

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 December 31, 2023

or

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

For the transition period from ___ to ___

Commission File Number: 001-36632

emcore

EMCORE Corporation

(Exact name of registrant as specified in its charter)

New Jersey

(State or other jurisdiction of incorporation or organization)

22-2746503

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

2015 W. Chestnut Street, Alhambra, California, 91803

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(626) 293-3400**

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

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|----------------------------|----------------|--|
| Common stock, no par value | EMKR | The Nasdaq Stock Market LLC (Nasdaq Global Market) |

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

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

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

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

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

As of February 2, 2024, the number of shares outstanding of no par value common stock totaled 77,320,280.

EMCORE CORPORATION
FORM 10-Q QUARTERLY REPORT
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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations and projections about future events and financial trends affecting the financial condition of our business. Such forward-looking statements include, in particular, projections about future results included in our Exchange Act reports and statements about plans, strategies, business prospects, changes and trends in our business and the markets in which we operate. These forward-looking statements may be identified by the use of terms and phrases such as “anticipates,” “believes,” “can,” “could,” “estimates,” “expects,” “forecasts,” “intends,” “may,” “plans,” “projects,” “should,” “targets,” “will,” “would,” and similar expressions or variations of these terms and similar phrases. Additionally, statements concerning future matters such as our ability to continue as a going concern, the expected costs and benefits of our restructuring efforts, our ability to manage our liquidity, expected liquidity, development of new products, enhancements, or technologies, sales levels, expense levels, expectations regarding the outcome of legal proceedings, and other statements regarding matters that are not historical are forward-looking statements. Management cautions that these forward-looking statements relate to future events or future financial performance and are subject to business, economic, and other risks and uncertainties, both known and unknown, that may cause actual results, levels of activity, performance, or achievements of our business or the industries in which we operate to be materially different from those expressed or implied by any forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include without limitation the following:

- risks related to our ability to obtain capital;
- any disruptions to our operations as a result of our restructuring activities;
- costs and expenses incurred in connection with restructuring activities and anticipated operational costs savings arising from the restructuring actions;
- the effects of personnel losses;
- risks and uncertainties related to the sale of our cable TV, wireless, sensing and defense optoelectronics product lines, including without limitation (i) the failure to fully realize the anticipated benefits of such transaction, (ii) third party costs incurred by the Company related to any such transaction, (iii) risks associated with liabilities related to the transaction that were retained by the Company, and (iv) risks and uncertainties related to the transfer to the buyer of our manufacturing support and engineering center in China;
- risks related to the shutdown and any potential sale of our wafer fabrication facility and/or our Chips business, including without limitation the failure to successfully negotiate or execute definitive transaction agreements, termination of any definitive agreement prior to closing, the failure to achieve any anticipated proceeds from any such sale or to fully realize the anticipated benefits of such a transaction, even if the potential transaction occurs, diversion of management's time and attention from our remaining businesses to the sale of such businesses, third party costs incurred by the Company related to any such transaction, and risks associated with any liabilities related to any such assets or business that are retained by the Company in any sale transaction;
- our inability to remediate the material weakness in our internal control over financial reporting or our identification of any other material weaknesses in the future may adversely affect the accuracy and timing of our financial reporting;
- our inability to regain compliance with the minimum closing bid price requirement of the Nasdaq Stock Market within the applicable cure period;
- the effect of component shortages and any alternatives thereto;
- the rapidly evolving markets for our products and uncertainty regarding the development of these markets;
- our historical dependence on sales to a limited number of customers and fluctuations in the mix of products and customers in any period;
- delays and other difficulties in commercializing new products;
- the failure of new products: (a) to perform as expected without material defects, (b) to be manufactured at acceptable volumes, yields, and cost, (c) to be qualified and accepted by our customers, and (d) to successfully compete with products offered by our competitors;
- uncertainties concerning the availability and cost of commodity materials and specialized product components that we do not make internally;
- actions by competitors;
- risks and uncertainties related to the outcome of legal proceedings;
- risks and uncertainties related to applicable laws and regulations;
- acquisition-related risks, including that (a) revenue and net operating results obtained from the Systron Donner Inertial, Inc. (“SDI”) business, the Space and Navigation business of L3Harris Technologies, Inc. (“S&N”), or the FOG and

Inertial Navigation Systems business (“EMCORE Chicago”) of KVH Industries, Inc. (“KVH”) may not meet our expectations, (b) the costs and cash expenditures for integration of the S&N business operations or EMCORE Chicago may be higher than expected, (c) there could be losses and liabilities arising from the acquisition of SDI, S&N, or EMCORE Chicago that we will not be able to recover from any source, (d) we may not recognize the anticipated synergies from the acquisition of SDI, S&N, or EMCORE Chicago, and (e) we may not realize sufficient scale in our Navigation and Inertial Sensing product line from the SDI acquisition, the S&N acquisition, and the EMCORE Chicago acquisition and will need to take additional steps, including making additional acquisitions, to achieve our growth objectives for this product line;

- risks and uncertainties related to manufacturing and production capacity;
- risks related to the conversion of order backlog into product revenue; and
- other risks and uncertainties discussed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023, as such risk factors may be amended, supplemented, or superseded from time to time by our subsequent periodic reports we file with the Securities and Exchange Commission (“SEC”).

These cautionary statements apply to all forward-looking statements wherever they appear in this Quarterly Report. Forward-looking statements are based on certain assumptions and analysis made in light of experience and perception of historical trends, current conditions, and expected future developments as well as other factors that we believe are appropriate under the circumstances. While these statements represent judgment on what the future may hold, and we believe these judgments are reasonable; these statements are not guarantees of any events or financial results. All forward-looking statements in this Quarterly Report are made as of the date hereof, based on information available to us as of the date hereof, and subsequent facts or circumstances may contradict, obviate, undermine, or otherwise fail to support or substantiate such statements. We caution you not to rely on these statements without also considering the risks and uncertainties associated with these statements and our business that are addressed in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended September 30, 2023. Certain information included in this Quarterly Report may supersede or supplement forward-looking statements in our other reports filed with the SEC. We do not intend to update any forward-looking statements to conform such statements to actual results or to changes in our expectations, except as required by applicable law or regulation.

PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements (Unaudited)

EMCORE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

| <i>(in thousands)</i> | December 31, 2023 | September 30, 2023 |
|--|--------------------------|---------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 20,679 | \$ 26,211 |
| Restricted cash | 495 | 495 |
| Accounts receivable, net of credit loss of \$299 and \$356, respectively | 16,922 | 15,575 |
| Contract assets | 7,293 | 8,402 |
| Inventory | 31,954 | 28,905 |
| Prepaid expenses | 4,088 | 4,612 |
| Other current assets | 513 | 922 |
| Assets held for sale | 3,871 | 7,264 |
| Total current assets | 85,815 | 92,386 |
| Property, plant, and equipment, net | 14,605 | 15,517 |
| Operating lease right-of-use assets | 20,857 | 21,564 |
| Other intangible assets, net | 11,751 | 12,245 |
| Other non-current assets | 2,159 | 2,201 |
| Total assets | \$ 135,187 | \$ 143,913 |
| LIABILITIES and SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 12,357 | \$ 9,683 |
| Accrued expenses and other current liabilities | 8,880 | 8,471 |
| Contract liabilities | 1,894 | 1,630 |
| Financing payable | 184 | 460 |
| Loan payable - current | 852 | 852 |
| Operating lease liabilities - current | 3,093 | 3,033 |
| Liabilities held for sale | 356 | 4,662 |
| Total current liabilities | 27,616 | 28,791 |
| Line of credit | 4,650 | 6,418 |
| Loan payable - non-current | 3,117 | 3,330 |
| Operating lease liabilities - non-current | 20,101 | 20,882 |
| Asset retirement obligations | 4,255 | 4,194 |
| Other long-term liabilities | 8 | 8 |
| Total liabilities | 59,747 | 63,623 |
| Commitments and contingencies (Note 12) | | |
| Shareholders' equity: | | |
| Common stock, no par value, 100,000 shares authorized; 84,209 shares issued and 77,302 shares outstanding as of December 31, 2023; 84,014 shares issued and 77,108 shares outstanding as of September 30, 2023 | 825,948 | 825,119 |
| Treasury stock at cost; 6,906 shares as of December 31, 2023 and September 30, 2023 | (47,721) | (47,721) |
| Accumulated other comprehensive income | 350 | 350 |
| Accumulated deficit | (703,137) | (697,458) |
| Total shareholders' equity | 75,440 | 80,290 |
| Total liabilities and shareholders' equity | \$ 135,187 | \$ 143,913 |

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

EMCORE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| <i>(in thousands, except per share data)</i> | Three Months Ended December 31, | |
|--|--|-------------|
| | 2023 | 2022 |
| Revenue | \$ 24,123 | \$ 19,979 |
| Cost of revenue | 18,035 | 15,600 |
| Gross profit | 6,088 | 4,379 |
| Operating expense: | | |
| Selling, general, and administrative | 6,609 | 9,289 |
| Research and development | 3,609 | 4,215 |
| Severance | 211 | 16 |
| Gain on sale of assets | (31) | (1,171) |
| Total operating expense | 10,398 | 12,349 |
| Operating loss | (4,310) | (7,970) |
| Other expense: | | |
| Interest expense, net | (9) | (215) |
| Other (expense) income | (16) | 107 |
| Total other expense | (25) | (108) |
| Loss from continuing operations before income tax expense | (4,335) | (8,078) |
| Income tax expense from continuing operations | (28) | (94) |
| Net loss from continuing operations | \$ (4,363) | \$ (8,172) |
| Loss from discontinued operations | \$ (1,316) | \$ (3,521) |
| Net loss | \$ (5,679) | \$ (11,693) |
| Per share data: | | |
| Net loss on continuing operations per share, basic and diluted | \$ (0.05) | \$ (0.22) |
| Net loss on discontinued operations per share, basic and diluted | \$ (0.01) | \$ (0.09) |
| Net loss per share, basic and diluted | \$ (0.06) | \$ (0.31) |
| Weighted-average number of share outstanding, basic and diluted | 88,987 | 37,557 |

