				
Basic and diluted	<u>188,376</u>	<u>198,731</u>	<u>189,835</u>	<u>201,391</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

SMARTRENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(in thousands)

	Convertible Preferred Stock		Class A Common Stock				Accumulated other comprehensive (loss) income	Total Stockholders' Equity
	Shares	Amount (Par Value \$0.0001)	Shares	Amount (Par Value \$0.0001)	Additional Paid In Capital	Accumulated Deficit		
Balance, December 31, 2024	-	\$ -	192,049	\$ 19	\$ 637,361	\$ (347,847)	\$ (98)	\$ 289,435
Stock-based compensation	-	-	-	-	2,836	-	-	2,836
Issuance of Class A common stock upon vesting of equity awards	-	-	906	-	-	-	-	-
Tax withholdings related to net share settlement of equity awards	-	-	(328)	-	(478)	-	-	(478)
ESPP purchases	-	-	140	-	175	-	-	175
Repurchases of Class A common stock	-	-	(1,018)	-	-	(1,202)	-	(1,202)
Net loss	-	-	-	-	-	(40,184)	-	(40,184)
Other comprehensive income	-	-	-	-	-	-	88	88
Balance, March 31, 2025	-	\$ -	191,749	\$ 19	\$ 639,894	\$ (389,233)	\$ (10)	\$ 250,670
Stock-based compensation	-	-	-	-	2,161	-	-	2,161
Issuance of common stock upon vesting of equity awards	-	-	438	-	-	-	-	-
Tax withholdings related to net share settlement of equity awards	-	-	(57)	-	(45)	-	-	(45)
Repurchases of Class A common stock	-	-	(4,066)	-	-	(3,716)	-	(3,716)
Net loss	-	-	-	-	-	(10,860)	-	(10,860)
Other comprehensive loss	-	-	-	-	-	-	639	639
Balance, June 30, 2025	-	\$ -	188,064	\$ 19	\$ 642,010	\$ (403,809)	\$ 629	\$ 238,849
Stock-based compensation	-	-	-	-	2,084	-	-	2,084
Issuance of common stock upon vesting of equity awards	-	-	1,272	-	-	-	-	-
Tax withholdings related to net share settlement of equity awards	-	-	(268)	-	(374)	-	-	(374)
Exercise of options	-	-	-	-	-	-	-	-
Net settlement related to exercise of options	-	-	-	-	-	-	-	-
ESPP purchases	-	-	128	-	110	-	-	110
Repurchases of Class A common stock	-	-	-	-	-	19	-	19
Net Loss	-	-	-	-	-	(6,270)	-	(6,270)
Other comprehensive income	-	-	-	-	-	-	(6)	(6)
Balance, September 30, 2025	-	\$ -	189,196	\$ 19	\$ 643,830	\$ (410,060)	\$ 623	\$ 234,412

SMARTRENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(in thousands)

	Convertible Preferred Stock		Class A Common Stock				Accumulated other comprehensive (loss) income	Total Stockholders' Equity
	Shares	Amount (Par Value \$0.0001)	Shares	Amount (Par Value \$0.0001)	Additional Paid In Capital	Accumulated Deficit		
Balance, December 31, 2023	-	\$ -	203,327	\$ 20	\$ 628,156	\$ (285,512)	\$ (216)	\$ 342,448
Stock-based compensation	-	-	-	-	3,281	-	-	3,281
Issuance of Class A common stock upon vesting of equity awards	-	-	775	-	-	-	-	-
Tax withholdings related to net share settlement of equity awards	-	-	(291)	-	(898)	-	-	(898)
Exercise of options	-	-	192	-	2	-	-	2
Net settlement related to exercise of options	-	-	(31)	-	-	-	-	-
ESPP purchases	-	-	134	-	337	-	-	337
Repurchases of Class A common stock	-	-	(1,595)	-	-	(4,397)	-	(4,397)
Net loss	-	-	-	-	-	(7,692)	-	(7,692)
Other comprehensive income	-	-	-	-	-	-	6	6
Balance, March 31, 2024	-	\$ -	202,511	20	630,878	(297,601)	(210)	333,087
Stock-based compensation	-	-	-	-	3,284	-	-	3,284
Issuance of common stock upon vesting of equity awards	-	-	568	-	-	-	-	-
Tax withholdings related to net share settlement of equity awards	-	-	(145)	-	(369)	-	-	(369)
Repurchases of Class A common stock	-	-	(765)	-	-	(2,003)	-	(2,003)
Net loss	-	-	-	-	-	(4,605)	-	(4,605)
Other comprehensive loss	-	-	-	-	-	-	(11)	(11)
Balance, June 30, 2024	-	\$ -	202,169	20	633,793	(304,209)	(221)	329,383
Stock-based compensation	-	-	-	-	2,958	-	-	2,958
Issuance of common stock upon vesting of equity awards	-	-	669	-	-	-	-	-
Tax withholdings related to net share settlement of equity awards	-	-	(259)	-	(582)	-	-	(582)
ESPP purchases	-	-	159	-	249	-	-	249
Repurchases of Class A common stock	-	-	(9,767)	(1)	-	(17,213)	-	(17,214)
Net Loss	-	-	-	-	-	(9,923)	-	(9,923)
Other comprehensive income	-	-	-	-	-	-	270	270
Balance, September 30, 2024	-	\$ -	192,971	19	636,418	(331,345)	49	305,141

See accompanying Notes to Condensed Consolidated Financial Statements.

SMARTRENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	For the nine months ended September 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (57,314)	\$ (22,220)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation and amortization	6,210	4,730
Impairment of investment in non-affiliate	-	2,250
Goodwill impairment	24,929	-
Provision for warranty expense	618	(837)
Non-cash lease expense	599	1,079
Stock-based compensation	7,081	9,523
Change in fair value of earnout related to acquisition	(294)	140
Non-cash interest expense	104	107
Provision for excess and obsolete inventory	3,852	2,697
Provision for expected credit losses	(328)	804
Non-cash legal expense (Note 12 "Commitments and Contingencies")	-	7,255
Change in operating assets and liabilities		
Accounts receivable	7,861	(1,739)
Inventory	3,390	(2,020)
Deferred cost of revenue	7,071	8,175
Prepaid expenses and other assets	(4,617)	4,474
Accounts payable	1,950	(5,581)
Accrued expenses and other liabilities	(1,131)	(5,338)
Deferred revenue	(28,911)	(23,189)
Lease liabilities	(302)	(1,208)
Net cash used in operating activities	<u>(29,232)</u>	<u>(20,898)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,552)	(524)
Capitalized software costs	(3,389)	(4,501)
Net cash used in investing activities	<u>(6,941)</u>	<u>(5,025)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for repurchases of Class A common stock	(4,918)	(23,462)
Proceeds from options exercise	-	2
Proceeds from ESPP purchases	285	586
Taxes paid related to net share settlements of stock-based compensation awards	(897)	(1,849)
Payment of earnout related to acquisition	(1,466)	(1,530)
Net cash used in financing activities	<u>(6,996)</u>	<u>(26,253)</u>
Effect of exchange rate changes on cash and cash equivalents	709	117
Net decrease in cash, cash equivalents, and restricted cash	(42,460)	(52,059)
Cash, cash equivalents, and restricted cash - beginning of period	142,482	215,709
Cash, cash equivalents, and restricted cash - end of period	<u>\$ 100,022</u>	<u>\$ 163,650</u>
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets		
Cash and cash equivalents	\$ 100,022	\$ 163,403
Restricted cash, current portion	-	247
Total cash, cash equivalents, and restricted cash	<u>\$ 100,022</u>	<u>\$ 163,650</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

SMARTRENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
(Unaudited)
(in thousands)

	For the nine months ended September 30,	
	2025	2024
Supplemental disclosure of cash flow information		
Interest paid	\$ 128	\$ 182
Cash paid for income taxes	340	165
Schedule of non-cash investing and financing activities		
Right-of-use ("ROU") assets obtained in exchange for new lease liabilities	-	6,235
Accrued property and equipment at period end	8	83
Stock repurchases excise tax charged to equity	13	151

See accompanying Notes to Condensed Consolidated Financial Statements.

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

NOTE 1. DESCRIPTION OF BUSINESS

SmartRent, Inc., and its wholly owned subsidiaries (collectively, the "Company"), is an enterprise real estate technology company that provides comprehensive management software and applications designed for property owners, managers and residents. Its suite of products and services, which includes both smart building hardware and cloud-based software-as-a-service ("SaaS") solutions, provides seamless visibility and control over real estate assets. The Company's solutions can help lower operating costs, increase revenue, mitigate operational friction and protect assets for owners and operators, while providing a differentiated, elevated living experience for residents. The Company is headquartered in Phoenix, Arizona.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Unaudited Interim Financial Information

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the consolidated accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated upon consolidation. The Condensed Consolidated Balance Sheet at December 31, 2024 has been derived from the audited consolidated financial statements as of December 31, 2024, as presented in the Company's Annual Report on Form 10-K for the year ended December 31, 2024, which was filed with the SEC on March 5, 2025. Certain notes and other information have been condensed or omitted from the interim financial statements presented herein. The financial data and other information disclosed in these Notes to Condensed Consolidated Financial Statements related to the three and nine months ended September 30, 2025 and 2024 are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which are of a normal recurring nature, necessary for a fair statement of the Company's financial condition and results of operations and cash flows for the interim period presented. The results for the three and nine months ended September 30, 2025 are not necessarily indicative of the results to be expected for the full year ending December 31, 2025 or any future period.

Foreign Currency

SmartRent, Inc.'s functional and reporting currency is United States Dollars ("USD") and its foreign subsidiaries have a functional currency other than USD. Financial position and results of operations of the Company's international subsidiaries are measured using local currencies as the functional currency. Assets and liabilities of these operations are translated at the exchange rates in effect at the end of each reporting period. The Company's international subsidiaries' statements of operations accounts are translated at the weighted-average rates of exchange prevailing during each reporting period. Translation adjustments arising from the use of differing currency exchange rates from period to period are included in accumulated other comprehensive loss in stockholders' equity. Gains and losses on foreign currency exchange transactions, as well as translation gains or losses on transactions denominated in currencies other than an entity's functional currency, are reflected in the Condensed Consolidated Statements of Operations and Comprehensive Loss.

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

Liquidity

The accompanying financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and liabilities and commitments in the normal course of business. Management believes that currently available resources will provide sufficient funds to enable the Company to meet its obligations for at least one year past the issuance date of these financial statements. The Company may need to raise additional capital through equity or debt financing to fund future operations until it generates positive operating cash flows. There can be no assurance that such additional equity or debt financing will be available on terms acceptable to the Company, or at all.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expense during the reporting period. These estimates made by management include performing impairment testing of recorded goodwill, intangible assets, and long-lived assets, valuing the Company's inventories on hand, allowance for expected credit losses, intangible assets, earnout liabilities, warranty liabilities, stand-alone selling price of items sold, and certain assumptions used in the valuation of equity awards, including the estimated fair value of common stock warrants, and assumptions used to estimate the fair value of stock-based compensation expense. Actual results could differ materially from those estimates.

Net Loss Per Share Attributable to Common Stockholders

The Company follows the two-class method to include the dilutive effect of securities that participated in dividends, if and when declared, when computing net income per common share. The two-class method determines net income per common share for each class of common stock and participating securities according to dividends, if and when declared or accumulated and participation rights in undistributed earnings. The two-class method requires income available to common stockholders for the period to be allocated between common stock and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed. The anti-dilutive effect of potentially dilutive securities is excluded from the computation of net loss per share because inclusion of such potentially dilutive shares on an as-converted basis would have been anti-dilutive.

The Company considers any unvested common shares subject to repurchase to be participating securities because holders of such shares have non-forfeitable dividend rights in the event a dividend is paid on common stock. The holders of unvested shares of common stock subject to repurchase do not have a contractual obligation to share in losses.

Basic net loss per share attributable to common stockholders is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period, adjusted for outstanding shares that are subject to repurchase and any shares issuable by the exercise of warrants for nominal consideration.

Diluted net loss per share is computed by giving effect to all potentially dilutive securities outstanding for the period using the treasury stock method or the if-converted method based on the nature of such securities. For periods in which the Company reports a net loss, the diluted net loss per common share attributable to common stockholders is the same as basic net loss per common share attributable to common stockholders, because inclusion of such potentially dilutive shares on an as-converted basis would have been anti-dilutive.

Cash and Cash Equivalents

The Company considers financial instruments with an original maturity of three months or less to be cash and cash equivalents. The Company maintains cash and cash equivalents at multiple financial institutions, and, at times, these balances exceed federally insurable limits. As a result, there is a concentration of credit risk related to amounts on deposit. The Company believes any risks are mitigated through the size and security of the financial institution at which its cash balances are held.

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

Restricted Cash

The Company considers cash to be restricted when withdrawal or general use is legally restricted. The Company reports the current portion of restricted cash as a separate item in the Condensed Consolidated Balance Sheets and the non-current portion is a component of other long-term assets in the Condensed Consolidated Balance Sheets. The Company determines current or non-current classification based on the expected duration of the restriction.

Accounts Receivable, net

Accounts receivable consist of balances due from customers resulting from the sale of hardware, professional services and Hosted Services. Accounts receivable are recorded at invoiced amounts, are non-interest bearing and are presented net of the associated allowance for expected credit losses on the Condensed Consolidated Balance Sheets. The allowance for expected credit losses totaled \$2,468 and \$2,797 as of September 30, 2025, and December 31, 2024, respectively. The provision for expected credit losses is recorded in general and administrative expenses in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Loss. The provision for expected credit losses totaled \$(469) for the three months ended September 30, 2025. There was no provision for expected credit losses for the three months ended September 30, 2024. The provision for expected credit losses totaled \$(328) and \$804 for the nine months ended September 30, 2025 and 2024, respectively. The Company evaluates the collectability of the accounts receivable balances and has determined the allowance for expected credit losses based on a combination of factors, which include the nature of the relationship and the prior collection experience the Company has with the account and an evaluation for current and projected economic conditions as of the Condensed Consolidated Balance Sheets date. Accounts receivable determined to be uncollectible are charged against the allowance for expected credit losses. Actual collections of accounts receivable could differ from management's estimates.

Significant Customers

A significant customer represents 10% or more of the Company's total revenue or net accounts receivable balance at each respective Condensed Consolidated Balance Sheet date. Revenue as a percentage of total revenue and accounts receivable as a percentage of total accounts receivable for each significant customer follows.

	Accounts Receivable		Revenue		Revenue	
	As of		For the three months ended		For the nine months ended	
	September 30, 2025	December 31, 2024	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Customer A	12%	14%	*	*	*	*
Customer B	13%	12%	10%	10%	12%	15%
Customer C	21%	21%	*	*	*	12%
Customer D	*	*	*	57%	15%	26%

* Total less than 10% for the respective period

Inventory

Inventories, which are comprised of smart home equipment and components, are stated at the lower of cost or net realizable value with cost determined under the first-in, first-out method. The Company adjusts the inventory balance based on anticipated obsolescence, usage and historical write-offs.

In August 2023, the Company entered into a Product Sales Agreement (the "Agreement") with ADI Global Distribution ("ADI"), pursuant to which, ADI agreed to serve as the Company's non-exclusive hardware fulfillment partner throughout the United States, Canada, and Puerto Rico. The Company was subject to certain buy-back provisions relating to the transferred inventory. As of December 31, 2024, the Company recorded \$537 in connection with the buy-back provision, which is recorded in other current liabilities on the Condensed Consolidated Balance Sheets. As of September 30, 2025, there was no amount recorded in connection with the buy-back provision.

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

Goodwill

Goodwill represents the excess of cost over net assets of the Company's completed business combinations. The Company tests for potential impairment of goodwill on an annual basis as of September 30 to determine if the carrying value is less than the fair value. The Company will conduct additional tests between annual tests if there are indications of potential goodwill impairment. During the three months ended March 31, 2025, the Company experienced a sustained decline in stock price, resulting in a significant decrease in market capitalization. As a result, the Company conducted an interim impairment test utilizing the qualitative approach and determined that impairment is more likely than not. As a result, the Company then performed an interim quantitative impairment test which resulted in an indication of impairment.

The fair value of the reporting unit used in this impairment test was determined using the combination of an income approach and market-based approach. The mix between the two approaches requires significant judgement, however, the Company engaged a third-party valuation specialist to assist with its assessment. As a result of this test, the Company recorded a goodwill impairment charge of \$24,929 during the three months ended March 31, 2025.

The Company conducted its annual goodwill impairment test as of September 30, 2025. As part of its annual assessment, the Company performed a market capitalization reconciliation, along with other procedures, which indicated that the fair value of the reporting unit sufficiently exceeded the carrying value. As a result, the Company concluded there were no indications of impairment and therefore no impairment charge was recorded for the three months ended September 30, 2025. There was also no such charge recorded during the three and nine months ended September 30, 2024.

	<u>September 30, 2025</u>	<u>December 31, 2024</u>
Balance at beginning of period	\$ 117,268	\$ 117,268
Impairment charge	(24,929)	-
Balance at end of period	<u>\$ 92,339</u>	<u>\$ 117,268</u>

The significant assumptions used in determining the fair value of the reporting unit under the income approach primarily relate to revenue growth rate, forecasted EBITDA and the selected discount rate used in the discounted cash flow model. The significant assumptions used in the market-based approach primarily relate to the forecasted EBITDA margin, the selected control premium, and selected revenue and EBITDA multiples, which require significant judgement.

To the extent that inputs and assumptions used in the analysis change, such as an increased discount rate, updated cash flow projections, or decreases to Guideline companies' multiples, additional impairment charges may be recorded in the future. In addition, a further decrease in the Company's common stock share price and market capitalization could be an indicator of a decrease in the fair value of the Company's equity.

