Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Spire Global, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Spire Global, Inc. and its subsidiaries (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of operations, of comprehensive loss, of changes in stockholders' equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
San Francisco, California
March 6, 2024

We have served as the Company's auditor since 2019.

Spire Global, Inc.
Consolidated Balance Sheets
(In thousands, except share and per share amounts)

	December 31, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	$ 29,144	$ 47,196
Marketable securities	11,726	23,084
Accounts receivable, net (including allowance of $586 and $395 as of December 31, 2023 and 2022, respectively)	9,911	13,864
Contract assets	6,215	3,353
Other current assets	12,340	9,279
Total current assets	69,336	96,776
Property and equipment, net	71,209	53,752
Operating lease right-of-use assets	14,921	11,687
Goodwill	51,155	49,954
Customer relationships	19,363	20,814
Other intangible assets	12,660	13,967
Other long-term assets, including restricted cash	8,181	9,562
Total assets	$ 246,825	$ 256,512
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 8,012	$ 4,800
Accrued wages and benefits	1,829	4,502
Contract liabilities, current portion	23,165	15,856
Other accrued expenses	8,540	8,210
Total current liabilities	41,546	33,368
Long-term debt	114,113	98,475
Contingent earnout liability	220	349
Deferred income tax liabilities	1,069	771
Warrant liability	5,988	1,831
Operating lease liabilities, net of current portion	13,079	10,815
Other long-term liabilities	272	780
Total liabilities	176,287	146,389
Commitments and contingencies (Note 9)		
Stockholders' equity		
Common stock, $0.0001 par value, 1,000,000,000 Class A and 15,000,000 Class B shares authorized, 21,097,351 Class A and 1,507,325 Class B shares issued and outstanding at December 31, 2023; 17,959,923 Class A and 1,507,325 Class B shares issued and outstanding at December 31, 2022[(1)]	2	2
Additional paid-in capital	477,624	455,765
Accumulated other comprehensive loss	(4,485)	(6,997)
Accumulated deficit	(402,603)	(338,647)
Total stockholders' equity	70,538	110,123
Total liabilities and stockholders' equity	$ 246,825	$ 256,512

(1) The issued and outstanding shares of the Company's common stock have been retroactively adjusted to reflect the 1-for-8 reverse stock split (Note 1).

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

Spire Global, Inc.
Consolidated Statements of Operations
(In thousands, except share and per share amounts)

	Years Ended December 31, 2023	2022
Revenue	$ 105,703	$ 80,268
Cost of revenue	42,434	40,327
Gross profit	63,269	39,941
Operating expenses:		
Research and development	38,923	35,153
Sales and marketing	25,754	28,502
General and administrative	42,494	44,831
Loss on decommissioned satellites	747	549
Total operating expenses	107,918	109,035
Loss from operations	(44,649)	(69,094)
Other income (expense):		
Interest income	2,332	948
Interest expense	(19,036)	(13,955)
Change in fair value of contingent earnout liability	129	9,677
Change in fair value of warrant liabilities	(1,597)	8,757
Loss on extinguishment of debt	—	(22,510)
Other expense, net	(1,063)	(2,912)
Total other expense, net	(19,235)	(19,995)
Loss before income taxes	(63,884)	(89,089)
Income tax provision	72	322
Net loss	$ (63,956)	$ (89,411)
Basic and diluted net loss per share[(1)]	$ (3.27)	$ (5.11)
Weighted-average shares used in computing basic and diluted net loss per share[(1)]	19,580,006	17,484,927

(1) The shares of the Company's common stock and the per share amounts have been retroactively adjusted to reflect the 1-for-8 reverse stock split (Note 1).

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

Spire Global, Inc.
Consolidated Statements of Comprehensive Loss
(In thousands)

	Years Ended December 31, 2023	2022
Net loss	$ (63,956)	$ (89,411)
Other comprehensive gain (loss):		
Foreign currency translation adjustments	2,478	(7,696)
Net unrealized gain (loss) on investments (net of tax)	34	(33)
Comprehensive loss	$ (61,444)	$ (97,140)

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

Spire Global, Inc.
Consolidated Statements of Changes in Stockholders' Equity
(In thousands, except share amounts)