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

EMCORE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

| <i>(in thousands)</i> | Three Months Ended December 31, | |
|--|--|-------------|
| | 2023 | 2022 |
| Shares of common stock | | |
| Balance, beginning of period | 77,108 | 37,591 |
| Stock-based compensation | 194 | 277 |
| Balance, end of period | 77,302 | 37,868 |
| Value of common stock | | |
| Balance, beginning of period | \$ 825,119 | \$ 787,347 |
| Stock-based compensation | 848 | 1,734 |
| Stock issuance costs | (18) | — |
| Tax withholding paid on behalf of employees for stock-based awards | (1) | (1) |
| Balance, end of period | 825,948 | 789,080 |
| Treasury stock, beginning and end of period | (47,721) | (47,721) |
| Accumulated other comprehensive income, beginning and end of period | 350 | 441 |
| Accumulated deficit | | |
| Balance, beginning of period | (697,458) | (622,099) |
| Net loss | (5,679) | (11,693) |
| Balance, end of period | (703,137) | (633,792) |
| Total shareholders' equity | \$ 75,440 | \$ 108,008 |

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

EMCORE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Three Months Ended December 31, | |
|---|---------------------------------|-------------|
| | 2023 | 2022 |
| <i>(in thousands)</i> | | |
| Cash flows from operating activities: | | |
| Net loss | \$ (5,679) | \$ (11,693) |
| Less: Loss from discontinued operations, net of tax | (1,316) | (3,521) |
| Loss from continuing operations, net of tax | (4,363) | (8,172) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization expense | 1,457 | 2,034 |
| Stock-based compensation expense | 848 | 1,734 |
| Provision adjustment related to credit loss | — | 42 |
| Provision adjustment related to product warranty | (71) | 50 |
| Gain on sale of assets | (31) | (1,171) |
| Other | — | (133) |
| Total non-cash adjustments | 2,203 | 2,556 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable and contract assets, net | (238) | (83) |
| Inventory | (3,049) | (4,141) |
| Other assets | 985 | (3,506) |
| Accounts payable | 2,887 | (355) |
| Contract liabilities | (735) | 2,566 |
| Operating lease liabilities - current | (14) | (1,175) |
| Accrued expenses and other liabilities | 479 | 120 |
| Total change in operating assets and liabilities | 315 | (6,574) |
| Net cash used in operating activities - continuing operations | (1,845) | (12,190) |
| Net cash (used in) provided by operating activities - discontinued operations | (2,229) | 3,557 |
| Net cash used in operating activities | (4,074) | (8,633) |
| Cash flows from investing activities: | | |
| Purchase of property, plant, and equipment | (214) | (818) |
| Proceeds from disposal of property, plant, and equipment | 32 | 10,900 |
| Proceeds from deposit on disposition of assets held for sale | 1,000 | — |
| Net cash provided by investing activities | 818 | 10,082 |
| Cash flows from financing activities: | | |
| Payments towards financing arrangement | (276) | — |
| Proceeds from borrowings from line of credit | — | 393 |
| Payments towards line of credit | (1,768) | (3,354) |
| Payments towards note payable | (213) | (213) |
| Payments of issuance costs related to sales of common stock | (18) | — |
| Taxes paid related to net share settlement of equity awards | (1) | (1) |
| Net cash used in financing activities | (2,276) | (3,175) |
| Effect of exchange rate changes provided by foreign currency | — | 58 |
| Net decrease in cash, cash equivalents, and restricted cash | (5,532) | (1,668) |
| Cash, cash equivalents, and restricted cash at beginning of period | 26,706 | 25,619 |
| Cash, cash equivalents, and restricted cash at end of period | \$ 21,174 | \$ 23,951 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid during the period for interest | \$ 274 | \$ 359 |
| Cash paid during the period for income taxes | \$ — | \$ — |
| NON-CASH INVESTING AND FINANCING ACTIVITIES | | |
| Changes in accounts payable related to purchases of equipment | \$ (214) | \$ 122 |

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

EMCORE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. Description of Business

EMCORE Corporation, together with its subsidiaries (referred to herein as the “Company,” “we,” “our,” or “EMCORE”), is a leading provider of sensors and navigation systems for the aerospace and defense market. Over the last five years, we have expanded our scale and portfolio of inertial sensor products through the acquisitions of Systron Donner Inertial, Inc. (“SDI”) in June 2019, the Space and Navigation business of L3Harris Technologies, Inc. (“S&N”) in April 2022, and the FOG and Inertial Navigation Systems business of KVH Industries, Inc. (“EMCORE Chicago”) in August 2022. Our multi-year transition from a broadband company to an inertial navigation company has now been completed following the sale of our cable TV, wireless, sensing and defense optoelectronics business lines and the shutdown of our chips product line and indium phosphide wafer fabrication operations.

We have fully vertically-integrated manufacturing capability at our headquarters in Alhambra, CA, and at our facilities in Budd Lake, NJ, Concord, CA, and Tinley Park, IL (the “Tinley Park Facility”). These facilities support our manufacturing strategy for Fiber Optic Gyroscope (“FOG”), Ring Laser Gyro (“RLG”), Photonic Integrated Chip (“PIC”), and Quartz Micro Electro-Mechanical System (“QMEMS”) products for inertial navigation. Our manufacturing facilities maintain ISO 9001 quality management certification, and we are AS9100 aerospace quality certified at our facilities in Alhambra, CA, Concord, CA, and Budd Lake, NJ. Our best-in-class components and systems support a broad array of inertial navigation applications.

Our operations include wafer fabrication (lithium niobate and quartz), device design and production, fiber optic module and subsystem design and manufacture, and PIC-based and QMEMS-based component design and manufacture. Many of our manufacturing operations are computer-monitored or controlled to enhance production output and statistical control. Our manufacturing processes involve extensive quality assurance systems and performance testing. We have one reporting segment, Inertial Navigation, whose product technology categories include: (a) FOG, (b) QMEMS, and (c) RLG, in each case which serves the aerospace and defense market.

NOTE 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim information, and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X promulgated by the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all information and notes required by U.S. GAAP for annual financial statements. In our opinion, the interim financial statements reflect all adjustments, which are all normal recurring adjustments, that are necessary to provide a fair presentation of the financial results for the interim periods presented. Operating results for interim periods are not necessarily indicative of results that may be expected for an entire fiscal year. The condensed consolidated balance sheet as of September 30, 2023 has been derived from the audited consolidated financial statements as of such date. For a more complete understanding of our business, financial position, operating results, cash flows, risk factors, and other matters, please refer to our Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

Going Concern

These condensed consolidated financial statements have been prepared in accordance with U.S. GAAP assuming we will continue as a going concern. The going concern assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business. However, substantial doubt about our ability to continue as a going concern exists.

We have recently experienced losses from our operations and used a significant amount of cash, amounting to a net loss of \$5.7 million and net cash outflows from operations of \$1.8 million for the three months ended December 31, 2023, and we expect to continue to incur losses and use cash in our operations in the near term. As a result of our recent cash outflows, we have taken actions to manage our liquidity and plan to continue to do so. As of December 31, 2023, our cash and cash equivalents totaled \$21.2 million, including restricted cash of \$0.5 million and we had \$7.2 million available under our Credit Agreement (as defined in [Note 10 - Credit Agreement](#) in the Notes to Condensed Consolidated Financial Statements).

We are evaluating the sufficiency of our existing balances of cash and cash equivalents, cash flows from operations, and amounts expected to be available under our Credit Agreement, together with additional actions we could take including further

expense reductions and/or potentially raising capital through additional debt or equity issuances, or from the potential monetization of certain assets. However, we may not be successful in executing on our plans to manage our liquidity, including recognizing the expected benefits from our previously announced restructuring program, or raising additional funds if we elect to do so, and as a result substantial doubt about our ability to continue as a going concern exists.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as of the date of the condensed consolidated financial statements, and the reported amounts of revenue and expenses during the reported period. Such estimates include accounts receivable, inventories, long-lived assets, product warranty liabilities, legal contingencies, income taxes, asset retirement obligations, and pension obligation, as well as the evaluation associated with the Company's assessment of its ability to continue as a going concern.

We develop estimates based on historical experience and on various assumptions about the future that are believed to be reasonable based on the best information available to us. Our reported financial position or results of operations may be materially different under changed conditions or when using different estimates and assumptions, particularly with respect to significant accounting policies. In the event that estimates or assumptions prove to differ from actual results, adjustments are made in subsequent periods to reflect more current information.

NOTE 3. Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the unaudited condensed consolidated balance sheets that sum to the total of the same amounts shown in the unaudited condensed consolidated statements of cash flows:

| <i>(in thousands)</i> | December 31, 2023 | September 30, 2023 |
|---|--------------------------|---------------------------|
| Cash | \$ 6,456 | \$ 4,332 |
| Cash equivalents | 14,223 | 21,879 |
| Restricted cash | 495 | 495 |
| Total cash, cash equivalents, and restricted cash | <u>\$ 21,174</u> | <u>\$ 26,706</u> |

NOTE 4. Assets and Liabilities Held for Sale and Discontinued Operations

In April 2023, we initiated a restructuring program that includes the strategic shutdown of our Broadband business segment (including our cable TV, wireless, sensing and chips product lines) and the discontinuance of our defense optoelectronics product line. During the quarter ended September 30, 2023, the Broadband business segment and defense optoelectronics product line were considered as held for sale based upon (i) the existence of an executed non-binding letter of intent to sell our Broadband business segment (other than our chips product line) and our defense optoelectronics product line and (ii) in consideration of ongoing negotiations for the sale of the chips product line business.

In October 2023, the Company entered into an Asset Purchase Agreement (the "Purchase Agreement"), by and among the Company, Photonics Foundries, Inc., a Delaware corporation ("PF"), and Ortel LLC, a Delaware limited liability company and wholly owned subsidiary of PF (the "Buyer"), pursuant to which (i) the Company agreed to transfer to the Buyer, and Buyer agreed to assume, substantially all of the assets and liabilities primarily related to the Company's cable TV, wireless, sensing and defense optoelectronics business lines (the "Businesses"), including with respect to employees, contracts, intellectual property and inventory, and (ii) Buyer agreed to provide a limited license back to the Company of patents being sold to the Buyer (the "Transaction"). The Transaction excluded the Company's chip business, indium phosphide wafer fabrication facilities and all assets not primarily related to the Businesses.

The signing and closing of the Transaction occurred simultaneously, except with respect to the assets of the Company located in China. In November 2023, the Company transferred to the Buyer, and the Buyer assumed, substantially all of the assets and liabilities of each of the Company's subsidiaries in China.