Intangible Assets

The Company recorded intangible assets with finite lives, including customer relationships and developed technology, as a result of acquisitions made in prior years. Intangible assets are amortized on a straight-line basis based on their estimated useful lives. The estimated useful life of these intangible assets are as follows.

	<u>Estimated useful life (in years)</u>
Trade name	5
Customer relationships	10 - 13
Developed technology	1 - 7

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

Warranty Allowance

The Company provides its customers with limited-service warranties associated with product replacement and related services. The warranty typically lasts one year following the installation of the product. The estimated warranty costs, which are expensed at the time of sale and included in hardware cost of revenue, are based on the results of product testing, industry and historical trends and warranty claim rates incurred and are adjusted for identified current or anticipated future trends as appropriate. Actual warranty claim costs could differ from these estimates. For the three months ended September 30, 2025 and 2024, warranty expense included in cost of hardware revenue was \$(220) and \$(693), respectively. For the nine months ended September 30, 2025 and 2024, warranty expense included in cost of hardware revenue was \$206 and \$(650), respectively. As of September 30, 2025, and December 31, 2024, the Company's warranty allowance was \$515 and \$1,077, respectively, and is recorded in other current liabilities on the Condensed Consolidated Balance Sheets.

Fair Value of Financial Instruments

Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities subject to on-going fair value measurement are categorized and disclosed into one of three categories depending on observable or unobservable inputs employed in the measurement. These two types of inputs have created the following fair value hierarchy.

Level 1: Quoted prices in active markets that are accessible at the measurement date for assets and liabilities.

Level 2: Observable prices that are based on inputs not quoted in active markets but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available.

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

This hierarchy requires the Company to minimize the use of unobservable inputs and to use observable market data, if available, when determining fair value. The Company recognizes transfers between levels of the hierarchy based on the fair values of the respective financial measurements at the end of the reporting period in which the transfer occurred. There were no transfers between levels of the fair value hierarchy during the three or nine months ended September 30, 2025 or 2024. The carrying amounts of the Company's accounts receivable, accounts payable and accrued and other liabilities approximate their fair values due to their short maturities.

Revenue Recognition

The Company derives its revenue primarily from sales of systems that consist of hardware devices, professional services and Hosted Services to assist property owners and property managers with visibility and control over assets, while providing all-in-one home control offerings for residents. Revenue is recorded when control of these products and services is transferred to the customer in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those products and services.

The Company may enter into contracts that contain multiple distinct performance obligations. The transaction price for a typical arrangement includes the price for: smart home hardware devices, professional services, and a subscription for use of the Company's software ("Hosted Services"). Included in these contracts are centrally connected devices ("Hub Devices"), which integrate the Company's enterprise software with third party smart devices. Historically, the Company only sold non-distinct Hub Devices which only functioned with a subscription to its software ("non-distinct Hub Devices"). During the year ended December 31, 2022, the Company began shipping Hub Devices with features that function independently from its software subscription ("distinct Hub Devices"). Non-distinct Hub Devices are recognized as a single performance obligation with the Company's software in Hosted Services revenue, while distinct Hub Devices are recognized as a separate performance obligation in hardware revenue. When distinct Hub Devices are included in a contract, the Hosted Services performance obligation is comprised of only the Company's software. We do not expect to deploy any more non-distinct Hub Devices.

The Company considers delivery for each of the hardware, professional services and Hosted Services to be separate performance obligations. The hardware performance obligation includes the delivery of smart home hardware and distinct Hub Devices. The professional services performance obligation includes the services to install the hardware. The Hosted Services performance obligation provides a subscription that allows the customer access to software during the contracted-use term when the promised service is provided to the customer. Also included in the hosted service performance obligation are non-distinct Hub Devices that only function with a subscription to the Company's software.

Payments are received by the Company by check or automated clearing house payments and payment terms are determined by individual contracts and generally range from due upon receipt to net 30 days. Taxes collected from customers and remitted to governmental authorities are not included in reported revenue. Payments received from customers in advance of revenue recognition are reported as deferred revenue. The Company has elected the following practical expedients following the adoption of ASC 606:

- Shipping and handling costs: the Company elected to account for shipping and handling activities that occur after the customer has obtained control of a good as fulfillment activities (i.e., an expense) rather than as a promised service and are recorded as hardware cost of revenue. Amounts billed for shipping and handling fees are recorded as revenue.
- Sales tax collected from customers: the Company elected to exclude from the measurement of transaction price all taxes assessed by a government authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by us from a customer.
- Measurement of the transaction price: the Company applies the practical expedient that allows for inclusion of the future auto-renewals in the initial measurement of the transaction price. The Company only applies these steps when it is probable that it will collect the consideration to which it is entitled in exchange for the goods or services it transfers to a customer.

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

- Significant financing component: the Company elected not to adjust the promised amount of consideration for the effects of a significant financing component when the period between the transfer of promised goods or services and when the customer pays for the goods or services will be one year or less.

Timing of Revenue Recognition is as follows.

- *Hardware Revenue*

Hardware revenue results from the direct sale to customers of hardware smart home devices, which devices generally consist of a distinct Hub Device, door locks, thermostats, sensors, and light switches. These hardware devices provide features that function independently without subscription to the Company's software, and the performance obligation for hardware revenue is considered satisfied, and revenue is recognized at a point in time when the hardware device is shipped to the customer. The Company generally provides a one-year warranty period on hardware devices that are delivered and installed. The cost of the warranty is recorded as a component of cost of hardware revenue.

- *Professional Services Revenue*

Professional services revenue results from installing smart home hardware devices, which does not result in significant customization of the product and is generally performed over a period from two to four weeks. Installations can be performed by the Company's employees, contracted out to a third-party with the Company's employees managing the engagement, or the customer can perform the installation themselves. The Company's professional services contracts are generally arranged on a fixed price basis, and revenue is recognized over the period in which the installations are completed.

- *Hosted Services Revenue*

Hosted Services revenue primarily consists of monthly subscription revenue generated from fees that provide customers access to one or more of the Company's software applications including access controls, asset monitoring and related services, and our Community WiFi solution, which provides communities with a private, device-dedicated WiFi network. These subscription arrangements have contractual terms ranging from one month to ten years and include recurring fixed plan subscription fees. Arrangements with customers do not provide the customer with the right to take possession of the Company's software at any time. Customers are granted continuous access to the services over the contractual period. Accordingly, fees collected for subscription services are recognized on a straight-line basis over the contract term beginning on the date the subscription service is made available to the customer. Variable consideration is immaterial.

Also included in Hosted Services revenue are non-distinct Hub Devices. The Company considers those devices and hosting services subscription a single performance obligation and therefore defers the recognition of revenue for those devices upon shipment to the customer. The revenue is then amortized over its average service life. When a non-distinct Hub Device is included in a contract that does not require a long-term service commitment, the customer obtains a material right to renew the service because purchasing a new device is not required upon renewal. If a contract contains a material right, proceeds are allocated to the material right and recognized over the period of benefit, which is generally four years.

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

Cost of Revenue

Cost of revenue consists primarily of direct costs of products and services together with the indirect cost of estimated warranty expense and customer care and support over the life of the service arrangement.

- *Hardware*

Cost of hardware revenue consists primarily of direct costs of products, such as the distinct Hub Device, hardware devices, supplies purchased from third-party providers, and shipping costs, together with indirect costs related to warehouse facilities (including depreciation and amortization of capitalized assets and right-of-use assets), infrastructure costs, personnel-related costs associated with the procurement and distribution of products and warranty expenses together with the indirect cost of customer care and support.

- *Professional Services*

Cost of professional services revenue consists primarily of direct costs related to personnel-related expenses for installation and supervision of installation services, general contractor expenses and travel expenses associated with the installation of products and indirect costs that are also primarily personnel-related expenses in connection with training of and ongoing support for customers and residents.

- *Hosted Services*

Cost of Hosted Services revenue consists primarily of the amortization of the direct costs of non-distinct Hub Devices, consistent with the revenue recognition period noted above in "Hosted Services Revenue", and infrastructure costs associated with providing software applications together with the indirect cost of customer care and support over the life of the service arrangement.

Deferred Cost of Revenue

Deferred cost of revenue includes all direct costs included in cost of revenue for Hosted Services and non-distinct Hub Devices that have been deferred to future periods.

Stock-Based Compensation

Our stock-based compensation consists of stock options and restricted stock units ("RSUs") granted to our employees and directors during the periods presented. Stock-based awards are measured based on the grant date fair value. We estimate the fair value of stock option awards on the grant date using the Black-Scholes option-pricing model. The fair value of RSUs is based on the grant date fair value of the stock price. The fair value of these awards is recognized as compensation expense on a straight-line basis over the requisite service period in which the awards are expected to vest. Forfeitures are recognized as they occur by reversing previously recognized compensation expense.

The Black-Scholes model considers several variables and assumptions in estimating the fair value of stock-based awards. These variables include the per share fair value of the underlying common stock, exercise price, expected term, risk-free interest rate, expected annual dividend yield, and the expected stock price volatility over the expected term and forfeitures, which are recognized as they occur. For all stock options granted, we calculated the expected term using the simplified method for "plain vanilla" stock option awards.

The grant date fair value is also utilized with respect to RSUs which vest based on performance and time based service conditions. For RSUs with a performance condition which vest based on a liquidity event, as well as a time-based service condition, no compensation expense is recognized until the performance condition has been satisfied. Subsequent to the liquidity event, compensation expense is recognized to the extent the requisite service period has been completed and compensation expense thereafter is recognized on an accelerated attribution method. Under the accelerated attribution method, compensation expense is recognized over the remaining requisite service period for each service condition tranche as though each tranche is, in substance, a separate award.

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

Research and Development

These expenses relate to the research and development of new products and services and enhancements to the Company's existing product offerings. The Company accounts for the cost of research and development by capitalizing qualifying costs, which are incurred during the product development stage, and amortizing those costs over the product's estimated useful life, which generally ranges from three to five years depending on the type of application. The Company expenses preliminary evaluation costs as they are incurred before the product development stage, as well as post development implementation and operation costs, such as training, maintenance and minor upgrades. During the three months ended September 30, 2025 and 2024, the Company capitalized \$1,009 and \$3,209, respectively, of research and development costs in other long-term assets on the Consolidated Balance Sheets. During the nine months ended September 30, 2025 and 2024, the Company capitalized \$3,944 and \$5,864, respectively, of research and development costs in other long-term assets on the Consolidated Balance Sheets. As of September 30, 2025, the Company had capitalized \$16,278 of research and development costs in other long-term assets on the Condensed Consolidated Balance Sheets, of which \$10,820 remained to be amortized. As of December 31, 2024, the Company had capitalized \$12,334 of research and development costs in other long-term assets on the Condensed Consolidated Balance Sheets, of which \$9,543 remained to be amortized.

Advertising

Advertising costs are expensed as incurred and recorded as a component of sales and marketing expense. The Company incurred \$112 and \$191 of advertising expenses for the three months ended September 30, 2025 and 2024, respectively. The Company incurred \$670 and \$423 of advertising expenses for the nine months ended September 30, 2025 and 2024, respectively.

Segments

The Company has one operating segment and one reportable segment. Its chief operating decision maker ("CODM") was the Company's prior Chief Executive Officer until the Chief Executive Officer's resignation on July 29, 2024. On that date, a management committee comprised of certain of the Company's executives became the CODM until February 24, 2025 (the "Start Date") and effective as of the Start Date, the Company appointed a new President and Chief Executive Officer who acted as the CODM until his departure on April 9, 2025 (the "End Date"). Effective as of the End Date, the Company appointed an interim Chief Executive Officer who served as the CODM until his departure on June 16, 2025. Effective June 16, 2025, the Company appointed a new President and Chief Executive Officer who currently serves as the CODM. The CODM reviews financial information on a consolidated basis for purposes of allocating resources and evaluating financial performance. The Company's principal operations are in the United States and the Company's long-lived assets are located primarily within the United States. Refer to Note 13 - Segment Reporting for more information on the Company's operating and reportable segments.

Recent Accounting Guidance

Recent Accounting Guidance Not Yet Adopted

In November 2024, the Financial Standards Accounting Board (FASB) issued Accounting Standards Update (ASU) No. 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses and in January 2025, the FASB issued ASU No. 2025-01, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date, which clarified the effective date of ASU 2024-03. ASU 2024-03 requires public companies to disclose, in interim and annual reporting periods, additional information about certain expenses in the notes to financial statements. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the effect that the updated standard will have on the consolidated financial statement disclosures.

In July 2025, the FASB issued ASU No. 2025-05 ("ASU 2025-05"), Financial Instruments—Credit Losses. The guidance provides an optional practical expedient when applying the guidance related to the estimation of expected credit losses for current accounts receivable and current contract assets resulting from transactions arising from contracts with customers. The amendments in ASU 2025-05 are effective for fiscal years beginning after December 15, 2025, and interim reporting periods, with early adoption permitted. We are evaluating the impact of the standard on the consolidated financial statements.

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

In September 2025, the FASB issued ASU No. 2025-06 ("ASU 2025-06"), Intangibles—Goodwill and Other—Internal-Use Software. The guidance modernizes and clarifies the threshold for when an entity is required to start capitalizing software costs and is based on when (i) management has authorized and committed to funding the software project and (ii) it is probable that the project will be completed and the software will be used to perform the function intended. The amendments in ASU 2025-06 are effective for fiscal years beginning after December 15, 2027, and interim reporting periods, with early adoption permitted. We are evaluating the impact of the standard on the consolidated financial statement disclosures.

In December 2023, the FASB issued ASU No. 2023-09 - Income Taxes (Topics 740): Improvements to Income Tax Disclosures. This ASU requires the expansion of disclosure requirements for income taxes, specifically related to the rate reconciliation and income taxes paid. ASU 2023-09 is effective for annual periods after December 15, 2024. Early adoption is also permitted for annual financial statements that have not yet been issued or made available for issuance. The Company is currently evaluating the effect that the updated standard will have on the consolidated financial statement disclosures.

Recently Adopted Accounting Guidance

In November 2023, the FASB issued ASU No. 2023-07 - Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This ASU updates the annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 is effective for annual periods beginning after December 15, 2023, and for interim periods beginning after December 15, 2024. Early adoption is also permitted. The Company adopted this ASU during the year ended December 31, 2024. The adoption of this guidance modified the Company's segment disclosures but had no impact on results of operations, cash flows or financial condition.

NOTE 3. FAIR VALUE MEASUREMENTS AND FAIR VALUE OF INSTRUMENTS

The following tables display the carrying values and fair values of financial instruments.

Assets on the Condensed Consolidated Balance Sheets		As of					
		September 30, 2025			December 31, 2024		
		Carrying Value	Unrealized Losses	Fair Value	Carrying Value	Unrealized Losses	Fair Value
Cash and cash equivalents	Level 1	\$ 100,022	\$ -	\$ 100,022	\$ 142,482	\$ -	\$ 142,482
Total		<u>\$ 100,022</u>	<u>\$ -</u>	<u>\$ 100,022</u>	<u>\$ 142,482</u>	<u>\$ -</u>	<u>\$ 142,482</u>

The Company reports the current portion of restricted cash as a separate item in the Condensed Consolidated Balance Sheets and the non-current portion is a component of other long-term assets in the Condensed Consolidated Balance Sheets.

Liabilities on the Condensed Consolidated Balance Sheets		As of			
		September 30, 2025		December 31, 2024	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Acquisition earnout payment	Level 3	\$ -	\$ -	\$ 1,760	\$ 1,760
Total liabilities		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,760</u>	<u>\$ 1,760</u>

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

In December 2021, the Company purchased all of the outstanding equity interests of iQueue, LLC ("iQueue"). The Company reports the current portion of the acquisition earnout payment as a component of other current liabilities in the Condensed Consolidated Balance Sheets and the non-current portion is a component of other long-term liabilities on the Condensed Consolidated Balance Sheets. Earnout payments related to acquisitions are measured at fair value each reporting period using Level 3 unobservable inputs. The changes in the fair value of the Company's Level 3 liabilities for the nine months ended September 30, 2025 and year ended December 31, 2024 are as follows.

	As of	
	September 30, 2025	December 31, 2024
Balance at beginning of period	\$ 1,760	\$ 4,250
Payment of earnout in connection with the iQueue acquisition	(1,466)	(1,530)
Change in fair value of earnout	(294)	(960)
Balance at end of period	\$ -	\$ 1,760

The fair value of the earnout payment is measured on a recurring basis at each reporting date. During the nine months ended September 30, 2025, the Company recorded a \$294 decrease in the fair value of the earnout. The final earnout payment of \$1,466 was made in July 2025. During the nine months ended September 30, 2024, the Company determined there was a \$140 increase in the fair value of the earnout, primarily due to a decreased payment term as the Company was nine months closer to the payout date. The Company recorded these adjustments in general and administrative expense on the Condensed Consolidated Statement of Operations and Comprehensive Loss. The following table sets forth the weighted-average assumptions used to estimate the fair value of the earnout payment as of December 31, 2024. No such estimate was made as of September 30, 2025 as the earnout amount was finalized as of June 30, 2025 and was paid in July 2025.

	As of
	December 31, 2024
Discount Rate	12.30%
Volatility	40.00%

NOTE 4. REVENUE AND DEFERRED REVENUE

Disaggregation of Revenue

In the following tables, revenue is disaggregated by primary geographical market, type of revenue, and SmartRent Solution.