	Common Stock Shares[(1)]	Common Stock Amount[(1)]	Additional Paid in Capital[(1)]	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balance, December 31, 2021	18,894,262	2	438,709	732	(249,236)	$ 190,207
Exercise of stock options	62,975	—	806	—	—	806
Release of Restricted Stock Units	30,310	—	(70)	—	—	(70)
Issuance of common stock under Employee Stock Purchase Plan	65,726	—	623	—	—	623
Stock compensation expense	—	—	11,491	—	—	11,491
Conversion of warrants to common stock	413,910	—	4,206	—	—	4,206
Net loss	—	—	—	—	(89,411)	(89,411)
Foreign currency translation adjustments	—	—	—	(7,696)	—	(7,696)
Net unrealized loss on investments (net of tax)	—	—	—	(33)	—	(33)
Balance, December 31, 2022	19,467,183	2	455,765	(6,997)	(338,647)	110,123
Exercise of stock options	500	—	3	—	—	3
Release of Restricted Stock Units and Performance Stock Units	781,557	—	—	—	—	—
Issuance of common stock under Employee Stock Purchase Plan	154,371	—	727	—	—	727
Stock compensation expense	—	—	12,978	—	—	12,978
Issuance of common stock under the Equity Distribution Agreement, net	2,166,384	—	7,866	—	—	7,866
Conversion of warrants to common stock	34,728	—	286	—	—	286
Redemption of fractional shares due to reverse stock split	(47)	—	(1)	—	—	(1)
Net loss	—	—	—	—	(63,956)	(63,956)
Foreign currency translation adjustments	—	—	—	2,478	—	2,478
Net unrealized gain on investments (net of tax)	—	—	—	34	—	34
Balance, December 31, 2023	22,604,676	$ 2	$ 477,624	$ (4,485)	$ (402,603)	$ 70,538

(1) The shares of the Company's common stock have been retroactively adjusted to reflect the 1-for-8 reverse stock split (Note 1).

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

Spire Global, Inc.
Consolidated Statements of Cash Flows
(In thousands)

	Years Ended December 31, 2023	2022
Cash flows from operating activities		
Net loss	$ (63,956)	$ (89,411)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	18,228	18,341
Stock-based compensation	12,978	11,491
Amortization of operating lease right-of-use assets	2,928	2,344
Amortization of debt issuance costs	2,337	3,781
Change in fair value of warrant liabilities	1,597	(8,757)
Change in fair value of contingent earnout liability	(129)	(9,677)
Loss on decommissioned satellites and impairment of assets	1,024	784
Loss on extinguishment of debt	—	22,271
Other, net	(290)	1
Changes in operating assets and liabilities:		
Accounts receivable, net	4,144	(4,180)
Contract assets	(2,463)	(1,364)
Other current assets	(3,246)	324
Other long-term assets	1,680	1,852
Accounts payable	1,371	(1,808)
Accrued wages and benefits	(2,747)	(923)
Contract liabilities	6,352	7,776
Other accrued expenses	(648)	1,012
Operating lease liabilities	(2,782)	(1,632)
Other long-term liabilities	—	(45)
Net cash used in operating activities	(23,622)	(47,820)
Cash flows from investing activities		
Purchases of short-term investments	(40,116)	(40,213)
Maturities of short-term investments	52,500	17,300
Purchase of property and equipment	(30,037)	(18,915)
Net cash used in investing activities	(17,653)	(41,828)
Cash flows from financing activities		
Proceeds from long-term debt	19,886	100,973
Proceeds from issuance of common stock under the Equity Distribution Agreement, net	7,866	—
Payments on long-term debt	(4,500)	(71,512)
Payments of debt issuance costs	(75)	(4,516)
Proceeds from exercise of stock options	3	806
Proceeds from employee stock purchase plan	727	622
Net cash provided by financing activities	23,907	26,373
Effect of foreign currency translation on cash, cash equivalents and restricted cash	(560)	1,199
Net decrease in cash, cash equivalents and restricted cash	(17,928)	(62,076)
Cash, cash equivalents and restricted cash		
Beginning balance	47,569	109,645
Ending balance	$ 29,641	$ 47,569
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 16,157	$ 9,438
Income taxes paid	$ 47	$ 210
Noncash operating, investing and financing activities		
Property and equipment purchased but not yet paid	$ 2,745	$ 957
Right-of-use assets obtained in exchange for lease liabilities	$ 5,868	$ —
Accrued long-term debt issuance costs	$ 1,800	$ —
Conversion of warrants to Class A common stock	$ 286	$ 4,205
Issuance of stock warrants with long-term debt (Note 8)	$ 2,579	$ 3,579