In connection with the Transaction, the parties entered a transition services agreement pursuant to which the Company is providing certain migration and transition services to facilitate an orderly transaction of the operation of the Businesses to the Buyer in the 12-month period following consummation of the Transaction, and the Company and the Buyer entered into a sublease pursuant to which the Company is subleasing to the Buyer one of the Company's buildings (occupying approximately

12,500 square feet) at its Alhambra, California facility for the 12-month period immediately following the closing of the Transaction without payment of rent. With respect to the Buyer's assumption of our manufacturing agreement with our electronics manufacturing services ("EMS") provider for our cable TV products, the Company (i) made a payment to the EMS provider in the amount of approximately \$0.4 million immediately prior to the closing of the transaction and (ii) provided a guaranty of PF's and the Buyer's obligations with respect to payment of certain long-term liabilities that were originally agreed to and set forth in the manufacturing agreement and assigned to PF and the Buyer in the Transaction, in an aggregate amount expected to equal up to approximately \$5.5 million, approximately \$4.3 million of which will not become payable, if at all, until January 2026, provided that if such guaranty is exercised by the EMS provider, the Company will have the right to require the Buyer to reassign to the Company all intellectual property assigned to the Buyer in the Transaction and the Company will have the right to recover damages from PF and the Buyer.

In October 2023, the Company entered into a non-binding letter of intent with a buyer to sell substantially all of the assets and liabilities related to the Company's chips business line, including assets related to the Company's indium phosphide wafer fabrication operations and subsequently collected a \$1.0 million deposit.

As of December 31, 2023, the chip business was disclosed as held for sale in the condensed consolidated balance sheet. As of September 30, 2023, the Broadband business segment and defense optoelectronics business lines were disclosed as held for sale in the consolidated balance sheet.

The following table presents key components of assets and liabilities that were classified as held for sale on the condensed consolidated balance sheets:

| <i>(in thousands)</i> | December 31, 2023 | September 30, 2023 |
|--|--------------------------|---------------------------|
| Cash | \$ — | \$ 81 |
| Accounts receivable, net of credit loss of \$0 | — | 974 |
| Inventory, net | 2,528 | 10,063 |
| Other current assets | — | 1,154 |
| Property, plant, and equipment, net | 2,988 | 4,131 |
| Operating lease right-of-use assets | — | 56 |
| Total assets | 5,516 | 16,459 |
| Remeasurement of assets | 1,645 | 9,195 |
| Assets held for sale | 3,871 | 7,264 |
| Accounts payable | 195 | 1,854 |
| Accrued expenses and other current liabilities | 161 | 1,697 |
| Operating lease liabilities - current | — | 22 |
| Operating lease liabilities - non-current | — | 36 |
| Other comprehensive income | — | 1,053 |
| Total liabilities | \$ 356 | \$ 4,662 |

For the three months ended December 31, 2023 and 2022, the results of the Chips business were disclosed as discontinued operations in the condensed consolidated statements of operations. For the three months ended December 31, 2022, the Broadband business segment and defense optoelectronics business lines were disclosed as discontinued operations.

As of the quarter ended December 31, 2023, the Company's expected loss on the remeasurement of assets of the discontinued business line to fair value was \$1.6 million. The selling costs were approximately \$0.2 million.

The following table presents key components of net loss that were classified as discontinued operations on the condensed consolidated statements of operations:

| <i>(in thousands)</i> | Three Months Ended December 31, | |
|--------------------------------------|--|-------------|
| | 2023 | 2022 |
| Revenue | \$ 216 | \$ 4,975 |
| Cost of Revenue | (1,282) | (6,294) |
| Gross Profit | (1,066) | (1,319) |
| Selling, general, and administrative | 250 | 655 |
| Research and development | — | 1,136 |
| Severance | — | 459 |
| Other income | — | (48) |
| Loss from discontinued operations | \$ (1,316) | \$ (3,521) |

NOTE 5. Inventory

The components of inventory consisted of the following:

| <i>(in thousands)</i> | December 31, 2023 | September 30, 2023 |
|-----------------------|--------------------------|---------------------------|
| Raw materials | \$ 15,584 | \$ 14,503 |
| Work in-process | 10,412 | 9,766 |
| Finished goods | 5,958 | 4,636 |
| Inventory | \$ 31,954 | \$ 28,905 |

NOTE 6. Property, Plant, and Equipment, net

The components of property, plant, and equipment, net consisted of the following:

| <i>(in thousands)</i> | December 31, 2023 | September 30, 2023 |
|---------------------------------------|--------------------------|---------------------------|
| Equipment | \$ 31,701 | \$ 31,658 |
| Furniture and fixtures | 1,576 | 1,576 |
| Computer hardware and software | 3,220 | 3,220 |
| Leasehold improvements | 9,442 | 9,442 |
| Construction in progress | 2,434 | 2,508 |
| Property, plant, and equipment, gross | 48,373 | 48,404 |
| Accumulated depreciation | (33,768) | (32,887) |
| Property, plant, and equipment, net | \$ 14,605 | \$ 15,517 |

Depreciation expense totaled \$0.9 million and \$0.7 million during the three months ended December 31, 2023 and 2022, respectively. During the three months ended December 31, 2023, we sold certain equipment and incurred a gain on sale of assets of \$31 thousand. During the three months ended December 31, 2022, the Company consummated the sale of the real property interests in the Tinley Park Facility to 8400 W 185TH STREET INVESTORS, LLC, resulting in a gain on sale of assets of \$1.2 million.

As of December 31, 2023 and September 30, 2023, all of our long-lived assets were located in the United States.

NOTE 7. Intangible Assets

Intangible assets arose from the acquisition of SDI in fiscal year 2019 and the acquisitions of S&N and EMCORE Chicago in fiscal year 2022. Definite-lived intangible assets are amortized on a straight-line basis over the estimated useful life of: (a) 7.0 years for patents, (b) 8.0 years for customer relationships, and (c) 2.0-8.0 years for technology. Trademarks are indefinite-lived.

The following table summarizes changes in intangible assets, net:

| <i>(in thousands)</i> | December 31, 2023 | September 30, 2023 |
|--------------------------------|-------------------|--------------------|
| Balance at beginning of period | \$ 12,245 | \$ 14,790 |
| Changes from acquisition | — | 1,470 |
| Write off due to impairment | — | (2,125) |
| Amortization | (494) | (1,890) |
| Balance at end of period | <u>\$ 11,751</u> | <u>\$ 12,245</u> |

The weighted average remaining useful lives by definite-lived intangible asset category are as follows:

| <i>(in thousands, except weighted average remaining life)</i> | December 31, 2023 | | | |
|---|---|--------------------------|-----------------------------|------------------|
| | Weighted Average Remaining Life (in years) | Gross Carrying Amount | Accumulated Amortization | Net Book Value |
| Technology | 6.3 | \$ 16,901 | \$ (9,874) | \$ 7,027 |
| Customer relationships | 6.6 | 4,690 | (821) | 3,869 |
| Definite-lived intangible assets total | | <u>\$ 21,591</u> | <u>\$ (10,695)</u> | <u>\$ 10,896</u> |

As of December 31, 2023, the value of trademarks was approximately \$0.9 million.

| <i>(in thousands, except weighted average remaining life)</i> | September 30, 2023 | | | |
|---|---|--------------------------|-----------------------------|------------------|
| | Weighted Average Remaining Life (in years) | Gross Carrying Amount | Accumulated Amortization | Net Book Value |
| Technology | 6.5 | \$ 16,901 | \$ (9,527) | \$ 7,374 |
| Customer relationships | 6.9 | 4,690 | (674) | 4,016 |
| Definite-lived intangible assets total | | <u>\$ 21,591</u> | <u>\$ (10,201)</u> | <u>\$ 11,390</u> |

As of September 30, 2023, the value of trademarks was approximately \$0.9 million.

Estimated future amortization expense for intangible assets recorded by the Company as of December 31, 2023 is as follows:

| <i>(in thousands)</i> | Amount |
|----------------------------|------------------|
| 2024 | \$ 1,462 |
| 2025 | 1,930 |
| 2026 | 1,527 |
| 2027 | 1,504 |
| 2028 | 1,491 |
| Thereafter | 2,982 |
| Total amortization expense | <u>\$ 10,896</u> |

NOTE 8. Benefit Plans

We assumed a defined benefit pension plan (the "Pension Plan") on April 29, 2022 as a result of the acquisition of S&N. The Pension Plan was frozen to new hires as of March 31, 2007 and employees hired on or after April 1, 2007 are not eligible to participate in the Pension Plan. On July 1, 2022, the Pension Plan was amended to freeze benefit plan accruals for participants. As a result of the freeze, a curtailment was triggered and a restatement of the benefit obligation and plan assets occurred, although no gain or loss resulted. The annual measurement date for the Pension Plan is September 30. Benefits are based on years of credited service at retirement. Annual contributions to the Pension Plan are not less than the minimum funding standards outlined in the Employee Retirement Income Security Act of 1974, as amended. We maintain the Pension Plan with the goal of ensuring that it is adequately funded to meet its future obligations. We did not make any contributions to the Pension Plan during the three months ended December 31, 2023 and do not anticipate making any contributions for the remainder of the fiscal year ending September 30, 2024.

The components of net periodic pension cost are as follows:

| <i>(in thousands)</i> | Three Months Ended December 31, 2023 | Three Months Ended December 31, 2022 |
|--------------------------------|---|---|
| Service cost | \$ 26 | \$ 26 |
| Interest cost | 92 | 93 |
| Expected return on plan assets | (76) | (84) |
| Net periodic pension cost | <u>\$ 42</u> | <u>\$ 35</u> |

The service cost component of total pension expense is included as a component of cost of revenue on the condensed consolidated statements of operations for the three months ended December 31, 2023 and 2022. The interest cost and expected return on plan assets' components of total pension expense are included as components of other expense on the condensed consolidated statements of operations for the three months ended December 31, 2023 and 2022.

Net pension asset is included as a component of other non-current assets on the condensed consolidated balance sheets as of December 31, 2023 and September 30, 2023. As of December 31, 2023, the Pension Plan assets consist of cash and cash equivalents, and we manage a liability-driven investment strategy intended to maintain fully-funded status.

401(k) Plan

We have a savings plan that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Under this savings plan, participating employees may defer a portion of their pretax earnings up to the Internal Revenue Service annual contribution limit. Our matching contribution in cash for the three months ended December 31, 2023 and 2022, was \$0.3 million and \$0.2 million, respectively.