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2025	2024	2025	2024
Revenue by geography				
United States	\$ 36,097	\$ 40,030	\$ 115,705	\$ 138,183
International	105	480	149	1,334
Total revenue	\$ 36,202	\$ 40,510	\$ 115,854	\$ 139,517

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2025	2024	2025	2024
Revenue by type				
Hardware	\$ 11,506	\$ 18,707	\$ 45,479	\$ 72,460
Professional services	7,035	3,308	15,255	\$ 12,582
Hosted services	17,661	18,495	55,120	\$ 54,475
Total revenue	\$ 36,202	\$ 40,510	\$ 115,854	\$ 139,517

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

SmartRent Solutions	For the three months ended September 30,								For the nine months ended September 30,							
	2025				2024				2025				2024			
	(dollars in thousands)								(dollars in thousands)							
	Hardware	Professional Services	Hosted Services	Total 2025	Hardware	Professional Services	Hosted Services	Total 2024	Hardware	Professional Services	Hosted Services	Total 2025	Hardware	Professional Services	Hosted Services	Total 2024
Smart Communities Solutions																
Smart Apartments	\$ 10,182	\$ 6,137	\$ 13,599	\$ 29,918	\$ 16,569	\$ 2,387	\$ 14,445	\$ 33,401	\$ 41,437	\$ 12,938	\$ 42,623	\$ 96,998	\$ 66,119	\$ 9,558	\$ 42,661	\$ 118,338
Access Control	736	502	501	1,739	1,034	415	477	1,926	2,568	1,245	1,646	5,459	2,920	1,935	1,217	6,072
Community WiFi	94	164	192	450	146	300	181	627	151	423	594	1,168	291	537	521	1,349
Other	494	232	737	1,463	963	206	575	1,744	1,323	649	2,201	4,173	3,136	607	1,504	5,247
Smart Operations Solutions	-	-	2,632	2,632	(5)	-	2,817	2,812	-	-	8,056	8,056	(6)	(55)	8,572	8,511
Total Revenue	\$ 11,506	\$ 7,035	\$ 17,661	\$ 36,202	\$ 18,707	\$ 3,308	\$ 18,495	\$ 40,510	\$ 45,479	\$ 15,255	\$ 55,120	\$ 115,854	\$ 72,460	\$ 12,582	\$ 54,475	\$ 139,517

Remaining Performance Obligations

Advance payments received from customers are recorded as deferred revenue and are recognized upon the completion of related performance obligations over the period of service. Advance payments for non-distinct Hub Devices were recorded as deferred revenue and recognized over their average in-service life. Advance payments received from customers for subscription services are recorded as deferred revenue and recognized over the term of the subscription. A summary of the change in deferred revenue is as follows.

	For the nine months ended September 30,	
	2025	2024
Deferred revenue balance as of January 1	\$ 87,659	\$ 123,159
Revenue recognized from balance of deferred revenue at the beginning of the period	(21,448)	(8,656)
Revenue deferred during the period	6,187	7,075
Revenue recognized from revenue originated and deferred during the period	(807)	(2,010)
Deferred revenue balance as of March 31	71,591	119,568
Revenue recognized from balance of deferred revenue at the beginning of the period	(8,454)	(8,914)
Revenue deferred during the period	6,202	4,244
Revenue recognized from revenue originated and deferred during the period	(2,982)	(3,040)
Deferred revenue balance as of June 30	66,357	111,858
Revenue recognized from balance of deferred revenue at the beginning of the period	(7,321)	(16,269)
Revenue deferred during the period	847	10,825
Revenue recognized from revenue originated and deferred during the period	(1,127)	(6,442)
Deferred revenue balance as of September 30	\$ 58,756	\$ 99,972

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

As of September 30, 2025, the Company expects to recognize 62% of its total deferred revenue within the next 12 months, 19% of its total deferred revenue between 13 and 36 months, 16% between 37 and 60 months, and the remainder is expected to be recognized beyond five years. Contracts may contain termination for convenience provisions that allow the Company, customer, or both parties the ability to terminate for convenience, either at any time or upon providing a specified notice period, without a substantive termination penalty. Included in deferred revenue as of September 30, 2025 and 2024 are \$12,533 and \$21,875, respectively, of prepaid fees related to contracts with termination for convenience provisions which are refundable at the request of the customer. Based on the Company's historical experience, customers do not typically exercise their termination for convenience rights. Deferred cost of revenue includes all direct costs included in cost of revenue that have been deferred to future periods.

NOTE 5. OTHER BALANCE SHEET INFORMATION

Inventory consisted of the following.

	As of	
	September 30, 2025	December 31, 2024
Finished Goods	\$ 27,702	\$ 34,876
Raw Materials	385	385
Total inventory	<u>\$ 28,087</u>	<u>\$ 35,261</u>

The Company writes-down inventory for any excess or obsolete inventories or when the Company believes the net realizable value of inventories is less than the carrying value. During the three months ended September 30, 2025 and 2024, the Company recorded write-downs of \$3,258 and \$2,596, respectively. During the nine months ended September 30, 2025 and 2024, the Company recorded write-downs of \$3,852 and \$2,767, respectively. Included in the amounts above, during the three months ended September 30, 2025, the Company recorded \$1,794 of inventory write-offs related to the sunseting of its parking management solution, resulting from strategic changes made during the three months ended September 30, 2025.

Prepaid expenses and other current assets consisted of the following.

	As of	
	September 30, 2025	December 31, 2024
Prepaid expenses	\$ 6,534	\$ 7,867
Other current assets	10,271	4,014
Total prepaid expenses and other current assets	<u>\$ 16,805</u>	<u>\$ 11,881</u>

Property and equipment, net consisted of the following.

	As of	
	September 30, 2025	December 31, 2024
Leasehold improvements	\$ 5,176	\$ 2,185
Computer hardware	2,323	2,469
Warehouse and other equipment	949	815
Furniture and fixtures	322	153
Property and equipment	8,770	5,622
Less: Accumulated depreciation	(3,392)	(3,171)
Total property and equipment, net	<u>\$ 5,378</u>	<u>\$ 2,451</u>

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

Depreciation and amortization expense on all property, plant and equipment was \$280 and \$229 during the three months ended September 30, 2025 and 2024, respectively. Depreciation and amortization expense on all property, plant and equipment was \$639 and \$606 during the nine months ended September 30, 2025 and 2024, respectively.

Intangible assets, net consisted of the following.

	As of					
	September 30, 2025			December 31, 2024		
	Gross	Accumulat ed Amortizati on	Net	Gross	Accumulat ed Amortiza tion	Net
Customer relationships	\$ 22,990	\$ (7,890)	\$ 15,100	\$ 22,990	\$ (6,223)	\$ 16,767
Developed technology	10,600	(5,486)	5,114	10,600	(4,383)	6,217
Trade name	900	(644)	256	900	(509)	391
Total intangible assets, net	\$ 34,490	\$ (14,020)	\$ 20,470	\$ 34,490	\$ (11,115)	\$ 23,375

Amortization expense on all intangible assets was \$968 and \$969 for the three months ended September 30, 2025 and 2024, respectively. Amortization expense on all intangible assets was \$2,905 and \$2,906 for the nine months ended September 30, 2025 and 2024, respectively. Total future amortization for finite-lived intangible assets is estimated as follows.

	Amortization Expense
2025 - Remaining	\$ 968
2026	3,873
2027	3,734
2028	3,693
2029	2,554
Thereafter	5,648
Total	\$ 20,470

Other long-term assets consisted of the following.

	As of	
	September 30, 2025	December 31, 2024
Capitalized software costs, net	\$ 10,091	\$ 9,463
Operating lease - ROU asset, net	3,210	3,808
Other long-term assets	2,470	3,088
Total other long-term assets	\$ 15,771	\$ 16,359

Amortization expense for capitalized software costs was \$904 and \$407 for the three months ended September 30, 2025 and 2024, respectively. Amortization expense for capitalized software costs was \$2,521 and \$1,118 for the nine months ended September 30, 2025 and 2024, respectively.

Accrued expenses and other current liabilities consisted of the following.

	As of	
	September 30, 2025	December 31, 2024
Accrued expenses	\$ 15,909	\$ 13,052
Accrued compensation costs	6,717	8,249
Accrued acquisition consideration	-	1,760
Warranty allowance	515	1,077
Other	2,476	3,107
Total accrued expenses and other current liabilities	\$ 25,617	\$ 27,245

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

Other long-term liabilities consisted of the following.

	As of	
	September 30, 2025	December 31, 2024
Lease liability, noncurrent	\$ 6,105	\$ 7,021
Other long-term liabilities	96	100
Total other long-term liabilities	\$ 6,201	\$ 7,121

NOTE 6. DEBT

Term Loan and Revolving Line of Credit Facility

In December 2021, the Company entered into a \$75,000 Senior Revolving Facility with a five-year term (the "Senior Revolving Facility"). The Senior Revolving Facility includes a letter of credit sub-facility in the aggregate availability of \$10,000 as a sublimit of the Senior Revolving Facility, and a swingline sub-facility in the aggregate availability of \$10,000 as a sublimit of the Senior Revolving Facility. Proceeds from the Senior Revolving Facility are to be used for general corporate purposes. Amounts borrowed under the Senior Revolving Facility may be repaid and, prior to the Senior Revolving Facility maturity date, reborrowed. The Senior Revolving Facility terminates on the Senior Revolving Facility maturity date in December 2026, when the principal amount of all advances, the unpaid interest thereon, and all other obligations relating to the Senior Revolving Facility shall be immediately due and payable. The Company has yet to draw on the Senior Revolving Facility as of September 30, 2025. The Company accounted for the cancellation of its previous revolving facility and the issuance of the Senior Revolving Facility as an exchange with the same creditor. As a result, all costs related to entering into the Senior Revolving Facility that are allowed to be deferred are recorded as a deferred asset and included in other assets on the Condensed Consolidated Balance Sheets. These costs totaled \$688 and will be amortized ratably over the five-year term of the Senior Revolving Facility. For the three months ended September 30, 2025 and 2024, the Company recorded \$34 and \$35, respectively, of amortization expense in connection with these costs, as a component of interest expense on the Condensed Consolidated Statements of Operations and Comprehensive Loss. For the nine months ended September 30, 2025 and 2024, the Company recorded \$106 and \$107, respectively, of amortization expense in connection with these costs, as a component of interest expense on the Condensed Consolidated Statements of Operations and Comprehensive Loss.

Interest rates for draws upon the Senior Revolving Facility are determined by whether the Company elects a secured overnight financing rate loan ("SOFR Loan") or alternate base rate loan ("ABR Loan"). For SOFR Loans, the interest rate is based upon the forward-looking term rate based on SOFR as published by the CME Group Benchmark Administration Limited (CBA) plus 0.10%, subject to a floor of 0.00%, plus an applicable margin. For ABR Loans, the interest rate is based upon the highest of (i) the Prime Rate, (ii) the Federal Funds Effective Rate plus 0.50%, or (iii) 3.25%, plus an applicable margin. As of September 30, 2025, the applicable margins for SOFR Loans and ABR Loans under the Senior Revolving Facility were 1.75% and (0.50%), respectively.

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

In addition to paying interest on the outstanding principal balance under the Senior Revolving Facility, the Company is required to pay a facility fee to the lender in respect of the unused commitments thereunder. The facility fee rate is based on the daily unused amount of the Senior Revolving Facility and is one fourth of one percent (0.25%) per annum based on the unused facility amount. During each of the three month periods ended September 30, 2025 and 2024, the facility fee totaled \$47. During the nine months ended September 30, 2025 and 2024, the facility fee totaled \$139 and \$134, respectively.

The Senior Revolving Facility contains certain customary affirmative and negative covenants and events of default. Such covenants will, among other things, restrict, subject to certain exceptions, the Company's ability to (i) engage in certain mergers or consolidations, (ii) sell, lease or transfer all or substantially all of the Company's assets, (iii) engage in certain transactions with affiliates, (iv) make changes in the nature of the Company's business and its subsidiaries, and (v) incur additional indebtedness that is secured on a *pari passu* basis with the Senior Revolving Facility.

The Senior Revolving Facility also requires the Company, on a consolidated basis with its subsidiaries, to maintain a minimum cash balance. If the minimum cash balance is not maintained, the Company is required to maintain a minimum liquidity ratio. As of September 30, 2025 the Company did not maintain the minimum cash balance, but exceeded the minimum liquidity ratio. If an event of default occurs, the lender is entitled to take various actions, including the acceleration of amounts due under the Senior Revolving Facility and all actions permitted to be taken by a secured creditor. As of September 30, 2025, and through the date these condensed consolidated financial statements were issued, the Company believes it was in compliance with all financial covenants.

The Senior Revolving Facility is collateralized by first priority or equivalent security interests in substantially all the property, rights, and assets of the Company.

As of September 30, 2025 and December 31, 2024, there was no outstanding principal amount under the Senior Revolving Facility.

NOTE 7. CONVERTIBLE PREFERRED STOCK AND EQUITY

Preferred Stock

The Company is authorized to issue 50,000 shares of \$0.0001 par value preferred stock. As of September 30, 2025, there are no preferred stock issued or outstanding.

Stock Repurchase Program

In March 2024, the Company's Board of Directors (the "Board") authorized a stock repurchase program pursuant to which we may repurchase up to \$50,000 of our Class A common stock. Repurchases under the program may be made from time to time through open market purchases or through privately negotiated transactions subject to market conditions, applicable legal requirements and other relevant factors. The repurchase program does not obligate us to acquire any particular amount of our Class A common stock and may be suspended at any time at our discretion. The timing and number of shares repurchased will depend on a variety of factors, including the stock price, business and market conditions, corporate and regulatory requirements, alternative investment opportunities, acquisition opportunities, and other factors.

During the nine months ended September 30, 2025, the Company repurchased and subsequently retired 5,084 shares of our Class A common stock under the stock repurchase program at an average price of \$0.96 per share for a total of \$4,886, including \$51 of broker fees. There were no such shares repurchased during the three months ended September 30, 2025. As of September 30, 2025, approximately \$16,751 remained available for stock repurchases pursuant to our stock repurchase program.

During the three months ended September 30, 2024, the Company repurchased and subsequently retired 9,767 shares of our Class A common stock under the stock repurchase program at an average price of \$1.75 per share for a total of \$17,081, including broker fees of \$98. During the nine months ended September 30, 2024, the Company repurchased and subsequently retired 12,127 shares of our Class A common stock under the stock repurchase program at an average price of \$1.93 per share for a total of \$23,462, including \$113 of broker fees. The Company has elected to record the amount paid to repurchase the shares in excess of the par value entirely to accumulated deficit. As of September 30, 2024, approximately \$26,660 remained available for stock repurchases pursuant to our stock repurchase program.

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

NOTE 8. STOCK-BASED COMPENSATION

2018 Stock Plan

The Company's board of directors prior to the consummation of its Business Combination with Fifth Wall Acquisition Corp. I on August 24, 2021 (the "Business Combination") adopted, and its then stockholders approved, the SmartRent.com, Inc. 2018 Stock Plan (the "2018 Stock Plan"), effective March 2018. The purpose of the 2018 Stock Plan was to advance the interests of the Company and its stockholders by providing an incentive to attract, retain and reward persons performing services for the Company and by motivating such persons to contribute to the growth and profitability of the Company. The 2018 Stock Plan sought to achieve this purpose by providing awards in the form of stock options and restricted stock purchase rights. Awards granted as stock options under the 2018 Stock Plan generally expire no later than ten years from the date of grant and become vested and exercisable over a four-year period. All options are subject to certain provisions that may impact these vesting schedules.

Amendment to the 2018 Stock Plan

In April 2021, such board of directors executed a unanimous written consent to provide an additional incentive to certain employees of the Company by amending the 2018 Stock Plan to allow for the issuance of RSUs and granted a total of 1,533 RSUs to certain employees which vest over four years. The estimated fair value for each RSU issued was approximately \$21.55 per share and the total stock-based compensation expense to be amortized over the vesting period is \$33,033. Effective upon the Business Combination in August 2021, the 2018 Stock Plan was replaced by the 2021 Plan. The 2018 Stock Plan continues to govern the terms and conditions of the outstanding awards previously granted thereunder. No new awards will be granted out of the 2018 Stock Plan.

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

2021 Equity Incentive Plan

In connection with the Business Combination, the Board approved and implemented the SmartRent, Inc. 2021 Plan (the "2021 Plan"). The purpose of the 2021 Plan is to enhance the Company's ability to attract, retain and motivate persons who make, or are expected to make, important contributions to the Company by providing these individuals with equity ownership opportunities and equity-linked compensation opportunities.

The 2021 Plan authorizes the administrator of the 2021 Plan (generally, the Board or its compensation committee) to provide incentive compensation in the form of stock options, restricted stock and stock units, performance shares and units, other stock-based awards and cash-based awards. Under the 2021 Plan, the Company is authorized to issue up to 15,500 shares of Class A common stock. On May 14, 2024, the Company's stockholders approved the 2021 Plan, as amended and restated, which increased the number of shares reserved for issuance thereunder by 8,900 shares of Class A common stock. The Company is authorized to issue up to a total of 24,400 shares of Class A common stock under the 2021 Plan, as amended and restated. Non-employee board member RSUs generally will vest either over one year or three years, subject to the recipient's continued service through the applicable vesting date or dates. The RSUs and options granted to employees are generally subject to a four-year vesting schedule and all vesting generally shall be subject to the recipient's continued service with the Company or its subsidiaries through the applicable vesting dates.

The table below summarizes the activity pursuant to the 2021 Plan, for the nine months ended September 30, 2025, and the shares available for future issuances as of September 30, 2025 and December 31, 2024.