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

1.Nature of Business

Spire Global, Inc. (“Spire” or the “Company”), founded in August 2012, is a global provider of space-based data and analytics that offers its customers unique datasets and insights about earth from the ultimate vantage point. The Company collects this space-based data through its proprietary constellation of multi-purpose nanosatellites. By designing, manufacturing, integrating, and operating its own satellites and ground stations, the Company has unique end-to-end control and ownership over its entire system. The Company offers the following three data solutions to customers: Maritime, Aviation and Weather. As a fourth solution, the Company is providing “space-as-a-service” through its Space Services solution.

The Company is headquartered in Vienna, Virginia and has several wholly owned operating subsidiaries in the United States, United Kingdom, Luxembourg, Singapore, Australia, Germany, and Canada.

On August 16, 2021, Spire Global Subsidiary, Inc. (formerly known as Spire Global, Inc.) (“Legacy Spire”) closed its previously announced merger with NavSight Holdings, Inc. (“NavSight”), a special purpose acquisition company. As a result, Legacy Spire continued as the surviving corporation and a wholly owned subsidiary of NavSight (the “Merger,” and such consummation, the “Closing”). NavSight then changed its name to Spire Global, Inc. and Legacy Spire changed its name to Spire Global Subsidiary, Inc.

On September 14, 2022, the Company entered into an Equity Distribution Agreement (the “Equity Distribution Agreement”) with Canaccord Genuity LLC, as sales agent (the “Agent”). In accordance with the terms of the Equity Distribution Agreement, the Company may offer and sell its Class A common stock, having an aggregate offering price of up to $85,000 from time to time through the Agent pursuant to a registration statement on Form S-3, which became effective on September 26, 2022. Under the Equity Distribution Agreement, the Company sold 2,166,389 shares of its Class A common stock during the year ended December 31, 2023 for gross proceeds of $8,235.

On March 24, 2023, the Company, was notified by the New York Stock Exchange (“NYSE”) that the Company was not in compliance with Rule 802.01C of the NYSE’s Listed Company Manual (“Rule 802.01C”) relating to the minimum average closing price of the Company’s Class A common stock, par value of $0.0001 per share, required over a consecutive 30 trading-day period. On August 31, 2023, the Company effected a reverse stock split at a ratio of 1-for-8 (the “Reverse Stock Split”) of its common stock. In connection with the Reverse Stock Split, every eight shares of the Company’s Class A and Class B common stock issued and outstanding as of the effective date were automatically combined into one share of Class A or Class B common stock, as applicable. On September 25, 2023, the Company received formal notice from the NYSE that the Company had regained compliance with Rule 802.01C.

The par value of the common stock remains $0.001 per share after the Reverse Stock Split. All share and per share information has been retroactively adjusted to reflect the impact of the Reverse Stock Split for all periods presented.

2.Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and regulations of the U.S. Securities and Exchange Commission (the "SEC"). The Company’s consolidated financial statements include the accounts of Spire Global, Inc. and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Reverse Stock Split

Reported share amounts, including issued and outstanding shares, per share amounts, and reported issued and outstanding warrants and other securities convertible into common stock in these consolidated financial statements and accompanying notes have been retroactively adjusted for the Reverse Stock Split by applying the Reverse Stock Split ratio. The number of authorized shares of common stock was not impacted by the Reverse Stock Split, and therefore has not been retroactively adjusted.

Liquidity Risks and Uncertainties

Since inception, the Company has been engaged in developing its product offerings, raising capital, and recruiting personnel. The Company’s operating plan may change as a result of many factors currently unknown and there can be no assurance that the current operating plan will be achieved in the time frame anticipated by the Company, and it may need to seek additional funds sooner than planned. If adequate funds are not available to the Company on a timely basis, it may be required to delay, limit, reduce, or terminate certain commercial efforts, or pursue merger or acquisition strategies, all of which could adversely affect the holdings or the rights of the Company’s stockholders.