NOTE 9. Accrued Expenses and Other Current Liabilities

The components of accrued expenses and other current liabilities consisted of the following:

| <i>(in thousands)</i> | December 31, 2023 | September 30, 2023 |
|--|--------------------------|---------------------------|
| Compensation | \$ 6,504 | \$ 5,980 |
| Warranty | 826 | 864 |
| Commissions | 308 | 468 |
| Legal expenses and Board of Director fees | 159 | 262 |
| Auditor fees | 365 | 163 |
| Consulting | 72 | 68 |
| Other | 646 | 666 |
| Accrued expenses and other current liabilities | <u>\$ 8,880</u> | <u>\$ 8,471</u> |

The changes in product warranty accruals consisted of the following:

| <i>(in thousands)</i> | December 31, 2023 | September 30, 2023 |
|---|--------------------------|---------------------------|
| Balance at beginning of period | \$ 864 | \$ 911 |
| Provision for product warranty expense | 33 | 120 |
| Adjustments and utilization of warranty accrual | (71) | (167) |
| Balance at end of period | <u>\$ 826</u> | <u>\$ 864</u> |

NOTE 10. Credit Agreement

Wingspire Credit Agreement

On August 9, 2022, EMCORE and EMCORE Space & Navigation Corporation, our wholly-owned subsidiary, entered into that certain Credit Agreement with the lenders party thereto and Wingspire Capital LLC ("Wingspire"), as administrative agent for the lenders, as amended pursuant to that First Amendment to Credit Agreement dated as of October 25, 2022, among EMCORE and EMCORE Space & Navigation Corporation, EMCORE Chicago Inertial Corporation, our wholly-owned subsidiary (together with the Company and S&N, the "Borrowers"), the lenders party thereto and Wingspire, to add EMCORE Chicago as

a Borrower and include certain of its assets in the borrowing base (as amended, the “Credit Agreement”). The Credit Agreement provides for two credit facilities: (a) an asset-based revolving credit facility in an aggregate principal amount of up to \$40.0 million, subject to a borrowing base consisting of eligible accounts receivable and eligible inventory (subject to certain reserves), and (b) a term loan facility in an aggregate principal amount of approximately \$6.0 million.

The proceeds of the loans made under the Credit Agreement may be used for general corporate purposes. Borrowings under the Credit Agreement will mature on August 8, 2026, and bear interest at a rate per annum equal to term SOFR plus a margin of (i) 3.75% or 5.50% in the case of revolving loans, depending on the applicable assets corresponding to the borrowing base pursuant to which the applicable loans are made and (ii) 5.50% in the case of the term loan. In addition, the Borrowers are responsible for Wingspire’s annual collateral monitoring fees as well as the lenders’ fees and expenses, including a closing fee of 1.0% of the aggregate principal amount of the commitments as of the closing with respect to revolving loans and 1.50% of the aggregate principal amount of the term loan. The Borrowers may also be required to pay an unused line fee of 0.50% in respect to the undrawn portion of the revolving commitments, which is generally based on average daily usage of the revolving facility during the immediately preceding month.

The Credit Agreement contains representations and warranties, affirmative and negative covenants that are generally customary for credit facilities of this type. Among others, the Credit Agreement contains various covenants that, subject to agreed-upon exceptions, limit the Borrowers’ and their respective subsidiaries’ ability to incur indebtedness, grant liens, enter into sale and leaseback transactions, enter into swap agreements, make loans, acquisitions and investments, change the nature of their business, acquire or sell assets, or consolidate or merge with or into other persons or entities, declare or pay dividends or make other restricted payments, enter into transactions with affiliates, enter into burdensome agreements, change fiscal year, amend organizational documents, and use proceeds to fund any activities of or business with any person that is the subject of governmental sanctions. In addition, the Credit Agreement requires that, for any period commencing upon the occurrence of an event of default or excess availability under the Credit Agreement being less than the greater of \$5.0 million and 15% of the revolving commitments until such time as no event of default shall be continuing and excess availability under the Credit Agreement shall be at least the greater of \$5.0 million and 15% of the revolving commitments for a period of 60 consecutive days, the Borrowers satisfy a consolidated fixed charge coverage ratio of not less than 1.10:1.00.

The Credit Agreement also includes customary events of default, the occurrence of which, following any applicable grace period, would permit the lenders to, among other things, declare the principal, accrued interest and other obligations of the Borrowers under the Credit Agreement to be immediately due and payable, and exercise rights and remedies available to the lenders under the Credit Agreement or applicable law or equity. In connection with the Credit Agreement, the Borrowers entered into a pledge and security agreement pursuant to which the obligations under the Credit Agreement are secured on a senior secured basis (subject to permitted liens) by substantially all assets of the Borrowers and substantially all assets of any future guarantors.

As of December 31, 2023, an aggregate principal amount of \$4.7 million was outstanding pursuant to the revolving credit facility and an aggregate principal amount of \$4.0 million was outstanding pursuant to the term loan facility and we were in compliance with all covenants. As of September 30, 2023, an aggregate principal amount of \$6.4 million was outstanding pursuant to the revolving credit facility and an aggregate principal amount of \$4.2 million was outstanding pursuant to the term loan facility. Also, as of December 31, 2023, the revolving credit facility had approximately \$7.2 million available for borrowing. Provided that no event of default has occurred, and subject to availability limitations, loans under the revolving credit facility can continue to be drawn/redrawn/outstanding until expiration in 2025.

Our future term loan repayments as of December 31, 2023 are as follows:

(in thousands)

| | Amount |
|--------------------------|---------------|
| Remainder of fiscal 2024 | \$ 639 |
| 2025 | 852 |
| 2026 | 2,478 |
| Total loan payments | \$ 3,969 |

NOTE 11. Income and Other Taxes

During the three months ended December 31, 2023 and 2022, the Company recorded an income tax expense of \$28 thousand and \$94 thousand, respectively, composed primarily of state tax expense and tax expense generated from the tax amortization on acquired indefinitely lived assets. For the three months ended December 31, 2023 and 2022, the effective tax rate on continuing operations was 0.6% and 0.8%, respectively.

The Company uses estimates to forecast the results from continuing operations for the current fiscal year as well as permanent differences between book and tax accounting.

We have not provided for income taxes on non-U.S. subsidiaries' undistributed earnings as of December 31, 2023 because we plan to indefinitely reinvest the unremitted earnings of our non-U.S. subsidiaries and all of our non-U.S. subsidiaries historically have negative earnings and profits.

All deferred tax assets have a full valuation allowance as of December 31, 2023, except for the tax amortization of indefinitely lived goodwill, which cannot be utilized to reduce deferred tax assets. On a quarterly basis, the Company evaluates the positive and negative evidence to assess whether the more-likely-than-not criteria has been satisfied in determining whether there will be further adjustments to the valuation allowance.

As of December 31, 2023 and September 30, 2023, we did not accrue any significant uncertain tax benefit, interest, or penalties as tax liabilities on our condensed consolidated balance sheets. During the three months ended December 31, 2023 and 2022, there were no material increases or decreases in unrecognized tax benefits.

NOTE 12. Commitments and Contingencies

Indemnifications

We have agreed to indemnify certain customers against claims of infringement of intellectual property rights of others in our sales contracts with these customers. Historically, we have not paid any claims under these customer indemnification obligations. We enter into indemnification agreements with each of our directors and executive officers pursuant to which we agree to indemnify them for certain potential expenses and liabilities arising from their status as a director or executive officer of the Company. We maintain directors and executive officers' insurance, which covers certain liabilities relating to our obligation to indemnify our directors and executive officers in certain circumstances. It is not possible to determine the aggregate maximum potential loss under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular claim.

Legal Proceedings

We are subject to various legal proceedings, claims, and litigation, either asserted or unasserted, that arise in the ordinary course of business. The outcome of these matters is currently not determinable and we are unable to estimate a range of loss, should a loss occur, from these proceedings. The ultimate outcome of legal proceedings involves judgments, estimates, and inherent uncertainties and the results of these matters cannot be predicted with certainty. Professional legal fees are expensed when incurred. We accrue for contingent losses when such losses are probable and reasonably estimable. In the event that estimates or assumptions prove to differ from actual results, adjustments are made in subsequent periods to reflect more current information. Should we fail to prevail in any legal matter, or should several legal matters be resolved against the Company in the same reporting period, then the financial results of that particular reporting period could be materially affected.

Intellectual Property Lawsuits

We protect our proprietary technology by applying for patents where appropriate and, in other cases, by preserving the technology, related know-how, and information as trade secrets. The success and competitive position of our product lines are impacted by our ability to obtain intellectual property protection for our research and development efforts. We have, from time to time, exchanged correspondence with third parties regarding the assertion of patent or other intellectual property rights in connection with certain of our products and processes.

Resilience Litigation

In February 2021, Resilience Capital ("Resilience") filed a complaint against us with the Delaware Chancery Court containing claims arising from the February 2020 sale of SDI's real property (the "Concord Property Sale") located in Concord, California (the "Concord Real Property") to Eagle Rock Holdings, LP ("Buyer") and that certain Single-Tenant Triple Net Lease, dated as of February 10, 2020, entered into by and between SDI and the Buyer, pursuant to which SDI leased from the Buyer the Concord Real Property for a 15-year term. The Resilience complaint seeks, among other items, (a) a declaration that the Concord Property Sale included a non-cash component, (b) a decree requiring us and Resilience to follow the appraisal requirements set forth in that certain Purchase and Sale Agreement (the "SDI Purchase Agreement"), dated as of June 7, 2019, by and among the Company, The Resilience Fund IV, L.P., The Resilience Fund IV-A, L.P., Aerospace Newco Holdings, Inc. and Ember Acquisition Sub, Inc., (c) recovery of Resilience's costs and expenses, and (d) pre- and post-judgment interest.

In April 2021, we filed with the Delaware Chancery Court our answer to the Resilience complaint and counterclaims against Resilience, in which we are seeking, among other items, (a) dismissal of the Resilience complaint and/or granting of judgment in favor of EMCORE with respect to the Resilience complaint, (b) entering final judgment against Resilience awarding damages to us for Resilience’s fraud and breaches of the SDI Purchase Agreement in an amount to be proven at trial and not less than \$1,565,000, (c) a judicial determination of the respective rights and duties of us and Resilience under the SDI Purchase Agreement, (d) an award to us of costs and expenses, and (e) pre- and post-judgment interest.

In April 2023, the Company and Resilience entered into a Settlement and Release Agreement (the “Resilience Settlement Agreement”). The material financial terms of the Resilience Settlement Agreement required (i) a payment of \$500,000 by the Company to Resilience, which payment was made by the Company during the three months ended June 30, 2023, (ii) an appraisal of the Concord Real Property as of January 2, 2020, which resulted in a further payment obligation by us in an amount equal to approximately \$1.3 million, which payment was made by us during the three months ending December 31, 2023, and (iii) a mutual release of all claims, including claims arising under the SDI Purchase Agreement, and a dismissal of the litigation by all parties.