	Shares Available for Future Issuance
Shares available as of December 31, 2024	16,856
RSUs forfeited	563
RSUs settled for taxes	241
RSUs issued	(5,901)
Shares available as of March 31, 2025	11,759
Stock options forfeited	427
RSUs forfeited	1,362
RSUs settled for taxes	28
RSUs issued	(5,103)
Shares available as of June 30, 2025	8,473
Stock options forfeited	129
RSUs forfeited	1,096
RSUs settled for taxes	268
RSUs issued	(252)
Shares available as of September 30, 2025	9,714

The table below summarizes the activity related to stock options, pursuant to the 2018 Stock Plan and 2021 Plan, for the nine months ended September 30, 2025.

	Options Outstanding			
	Number of Options	Weighted-Average Exercise Price (\$ per share)	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
December 31, 2024	4,165	\$ 1.90	6.74	\$ 2,445
<no activity>	-	\$ -		
March 31, 2025	4,165	\$ 1.90	6.50	\$ 1,414
Forfeited	(427)	\$ 3.07		
June 30, 2025	3,738	\$ 1.77	6.16	\$ 993
Forfeited	(129)	\$ 3.36		
September 30, 2025	3,609	\$ 1.71	5.72	\$ 1,796
Exercisable options as of September 30, 2025	2,567	\$ 1.13	4.81	\$ 1,796

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

During the three months ended September 30, 2025 and 2024, stock-based compensation expense of \$184 and \$162, respectively, was recognized in connection with the outstanding options. During the nine months ended September 30, 2025 and 2024, stock-based compensation expense of \$692 and \$1,528, respectively, was recognized in connection with the outstanding options. As of September 30, 2025, there is \$1,709 of unrecognized compensation expense related to stock options, which is expected to be recognized over a weighted-average period of 2.0 years.

The table below summarizes the activity related to RSUs, pursuant to the 2018 Stock Plan and 2021 Plan, for the nine months ended September 30, 2025.

	Restricted Stock Units	
	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value (per share)
December 31, 2024	5,310	\$ 2.69
Granted	6,760	\$ 1.49
Vested or distributed	(906)	\$ 3.52
Forfeited	(563)	\$ 1.93
March 31, 2025	10,601	\$ 1.90
Granted	6,034	\$ 0.85
Vested or distributed	(438)	\$ 3.19
Forfeited	(2,869)	\$ 1.35
June 30, 2025	13,328	\$ 1.53
Granted	252	\$ 1.33
Vested or distributed	(1,272)	\$ 1.53
Forfeited	(1,379)	\$ 1.82
September 30, 2025	<u>10,929</u>	\$ 1.49

No right to any Class A Common Stock is earned or accrued until such time that vesting occurs, nor does the grant of the RSU award confer any right to continue vesting or employment or other service. Compensation expense associated with the unvested RSUs is recognized on a straight-line basis over the vesting period.

In June 2025, the Company granted RSU awards under the 2021 Plan to Frank Martell, the Company's President and Chief Executive Officer. Mr. Martell's grant consisted of time-based RSUs covering 1,800 shares of the Company's Class A common stock. The RSUs will vest in four substantially equal quarterly installments, such that 100% of the RSUs subject to the grant will be vested as of June 30, 2026, subject to the terms of Mr. Martell's award agreement.

During the three months ended September 30, 2025 and 2024, stock-based compensation expense of \$1,897 and \$2,793, respectively, was recognized in connection with the vesting of all RSUs. During the nine months ended September 30, 2025 and 2024, stock-based compensation expense of \$6,376 and \$7,935, respectively, was recognized in connection with the vesting of all RSUs. As of September 30, 2025, there is \$13,278 of unrecognized compensation expense related to restricted stock units, which is expected to be recognized over a weighted-average period of 2.4 years.

2025 Inducement Equity Incentive Plan

In January 2025, the Board adopted the SmartRent, Inc. 2025 Inducement Equity Incentive Plan (the "Inducement Plan"), pursuant to which the Company may grant equity awards that are intended to qualify as employment inducement awards under the New York Stock Exchange Listed Company Manual Rule 303A.08 and any applicable interpretive material and other guidance issued under such rule (together, the "Inducement Listing Rule"), from time to time as determined by the Committee (as defined in the Inducement Plan), the Board's Compensation Committee, or a majority of the Company's "Independent Directors" (as defined under the applicable rules of the New York Stock Exchange). Upon adoption of the Inducement Plan, and subject to the adjustment provisions therein, the Company reserved 6,500 shares of Common Stock for issuance pursuant to equity awards granted under the Inducement Plan.

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

The Inducement Plan provides for the grant of equity-based awards, including options, stock appreciation rights, restricted stock awards, restricted stock units, performance shares, performance units, cash-based awards and other stock-based awards. Such equity-based awards may be granted under the Inducement Plan only to employees of the Company, so long as the following requirements are met: (i) the employee was not previously an employee or director, or the employee is to become employed by the Participating Company Group (as defined in the Inducement Plan) following a bona fide period of non-employment (within the meaning of the Inducement Listing Rule), and (ii) the grant of the award or awards is an inducement material to the employee's entering into employment with the Participating Company Group in accordance with the Inducement Listing Rule.

In March 2025, the Company granted inducement awards under the Inducement Plan to Michael Shane Paladin, the Company's then President and Chief Executive Officer, as inducement awards in connection with the Start Date. Mr. Paladin's grant consisted of time-based RSUs covering 1,791 shares of the Company's Class A common stock and performance stock units ("PSUs") covering a target of 2,320 shares of the Company's Class A common stock. The RSUs vest at a rate of one-third of the RSUs annually on each anniversary of the Start Date, subject in each case to Mr. Paladin's continued employment through the applicable vesting date. While the target number of PSUs granted is 2,320, the actual number of shares of Class A common stock earned pursuant to the PSUs, if any, are determined based on the achievement of performance goals relating to Company stock price during a five-year performance period from the Start Date, and vest based on Mr. Paladin's continued employment, with 50% of any shares achieved vesting on the four-year anniversary of the Start Date, and 100% of any shares achieved but not yet paid vesting on the five-year anniversary of the Start Date. The maximum number of shares that may vest under the PSUs is 200% of the target number of shares subject to such award. In April 2025, the Company announced the departure of Mr. Paladin effective as of the End Date. As of the End Date, no shares had vested and all inducement awards granted were forfeited and returned to the Inducement Plan.

Employee Stock Purchase Plan

The Company has the ability to initially issue up to 2,000 shares of Class A Common Stock under the ESPP, subject to annual increases effective as of January 1, 2022, and each subsequent January 1 through and including January 1, 2030, in an amount equal to the smallest of (i) 1% of the number of shares of the Class A Common Stock outstanding as of the immediately preceding December 31, (ii) 2,000 shares or (iii) such amount, if any, as the Board may determine.

The ESPP allows employees to purchase shares of the Company's Class A Common Stock approximately every six months at a per share purchase price equal to 85 percent of the quoted market price of a share of the Company's Class A Common Stock on (i) the first day of the offering period or (ii) the applicable purchase date of such offering period, whichever quoted market price is lower. During the three months ended September 30, 2025 and 2024, stock-based compensation expense of \$3 and \$3, respectively, was recognized in connection with the ESPP. During the nine months ended September 30, 2025 and 2024, stock-based compensation expense of \$13 and \$60, respectively, was recognized in connection with the ESPP.

The table below summarizes the activity related to the ESPP for the nine months ended September 30, 2025.

ESPP Activity	Shares Available for Sale
December 31, 2024	7,109
Annual additions to the plan	1,920
Shares purchased	(140)
March 31, 2025	8,889
<no activity>	-
June 30, 2025	8,889
Shares purchased	(128)
September 30, 2025	8,761

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

Stock-Based Compensation

During the nine months ended September 30, 2024, there were options granted covering 2,527 shares. There were no such options granted during the three months ended September 30, 2024 or the three and nine months ended September 30, 2025. The fair value of stock option grants is estimated by the Company on the date of grant using the Black Scholes option pricing model with the following weighted-average assumptions for the nine months ended September 30, 2025 and 2024.

	For the nine months ended September 30,	
	2025 ⁽¹⁾	2024
Risk free interest	-	4.09%
Dividend yield	-	0.00%
Expected volatility	-	75.00%
Expected life (years)	-	6.25

(1) 2025 assumptions are not applicable as no options were granted during the nine months ended September 30, 2025.

The Company recorded stock-based compensation expense as follows.

	For the three months ended September 30,		For the nine months ended September 30,	
	2025	2024	2025	2024
Cost of revenue	\$ 64	\$ 286	\$ 483	\$ 876
Research and development	730	972	2,672	2,886
Sales and marketing	134	201	543	497
General and administrative	1,156	1,499	3,383	5,264
Total	\$ 2,084	\$ 2,958	\$ 7,081	\$ 9,523

NOTE 9. INCOME TAXES

The Company's effective tax rate (ETR) from continuing operations was (0.90%) and (0.18%) for the three months ended September 30, 2025 and 2024, respectively. The Company's effective tax rate (ETR) from continuing operations was (0.23%) and (0.59%) for the nine months ended September 30, 2025 and 2024, respectively. The Company's ETR during the three and nine months ended September 30, 2025 differed from the federal statutory rate of 21% primarily due to changes in valuation allowance and foreign taxes.

The income tax expense on the Condensed Consolidated Statement of Operations and Comprehensive Loss is primarily related to the foreign and state taxes offset by a change in the valuation allowance. The Company established a full valuation allowance for net deferred U.S. federal and state tax assets, including net operating loss carryforwards. The Company expects to maintain this valuation allowance until it becomes more likely than not that the benefit of the federal and state deferred tax assets will be realized in future periods if it reports taxable income. The Company believes that it has established an adequate allowance for uncertain tax positions, although it can provide no assurance that the final outcome of these matters will not be materially different. To the extent that the final outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made.

On July 4, 2025, the One Big Beautiful Bill Act ("OBBA") was enacted in the U.S. The OBBA includes significant provisions, such as the permanent extension of certain expiring provisions of the Tax Cuts and Jobs Act, modifications to the international tax framework and the restoration of favorable tax treatment for certain business provisions. The legislation has multiple effective dates, with certain provisions effective in 2025 and others implemented through 2027. We do not expect the OBBA to have a material impact on our effective tax rate.

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

NOTE 10. NET LOSS PER SHARE

The following potentially dilutive shares were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented because inclusion of the shares on an as-converted basis would have been anti-dilutive.

	For the three months ended September 30,		For the nine months ended September 30,	
	2025	2024	2025	2024
Common stock options and restricted stock units	14,539	15,814	14,539	15,814
Total	14,539	15,814	14,539	15,814

NOTE 11. RELATED-PARTY TRANSACTIONS

A member of the Board served on the board of directors of a SmartRent customer until June 2024. For the six months ended June 30, 2024, the Company earned revenue from this customer of \$1,298. There was no related party relationship beyond June 30, 2024. All business dealings with the customer were entered into in the ordinary course of business and the arrangements are on terms no more favorable than terms that would be available to unaffiliated third parties under the same or similar circumstances.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Legal Matters

The Company is subject to various legal proceedings and claims that arise in the ordinary course of its business. Liabilities are accrued when it is believed that it is both probable that a liability has been incurred and that the Company can reasonably estimate the amount of the potential loss. The Company does not believe that the outcome of these proceedings or matters will have a material effect on the condensed consolidated financial statements.

In April 2020, the Company entered into an agreement with a supplier, as further amended in March 2021 (the "Supplier Agreement"), to purchase minimum volumes of certain products through August 2022. Due to significant failure rates and other defects, the Company ceased ordering product from this supplier as of December 2020. Despite the Company's requests, the supplier indicated they are not willing to refund the Company for the malfunctioning products previously purchased, and therefore, the Company filed a complaint against the supplier on March 22, 2022 in the Superior Court for the State of California, County of Santa Clara (the "Court"). During the three months ended March 31, 2024, the Company recorded a legal expense of \$5,300 within general and administrative expenses on the Condensed Consolidated Statements of Operations and Comprehensive Loss. The final settlement agreement was signed in June 2024. In July 2024, the inventory was returned to the supplier, and the Court granted the parties' Request for Dismissal of the action with prejudice.

In February 2024, a putative class action complaint was filed against Fifth Wall Acquisition Sponsor, LLC, Fifth Wall Asset Management, LLC (the "FWAA Defendants"), and the individual directors of Fifth Wall Acquisition Corp. I ("FWAA") (the "Director Defendants" and collectively the "Defendants") in the Delaware Court of Chancery by a stockholder of FWAA for purported damages arising from the business combination with SmartRent.com, Inc. (the "2024 Class Action"). The complaint asserts claims for (i) breach of fiduciary duty against the Director Defendants; (ii) aiding and abetting breach of fiduciary duty claims against Fifth Wall Asset Management LLC; and (iii) unjust enrichment claims against all Defendants, for purported actions relating to FWAA's August 24, 2021 merger with legacy SmartRent.com, Inc. The parties engaged in discovery and document production to date. Beginning in February 2025, the parties participated in a mediation, which ultimately led to all the parties' agreement to settle the 2024 Class Action for \$11,375. In August 2025, the parties executed a Stipulation and Agreement of Settlement, Compromise and Release, which remains subject to court approval.

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

As the surviving entity following the business combination, the Company presently has certain advancement obligations to the Director Defendants in connection with the 2024 Class Action which includes the costs of their defense of such litigation. While the Director Defendants are the beneficiaries of coverage for such costs up to \$10,000 by directors' and officers' insurance ("D&O insurance"), the D&O insurance is subject to a retention of \$5,000. The Company has notified the relevant D&O insurance carriers of the 2024 Class Action and is litigating coverage and allocation issues in a separate action filed in the Delaware Superior Court in December 2024 (the "Coverage Action"). The allocation issues arise out of the D&O insurance carriers' assertion that the allegations in the 2024 Class Action include claims against the FWAA Defendants, who are not named insureds, as well as claims against the Director Defendants in both their insured and uninsured capacities. Concurrent with the mediated settlement of the 2024 Class Action, the Company negotiated a settlement with the primary D&O insurance carrier that the parties are in the process of documenting. The primary D&O insurance carrier has agreed to fund a portion of the settlement of the 2024 Class Action in exchange for dismissal of the claims against it in the Coverage Action. FWAA has also agreed to contribute to the settlement of the 2024 Class Action in an amount that satisfies its retention on a separate insurance policy. The Company agreed to mediate with the excess D&O insurance carrier, which maintains a policy providing an additional \$5,000 of D&O insurance coverage, and FWAA's insurance carrier regarding the percentage allocation of the 2024 Class Action settlement to the Director Defendants in their insured and uninsured capacities. Following mediation, the Company agreed to settlements in principle with the excess D&O carrier as well as FWAA and its carrier. The Company is continuing to negotiate the documentation of the settlements in the Coverage Action.

Legal expenses incurred by the Company during the three months ended September 30, 2025 included \$1,187 of legal fees and no accrued settlement costs, offset by committed insurance and third-party contributions of \$3,650 toward the 2024 Class Action. There were no accrued settlement costs incurred. During the three months ended September 30, 2024, the Company incurred legal fees of \$293 related to the 2024 Class Action. Legal expenses incurred by the Company during the nine months ended September 30, 2025 included \$4,649 of legal fees and \$11,375 of accrued settlement costs, offset by committed insurance and third-party contributions of \$11,150 toward the 2024 Class Action. During the nine months ended September 30, 2024, the Company incurred \$293 related to the 2024 Class Action. These legal expenses were recorded within general and administrative expenses on the Condensed Consolidated Statements of Operations and Comprehensive Loss and accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets.

In May 2021, the Company entered into a licensing agreement with a service provider, as further amended in July 2021 (the "Service Provider Agreement"), to license the provider's software and participate in the provider's energy demand response program to generate revenue for the Company. The Company paid the service provider \$3,500 for the first 25 months of the 60-month license, with no additional payment due until July 2023. In October 2022, the Company sought to rescind the Agreement on the basis that it believed it was misled about the business opportunity available and the nature of the parties' arrangement. In January 2024, the service provider brought suit against the Company for breach of contract in the Superior Court of California for the County of San Francisco seeking damages for the Company's failure to make the monthly \$140 payments for the license. In February 2024, the Company filed a cross-complaint against the service provider for fraudulent inducement; rescission; breach of contract; and related equitable claims. The parties engaged in substantial written discovery and depositions. In January 2025, the Company moved for summary judgment on the Agreement's limitation of liability provision, asserting that the service provider could not recover damages under the contract. In February 2025, the parties participated in a mediation, which ultimately led to the parties' agreement to settle the matter. The final settlement agreement was signed in March 2025, and the case was dismissed with prejudice.

In April 2023, a collective action was filed against the Company in Federal Court in Georgia (the "Federal Court") by two former employees alleging failure to pay overtime wages in violation of the Fair Labor Standards Act ("FLSA"). The plaintiffs claim they were improperly classified as exempt employees under the FLSA and thus should have been entitled to overtime pay. Limited discovery was conducted in 2023, and Plaintiffs moved for conditional certification of a collective class in July 2023, which was granted on March 31, 2024. Notice was issued to potential class members, who had until July 15, 2024, to opt into the lawsuit. In October 2024, the parties engaged in a private mediation and agreed to settle the matter for a total amount of \$1,500, inclusive of all Plaintiffs' attorneys' fees and costs and related releases, subject to a written agreement and the Federal Court's approval. The Court approved the settlement and dismissed the case on December 31, 2024. As of December 31, 2024, the Company recorded a legal accrual of \$1,500 related to this matter within general and administrative expenses on the Condensed Consolidated Statements of Operations and Comprehensive Loss and accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets. The settlement amount was paid in full in January 2025.