In April 2023, the underwriters of the representation and warranty insurance policies the Company acquired in connection with the SDI Purchase Agreement agreed to pay the Company \$1.15 million within 15 business days in exchange for a release of any and all claims under the policies. We received payment during the three months ended June 30, 2023.

NOTE 13. Equity

Equity Plans

We provide long-term incentives to eligible officers, directors, and employees in the form of equity-based awards. We maintain four equity incentive compensation plans, collectively described as our “Equity Plans”: (a) the 2010 Equity Incentive Plan (the “2010 Plan”), (b) the 2012 Equity Incentive Plan (the “2012 Plan”), (c) the Amended and Restated 2019 Equity Incentive Plan (the “2019 Plan”), and (d) the 2022 New Employee Inducement Plan.

We issue new shares of common stock to satisfy awards granted under our Equity Plans. In December 2023, our Board of Directors approved an amendment to the 2019 Plan, which, subject to shareholder approval at our 2024 annual meeting of shareholders, would increase the maximum number of shares of the Company’s common stock that may be issued or transferred pursuant to awards under the 2019 Plan by an additional 7.89 million shares.

Stock-Based Compensation

The following table sets forth stock-based compensation expense by award type:

| <i>(in thousands)</i> | Three Months Ended December 31, | |
|---|--|-----------------|
| | 2023 | 2022 |
| RSUs | \$ 519 | \$ 915 |
| PSUs | 245 | 693 |
| Outside director equity awards and fees in common stock | 84 | 126 |
| Total stock-based compensation expense | <u>\$ 848</u> | <u>\$ 1,734</u> |

The following table sets forth stock-based compensation expense by expense type:

| <i>(in thousands)</i> | Three Months Ended December 31, | |
|--|--|-----------------|
| | 2023 | 2022 |
| Cost of revenue | \$ 329 | \$ 387 |
| Selling, general, and administrative | 375 | 1,075 |
| Research and development | 144 | 272 |
| Total stock-based compensation expense | <u>\$ 848</u> | <u>\$ 1,734</u> |

Loss Per Share

The following table sets forth the computation of basic and diluted net loss per share:

| <i>(in thousands, except per share data)</i> | Three Months Ended December 31, | |
|--|--|-------------|
| | 2023 | 2022 |
| Numerator | | |
| Net loss from continuing operations | \$ (4,363) | \$ (8,172) |
| Loss from discontinued operations | \$ (1,316) | \$ (3,521) |
| Net loss | \$ (5,679) | \$ (11,693) |
| Denominator | | |
| Weighted average number of shares outstanding - basic | 88,987 | 37,557 |
| Effect of dilutive securities | | |
| Stock options | — | — |
| PSUs, RSUs, and restricted stock | — | — |
| Weighted average number of shares outstanding - diluted | 88,987 | 37,557 |
| Net loss from continuing operations per share, basic and diluted | \$ (0.05) | \$ (0.22) |
| Loss from discontinued operations per share, basic and diluted | \$ (0.01) | \$ (0.09) |
| Net loss per share, basic and diluted | \$ (0.06) | \$ (0.31) |
| Weighted average antidilutive options, unvested RSUs and RSAs, and unvested PSUs excluded from the computation | 3,745 | 2,807 |

Basic earnings per share (“EPS”) is computed by dividing net (loss) income for the period by the weighted-average number of common stock outstanding during the period. The weighted-average number of common stock outstanding includes the 11,900,000 pre-funded warrants discussed below in “Public Offerings”. Diluted EPS is computed by dividing net (loss) income for the period by the weighted average number of common stock outstanding during the period, plus the dilutive effect of outstanding restricted stock units (“RSUs”), performance stock units (“PSUs”), and stock options as applicable pursuant to the treasury stock method. Certain of the Company’s outstanding share-based awards, noted in the table above, were excluded because they were anti-dilutive, but they could become dilutive in the future. The anti-dilutive stock options and shares of outstanding and unvested restricted stock were excluded from the computation of earnings per share for the three months ended December 31, 2023 and 2022 due to the Company incurring a net loss for such period.

Public Offerings

On August 23, 2023, we closed our offering of 22,600,000 shares of our common stock at a price of \$0.50 per share, and, to certain investors, pre-funded warrants (each, a “Pre-Funded Warrant”) to purchase 11,900,000 shares of our common stock at a price of \$0.49999999 for each pre-funded warrant (which represents the per share public offering price for our common stock in such offering less the \$0.00000001 per share exercise price for each such Pre-Funded Warrant), resulting in net proceeds to us from the offering, after deducting the placement agent commissions and other offering expenses, of approximately \$15.6 million. The shares were sold by us pursuant to an Underwriting Agreement, dated as of August 17, 2023, between us and the Craig-Hallum Capital Group LLC as the sole managing underwriter.

On February 17, 2023, we closed our offering of 15,454,546 shares of our common stock at a price of \$1.10 per share, resulting in net proceeds to us from the offering, after deducting the placement agent commissions and other offering expenses, of \$15.4 million. The shares were sold by us pursuant to a Securities Purchase Agreement, dated as of February 17, 2023, between the Company and each purchaser named in the signature pages thereto and a Placement Agency Agreement, dated as of February 15, 2023, by and between the Company and A.G.P./Alliance Global Partners.

Future Issuances

Common stock reserved for future issuances as of December 31, 2023 was as follows:

| | Amount |
|--|------------------|
| Exercise of outstanding stock options | 7,704 |
| Unvested RSUs | 3,758,881 |
| Unvested PSUs (at 100% maximum payout) | 1,574,668 |
| Issuance of stock-based awards under the Equity Plans | 416,612 |
| Purchases under the officer and director share purchase plan | 88,741 |
| Total reserved | <u>5,846,606</u> |

NOTE 14. Reportable Segment and Revenue Information

Reportable Segment

Concurrent with the discontinuance of the Broadband business segment and defense optoelectronics product line during the quarter ended September 30, 2023, the Company only has one reportable segment, Inertial Navigation, for which financial information is available and upon which operating results are evaluated by the chief operating decision maker, the Chief Executive Officer, to assess performance and to allocate resources.

Timing of Revenue

Revenue is classified by timing of recognition as presented below:

| <i>(in thousands)</i> | Three Months Ended December 31, | |
|---|--|------------------|
| | 2023 | 2022 |
| Trade revenue (recognized at a point in time) | \$ 17,373 | \$ 14,434 |
| Contract revenue (recognized over time) | 6,750 | 5,545 |
| Total revenue | <u>\$ 24,123</u> | <u>\$ 19,979</u> |

Geographical Concentration

Revenue is classified by geographic area based on our customers' billing addresses as presented below:

| <i>(in thousands)</i> | Three Months Ended December 31, | |
|--------------------------|--|------------------|
| | 2023 | 2022 |
| United States and Canada | \$ 16,393 | \$ 16,042 |
| Asia | 2,979 | 1,153 |
| Europe | 3,432 | 2,160 |
| Other | 1,319 | 624 |
| Total revenue | <u>\$ 24,123</u> | <u>\$ 19,979</u> |

Customer Concentration

Portions of the Company's sales are concentrated among a limited number of customers. Significant customers are defined as customers representing greater than 10% of consolidated revenue. Revenue from two significant customers represented an aggregate of 30% and 35% of our consolidated revenue for the three months ended December 31, 2023 and 2022, respectively.

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

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and the notes thereto included in [Financial Statements under Item 1](#) within this Quarterly Report. The following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Actual results could differ materially from those discussed in the forward-looking statements. See [Cautionary Note Regarding Forward-Looking Statements](#) preceding Item 1 of this Quarterly Report.

Business Overview

EMCORE Corporation is a leading provider of sensors and navigation systems for the aerospace and defense market. We leverage industry-leading Photonic Integrated Chip (PIC), Quartz MEMS, and Lithium Niobate chip-level technology to deliver state-of-the-art component and system-level products across our end-market applications. Over the last five years, we have expanded our scope and portfolio of inertial sensor products through the acquisitions of Systron Donner Inertial, Inc. (“SDI”) in June 2019, the Space and Navigation (“S&N”) business of L3Harris Technologies, Inc. (“L3H”) in April 2022, and the FOG and Inertial Navigation Systems business (“EMCORE Chicago”) of KVH Industries, Inc. (“KVH”) in August 2022. Our multi-year transition from a broadband company to an inertial navigation company has now been completed following the sale of our cable TV, wireless, sensing and defense optoelectronics business lines and the shutdown of our chips product line and indium phosphide wafer fabrication operations.

We have fully vertically-integrated manufacturing capability at our headquarters in Alhambra, CA, and at our facilities in Budd Lake, NJ, Concord, CA, and Tinley Park, IL (the “Tinley Park Facility”). These facilities support our manufacturing strategy for Fiber Optic Gyroscope (“FOG”), Ring Laser Gyro (“RLG”), Photonic Integrated Chip (“PIC”), and Quartz Micro Electro-Mechanical System (“QMEMS”) products for inertial navigation. Our manufacturing facilities maintain ISO 9001 quality management certification, and we are AS9100 aerospace quality certified at our facilities in Alhambra, CA Concord, CA, and Budd Lake, NJ. Our best-in-class components and systems support a broad array of inertial navigation applications.

Our operations include wafer fabrication (lithium niobate and quartz), device design and production, fiber optic module and subsystem design and manufacture, and PIC-based and QMEMS-based component design and manufacture. Many of our manufacturing operations are computer-monitored or controlled to enhance production output and statistical control. Our manufacturing processes involve extensive quality assurance systems and performance testing. We have one reporting segment, Inertial Navigation, whose product technology categories include: (a) FOG, (b) QMEMS, and (c) RLG, in each case which serves the aerospace and defense market.

Recent Developments

Divestiture to Photonics Foundries

On October 11, 2023, we entered into an Asset Purchase Agreement (the “Purchase Agreement”), by and among us, Photonics Foundries, Inc., a Delaware corporation (“PF”), and Ortel LLC, a Delaware limited liability company and wholly-owned subsidiary of PF (the “Buyer”), pursuant to which (i) we agreed to transfer to the Buyer, and Buyer agreed to assume, substantially all of the assets and liabilities primarily related to our cable TV, wireless, sensing and defense optoelectronics business lines (the “Businesses”), including with respect to employees, contracts, intellectual property and inventory, and (ii) Buyer agreed to provide a limited license back to us of the patents being sold to the Buyer (the “Divestiture Transaction”). The Divestiture Transaction excludes our chip business, indium phosphide wafer fabrication facilities and all assets not primarily related to the Businesses. The signing and closing of the Divestiture Transaction occurred simultaneously, except with respect to our assets located in China. On November 30, 2023, we transferred to the Buyer, and the Buyer assumed, substantially all of the assets and liabilities of each of our subsidiaries in China.

In connection with the Divestiture Transaction, the parties entered into a transition services agreement pursuant to which we will provide certain migration and transition services to facilitate an orderly transaction of the operation of the Businesses to the Buyer in the 12-month period following consummation of the Divestiture Transaction, and we and the Buyer entered into a sublease pursuant to which we will sublease to the Buyer one of our buildings (occupying approximately 12,500 square feet) at our Alhambra, California facility for the 12-month period immediately following the closing of the Divestiture Transaction without payment of rent. With respect to the Buyer’s assumption of that certain Manufacturing Supply Agreement, dated August 9, 2021 (as amended, the “Fastrain Manufacturing Agreement”), by and among the Company, Shenzhen Fastrain Technology Co., Ltd., Hong Kong Fastrain Company Limited, and Fastrain Technology Malaysia SDN. BHD (collectively, “Fastrain”), we (i) made a payment to Fastrain in the amount of approximately \$0.4 million immediately prior to the closing of the Divestiture Transaction and (ii) provided a guaranty of PF’s and the Buyer’s obligations with respect to payment of certain

long-term liabilities that were originally agreed to and set forth in the Fastrain Manufacturing Agreement and assigned to PF and the Buyer in the Divestiture Transaction, in an aggregate amount expected to equal up to approximately \$5.5 million, approximately \$4.2 million of which will not become payable, if at all, until January 2026, provided that if such guaranty is exercised by Fastrain, we will have the right to require the Buyer to reassign to us all intellectual property assigned to the Buyer in the Divestiture Transaction and we will have the right to recover damages from PF and the Buyer.

August 2023 Equity Offering

In August 2023, we closed our offering of 22,600,000 shares of our common stock at a price of \$0.50 per share, and, to certain investors, pre-funded warrants (each, a “Pre-Funded Warrant”) to purchase 11,900,000 shares of our common stock at a price of \$0.49999999 for each Pre-Funded Warrant (which represents the per share public offering price for our common stock in such offering less the \$0.00000001 per share exercise price for each such Pre-Funded Warrant), resulting in net proceeds to us from the offering, after deducting the placement agent commissions and other offering expenses, of approximately \$15.6 million. The shares were sold by us pursuant to an Underwriting Agreement, dated as of August 17, 2023, between us and the Craig-Hallum Capital Group LLC as the sole managing underwriter.

Restructuring

In April 2023, we initiated a restructuring program that includes the strategic shutdown of our Broadband business segment (including our cable TV, wireless, sensing and chips product lines) and the discontinuance of our defense optoelectronics product line. Our Board of Directors performed a thorough review of a number of factors including the competitive landscape, declining revenue and gross profit of these discontinued businesses, the current and expected profitability of these discontinued businesses, our cost structure, and our strategic focus on our Inertial Navigation business segment, and concluded that these discontinued businesses are non-strategic, currently unsustainable, and cannot be restructured in a way that will allow us to achieve profitable growth and cash preservation. During the quarter ended September 30, 2023, the Broadband business segment and defense optoelectronics product line were considered as held for sale based upon the existence at such time of an executed non-binding letter of intent with respect to the Divestiture Transaction and in consideration of ongoing negotiations for the sale of the chips business. Given the then-prospective sale of the Broadband business segment and defense optoelectronics product line we identified these asset groups as discontinued operations during the quarter ended September 30, 2023. We discontinued operations of our chips business and indium phosphide wafer fabrication facility during the quarter ended September 30, 2023, and consummated the Divestiture Transaction during the three months ended December 31, 2023. As a result of this restructuring and the Divestiture Transaction, we (i) have eliminated approximately 70 positions in the U.S. (primarily in Alhambra, California) and approximately 30 positions in China, collectively representing approximately 22% of our total workforce, (ii) expect to consolidate facility space by reducing the space used at our Alhambra campus from five to two buildings (including closure of our indium phosphide wafer fabrication facility in Alhambra) and relocate personnel in Concord, California to the operations area from the adjacent office building, and (iii) have transferred our manufacturing support and engineering center in China pursuant to the Divestiture Transaction, collectively representing an approximately 25% reduction in the aggregate square footage occupied by our facilities. One-time employee severance and termination costs related to the restructuring of approximately \$2.3 million were incurred in, and are presented in the loss from discontinued operations for the fiscal year ended September 30, 2023. Additional one-time employee severance and termination costs related to the restructuring of approximately \$0.2 million were incurred in, and are presented in the loss from discontinued operations for, the three months ended December 31, 2023. We anticipate that cash and non-cash charges will be incurred and recorded in future reporting periods and we may incur additional expenses in connection with this restructuring that are not currently contemplated. The charges that we expect to incur in connection with the restructuring are estimates and subject to a number of assumptions, and actual results may differ materially.

February 2023 Equity Offering

On February 17, 2023, we closed our offering of 15,454,546 shares of our common stock at a price of \$1.10 per share, resulting in net proceeds to us from the offering, after deducting the placement agent commissions and other offering expenses, of \$15.4 million. The shares were sold by us pursuant to a Securities Purchase Agreement, dated as of February 17, 2023, between the Company and each purchaser named in the signature pages thereto and a Placement Agency Agreement, dated as of February 15, 2023, by and between the Company and A.G.P./Alliance Global Partners.

Acquisition of KVH Industries, Inc. FOG and Inertial Navigation Systems Business

On August 9, 2022, we completed the acquisition of EMCORE Chicago from KVH pursuant to that certain Asset Purchase Agreement entered into as of August 9, 2022 by and among the Company, Delta Acquisition Sub, Inc., a wholly-owned subsidiary of the Company, and KVH, pursuant to which we acquired substantially all of KVH’s assets and liabilities primarily related to its FOG and Inertial Navigation Systems business, including property interests in the Tinley Park Facility for

aggregate consideration of approximately \$55.0 million, exclusive of transaction costs and expenses and subject to certain post-closing working capital adjustments.

Tinley Park Sale and Leaseback Transaction

On December 13, 2022, EMCORE Chicago consummated the sale of its real property interest in the Tinley Park Facility to 8400 W 185TH STREET INVESTORS, LLC (the “Tinley Park Buyer”), resulting in net proceeds of approximately \$10.3 million. The sale was made pursuant to the terms of that certain Purchase and Sale Agreement (the “Tinley Park Purchase Agreement”) dated as of November 1, 2022, by and between EMCORE Chicago and HSRE Fund VII Holding Company, LLC, an affiliate of the Tinley Park Buyer. In connection with the sale of the real property interests in the Tinley Park Facility, after considering multiple transaction structures, EMCORE Chicago entered into a long-term Single-Tenant Triple Net Lease (the “Lease Agreement”) with Buyer pursuant to which EMCORE Chicago leased back the Tinley Park Facility for a twelve (12) year term commencing on December 13, 2022, unless earlier terminated or extended in accordance with the terms of the Lease Agreement.

Wingspire Credit Agreement

On August 9, 2022, the Company and EMCORE Space & Navigation Corporation, our wholly-owned subsidiary (“S&N”), entered into that certain Credit Agreement, dated as of August 9, 2022, among the Company, S&N, the lenders party thereto and Wingspire Capital LLC, as administrative agent for the lenders (“Wingspire”), as amended pursuant to that First Amendment to Credit Agreement, dated as of October 25, 2022, among the Company, S&N, EMCORE Chicago Inertial Corporation, our wholly-owned subsidiary (together with the Company and S&N, the “Borrowers”), the lenders party thereto and Wingspire, to add EMCORE Chicago as a Borrower and include certain of its assets in the borrowing base (as amended, the “Credit Agreement”). The Credit Agreement provides for two credit facilities: (a) an asset-based revolving credit facility in an aggregate principal amount of up to \$40.0 million, subject to a borrowing base consisting of eligible accounts receivable and eligible inventory (subject to certain reserves), and (b) a term loan facility in an aggregate principal amount of \$5,965,000. The proceeds of the loans made under the Credit Agreement may be used for general corporate purposes. Borrowings under the Credit Agreement will mature on August 8, 2026, and bears interest at a rate per annum equal to term SOFR plus a margin of (i) 3.75% or 5.50% in the case of revolving loans, depending on the applicable assets corresponding to the borrowing base pursuant to which the applicable loans are made and (ii) 5.50% in the case of the term loan. In addition, the Borrowers are responsible for Wingspire’s annual collateral monitoring fees as well as the lenders’ fees and expenses. The Borrowers may also be required to pay an unused line fee of 0.50% in respect of the undrawn portion of the revolving commitments, which is generally based on average daily usage of the revolving facility during the immediately preceding month.

The Credit Agreement contains representations and warranties, affirmative and negative covenants that are generally customary for credit facilities of this type. Among others, the Credit Agreement contains various covenants that, subject to agreed-upon exceptions, limit the Borrowers’ and their respective subsidiaries’ ability to incur indebtedness, grant liens, enter into sale and leaseback transactions, enter into swap agreements, make loans, acquisitions and investments, change the nature of their business, acquire or sell assets or consolidate or merge with or into other persons or entities, declare or pay dividends or make other restricted payments, enter into transactions with affiliates, enter into burdensome agreements, change fiscal year, amend organizational documents, and use proceeds to fund any activities of or business with any person that is the subject of governmental sanctions. In addition, the Credit Agreement requires that, for any period commencing upon the occurrence of an event of default or excess availability under the Credit Agreement being less than the greater of \$5.0 million and 15% of the revolving commitments until such time as no event of default is continuing and excess availability under the Credit Agreement is at least the greater of \$5.0 million and 15% of the revolving commitments for a period of 60 consecutive days, the Borrowers satisfy a consolidated fixed charge coverage ratio of not less than 1.10:1.00. The Credit Agreement also includes customary events of default, the occurrence of which, following any applicable grace period, would permit the lenders to, among other things, declare the principal, accrued interest and other obligations of the Borrowers under the Credit Agreement to be immediately due and payable, and exercise rights and remedies available to the lenders under the Credit Agreement or applicable law or equity.