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

The Company regularly reviews outstanding legal claims, actions and enforcement matters, if any exist, to determine if accruals for expected negative outcomes of such matters are probable and can be reasonably estimated. The Company evaluates any such outstanding matters based on management's best judgment after consultation with counsel. There is no assurance that the Company's accruals for loss contingencies will not need to be adjusted in the future. The amount of such adjustment could significantly exceed the accruals the Company has recorded. As of September 30, 2025 and December 31, 2024, an accrual of \$11,375 and \$1,500, respectively, was included within accrued expenses and other current liabilities related to the legal matters discussed above. As of September 30, 2025, a receivable of \$10,150 was included within prepaid expenses and other current assets related to committed insurance and third-party contributions related to the legal matter discussed above. No such accrual was included as of December 31, 2024.

NOTE 13. SEGMENT REPORTING

The Company operates as a single operating segment, which is also its only reportable segment as its CODM, which is currently the Company's President and Chief Executive Officer, reviews financial information on a consolidated basis for purposes of allocating resources and evaluating financial performance. The Company's principal operations are in the United States and the Company's long-lived assets are located primarily within the United States. The Company held \$11,508 and \$8,023 of assets outside the United States on September 30, 2025, and December 31, 2024, respectively.

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

The CODM uses revenue, gross profit, operating expenses, and net income as the primary measures to assess performance and to make strategic decisions regarding product development, market expansion, and resource allocation. Key financial performance measures of the segment are as follows.

	For the three months ended September 30,		For the nine months ended September 30,	
	2025	2024	2025	2024
Revenue				
Hardware	\$ 11,506	\$ 18,707	\$ 45,479	\$ 72,460
Professional Services	7,035	3,308	15,255	12,582
Deferred hub amortization	3,424	5,177	12,701	16,435
SaaS	14,237	13,318	42,419	38,040
Total revenue	<u>36,202</u>	<u>40,510</u>	<u>115,854</u>	<u>139,517</u>
Cost of revenue				
Hardware	13,836	13,843	40,664	48,845
Professional Services	6,800	6,840	20,330	22,157
Deferred hub amortization	1,819	2,735	6,559	8,461
SaaS	4,178	3,635	12,502	9,869
Total cost of revenue	<u>26,633</u>	<u>27,053</u>	<u>80,055</u>	<u>89,332</u>
Gross profit	<u>9,569</u>	<u>13,457</u>	<u>35,799</u>	<u>50,185</u>
Operating expenses				
Operating expenses excluding stock compensation and depreciation and amortization	13,286	22,659	60,639	67,925
Stock compensation	2,019	1,366	6,597	7,341
Depreciation and amortization	1,291	1,169	3,635	3,733
Total operating expenses	<u>16,596</u>	<u>25,194</u>	<u>70,871</u>	<u>78,999</u>
Impairment charge	-	-	24,929	-
Loss from operations	<u>(7,027)</u>	<u>(11,737)</u>	<u>(60,001)</u>	<u>(28,814)</u>
Other segment items ⁽¹⁾	757	1,814	2,687	6,594
Net loss	<u>\$ (6,270)</u>	<u>\$ (9,923)</u>	<u>\$ (57,314)</u>	<u>\$ (22,220)</u>

(1) Other segment items include interest income, net, other income (expense), net, and income tax expense (benefit).

The CODM is regularly provided with the consolidated cost of revenue and consolidated operating expenses as noted on the face of the Condensed Consolidated Statement of Operations and Comprehensive Loss, as these make up the significant expenses included in the measure of the segment profit or loss. Reported segment revenues less the significant expenses defined in accordance with ASC 280-10-50-26A is equal to the reported segment profit or loss, and thus there are no other segment items to disclose herein.

The Company considers these categories significant based on their materiality to the segment's results and their importance in the CODM's evaluation of segment performance and resource allocation decisions.

SMARTRENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

NOTE 14. SUBSEQUENT EVENTS

In connection with the preparation of the accompanying condensed consolidated financial statements, the Company has evaluated events and transactions occurring after September 30, 2025 and through November 5, 2025, the date these financial statements were issued, for potential recognition or disclosure and has determined that there are no additional items to disclose except as disclosed below.

In October 2025, 5 shares of the Company's Class A Common Stock were issued to certain employees related to vested RSUs.

In October 2025, the Board approved the issuance of 219 RSUs to an employee under the Inducement Plan.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and related notes included herein and the consolidated financial statements and notes thereto for the year ended December 31, 2024 contained in our Annual Report on Form 10-K filed with the SEC.

This discussion may contain forward-looking statements based upon our current expectations that involve risks and uncertainties. Please refer to the section titled "Cautionary Note Regarding Forward-Looking Statements".

Overview

We are an enterprise real estate technology company that provides a comprehensive management platform designed for property owners, managers and residents. Our suite of products and services, which includes cloud-based SaaS solutions many of which are enabled by smart building hardware, provide seamless visibility and control over real estate assets. Our platform can lower operating costs, increase revenues, mitigate operational friction and protect assets for owners and operators, while providing a differentiated, elevated living experience for residents.

Through centrally connected devices ("Hub Devices"), which integrate our enterprise software with third party smart devices, we enable the integration of our platform with third-party smart devices, our own hardware devices and other technology interfaces. We use an open-architecture, brand-agnostic approach that allows owners, operators, and residents to manage their smart home systems through a single connected interface. Our Smart Community solutions include software and devices that power (i) smart apartments and homes, (ii) access control for buildings, common areas, and rental units, (iii) community and resident WiFi, and other solutions such as asset protection and monitoring and self-guided tours. Our Smart Operations solutions include work order management, the automation of leasing and resident call handling, audit management, and the automation of the inspection process. We also have a professional services team that provides customers with training, installation, and support services.

SmartRent is a category leader in the enterprise smart home solutions industry. As of September 30, 2025, we had 870,230 Units Deployed (as defined below) and approximately 600 customers who either have an active subscription or have purchased any SmartRent product in the past twelve months, including many of the largest multifamily residential owners in the United States. As of September 30, 2025, we believe our customers owned an aggregate of approximately 7.0 million rental units; this represents approximately 14% of the United States market for institutionally owned multifamily rental units and single-family rental homes. In addition to multifamily residential owners, our customers include some of the leading single-family rental homeowners, homebuilders, and iBuyers in the United States.

Our Business Model

We generate revenue primarily from sales of smart home systems that enable property owners and property managers to have visibility and control over assets, while providing all-in-one home control offerings for residents. Our revenue is generated from: (1) the direct sale to our customers of hosted services from monthly subscription fees collected from customers to provide access to services including access controls, asset monitoring, WiFi, and related services ("Hosted Services"); (2) the sale and delivery of smart home devices, which generally consist of a Hub Device, door-locks, thermostats, sensors, and light switches; and (3) installation and implementation of smart home devices that enable our Hosted Services. Subscription arrangements have contractual terms ranging from one month to ten years and the weighted average length of our recurring revenue contracts is 4.1 years.

Key Factors Affecting Our Performance

We believe that our success is dependent on many factors, including those further discussed below. Our operating results and cash flows are dependent upon a number of opportunities, challenges and other factors, including our ability to grow our customer base in a cost-effective manner, expand our hardware and hosted service offerings to generate increased revenue per Unit Deployed (as defined below), and provide high quality hardware products and hosted service applications to maximize revenue and improve the leverage of our business model. While these areas represent opportunities for us, they also represent challenges and risks that we must successfully address in order to operate our business.

Active Supply Chain Management

We continue to experience improvements in the challenges related to the global supply chain. In prior periods, the increased demand for electronics as a result of the COVID-19 pandemic, U.S. trade relations with China and certain other factors in recent periods led to a global shortage of semiconductors, including Z-wave chips, which are a central component of our Hub Devices. Due to this shortage in prior periods, we experienced Hub Device production delays, which affected our ability to meet scheduled installations and facilitate customer upgrades to our higher-margin Hub Devices. We also experienced shortages and shipment delays related to components for access control systems and made-to-order specialty locks.

The incremental improvements in the global supply chain are evidenced by our reduction of backlogged Units Deployed for Access Control and made-to-order locks.

Earlier this year, the U.S. government announced tariffs on goods imported from various countries to the U.S. Countries subject to such tariffs have imposed or may in the future impose reciprocal or retaliatory tariffs and other trade measures. An increase in tariffs could have an adverse impact on our cost structure, supply chain, and broader economic environment.

Investing in Research and Development

Our performance is significantly dependent on the investments we make in research and development, including our ability to attract and retain highly skilled research and development personnel. We must continually develop and introduce innovative new software services and hardware products, and integrate with third-party products and services, mobile applications and other new offerings.

In June 2025, we introduced an AI-powered intelligence layer and enhanced energy management tools designed to empower operators. Our energy management tools are powered by real-time thermostat and device data, which can help operators identify energy waste and make smarter energy decisions without adopting new systems or undergoing extra training.

New Products, Features and Functionality

We are evolving our business into a more diverse platform with new products, features and functionality that enhance the value of our smart home operating system. We have introduced a number of SaaS product enhancements and features, including Answer Automation and Work Management solutions, that streamline property management operations. We have also introduced Community WiFi, which provides communities with a private, device-dedicated WiFi network to power Hub Devices and other in-home smart devices, and Smart Package Room, which is a smart package management solution that transforms package visibility, reduces labor demands, optimizes storage space and enhances resident satisfaction. Our Smart Operations Solutions enhance our overall platform offering and customer value proposition by providing a comprehensive one-stop platform that broadens our support of property operations, enhancing the experience for residents, property owners and managers. We offer an open-API architecture that enables third-party partner integrations, resulting in a multi-functional platform that enhances property management workflow efficiencies, empowers team productivity, elevates resident interactions, and improves resident living experiences. In the future, we intend to continue to release new products and solutions and enhance our existing products and solutions, and we expect that our operating results will be impacted by these releases.

Category Adoption and Market Growth

Our future growth depends in part on the continued consumer adoption of software and hardware products which improve the resident experience and the growth of this market. We need to deliver solutions that enhance the resident experience and deliver value to our customers, rental property owners and operators, as well as homebuilders and developers, by providing products and solutions designed to enhance visibility and control over assets while providing additional revenue opportunities. During the year ended December 31, 2024, we experienced headwinds to adoption as certain customers deferred capital expenditures, driven by broader macroeconomic conditions, which resulted in a decrease in Units Shipped and New Units Deployed. In addition, changes in our executive leadership and the structure of our sales organization have impacted sales and overall volumes.

Recent Developments

In June 2025, we announced the appointment of Frank Martell as President and Chief Executive Officer. Mr. Martell replaced John Dorman, who had been serving as Interim Chief Executive Officer and President. Mr. Dorman will continue to serve as our Board Chair.

Basis of Presentation

The condensed consolidated financial statements and accompanying notes included elsewhere in this Report are prepared in accordance with GAAP.

Key Metrics

We regularly monitor a number of operating metrics in order to evaluate our operating performance, identify trends affecting our business, formulate business plans, measure our progress and make strategic decisions. Our key metrics are not based on any standardized industry methodology and are not necessarily calculated in the same manner or comparable to similarly titled measures presented by other companies. Similarly, our key metrics may differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology. The numbers that we use to calculate our key metrics are based on internal data. While these numbers are based on what we believe to be reasonable judgments and estimates for the applicable period of measurement, there are inherent challenges in measuring such information. We regularly review and may adjust our processes for calculating our internal metrics to improve their accuracy.

Units Deployed and New Units Deployed

We define Units Deployed as the aggregate number of Hub Devices that have been installed (including customer self-installations) and have an active subscription as of a stated measurement date. We utilize the Units Deployed metric to assess the health of our business and measure the trajectory of our growth. We define New Units Deployed as the aggregate number of Hub Devices that were installed (including customer self-installations) and resulted in a new active subscription during a stated measurement period. Although our revenue is primarily driven by New Units Deployed and the number of Units Deployed, due to the expansion of our products and services that don't require a Hub Device, and Hub Device upgrades that do not result in net new active subscriptions, the correlation between New Units Deployed and revenue is not as strong as it was historically. Although the correlation has decreased, New Units Deployed is still an indicator of our ability to acquire new customers and expand our relationships with our current customers. As of September 30, 2025 and 2024, we had an aggregate of 870,230 and 787,038 Units Deployed, respectively. For the three months ended September 30, 2025 and 2024, we had 22,644 and 15,168 New Units Deployed, respectively. For the nine months ended September 30, 2025 and 2024, we had 61,826 and 67,347 New Units Deployed, respectively.

Units Shipped

We define Units Shipped as the aggregate number of Hub Devices that have been shipped to customers during a stated measurement period. Units Shipped is used to assess the trajectory of our growth and is an indicator of our ability to acquire new customers and expand our relationships with our current customers. However, we caution that Units Shipped also includes Hub Devices for upgrades and out of warranty replacements and may not be an indicator of New Units Deployed in future periods. For the three months ended September 30, 2025 and 2024, we had 20,047 and 44,763 Units Shipped, respectively. For the nine months ended September 30, 2025 and 2024, we had 90,008 and 145,287 Units Shipped, respectively.

Units Booked

We define Units Booked as the aggregate number of Hub Device units subject to binding orders executed during a stated measurement period that will result in a New Unit Deployed. We utilize the concept of Units Booked to measure estimated near-term resource demand and the resulting approximate range of post-delivery revenue that we will earn and record. Units Booked represent binding orders only. For the three months ended September 30, 2025 and 2024 there were 22,080 and 17,048 Units Booked, respectively. For the nine months ended September 30, 2025 and 2024 there were 64,609 and 101,029 Units Booked, respectively. For the three months ended September 30, 2025 and 2024, ARR (as defined below) related to Units Booked was \$2,110 and \$1,991, respectively. For the nine months ended September 30, 2025 and 2024, ARR related to Units Booked was \$6,753 and \$7,301, respectively.

Bookings

We define Bookings as the contract value of hardware, professional services, and the first year of ARR for binding orders executed during a stated measurement period, including renewals and upgrades. We utilize Bookings to measure revenue expected to be earned in future periods from orders contracted during the current period. For the three months ended September 30, 2025 and 2024, Bookings were \$23,955 and \$19,582, respectively. For the nine months ended September 30, 2025 and 2024, Bookings were \$81,595 and \$103,864, respectively.

SaaS Revenue

We define SaaS Revenue as monthly subscription revenue from fees paid by customers for access to one or more of SmartRent's software applications, including access controls, asset monitoring and related services, and our Community WiFi solution. We believe that SaaS Revenue growth demonstrates our ability to acquire new customers and to maintain and expand our relationships with existing customers. More specifically, we monitor our SaaS Revenue to assess the general health and trajectory of our Hosted Services business. Arrangements with customers do not provide the customer with the right to take possession of SmartRent's software at any time. Customers are granted continuous access to the services over the contractual period. As of September 30, 2025, approximately 33% of our ARR had prepaid payment terms. We believe that our customer base is inherently sticky given the barriers to entry associated with rolling out an integrated enterprise solution across a portfolio of rental units. For the three months ended September 30, 2025 and 2024, we generated SaaS Revenue of \$14.2 million and \$13.3 million, respectively. For the nine months ended September 30, 2025 and 2024, we generated SaaS Revenue of \$42.4 million and \$38.0 million, respectively.

Annual Recurring Revenue

We define Annual Recurring Revenue ("ARR") as the annualized value of our SaaS Revenue earned in the current quarter, which we calculate by taking the total amount of SaaS Revenue in the current quarter and multiplying that amount by four. We believe that ARR growth demonstrates our ability to acquire new customers and to maintain and expand our relationships with existing customers. More specifically, we monitor our ARR to assess the general health and trajectory of our Hosted Services business. As of September 30, 2025 and 2024, ARR was approximately \$56.9 million and approximately \$53.2 million, respectively.

Hardware Average Revenue per Unit ("ARPU"), Professional Services ARPU, SaaS ARPU, and Units Booked SaaS ARPU

We define Hardware ARPU as total hardware revenue during a given period divided by the total Units Shipped during the same period. Hardware ARPU is used to evaluate the effectiveness of our hardware pricing and assess our ability to market and sell our hardware offerings. For the three months ended September 30, 2025 and 2024, Hardware ARPU was \$574 and \$418, respectively. For the nine months ended September 30, 2025 and 2024, Hardware ARPU was \$505 and \$499, respectively.

We define Professional Services ARPU as total professional services revenue during a given period divided by the total New Units Deployed, excluding customer self-installations, during the same period. Professional Services ARPU is used to assess our ability to effectively price our installation services. For the three months ended September 30, 2025 and 2024, Professional Services ARPU was \$449 and \$443, respectively. For the nine months ended September 30, 2025 and 2024, Professional Services ARPU was \$416 and \$310, respectively.

We define SaaS ARPU as total SaaS Revenue during a given period divided by the average aggregate Units Deployed in the same period divided by the number of months in the period. Average aggregate Units Deployed is calculated as the Units Deployed as of the current period plus the Units Deployed as of the previous period divided by two. SaaS ARPU is used to evaluate the effectiveness of our SaaS pricing and assess our ability to market and sell our various software solutions. For the three months ended September 30, 2025 and 2024, SaaS ARPU was \$5.52 and \$5.70, respectively. For the nine months ended September 30, 2025 and 2024, SaaS ARPU was \$5.61 in both periods.

We define Units Booked SaaS ARPU as the first year ARR for binding orders with Units Booked executed during the stated measurement period divided by the total Units Booked in the same period divided by the number of months in the period. Units Booked SaaS ARPU is used to evaluate the effectiveness of our SaaS pricing and assess our ability to market and sell our various software solutions for orders executed during the period. For the three months ended September 30, 2025 and 2024, Units Booked SaaS ARPU was \$7.96 and \$9.73, respectively. For the nine months ended September 30, 2025 and 2024, Units Booked SaaS ARPU was \$8.71 and \$9.48, respectively.