In connection with the Credit Agreement, the Borrowers entered into a pledge and security agreement pursuant to which the obligations under the Credit Agreement are secured on a senior secured basis (subject to permitted liens) by substantially all assets of the Borrowers and substantially all assets of any future guarantors.

As of December 31, 2023, an aggregate principal amount of \$4.7 million was outstanding pursuant to the revolving credit facility and an aggregate principal amount of \$4.0 million was outstanding pursuant to the term loan facility.

Acquisition of L3Harris Space and Navigation Business

On April 29, 2022, we completed the acquisition of S&N from L3H pursuant to that certain Sale Agreement, dated as of February 14, 2022 (as amended, the “Sale Agreement”), entered into by and among the Company, Ringo Acquisition Sub, Inc. and L3H, pursuant to which we acquired certain intellectual property, assets, and liabilities of S&N for aggregate consideration of approximately \$5.0 million, exclusive of transaction costs and expenses and subject to certain post-closing working capital adjustments. Following the completion of the working capital adjustments, the final purchase price was approximately \$4.9 million.

Economic Conditions

The increased instability of global economic conditions and inflationary risks are adding to the uncertainty of our business. These adverse conditions could result in longer sales cycles, increased costs to manufacture our products, and increased price competition. Given the dynamic nature of these macroeconomic conditions, we cannot reasonably estimate their full impact on our ongoing business, results of operations, and overall financial performance.

Results of Operations - Continuing Operations

| <i>(in thousands, except percentages)</i> | Three Months Ended December 31, | | | | |
|---|--|-------------|---------------|---------|--|
| | 2023 | 2022 | Change | | |
| Revenue | \$ 24,123 | \$ 19,979 | \$ 4,144 | 20.7 % | |
| Cost of revenue | 18,035 | 15,600 | 2,435 | 15.6 | |
| Gross profit | 6,088 | 4,379 | 1,709 | 39.0 | |
| Operating expense: | | | | | |
| Selling, general, and administrative | 6,609 | 9,289 | (2,680) | (28.9) | |
| Research and development | 3,609 | 4,215 | (606) | (14.4) | |
| Severance | 211 | 16 | 195 | 1,218.8 | |
| Gain on sale of assets | (31) | (1,171) | 1,140 | 97.4 | |
| Total operating expense | 10,398 | 12,349 | (1,951) | (15.8) | |
| Operating loss | \$ (4,310) | \$ (7,970) | \$ 3,660 | 45.9 % | |

Revenue

For the three months ended December 31, 2023, revenue increased by \$4.1 million or 20.7% compared to the same period in the prior year, primarily driven by an increase of \$5.1 million of combined Fiber Optic Gyroscope and QMEMS revenue compared to the same period in the prior year, offset by \$0.9 million of forecasted sales related to a FOG development program for which the corresponding revenue was not recognized during the three months ended December 31, 2023.

Gross Profit

Gross profit is revenue less cost of revenue. Cost of revenue consists of raw materials, compensation expense, depreciation, amortization, accretion expense, and other manufacturing overhead costs, expenses associated with excess and obsolete inventories, and product warranty costs. Historically, gross profit as a percentage of revenue, which we refer to as gross margin, has fluctuated significantly due to revenue and production volumes over fixed manufacturing costs, product mix, manufacturing yields, and inventory charges (e.g., scrap factors, excess and obsolete, inventory valuation adjustments).

For the three months ended December 31, 2023, gross profit increased by \$1.7 million or 39.0% and gross margin increased from 21.9% to 25.2% compared to the same period in the prior year, driven by improvement on sales volume flow-through, reduction in direct material inflation and variable costs, plus execution on production efficiencies and reduction in inventory adjustments, offset by unfavorable margin flow-through on increased sales volume and unfavorable commercial mix.

Selling, General and Administrative

Selling, general, and administrative (“SG&A”) consists primarily of personnel-related expenditures for sales and marketing, IT, finance, legal, and human resources support functions.

For the three months ended December 31, 2023, SG&A decreased by \$2.7 million or 28.9% compared to the same period in the prior year primarily driven by compensation expense reduction as a result of headcount reductions described above in [“Recent Developments”](#) as well as a significant cost reduction from a reduced usage of outsourced services and professional and consulting fees.

Research and Development

Research and development (“R&D”) includes personnel-related expenditures, project costs, and facility-related expenses. We intend to continue to invest in R&D programs because they are essential to our future growth.

For the three months ended December 31, 2023, R&D expense decreased by \$0.6 million or 14.4% compared to the same period in the prior year primarily driven by the headcount reductions described above in [“Recent Developments”](#) which delivered compensation cost savings supported by discretionary cost management savings and a modest increase in costs directly correlated to contract revenue transferred from R&D into Cost of Revenue.

Severance

For the three months ended December 31, 2023, severance totaled approximately \$0.2 million associated with headcount reductions, primarily at our Alhambra, CA facility.

Liquidity and Capital Resources

We have recently experienced significant losses from our operations and used a significant amount of cash in connection with strategic acquisitions to further our strategy of focusing on our Inertial Navigation business. As a result of our recent cash shortage, we have taken actions to manage our liquidity and will need to continue to manage our liquidity as we continue to restructure our operations to focus on our Inertial Navigation business. As of December 31, 2023, our cash and cash equivalents totaled \$21.2 million, including restricted cash of \$0.5 million, and net working capital, including assets and liabilities held for sale, totaled \$58.2 million. Net working capital, including assets and liabilities held for sale, calculated as current assets (including inventory) minus current liabilities, is a financial metric we use which represents available operating liquidity.

We have taken a number of actions to continue to support our operations and meet our obligations:

- In August 2023, we closed our offering of 22,600,000 shares of our common stock at a price of \$0.50 per share, and, to certain investors, Pre-Funded Warrants to purchase 11,900,000 shares of our common stock at a price of \$0.49999999 for each Pre-Funded Warrant (which represents the per share public offering price for our common stock in such offering less the \$0.00000001 per share exercise price for each such Pre-Funded Warrant), resulting in net proceeds to us from the offering, after deducting the placement agent commissions and other offering expenses, of approximately \$15.6 million. See [Management’s Discussion and Analysis of Financial Condition and Results of Operations – Recent Developments](#) under the heading “August 2023 Equity Offering” for additional information regarding the equity offering.
- In April 2023, we initiated a restructuring program that includes the strategic shutdown of our Broadband business segment (including our cable TV, wireless, sensing, and chips product lines) and the discontinuance of our defense optoelectronics product line. Our Board of Directors performed a thorough review of a number of factors including the competitive landscape, declining revenue and gross profit of these discontinued businesses, the current and expected profitability of these discontinued businesses, our cost structure, and our strategic focus on our Inertial Navigation segment, and concluded that these discontinued businesses are non-strategic, currently unsustainable, and cannot be restructured in a way that will allow us to achieve profitable growth and cash preservation. During the quarter ended September 30, 2023, the Broadband business segment and defense optoelectronics product line were considered as held for sale based upon a non-binding letter of intent that had been executed in connection with the ultimate Divestiture Transaction and in consideration of ongoing negotiations for the sale of the chips business. We discontinued operations of our chips business and indium phosphide wafer fabrication facility during the quarter ended September 30, 2023 and consummated the Divestiture Transaction during the three months ended December 31, 2023. As a result of this restructuring and the Divestiture Transaction, we have eliminated approximately 70 positions in the U.S. (primarily in Alhambra, California) and approximately 30 positions in China, collectively representing approximately 22% of our total workforce, and have consolidated facility space by reducing the space used at our Alhambra campus from five to two buildings (including closure of our indium phosphide wafer fabrication facility in Alhambra), plan to relocate personnel in Concord, California to the operations area from the adjacent office building, and sold our manufacturing support and engineering center in China, collectively representing an approximately 25% reduction in the aggregate square footage occupied by our facilities. One-time employee severance and termination costs related to the restructuring of approximately \$2.3 million was recognized in the loss from discontinued operations in the fiscal year ended September 30, 2023. Additional one-time employee severance and termination costs

related to the restructuring of approximately \$0.2 million were incurred in, and are presented in the loss from discontinued operations for, the three months ended December 31, 2023. We anticipate that material cash and non-cash charges will be incurred and recorded in future reporting periods and we may incur additional expenses in connection with the restructuring that are not currently contemplated. The charges that we expect to incur in connection with the restructuring are estimates and subject to a number of assumptions, and actual results may differ materially.

- In February 2023, we closed our offering of 15,454,546 shares of our common stock at a price of \$1.10 per share, resulting in net proceeds to us from the offering of \$15.4 million. See [Management's Discussion and Analysis of Financial Condition and Results of Operations – Recent Developments](#) under the heading “February 2023 Equity Offering” for additional information regarding the equity offering.
- In December 2022, we consummated the sale of the real property interests in the Tinley Park Facility to the Tinley Park Buyer, resulting in net proceeds of approximately \$10.3 million, pursuant to the terms of the Tinley Park Purchase Agreement.
- In August 2022, we entered into the Credit Agreement with Wingspire that provides us with (a) an asset-based revolving credit facility in an aggregate principal amount of up to \$40.0 million, subject to a borrowing base consisting of eligible accounts receivable and eligible inventory (subject to certain reserves), and (b) a term loan facility in an aggregate principal amount of \$5,965,000. As of December 31, 2023, an aggregate principal amount of \$4.7 million was outstanding pursuant to the revolving credit facility and an aggregate principal amount of \$4.0 million was outstanding pursuant to the term loan facility, and an additional \$7.2 million was available for borrowing. See [Note 10 - Credit Agreement](#) in the Notes to Condensed Consolidated Financial Statements for additional information regarding the Credit Agreement.

Our existing balances of cash and cash equivalents, cash flows from operations, and amounts expected to be available under the Credit Agreement, together with additional actions we may take to further reduce our expenses and/or additional funds we may receive if we elect to raise capital through additional debt or equity issuances or from our efforts to monetize certain assets, are anticipated to provide us with sufficient financial resources to meet cash requirements for operations, working capital, and capital expenditures for at least the next 12 months from the issuance date of these condensed consolidated financial statements. As a result, these condensed consolidated financial statements have been prepared on a going concern basis. However, we may not be successful in executing on our plans to manage our liquidity, including recognizing the expected benefits from our restructuring described above, and our ability to continue to operate as a going concern could be impaired, which could in turn cause a significant decline in our stock price and could result in a significant loss of value for our shareholders.