Customer Churn

We define Customer Churn as cancelled deployed units during the measurement period divided by Units Deployed as of the beginning of the measurement period. Cancelled deployed units are the previously Units Deployed that have been cancelled during the same measurement period in which a customer cancels all product subscriptions. Our Hosted Services growth is driven by our ability to retain our customers and minimize Customer Churn. For the three months ended September 30, 2025 and 2024, our Customer Churn for our Smart Communities Solutions was 0.05% and 0.01%, respectively. For the nine months ended September 30, 2025 and 2024, our Customer Churn for our Smart Communities Solutions was 0.15% and 0.06%, respectively.

Property Net Revenue Retention

We define Property Net Revenue Retention as SaaS Revenue at the end of the current period related to properties which had SaaS Revenue at the end of the same period in the prior year, divided by SaaS Revenue at the end of the same period in the prior year for those same properties. Property Net Revenue Retention includes additions to revenue from price increases on existing products, additions of new products at existing properties and transfers of ownership, offset by any reductions in revenue caused by cancellations or downgrades. Property Net Revenue Retention was 104% as of September 30, 2025 compared to 101% as of September 30, 2024.

Customer Net Revenue Retention

We define Customer Net Revenue Retention as SaaS Revenue at the end of the current period related to customers which had SaaS Revenue at the end of the same period in the prior year, divided by SaaS Revenue at the end of the same period in the prior year for those same customers. A customer with SaaS Revenue is defined as an entity that has an active subscription during the stated period. Customer Net Revenue Retention includes additions to revenue from transfers of ownership, price increases on existing products and additions of new products at existing properties, offset by any reductions in revenue caused by cancellations or downgrades. Customer Net Revenue Retention was 113% as of September 30, 2025.

The table below summarizes our key metrics.

	Three months ended September 30,			Nine months ended September 30,		
	2025	2024	Change %	2025	2024	Change %
Hardware						
Hardware Units Shipped	20,047	44,763	(55)%	90,008	145,287	(38)%
Hardware ARPU	\$ 574	\$ 418	37%	\$ 505	\$ 499	1%
Professional Services						
New Units Deployed	22,644	15,168	49%	61,826	67,347	(8)%
Professional services ARPU	\$ 449	\$ 443	1%	\$ 416	\$ 310	34%
Hosted Services						
Units Deployed	870,230	787,038	11%	870,230	787,038	11%
Average aggregate units deployed	859,093	779,454	10%	839,864	753,365	11%
SaaS ARPU	\$ 5.52	\$ 5.70	(3)%	\$ 5.61	\$ 5.61	0%
Bookings						
Units Booked	22,080	17,048	30%	64,609	101,029	(36)%
Bookings (in thousands)	\$ 23,955	\$ 19,582	22%	\$ 81,595	\$ 103,864	(21)%
Units Booked SaaS ARPU	\$ 7.96	\$ 9.73	(18)%	\$ 8.71	\$ 9.48	(8)%

Components of Results of Operations

Revenue

We generate revenue primarily from sales of systems that consist of hardware devices, professional installation services and Hosted Services enabling property owners and property managers to have visibility and control over assets, while providing all-in-one home control offerings for residents. We record revenue as earned when control of these products and services is transferred to the customer in an amount that reflects the consideration we expect to collect for those products and services. The table below summarizes our revenue by solution.

	For the three months ended September 30,								For the nine months ended September 30,							
	2025				2024				2025				2024			
	(dollars in thousands)								(dollars in thousands)							
SmartRe nt Solutions	Hardw are	Profes sional Servic es	Hoste d Servic es	Total 2025	Hardw are	Profes sional Servic es	Hoste d Servic es	Total 2024	Hardw are	Profes sional Servic es	Hoste d Servic es ⁽¹⁾	Total 2025	Hardw are	Profes sional Servic es	Hoste d Servic es ⁽¹⁾	Total 2024
Smart Communit ies Solutions																
Smart Apartmen ts	\$ 10,182	\$ 6,137	\$ 13,599	\$ 29,918	\$ 16,569	\$ 2,387	\$ 14,445	\$ 33,401	\$ 41,437	\$ 12,938	\$ 42,623	\$ 96,998	\$ 66,119	\$ 9,558	\$ 42,661	\$ 118,338
Access Control	736	502	501	1,739	1,034	415	477	1,926	2,568	1,245	1,646	5,459	2,920	1,935	1,217	6,072
Commun ity WiFi	94	164	192	450	146	300	181	627	151	423	594	1,168	291	537	521	1,349
Other	494	232	737	1,463	963	206	575	1,744	1,323	649	2,201	4,173	3,136	607	1,504	5,247
Smart Operat ions Solutions	-	-	2,632	2,632	(5)	-	2,817	2,812	-	-	8,056	8,056	(6)	(55)	8,572	8,511
Total Revenue	\$ 11,506	\$ 7,035	\$ 17,661	\$ 36,202	\$ 18,707	\$ 3,308	\$ 18,495	\$ 40,510	\$ 45,479	\$ 15,255	\$ 55,120	\$ 115,854	\$ 72,460	\$ 12,582	\$ 54,475	\$ 139,517

(1) For the three months ended September 30, 2025 and 2024, Hosted services revenue for our Smart Apartments solution included hub amortization revenue of \$3,424 and \$5,177, respectively. For the nine months ended September 30, 2025 and 2024, Hosted services revenue for our Smart Apartments solution included hub amortization revenue of \$12,701 and \$16,435, respectively.

Hardware Revenue

We generate revenue from the direct sale to our customers of hardware smart home devices, which devices generally consist of a Hub Device, door-locks, thermostats, sensors, and light switches. These hardware devices provide features that function independently without subscription to our software, and the performance obligation for hardware revenue is considered satisfied and revenue is recognized at a point in time when the hardware device is shipped to the customer. Certain Hub Devices do not function independently without the subscription, and therefore, the revenue is recognized in Hosted Services revenue. We generally provide a one-year warranty period on hardware devices that are delivered and installed. We record the cost of the warranty as a component of cost of hardware revenue.

Professional Services Revenue

We generate professional services revenue from installing smart home hardware devices, which does not result in significant customization of the installed products and is generally performed over a period ranging from two to four weeks. Installations can be performed by our employees, can be contracted out to a third party with our employees managing the engagement, or can be performed by the customer. Professional services contracts are generally performed on a fixed-price basis and revenue is recognized over the period in which installations are completed.

Hosted Services Revenue

We generate hosted services revenue from (1) the direct sale to our customers of hosted services from monthly subscription fees collected from customers to provide access to one or more of our software applications including access controls, asset monitoring, WiFi, and related services ("Hosted Services") and (2) the amortization of non-distinct Hub Devices. The subscription arrangements have contractual terms ranging from one month to ten years and include recurring fixed plan subscription fees. The weighted average length of our recurring revenue contracts is 4.1 years. Our arrangements do not provide the customer with the right to take possession of our software at any time. Customers are granted continuous access to the services over the contractual period. Accordingly, fees collected for subscription services are recognized on a straight-line basis over the contract term beginning on the date the subscription service is made available to the customer.

We sold certain Hub Devices, which only function with the subscription to our software applications and related hosting services. We consider those devices and hosting services subscription as a single performance obligation, and therefore we defer the recognition of revenue for those devices that are sold with application subscriptions. The estimated average in-service life of those devices is four years. When a Hub Device without independent functionality is included in a contract that does not require a long-term service commitment, the customer obtains a material right to renew the service because purchasing a new device is not required upon renewal. If a contract contains a material right, proceeds are allocated to the material right and recognized over the period of benefit, which is generally four years. We do not expect to deploy any more non-distinct Hub Devices.

Cost of Revenue

Cost of revenue consists primarily of direct costs of products and services together with the indirect cost of estimated warranty expense and customer care and support over the life of the service arrangement. We expect the cost of revenue to increase in absolute dollars in future periods commensurate with increases in revenue. We record any change to cost of job performance and job conditions in the period during which the revision is identified.

Hardware

Cost of hardware revenue consists primarily of direct costs of products, Hub Devices, hardware devices and supplies purchased from third-party providers, shipping costs, warehouse facility (including depreciation and amortization of capitalized assets and right-of-use assets) and infrastructure costs, personnel-related costs associated with the procurement and distribution of our products and estimated warranty expenses together with the indirect cost of customer care and support. We expect an increase in cost of hardware revenue in absolute dollars in future periods commensurate with increases in revenue.

Tariffs imposed by the U.S. government since 2019, especially with respect to China, have subjected certain SmartRent products manufactured overseas to additional import duties. The amount of the import tariff has changed numerous times based on actions by the U.S. government. The U.S. government has implemented and threatened further increases to tariffs this year on imports from countries such as Canada, Mexico and China. Such actions may increase our cost of hardware revenue and reduce our hardware revenue margins in the future. We continue to monitor and evaluate changes in policy impacting global trade, including tariff regulations.

Professional Services

Cost of professional services revenue consists primarily of direct costs related to personnel-related expenses for installation and supervision of installation services, general contractor expenses and travel expenses associated with installation of our products, and indirect costs that are also primarily personnel-related expenses in connection with training of and ongoing support for customers and residents.

Hosted Services

Cost of Hosted Services revenue consists primarily of the amortization of the direct costs of certain Hub Devices consistent with the revenue recognition period noted above in "Hosted Services Revenue" and infrastructure costs associated with providing our software applications together with the indirect cost of customer care and support over the life of the service arrangement. In future periods, we expect the cost of Hosted Services revenue to increase in absolute dollars at a rate that is lower than the corresponding increase in Hosted Services revenue.

Operating Expenses

Research and Development

Research and development expenses consist primarily of personnel-related costs directly associated with our research and development activities. Our research and development efforts are focused on enhancing and developing additional functionality for our existing products and on new product development. We account for the cost of research and development by capitalizing qualifying costs, which are incurred during the product development stage, and amortizing those costs over the product's estimated useful life, which generally ranges from three to five years depending on the type of application. Costs incurred and capitalized during the product development stage generally include the costs of software configuration, coding, and testing. Such costs primarily include payroll and payroll-related expenses for employees directly involved in the product development. We expense preliminary evaluation costs as they are incurred before technological feasibility is achieved, as well as post development implementation and operation costs, such as training, maintenance and minor upgrades. We begin amortizing capitalized costs when a project is ready for its intended use, and we periodically reassess the estimated useful life of a project considering the effects of obsolescence, technology, competition and other economic factors which may result in a shorter remaining life. We believe our research and development costs will increase in absolute dollars as we increase our investment in product development to broaden the capabilities of our solutions and introduce new products and features.

Sales and Marketing Expenses

Our sales and marketing expenses consist of costs directly associated with our sales and marketing activities, which primarily include personnel-related costs, sales commissions, marketing programs, trade shows, and promotional materials. Our sales and marketing expenses may increase over time as we hire additional sales and marketing personnel, increase our lead generation activities, grow our operations, and continue to build brand awareness.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel-related costs associated with our general and administrative organization, professional fees for legal, accounting and other consulting services, office facility, insurance, information technology costs, legal settlements, and expenses incurred as a result of operating as a public company, including expenses related to compliance with the rules and regulations of the SEC and stock exchange listing requirements, additional insurance expense, investor relations activities and other administrative and professional services. We may also increase the size of our general and administrative staff in order to support the growth of our business but at a rate that is lower than the corresponding increase in total revenue.

Impairment Charge

Impairment charge consists of goodwill impairment. See Note 2 - Significant Accounting Policies for more information.

Other Income/Expenses

Other income/expenses consist primarily of interest income, net of interest expense, foreign currency transaction gains and losses, and other income related to the operations of foreign subsidiaries. Interest expense is recorded in connection with our various debt facilities. Foreign currency transaction gains and losses relate to the impact of transactions denominated in a foreign currency other than the U.S. dollar. If we continue to expand our international operations, our exposure to fluctuations in foreign currencies has increased, which we expect to continue.

Provision for Income Taxes

The income tax expense on the Condensed Consolidated Statement of Operations and Comprehensive Loss is primarily related to the foreign and state taxes offset by a change in the valuation allowance. We established a full valuation allowance for net deferred U.S. federal and state tax assets, including net operating loss carryforwards. We expect to maintain this valuation allowance until it becomes more likely than not that the benefit of the federal and state deferred tax assets will be realized in future periods if it reports taxable income. We believe that we have established an adequate allowance for uncertain tax positions, although we can provide no assurance that the final outcome of these matters will not be materially different. To the extent that the final outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made.

Results of Operations for the Three and Nine Months Ended September 30, 2025 and 2024

The results of operations presented below should be reviewed together with the condensed consolidated financial statements and notes included elsewhere in this Report. The following table summarizes our historical consolidated results of operations data for the periods presented. The period-to-period comparison of operating results is not necessarily indicative of results for future periods. All dollars are in thousands unless otherwise stated.

	Three months ended September 30,		Change \$	Change %	Nine months ended September 30,		Change \$	Change %
	2025	2024			2025	2024		
	(dollars in thousands)				(dollars in thousands)			
Revenue								
Hardware	\$ 11,506	\$ 18,707	\$ (7,201)	(38)%	\$ 45,479	\$ 72,460	\$ (26,981)	(37)%
Professional services	7,035	3,308	3,727	113%	15,255	12,582	2,673	21%
Hosted services	17,661	18,495	(834)	(5)%	55,120	54,475	645	1%
Total revenue	36,202	40,510	(4,308)	(11)%	115,854	139,517	(23,663)	(17)%
Cost of revenue								
Hardware	13,836	13,843	(7)	(0)%	40,664	48,845	(8,181)	(17)%
Professional services	6,800	6,840	(40)	(1)%	20,330	22,157	(1,827)	(8)%
Hosted services	5,997	6,370	(373)	(6)%	19,061	18,330	731	4%
Total cost of revenue	26,633	27,053	(420)	(2)%	80,055	89,332	(9,277)	(10)%
Operating expense								
Research and development	6,149	6,596	(447)	(7)%	20,872	22,442	(1,570)	(7)%
Sales and marketing	4,354	4,444	(90)	(2)%	15,499	13,714	1,785	13%
General and administrative	6,093	14,154	(8,061)	(57)%	34,500	42,843	(8,343)	(19)%
Total operating expenses	16,596	25,194	(8,598)	(34)%	70,871	78,999	(8,128)	(10)%
Impairment charge	-	-	-	100%	24,929	-	24,929	100%
Loss from operations	(7,027)	(11,737)	4,710	40%	(60,001)	(28,814)	(31,187)	(108)%
Other income (expense)								
Interest income, net	891	2,019	(1,128)	(56)%	3,103	6,718	(3,615)	(54)%
Other (expense) income, net	(78)	(187)	109	58%	(285)	7	(292)	(4171)%
Loss before income taxes	(6,214)	(9,905)	3,691	37%	(57,183)	(22,089)	(35,094)	(159)%
Income tax expense	56	18	38	211%	131	131	-	0%
Net Loss	\$ (6,270)	\$ (9,923)	\$ 3,653	37%	\$ (57,314)	\$ (22,220)	\$ (35,094)	(158)%

Comparison of the three and nine months ended September 30, 2025 and 2024

Revenue

	Three months ended September 30,		Change \$	Change %	Nine months ended September 30,		Change \$	Change %
	2025	2024			2025	2024		
	(dollars in thousands)				(dollars in thousands)			
Revenue								
Hardware	\$ 11,506	\$ 18,707	\$ (7,201)	(38)%	\$ 45,479	\$ 72,460	\$ (26,981)	(37)%
Professional services	7,035	3,308	3,727	113%	15,255	12,582	2,673	21%
Hosted services	17,661	18,495	(834)	(5)%	55,120	54,475	645	1%
Total revenue	\$ 36,202	\$ 40,510	\$ (4,308)	(11)%	\$ 115,854	\$ 139,517	\$ (23,663)	(17)%

Total revenue decreased by \$4.3 million, or 11%, to \$36.2 million for the three months ended September 30, 2025, from \$40.5 million for the three months ended September 30, 2024. The decrease was primarily driven by a decrease in Units Shipped to 20,047 for the three months ended September 30, 2025 from 44,763 for the three months ended September 30, 2024, partially offset by an increase in New Units Deployed to 22,644 units for the three months ended September 30, 2025 from 15,168 units for the three months ended September 30, 2024. The overall decrease in Units Shipped is primarily attributable to our customers' decisions to defer capital expenditures, driven by broader macroeconomic conditions. In addition, changes in leadership and the structure of our sales organization have adversely impacted sales and overall volumes.

Total revenue decreased by approximately \$23.6 million, or 17%, to \$115.9 million for the nine months ended September 30, 2025, from \$139.5 million for the three months ended September 30, 2024. The decrease was primarily driven by a 38% decrease in Units Shipped to 90,008 for the nine months ended September 30, 2025 from 145,287 for the nine months ended September 30, 2024 and a decrease in New Units Deployed to 61,826 units for the nine months ended September 30, 2025 from 67,347 units for the nine months ended September 30, 2024, partially offset by revenue generated from the installation of Hub Device upgrades and a 11% increase in the number of cumulative active subscriptions for our Hosted Services during the nine months ended September 30, 2025 compared to the nine months ended September 30, 2024. The overall decrease in Units Shipped and New Units Deployed is primarily attributable to our customers' decisions to defer capital expenditures, driven by broader macroeconomic conditions. In addition, changes in leadership and the structure of our sales organization have adversely impacted sales and overall volumes.

Hardware revenue decreased by approximately \$7.2 million, or 38%, to \$11.5 million for the three months ended September 30, 2025, from \$18.7 million for the three months ended September 30, 2024. This decrease in hardware revenue was primarily driven by a 55% decrease in Units Shipped to 20,047 for the three months ended September 30, 2025 from 44,763 for the three months ended September 30, 2024.