The Credit Agreement subjects us to various financial and other affirmative and negative covenants with which we must comply on an ongoing or periodic basis. These include financial covenants pertaining to a minimum fixed charge coverage ratio and covenants requiring the mandatory prepayment of amounts outstanding under the revolver under specified circumstances. The agreements also subject us to various restrictions on our ability to engage in certain activities, such as raising capital or acquiring businesses. These restrictions may limit or restrict our cash flow and our ability to pursue business opportunities or strategies that we would otherwise consider to be in our best interests. In addition, the Credit Agreement contains a cash dominion provision, requiring us to maintain a minimum amount of liquidity. As of December 31, 2023, this minimum amount of liquidity that we needed to maintain was \$12.5 million. If we fall below this minimum amount of liquidity for a period of three consecutive days, or if there occurs an event of default under the Credit Agreement, then our lender can exercise certain rights, including taking control of our bank accounts and cash resources. In addition, if an event of default occurs under the Credit Agreement, our lenders can accelerate the maturity of our indebtedness under that agreement to make it due and payable immediately. If we trigger the cash dominion provision or if an event of default occurs under the Credit Agreement and if in either case our lenders elect to exercise their rights, we may not be able to pay our debts and other monetary obligations as they come due, and our ability to continue to operate as a going concern could be impaired, which could in turn cause a significant decline in our stock price and could result in a significant loss of value for our shareholders.

We continue to explore a range of options to further address our capitalization and liquidity. If we raise funds by issuing debt securities or incurring loans, this form of financing would have rights, preferences, and privileges senior to those of holders of our common stock. The availability and the terms under which we can borrow additional capital could be disadvantageous, and the terms of debt securities or borrowings could impose significant restrictions on our operations. Macroeconomic conditions and credit markets could also impact the availability and cost of potential future debt financing. If we raise capital through the issuance of additional equity, such sales and issuance would dilute the ownership interests of the existing holders of our common stock. There can be no assurances that any additional debt or equity financing would be available to us or if available, that such financing would be on favorable terms to us. In addition, if adequate funds are not available to fund our future operations or meet our Credit Agreement obligations, we may need to curb our business plans, which could have a material adverse impact on our business prospects and results of operations.

Cash Flow

| <i>(in thousands, except percentages)</i> | Three Months Ended December 31, | | | | | | |
|---|---------------------------------|---------|------|----------|--------|---------|---------|
| | 2023 | | 2022 | | Change | | |
| Net cash used in operating activities - continuing operations | \$ | (1,845) | \$ | (12,190) | \$ | 10,345 | 84.9 % |
| Net cash provided by investing activities | \$ | 818 | \$ | 10,082 | \$ | (9,264) | (91.9)% |
| Net cash used in financing activities | \$ | (2,276) | \$ | (3,175) | \$ | 899 | 28.3 % |

For the three months ended December 31, 2023, our operating activities used cash primarily due to our net loss.

For the three months ended December 31, 2023, our investing activities provided cash primarily from a deposit on our assets held for sale.

For the three months ended December 31, 2023, our financing activities used cash primarily for payments to our borrowing facility.

Contractual Obligations and Commitments

As of the date of this report, there were no material changes to our contractual obligations and commitments outside the ordinary course of business since September 30, 2023 as reported in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements other than operating leases as reported in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023 that have or are reasonably likely to have a current or future material effect on our condensed consolidated financial condition, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies and Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as of the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. If these estimates differ significantly from actual results, the impact to the condensed consolidated financial statements may be material. There have been no material changes in our critical accounting policies and estimates from those disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023. Please refer to Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended September 30, 2023 for a discussion of our critical accounting policies and estimates.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures, (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We designed our disclosure controls and procedures to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officer, to allow timely decisions regarding required disclosure. Our Chief Executive Officer and Chief Financial Officer, with assistance from other members of our management, have reviewed the effectiveness of our disclosure controls and procedures as of December 31, 2023 and, based upon this evaluation, has concluded that our disclosure controls and procedures contained a material weakness in internal control over financial reporting which was identified by the Company during our year-end internal control procedures. A material weakness is a deficiency or combination of deficiencies in internal controls over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. As of September 30, 2023, the Company determined that communications with regard to internal control objectives were not effective to require employees to report the existence of new or novel arrangements for technical accounting review, which resulted in the Company's failure to design and implement effective controls over such transactions.

The control deficiency resulted in a material error associated with identification of the existence of certain insurance premium and supplier financing agreements, whereby (i) certain items on the Company's consolidated balance sheet were underreported in "Other current assets" with a consistent dollar amount underreported for "Financing payable" within the Company's consolidated balance sheet and (ii) certain items on the Company's consolidated statements of cash flows were underreported in Payments to financing payables within "Cash flows from financing activities" and similar such underreporting of such items in other assets in "Cash flows from operating activities". This error has been corrected in the consolidated financial statements as of and for the fiscal year ended September 30, 2023, and as a result, this material weakness did not result in a material misstatement to the annual or interim consolidated financial statements previously filed or included in this Annual Report on Form 10-K. We have identified and are implementing actions intended to improve the effectiveness of our internal control over financial reporting and disclosure controls and procedures and will continue to do so until such remediation is complete. Management intends to remediate the material weakness described above primarily through a combination of (i) revisiting and clarifying, as needed, Company policies with respect to required communications when entering binding arrangements, and (ii) communicating to employees the importance of elevating new and/or novel arrangements for technical accounting oversight in their respective internal control areas. Such communication, including compliance with existing or revised policy, is expected to be delivered through employee training.

Changes in Internal Control over Financial Reporting

There were no other changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) during the quarter ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting other than as related to the remediation of the material weakness as described in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023. See the description of the material weakness in internal controls over financial reporting outlined in "Evaluation of Disclosure Controls and Procedures" above.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

See the disclosures under the caption "Legal Proceedings" in [Note 12 - Commitments and Contingencies](#) in the Notes to Condensed Consolidated Financial Statements for disclosures related to our legal proceedings, which disclosures are incorporated herein by reference.

ITEM 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023, which could materially affect our business, financial condition, or future results. We do not believe that there have been any material changes to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem immaterial also may materially adversely affect our business, financial condition, operating results and/or cash flows.

ITEM 5. Other Information

Rule 10b5-1 and Non-Rule 10b5-1 Trading Arrangements

During the three months ended December 31, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" (as each is defined in Item 408 of Regulation S-K) related to securities of the Company.

ITEM 6. Exhibits

| | |
|-----------|---|
| 2.1 | Sale Agreement, dated as of February 14, 2022 by and among EMCORE Corporation, Ringo Acquisition Sub, Inc., and L3Harris Technologies, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on February 15, 2022). |
| 2.2 | First Amendment to Sale Agreement, dated as of March 1, 2022 by and among EMCORE Corporation, Ringo Acquisition Sub, Inc., and L3Harris Technologies, Inc. (incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed on May 2, 2022). |
| 2.3 | Second Amendment to Sale Agreement, dated as of March 31, 2022 by and among EMCORE Corporation, Ringo Acquisition Sub, Inc., and L3Harris Technologies, Inc. (incorporated by reference to Exhibit 2.3 to the Company's Current Report on Form 8-K filed on May 2, 2022). |
| 2.4 | Third Amendment to Sale Agreement, dated as of April 29, 2022 by and among EMCORE Corporation, Ringo Acquisition Sub, Inc., and L3Harris Technologies, Inc. (incorporated by reference to Exhibit 2.4 to the Company's Current Report on Form 8-K filed on May 2, 2022). |
| 2.5 | Asset Purchase Agreement, dated as of August 9, 2022, by and among EMCORE Corporation, Delta Acquisition Sub, Inc., and KVH Industries, Inc. (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed on August 9, 2022). |
| 2.6 | Purchase and Sale Agreement, dated as of November 1, 2022, by and between EMCORE Chicago Inertial Corporation and HSRE Fund VII Holding Company, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 3, 2022). |
| 2.7 | Asset Purchase Agreement, dated as of October 11, 2023, by and among EMCORE Corporation, Photonics Foundries, Inc. and Ortel LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on October 12, 2023). |
| 3.1 | EMCORE Amended and Restated Bylaws, as amended through January 10, 2024 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on form 8-K filed on January 11, 2024). |
| 10.1 | Cooperation Agreement, dated as of January 10, 2024, by and among EMCORE Corporation and Bradley L. Radoff and certain of his affiliates (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 11, 2024). |
| 31.1** | Certificate of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2** | Certificate of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1*** | Certificate of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2*** | Certificate of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS** | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH** | XBRL Taxonomy Extension Schema Document. |
| 101.CAL** | XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.LAB** | XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE** | XBRL Taxonomy Extension Presentation Linkbase Document. |
| 101.DEF** | XBRL Taxonomy Extension Definition Linkbase Document. |
| 104** | Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101). |

** Filed herewith

*** Furnished herewith

SIGNATURES

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

EMCORE CORPORATION

Date: **February 12, 2024**

By: /s/ Jeffrey Rittichier
Jeffrey Rittichier
Chief Executive Officer
(Principal Executive Officer)

Date: **February 12, 2024**

By: /s/ Tom Minichiello
Tom Minichiello
Chief Financial Officer
(Principal Financial and Accounting Officer)

EMCORE CORPORATION
 CERTIFICATION PURSUANT TO SECTION 302
 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey Rittichier, certify that:

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

Date: February 12, 2024

By: /s/ Jeffrey Rittichier
 Jeffrey Rittichier
 Chief Executive Officer
 (Principal Executive Officer)

EMCORE CORPORATION
CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Tom Minichiello, certify that:

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

Date: February 12, 2024

By: /s/ Tom Minichiello
Tom Minichiello
Chief Financial Officer
(Principal Financial and Accounting Officer)

**STATEMENT REQUIRED BY 18 U.S.C. §1350, AS ADOPTED
PURSUANT TO §906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of EMCORE Corporation (the "Company") for the quarterly period ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey Rittichier, Chief Executive Officer (Principal 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:

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

Date: February 12, 2024

By: /s/ Jeffrey Rittichier
Jeffrey Rittichier
Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filings.

**STATEMENT REQUIRED BY 18 U.S.C. §1350, AS ADOPTED
PURSUANT TO §906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of EMCORE Corporation (the "Company") for the quarterly period ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tom Minichiello, Chief Financial (Principal Financial and Accounting 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:

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

Date: February 12, 2024

By: /s/ Tom Minichiello
Tom Minichiello
Chief Financial Officer
(Principal Financial and Accounting Officer)

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filings.