Hardware revenue decreased by \$27.0 million, or 37%, to \$45.5 million for the nine months ended September 30, 2025, from \$72.5 million for the nine months ended September 30, 2024. This decrease in hardware revenue was primarily driven by a 38% decrease in Units Shipped to 90,008 for the nine months ended September 30, 2025 from 145,287 for the nine months ended September 30, 2024.

Professional services revenue increased by \$3.7 million, or 113%, to \$7.0 million for three months ended September 30, 2025, from \$3.3 million for the three months ended September 30, 2024. The increase in professional services revenue was primarily driven by a 49% increase in New Units Deployed to 22,644 units for the three months ended September 30, 2025 from 15,168 units for the three months ended September 30, 2024.

Professional services revenue increased by \$2.7 million, or 21%, to \$15.3 million for nine months ended September 30, 2025, from \$12.6 million for the nine months ended September 30, 2024. The increase in professional services revenue was primarily driven by a 34% increase in Professional services ARPU to \$416 for the nine month ended September 30, 2025 from \$310 for the nine months ended September 30, 2024. The increase in ARPU was partially offset by an 8% decrease in New Units Deployed to 61,826 units for the nine months ended September 30, 2025 from 67,347 units for the nine months ended September 30, 2024.

Hosted Services revenue decreased by \$0.8 million, or 5%, to \$17.7 million for the three months ended September 30, 2025, from \$18.5 million for the three months ended September 30, 2024. Of the \$17.7 million revenue in 2025, \$14.2 million is related to SaaS Revenue and approximately \$3.5 million is related to hub amortization. Revenue from SaaS increased by \$0.9 million, or 7%, and revenue from hub amortization decreased by \$1.7 million from the three months ended September 30, 2024 to the three months ended September 30, 2025. The increase of Hosted Services revenue resulted primarily from a 11% increase in the aggregate number of Units Deployed from 787,038 units at September 30, 2024 to 870,230 units at September 30, 2025.

Hosted Services revenue increased by \$0.6 million, or 1%, to \$55.1 million for the nine months ended September 30, 2025, from \$54.5 million for the nine months ended September 30, 2024. Of the \$55.1 million revenue in 2025, \$42.4 million is related to SaaS Revenue and \$12.7 million is related to hub amortization. Revenue from SaaS increased by \$4.4 million, or 12%, and revenue from hub amortization decreased by \$3.8 million from the nine months ended September 30, 2024 to the nine months ended September 30, 2025. The increase of Hosted Services revenue resulted primarily from a 11% increase in the aggregate number of Units Deployed from 787,038 units at September 30, 2024 to 870,230 units at September 30, 2025.

We don't expect to deploy any more non-distinct Hub Devices, thus, the revenue contribution from hub amortization should continue to decrease in future periods until the non-distinct Hub Devices are fully amortized. The table below shows the expected revenue contribution from hub amortization.

	2025		2026		2027	
	(dollars in thousands)					
Revenue contribution from hub amortization						
Q1 ⁽¹⁾	\$	4,658	\$	2,071	\$	154
Q2 ⁽¹⁾		4,619		1,452		51
Q3 ⁽¹⁾		3,424		886		17
Q4		2,659		407		6
Total	\$	15,360	\$	4,816	\$	228

(1) Q1 2025, Q2 2025 and Q3 2025 amounts are actuals.

Cost of Revenue

	Three months ended				Nine months ended									
	September 30,		Change	Change	September 30,		Change	Change						
	2025	2024			2025	2024								
	(dollars in thousands)				(dollars in thousands)									
Cost of revenue														
Hardware	\$	13,836	\$	13,843	\$	(7)	(0)%	\$	40,664	\$	48,845	\$	(8,181)	(17)%
Professional services		6,800		6,840		(40)	(1)%		20,330		22,157		(1,827)	(8)%
Hosted services		5,997		6,370		(373)	(6)%		19,061		18,330		731	4%
													(9,27)	
Total cost of revenue	\$	26,633	\$	27,053	\$	(420)	(2)%	\$	80,055	\$	89,332	\$	(9,277)	(10)%

Total cost of revenue decreased by \$0.4 million, or 2%, to approximately \$26.7 million for the three months ended September 30, 2025, from \$27.1 million for the three months ended September 30, 2024. The decrease in cost of revenue resulted primarily from a \$0.9 million decrease in hub amortization partially offset by a \$0.5 million increase in SaaS revenue.

Total cost of revenue decreased by \$9.3 million, or 10%, to approximately \$80.0 million for the nine months ended September 30, 2025, from \$89.3 million for the nine months ended September 30, 2024. The decrease in cost of revenue resulted primarily from a 38% decrease in Units Shipped and an 8% decrease in New Units Deployed, partially offset by a 11% increase in the aggregate number of Units Deployed resulting in a greater number of active subscriptions for our software service applications.

Hardware cost of revenue was flat at \$13.8 million for the three months ended September 30, 2025 and 2024. While Units Shipped decreased by 55%, an unfavorable product mix related to locks, along with inventory write-offs and warranty items, resulted in a higher average unit cost. During the three months ended September 30, 2025, we recorded \$1,794 of inventory write-offs related to the sunsetting of our parking management solution, resulting from strategic changes made during the three months ended September 30, 2025.

Hardware cost of revenue decreased by approximately \$8.1 million, or 17%, to \$40.7 million for the nine months ended September 30, 2025, from \$48.8 million for the nine months ended September 30, 2024. This decrease in hardware cost of revenue was primarily attributable to a 38% decrease in Units Shipped.

Professional services cost of revenue was flat at \$6.8 million for the three months ended September 30, 2025 and 2024. Third-party direct labor costs increased approximately \$1.0 million, driven by a 49% increase in New Units Deployed. This was offset by a decrease of \$1.0 million in personnel-related costs and travel expenses.

Professional services cost of revenue decreased by \$1.9 million, or 8%, to \$20.3 million for the nine months ended September 30, 2025, from \$22.2 million for the nine months ended September 30, 2024. The decrease in professional services cost of revenue is primarily attributable to a decrease of \$1.7 million in personnel-related costs and travel driven by a 8% decrease in New Units Deployed.

Hosted Services cost of revenue decreased by \$0.4 million, or 6%, to \$6.0 million for the three months ended September 30, 2025, from \$6.4 million for the three months ended September 30, 2024. The decrease was driven by a \$0.9 million decrease in hub amortization, partially offset by a 11% increase in the aggregate number of Units Deployed resulting in a greater number of active subscriptions for our software service applications.

Hosted Services cost of revenue increased by approximately \$0.8 million, or 4%, to \$19.1 million for the nine months ended September 30, 2025, from \$18.3 million for the nine months ended September 30, 2024. The increase resulted from a 11% increase in the aggregate number of Units Deployed resulting in a greater number of active subscriptions for our software service applications and an increase in personnel-related costs of \$0.9 million, partially offset by a \$1.9 million decrease in hub amortization.

Operating Expenses

	Three months ended September 30,		Change \$	Change %	Nine months ended September 30,		Change \$	Change %
	2025	2024			2025	2024		
	(dollars in thousands)				(dollars in thousands)			
Research and development	\$ 6,149	\$ 6,596	\$ (447)	(7)%	\$ 20,872	\$ 22,442	\$ (1,570)	(7)%
Sales and marketing	4,354	4,444	(90)	(2)%	15,499	13,714	1,785	13%
General and administrative	6,093	14,154	(8,061)	(57)%	34,500	42,843	(8,343)	(19)%

Research and development expenses decreased by \$0.4 million, or 7%, to approximately \$6.2 million for the three months ended September 30, 2025, from \$6.6 million for the three months ended September 30, 2024, primarily related to a decrease of \$0.2 million in personnel-related expenses.

Research and development expenses decreased by approximately \$1.5 million, or 7%, to \$20.9 million for the nine months ended September 30, 2025, from \$22.4 million for the nine months ended September 30, 2024, primarily related to a decrease of \$1.2 million in personnel-related expenses.

Sales and marketing expenses were approximately flat at \$4.4 million for the three months ended September 30, 2025 and 2024. Personnel-related expenses increased by \$0.4 million, offset small decreases in other sales and marketing expenses such as conferences and trade shows, advertising, and business applications and software. We believe our sales and marketing expenses will increase in future periods as we continue to invest in building a scalable sales team, which began with hiring our new Chief Revenue Officer in September 2024.

Sales and marketing expenses increased by approximately \$1.8 million, or 13%, to \$15.5 million for the nine months ended September 30, 2025 from \$13.7 million for the nine months ended September 30, 2024, resulting primarily from an increase of \$1.1 million in third-party consultants and \$0.6 million in personnel-related expenses. We believe our sales and marketing expenses will increase in future periods as we continue to invest in building a scalable sales team, which began with hiring our new Chief Revenue Officer in September 2024.

General and administrative expenses decreased by approximately \$8.1 million, or 57%, to \$6.1 million for the three months ended September 30, 2025 from \$14.2 million for the three months ended September 30, 2024. This was primarily driven by a \$6.6 million decrease in legal expenses, of which \$2.5 million was related to accrual reversals which we don't expect to recur in future periods. Additionally, severance expense decreased by \$2.6 million as during the three months ended September 30, 2024, we incurred \$2.8 million of severance and related expenses attributable to the departure of our former CEO.

General and administrative expenses decreased by \$8.3 million, or 19%, to \$34.5 million for the nine months ended September 30, 2025 from \$42.8 million for the nine months ended September 30, 2024. This was primarily driven by a \$4.3 million decrease in legal expenses, a \$2.5 million decrease in severance expense, and a \$2.3 million decrease related to the impairment of an investment in a non-affiliate in the prior year. Our legal expenses incurred during the nine months ended September 30, 2025 included \$4.6 million of legal fees and \$11.4 million of accrued settlement costs, offset by committed insurance and third-party contributions of \$11.2 million. See Note 12 - Commitments and Contingencies for more information.

Goodwill Impairment Charge

	Three months ended September 30,		Change \$	Change %	Nine months ended September 30,		Change \$	Change %
	2025	2024			2025	2024		
	(dollars in thousands)				(dollars in thousands)			
Impairment charge	\$ -	\$ -	\$ -	0%	\$ 24,929	\$ -	\$ 24,929	100%

During the nine months ended September 30, 2025, we identified certain indicators of impairment, which resulted in a goodwill impairment charge of \$24.9 million. See Note 2 - Significant Accounting Policies for additional information.

Other Income

	Three months ended September 30,				Nine months ended September 30,			
	2025		2024		2025		2024	
	(dollars in thousands)		Change \$	Change %	(dollars in thousands)		Change \$	Change %
Interest income, net	\$ 891	\$ 2,019	\$ (1,128)	(56)%	\$ 3,103	\$ 6,718	\$ (3,615)	(54)%
Other (expense) income, net	(78)	(187)	109	58%	(285)	7	(292)	(4,171)%

Interest income, net decreased by \$1.1 million to \$0.9 million for the three months ended September 30, 2025, from \$2.0 million for the three months ended September 30, 2024. The decrease in net interest income is primarily attributable to a lower cash balance on which we're earning interest, and a decrease in interest rates.

Interest income, net decreased by \$3.6 million to \$3.1 million for the nine months ended September 30, 2025, from \$6.7 million for the nine months ended September 30, 2024. The decrease in net interest income is primarily attributable to a lower cash balance on which we're earning interest, and a decrease in interest rates.

Income Taxes

	Three months ended September 30,				Nine months ended September 30,			
	2025		2024		2025		2024	
	(dollars in thousands)		Change \$	Change %	(dollars in thousands)		Change \$	Change %
Loss before income taxes	\$ (6,214)	\$ (9,905)	\$ 3,691	37%	\$ (57,183)	\$ (22,089)	\$ (35,094)	(159)%
Income tax expense	56	18	38	211%	131	131	-	0%

We provided a full valuation allowance on our net U.S. federal and state deferred tax assets at September 30, 2025 and 2024.

As of December 31, 2024, we had gross net operating losses of \$222.9 million and \$215.4 million for federal and state income tax return purposes, respectively. Federal net operating losses can be carried forward indefinitely, while State net operating losses will expire between 2032 and 2044. We also have \$0.1 million of R&D credits available that expire in 2039.

The income tax expense is related to the foreign and state taxes offset by a change in the valuation allowance.

Non-GAAP Financial Measures

To supplement the condensed consolidated financial statements, which are prepared and presented in accordance with GAAP, we present EBITDA and Adjusted EBITDA, described below, as non-GAAP measures. We believe the presentation of both GAAP and non-GAAP financial measures provides investors with increased transparency into financial measures used by our management team and improves investors' understanding of our underlying operating performance and their ability to analyze our ongoing operating trends.

All historic non-GAAP financial measures have been reconciled with the most directly comparable GAAP financial measures - these non-GAAP financial measures are not intended to supersede or replace our GAAP results.

We define EBITDA as net income (loss) computed in accordance with GAAP before interest income, net, income tax expense (benefit) and depreciation and amortization.

We define Adjusted EBITDA as EBITDA before expenses related to non-recurring legal matters, stock-based compensation, impairment of investment in non-affiliate, goodwill impairment, inventory write-offs, non-recurring warranty provisions, other acquisition expenses, and other expenses caused by non-recurring, or unusual, events that are not indicative of our ongoing business.

Our management uses EBITDA and Adjusted EBITDA to assess our financial and operating performance, and we believe these measures are helpful to management and external users in understanding our performance. EBITDA and Adjusted EBITDA help management identify controllable cash expenses and make decisions designed to help us meet our identified financial and operational goals and to optimize our financial performance, while neutralizing the impact of some expenses included in our operating results caused by external influences over which management has little or no control and by non-recurring, or unusual, events that might otherwise mask trends in our performance. Accordingly, we believe these metrics measure our financial performance based on operational factors that management can impact in the short-term, namely our cost structure and expenses.

We believe that the presentation of EBITDA and Adjusted EBITDA provides information useful to investors in assessing our results of operations. The GAAP measure most directly comparable to EBITDA and Adjusted EBITDA is net income (loss). EBITDA and Adjusted EBITDA are not used as measures of our liquidity and should not be considered alternatives to net income (loss) or any other measure of financial performance presented in accordance with GAAP. Our EBITDA and Adjusted EBITDA may not be comparable to the EBITDA and Adjusted EBITDA of other companies due to the fact that not all companies use the same definitions of EBITDA and Adjusted EBITDA. Accordingly, there can be no assurance that our basis for computing these non-GAAP measures is comparable with that of other companies.

The following table presents a reconciliation of net loss (as determined in accordance with GAAP) to EBITDA and Adjusted EBITDA for each of the periods indicated.

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
	(dollars in thousands)		(dollars in thousands)	
Net loss	\$ (6,270)	\$ (9,923)	\$ (57,314)	\$ (22,220)
Interest income, net	(891)	(2,019)	(3,103)	(6,718)
Income tax expense	56	18	131	131
Depreciation and amortization	2,201	1,644	6,210	4,730
EBITDA	(4,904)	(10,280)	(54,076)	(24,077)
Legal matters ⁽¹⁾	(2,464)	2,325	1,861	7,625
Stock-based compensation	2,084	1,653	7,081	8,218
Impairment of investment in non-affiliate	-	-	-	2,250
Goodwill impairment ⁽²⁾	-	-	24,929	-
Inventory write-off	1,794	-	1,794	-
Non-recurring warranty provision	(350)	(522)	(500)	(59)
Other acquisition expenses	-	(4)	(231)	253
Other non-operating expenses ⁽³⁾	915	3,006	2,496	3,267
Adjusted EBITDA	<u>\$ (2,925)</u>	<u>\$ (3,822)</u>	<u>\$ (16,646)</u>	<u>\$ (2,523)</u>

(1) Refer to Note 12 "Commitments and Contingencies".

(2) Refer to Note 2 "Significant Accounting Policies".

(3) During the three months ended September 30, 2025 and 2024, other non-operating expenses includes severance expenses of \$771 and \$2,816, respectively. During the nine months ended September 30, 2025 and 2024 other non-operating expenses includes severance expense of \$2,187 and \$3,066, respectively.

Liquidity and Capital Resources

Sources of Liquidity

As of September 30, 2025, we had cash and cash equivalents of \$100.0 million, which are held for working capital and general corporate purposes. Our cash equivalents are comprised primarily of money market funds. To date, our principal sources of liquidity have been the net proceeds received as a result of the Business Combination, and payments collected from sales to our customers.

Debt Issuances

Following the maturity of our Revolving Facility (as defined below) in December 2021, we entered into a \$75.0 million senior secured revolving credit facility with a five-year term (the "Senior Revolving Facility"). Interest rates for draws upon the Senior Revolving Facility are determined by whether we elect a secured overnight financing rate loan ("SOFR Loan") or alternate base rate loan ("ABR Loan"). For SOFR Loans, the interest rate is based upon the forward-looking term rate based on SOFR as published by the CME Group Benchmark Administration Limited ("CBA") plus 0.10%, subject to a floor of 0.00%, plus an applicable margin. For ABR Loans, the interest rate is based upon the highest of (i) the Prime Rate, (ii) the Federal Funds Effective Rate plus 0.50%, or (iii) 3.25%, plus an applicable margin. As of September 30, 2025, the applicable margins for SOFR Loans and ABR Loans under the Senior Revolving Facility were 1.75% and (0.50%), respectively. The Senior Revolving Facility is secured by substantially all of our assets and guaranteed by each of our material domestic subsidiaries.

We believe that our current cash, cash equivalents, and available borrowing capacity under the Senior Revolving Facility will be sufficient to fund our operations for at least the next 12 months from the filing of this Report. Our future capital requirements, however, will depend on many factors, including our sales volume, the expansion of sales and marketing activities, and market adoption of our new and enhanced products and features. We may in the future enter into arrangements to acquire or invest in complementary businesses, services, and technologies, including intellectual property rights. From time to time, we may seek to raise additional funds through equity and debt financings. If we are unable to raise additional capital when desired and on reasonable terms, our business, results of operations, and financial condition may be adversely affected.

Stock Repurchase Program

In March 2024, the Board authorized a stock repurchase program pursuant to which we may repurchase up to \$50 million of our Class A common stock. Repurchases under the program may be made from time to time through open market purchases or through privately negotiated transactions subject to market conditions, applicable legal requirements and other relevant factors. The repurchase program does not obligate us to acquire any particular amount of our Class A common stock and may be suspended at any time at our discretion. The timing and number of shares repurchased will depend on a variety of factors, including the stock price, business and market conditions, corporate and regulatory requirements, alternative investment opportunities, acquisition opportunities, and other factors.

During the three months ended September 30, 2025, we did not repurchase any shares of our Class A common stock under the stock repurchase program. During the nine months ended September 30, 2025, we repurchased 5.1 million shares of our Class A common stock under the stock repurchase program at an average price of approximately \$0.96 per share for a total of \$4.9 million. As of September 30, 2025, approximately \$16.8 million of our Class A Common Stock remained available for stock repurchase pursuant to our stock repurchase program.

During the three months ended September 30, 2024, we repurchased 9.8 million shares of our Class A common stock under the stock repurchase program at an average price of approximately \$1.75 per share for a total of \$17.1 million. During the nine months ended September 30, 2024, we repurchased 12.1 million shares of our Class A common stock under the stock repurchase program at an average price of approximately \$1.93 per share for a total of \$23.5 million.

Cash Flow Summary - Nine Months Ended September 30, 2025 and 2024

The following table summarizes our cash flows for the periods presented.

	Nine months ended September 30,	
	2025	2024
	(dollars in thousands)	
Net cash used in		
Operating activities	\$ (29,232)	\$ (20,898)
Investing activities	(6,941)	(5,025)
Financing activities	(6,996)	(26,253)

Operating Activities

For the nine months ended September 30, 2025, our operating activities used \$29.2 million in cash resulting primarily from our net loss of \$57.3 million and \$14.7 million used in changes in our operating assets and liabilities, partially offset by approximately \$42.8 million provided by non-cash expenses. Changes in our operating assets and liabilities primarily resulted from a \$28.9 million decrease in deferred revenue, partially offset by a \$7.9 million decrease in accounts receivable and a \$7.1 million decrease in deferred cost of revenue. Non-cash expenses consisted primarily of a \$24.9 million goodwill impairment - refer to Note 2 Significant Accounting Policies, \$7.1 million of stock compensation and \$6.2 million of depreciation and amortization.

For the nine months ended September 30, 2024, our operating activities used \$20.9 million in cash resulting primarily from our net loss of \$22.2 million and \$26.4 million used in changes in our operating assets and liabilities, partially offset by approximately \$27.7 million provided by non-cash expenses. Changes in our operating assets and liabilities primarily resulted from a \$23.2 million decrease in deferred revenue, a \$5.6 million decrease in accounts payable, and a \$5.3 million decrease in accrued expenses and other liabilities, partially offset by a \$8.2 million decrease in deferred cost of revenue. Non-cash expenses consisted primarily of stock-based compensation of \$9.5 million, non-cash legal expenses of \$7.3 million, primarily driven by \$5.0 million in which the Company agreed to settle a legal dispute with a supplier by returning \$5.0 million of inventory, depreciation and amortization of \$4.7 million, provision for excess and obsolete inventory of \$2.7 million and impairment of investment in non-affiliate of \$2.3 million.

Investing Activities

For the nine months ended September 30, 2025, we used \$6.9 million of cash for investing activities, primarily related to cash paid of \$3.6 million for the purchase of property and equipment and \$3.4 million for capitalized internal-use software development costs.

For the nine months ended September 30, 2024, we used \$5.0 million of cash from investing activities, resulting primarily from cash paid of \$4.5 million for capitalized internal-use software development costs and \$0.5 million for the purchase of property and equipment.

Financing Activities

For the nine months ended September 30, 2025, our financing activities used \$7.0 million of cash, resulting primarily from \$4.9 million used for repurchases of Class A common stock and \$1.5 million used for earnout payments related to the 2021 iQueue acquisition.

For the nine months ended September 30, 2024, our financing activities used \$26.3 million of cash, resulting primarily from \$23.5 million used for repurchases of Class A common stock, \$1.8 million used for taxes paid related to net share settlements of stock-based compensation awards and \$1.5 million used for earnout payments related to the 2021 iQueue acquisition.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of September 30, 2025.

Critical Accounting Estimates

We prepare our condensed consolidated financial statements in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates, assumptions and judgments that can significantly impact the amounts we report as assets, liabilities, revenue, costs and expenses and the related disclosures. We base our estimates on historical experience and other assumptions that we believe are reasonable under the circumstances. Our actual results could differ significantly from these estimates under different assumptions and conditions. We believe that the accounting policies discussed below are critical to understanding our historical and future performance as these policies involve a greater degree of judgment and complexity.

Revenue Recognition

We derive revenue primarily from sales of systems that consist of hardware devices, professional installation services and Hosted Services to assist property owners and property managers with visibility and control over assets, while providing all-in-one home control offerings for residents. Revenue is recognized when control of these products and services are transferred to the customer in an amount that reflects the consideration we expect to be entitled to receive in exchange for those products and services.

Payments we receive by check or automated clearing house payments, and payment terms are determined by individual contracts and range from due upon receipt to net 30 days. Taxes collected from customers and remitted to governmental authorities are not included in reported revenue. Payments received from customers in advance of revenue recognition are reported as deferred revenue.

We apply the practical expedient that allows for inclusion of the future auto-renewals in the initial measurement of the transaction price. We only apply these steps when it is probable that we will collect the consideration to which we are entitled in exchange for the goods or services it transfers to a customer.

Accounting for contracts recognized over time involves the use of various estimates of total contract revenue and costs. Due to uncertainties inherent in the estimation process, it is possible that estimates of costs to complete a performance obligation may be revised in the future as we observe the economic performance of our contracts. Changes in job performance, job conditions and estimated profitability may result in revision to our estimates of revenue and costs and are recognized in the period in which the revision is identified.

We may enter into contracts that contain multiple distinct performance obligations including hardware and Hosted Services. The hardware performance obligation includes the delivery of hardware, and the Hosted Services performance obligation allows the customer use of our software during the contracted-use term. The subscription for the software and certain Hub Devices combine as one performance obligation, and there is no support or ongoing subscription for other device hardware. We partner with several manufacturers to offer a range of compatible hardware options for its customers. We maintain control of the hardware purchased from manufacturers prior to it being transferred to the customer, and accordingly, SmartRent is considered the principal in these arrangements.

For each performance obligation identified, we estimate the standalone selling price, which represents the price at which we would sell the good or service separately. If the standalone selling price is not observable through past transactions, we estimate the standalone selling price, considering available information such as market conditions, historical pricing data, and internal pricing guidelines related to the performance obligations. We then allocate the transaction price among those obligations based on the estimation of the standalone selling price.

Goodwill

Goodwill represents the excess of cost over net assets of our completed business combinations. We test for potential impairment of goodwill on an annual basis as of September 30 to determine if the carrying value is less than the fair value. We conduct additional tests between annual tests if there are indications of potential goodwill impairment. During the three months ended March 31, 2025, we experienced a sustained decline in stock price, resulting in a significant decrease in market capitalization. As a result, we conducted an interim impairment test utilizing the qualitative approach and determined that impairment is more likely than not. As a result, we then performed an interim quantitative impairment test which resulted in an indication of impairment.

The fair value of the reporting unit used in this impairment test was determined using a combination of an income approach and market-based approach. The mix between the two approaches requires significant judgement. As a result of these tests, we recorded a goodwill impairment charge of \$24.9 million during the three months ended March 31, 2025.

The significant assumptions used in determining the fair value of the reporting unit under the income approach primarily relate to revenue growth rate, forecasted EBITDA and the selected discount rate used in the discounted cash flow model. The significant assumptions used in the market-based approach primarily relate to the forecasted EBITDA margin, the selected control premium, and selected revenue and EBITDA multiples, which require significant judgement.

To the extent that inputs and assumptions used in the analysis change, such as an increased discount rate, updated cash flow projections, or decreases to Guideline companies' multiples, additional impairment charges may be recorded in the future. In addition, a further decrease in our common stock share price and market capitalization could be an indicator of a decrease in the fair value of our equity.

As noted above, the estimates and assumptions regarding expected future cash flows, discount rates, and revenue and EBITDA multiples require considerable judgment and are based on market conditions, financial forecasts, industry trends, and historical experience. These estimates have inherent uncertainties as they may be based on varying assumptions which could lead to materially different results. Our goodwill balance was \$92.3 million and \$117.3 million as of September 30, 2025 and December 31, 2024, respectively.

Inventory Valuation

Inventories are stated at the lower of cost or estimated net realizable value. Cost is computed under the first-in, first-out method. We adjust the inventory balance based on anticipated obsolescence, usage, and historical write-offs. Significant judgment is used in establishing our forecasts of future demand and obsolete material exposures. We consider marketability and product life cycle stage, product development plans, demand forecasts, historical revenue, and assumptions about future demand and market conditions in establishing our estimates. If the actual product demand is significantly lower than forecast, which may be caused by factors within and outside of our control, or if there were a higher incidence of inventory obsolescence because of rapidly changing technology and our customer requirements, we may be required to increase our inventory adjustment. A change in our estimates could have a significant impact on the value of our inventory and our results of operations.

Stock-Based Compensation

Our stock-based compensation relates to stock options and restricted stock units ("RSUs") granted to our employees and directors. Stock-based awards are measured based on the grant date fair value. We estimate the fair value of stock option awards on the grant date using the Black-Scholes option-pricing model. The fair value of RSUs is based on the grant date fair value of the stock price. The fair value of these awards is recognized as compensation expense on a straight-line basis over the requisite service period in which the awards are expected to vest. Forfeitures are recognized as they occur by reversing previously recognized compensation expense.

The Black-Scholes model considers several variables and assumptions in estimating the fair value of stock-based awards. These variables include the per share fair value of the underlying common stock, exercise price, expected term, risk-free interest rate, expected annual dividend yield, the expected stock price volatility over the expected term and forfeitures, which are recognized as they occur. For all stock options granted, we calculated the expected term using the simplified method for "plain vanilla" stock option awards.

The grant date fair value is also utilized with respect to RSUs with performance and service conditions to vest. For RSUs with a performance condition, based on a liquidity event, as well as a service condition to vest, no compensation expense is recognized until the performance condition has been satisfied. Subsequent to the liquidity event, compensation expense is recognized to the extent the requisite service period has been completed and compensation expense thereafter is recognized on an accelerated attribution method. Under the accelerated attribution method, compensation expense is recognized over the remaining requisite service period for each service condition tranche as though each tranche is, in substance, a separate award. In August 2021, we completed the merger with FWAA, which met the liquidity event vesting condition and triggered the recognition of compensation expense for awards of RSUs, or applicable portions of such awards, for which the time-based vesting condition had been satisfied.

Emerging Growth Company Status

Section 102(b)(1) of the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act") exempts "emerging growth companies" as defined in Section 2(A) of the Securities Act of 1933, as amended, from being required to comply with new or revised financial accounting standards until private companies are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can choose not to take advantage of the extended transition period and comply with the requirements that apply to non-emerging growth companies, and any such election to not take advantage of the extended transition period is irrevocable. We are an "emerging growth company" and have elected to take advantage of the benefits of this extended transition period.

We will use this extended transition period for complying with new or revised accounting standards that have different effective dates for public business entities and non-public business entities until the earlier of the date we (a) are no longer an emerging growth company or (b) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. The extended transition period exemptions afforded by our emerging growth company status may make it difficult or impossible to compare our financial results with the financial results of another public company that is either not an emerging growth company or is an emerging growth company that has chosen not to take advantage of this exemption because of the potential differences in accounting standards used.

We will remain an "emerging growth company" under the JOBS Act until the earliest of (a) the first fiscal year following the fifth anniversary of the initial public offering by FWAA, which closed on February 9, 2021, (b) the last date of our fiscal year in which we have total annual gross revenue of at least \$1.235 billion, (c) the last date of our fiscal year in which we are deemed to be a "large accelerated filer" under the rules of the SEC with at least \$700.0 million of outstanding securities held by non-affiliates or (d) the date on which we have issued more than \$1.0 billion in non-convertible debt securities during the previous three years.

Recent Accounting Pronouncements

See Note 2, "Significant Accounting Policies" - Recent Accounting Guidance for more information.

Item 3 - Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial condition due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates and foreign currency exchange rates.

We do not believe that inflation has had a material effect, to date, on our business, results of operations or financial condition. Nonetheless, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs. Our inability or failure to do so could harm our business, results of operations or financial condition.

Interest Rate Fluctuation Risk

As of September 30, 2025, we had cash, cash equivalents, and restricted cash of approximately \$100.0 million, which consisted primarily of institutional money market funds, which carries a degree of interest rate risk. A hypothetical 10% change in interest rates would increase our annual interest income by \$10 million, or decrease our annual interest income by \$4.1 million, based on our cash position as of September 30, 2025.

Foreign Currency Exchange Rate Risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. Substantially all of our revenue is generated in U.S. dollars. Our expenses are generally denominated in the currencies of the jurisdictions in which we conduct our operations, which are primarily in the United States and to a lesser extent in Croatia and other international markets. Our results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign currency exchange rates. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have a material impact on our historical consolidated financial statements. To date, we have not engaged in any hedging strategies. As our international operations grow, we will continue to reassess our approach to manage our risk relating to fluctuations in currency rates.

Item 4 - Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our President and Chief Executive Officer and Chief Financial Officer 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 the end of the period covered by this Report. Based on such evaluation, our President and Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of September 30, 2025, at the reasonable assurance level to ensure that the information required to be disclosed by us in this Report was (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations and (ii) accumulated and communicated to our management, including our President and Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the three months ended September 30, 2025, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. Other Information

Item 1 - Legal Proceedings

From time to time, we are subject to various claims, charges and litigation matters that arise in the ordinary course of business. We believe these actions are a normal incident of the nature and kind of business in which we are engaged. While it is not feasible to predict the outcome of these matters with certainty, we do not believe that any asserted or unasserted legal claims or proceedings, individually or in the aggregate, will have a material adverse effect on our business, financial condition, results of operations or prospects. See Note 12 - Commitments and Contingencies for additional information.

Item 1A - Risk Factors

We are subject to various risks and uncertainties in the course of our business. For a discussion of risks and uncertainties relating to our business, please see the section titled "Risk Factors" in our Annual Report on Form 10-K filed with the SEC on March 5, 2025 and our Quarterly Reports on Form 10-Q filed with the SEC on May 7, 2025 and August 6, 2025. There have been no material changes from the risk factors disclosed therein. We may disclose changes to such risk factors or disclose additional risk factors from time to time in our future SEC filings.

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

Securities Trading Plans of Directors and Executive Officers

During the three months ended September 30, 2025, none of our directors or executive officers adopted, modified or terminated any “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” (each as defined in Item 408 of Regulation S-K).

Item 6 - Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

Exhibit	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
3.1	Third Amended and Restated Certificate of Incorporation.	8-K	3.1	August 30, 2021
3.2	Amended and Restated Bylaws.	8-K	3.2	August 30, 2021
10.1†	Transition Agreement, dated as of August 4, 2025, by and between SmartRent, Inc. and Kristen Lee.	10-Q	10.4	August 6, 2025
10.2	Waiver and First Amendment to Credit Agreement, dated August 5, 2025.	10-Q	10.5	August 6, 2025
31.1	Certification of Principal Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			Filed herewith
31.2	Certification of Principal Financial Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			Filed herewith
32.1	Certification of Principal Executive Officer as adopted pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			Filed herewith
32.2	Certification of Principal Financial Officer as adopted pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			Filed herewith
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 with Embedded Linkbase Documents.			
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)			

* The certifications attached as Exhibit 32.1 and 32.2 that accompany this Report are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of SmartRent, 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 this Report, irrespective of any general incorporation language contained in such filing.

† Indicates a management contract or any compensatory plan, contract or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized, on this 5th day of November 2025.

SmartRent, Inc.

By: /s/ Frank Martell

Frank Martell
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Daryl Stemm

Daryl Stemm
Chief Financial Officer
(Principal Financial and Accounting Officer)

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

I, Frank Martell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SmartRent, Inc. for the period ended September 30, 2025;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2025

/s/ FRANK MARTELL
Frank Martell
President and Chief Executive Officer
(Principal Executive Officer)

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

I, Daryl Stemm, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SmartRent, Inc. for the period ended September 30, 2025;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2025

/s/ DARYL STEMM
Daryl Stemm
Chief Financial Officer
(Principal Financial and Accounting Officer)

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

In connection with the Quarterly Report of SmartRent, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2025, as filed with the Securities and Exchange Commission (the "Report"), I, Frank Martell, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

Date: November 5, 2025

/s/ FRANK MARTELL
Frank Martell
President and Chief Executive Officer
(Principal Executive Officer)

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

In connection with the Quarterly Report of SmartRent, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2025, as filed with the Securities and Exchange Commission (the "Report"), I, Daryl Stemm, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

Date: November 5, 2025

/s/ DARYL STEMM
Daryl Stemm
Chief Financial Officer
(Principal Financial and Accounting Officer)