The Company has a history of operating losses and negative cash flows from operations since inception. During the year ended December 31, 2023, net loss was $63,956, cash used in operations was $23,622 and the Company received net proceeds of $7,866 from sales of shares of its Class A common stock under the Equity Distribution Agreement. The Company held cash and cash equivalents of $29,144, excluding restricted cash of $497, and investment in marketable securities of $11,726 as of December 31, 2023. The Company currently believes that it will meet its minimum liquidity covenant, as well as all other financial covenants under the Blue Torch Financing Agreement (as amended, and as defined below in Note 6), at each applicable measurement point over the period of at least one year from the issuance of the December 31, 2023 consolidated financial statements, and that it will have sufficient working capital to operate for a period of at least one year from the issuance of the December 31, 2023 consolidated financial statements, in each case based on the Company's current cash and cash equivalents balance and expected future financial results.

The Company's assessment of the period of time through which its financial resources will be adequate to support its operations and meet its financial covenants is a forward-looking statement and involves risks and uncertainties. The Company's actual results could vary as a result of many factors, including its growth rate, subscription renewal activity, the timing and extent of spending to support its infrastructure and research and development efforts and the expansion of sales and marketing activities. The Company may in the future enter into arrangements to acquire or invest in complementary businesses, services, and technologies, including intellectual property rights. The Company has based its estimates on assumptions that may prove to be wrong, and it could use its available capital resources sooner than it currently expects. The Company may be required to seek additional equity or debt financing or seek waivers of or amendments to contractual obligations. Future liquidity and cash requirements will depend on numerous factors, including market penetration, the introduction of new products, and potential acquisitions of related businesses or technology. In the event that additional financing is required from outside sources, the Company may not be able to raise it on acceptable terms or at all. If the Company is unable to raise additional capital when desired, unable to meet the minimum liquidity covenant or other financial covenants under the Blue Torch Financing Agreement or if it cannot expand its operations or otherwise capitalize on its business opportunities because it lacks sufficient capital, its business, results of operations, and financial condition would be adversely affected.

Macroeconomic and Geopolitical

Over the past two years, the Company has been impacted by the macroeconomic environment, such as fluctuations in foreign currencies, increasing interest rates and the Russian invasion of Ukraine.

A stronger U.S. dollar relative to the Company's foreign subsidiaries' local functional currencies for the year ended December 31, 2023 as compared to the year ended December 31, 2022 negatively impacted the Company's revenue, since approximately one-third of the Company's sales are transacted in foreign currencies, though it positively impacted the Company's expenses, since a majority of the Company's employees reside in countries outside of the United States.

The macroeconomic environment has caused existing or potential customers to re-evaluate their decision to purchase the Company's offerings, at times resulting in additional customer discounts, extended payment terms, longer sales cycles, and a few contract cancellations.

Increasing interest rates in 2023 as compared to 2022 resulted in higher interest expenses, as the Company's credit facility is based on a floating interest rate. The Russian invasion of Ukraine and the continued conflict created additional global sanctions, which at times caused scheduling shifts or launch cancellations by third-party satellite launch providers, which has delayed revenue recognition of certain sales contracts.

If any of these factors continue or worsen, and/or if new macroeconomic or geopolitical issues arise, the Company's results and financial condition could be further negatively impacted. The Company cannot predict the timing, strength, or duration of any economic slowdown, downturn, instability, or recovery, generally or within any particular industry or geography. Any downturn of the general economy or industries in which the Company operates would adversely affect its business, financial condition, and results of operations.

Segment Information

The Company operates as one reportable and operating segment, which relates to the sale of subscription-based data, insights, predictive analytics and related project-based services to global customers across a range of industries. The Company's chief operating decision maker is its chief executive officer, who reviews financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance and allocating resources.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Management's significant estimates include assumptions in revenue recognition, allowance for credit losses, valuation of certain assets and liabilities acquired from the acquisition of exactEarth in November 2021 (the "Acquisition"), realizability of deferred income tax assets, and fair value of equity awards, contingent earnout liabilities and warrant liabilities. Actual results could differ from those estimates.

Based on an evaluation of the lifespans of its in-service satellites and on current capabilities to extend the useful life of in-service satellites via software updates, the Company changed the estimated useful life of its capitalized satellites and related launch costs from three to four years for depreciation purposes. The Company determined it was appropriate to make this change prospectively beginning June 2023. The change in estimated useful life did not have a material impact for the year ended December 31, 2023.

(In thousands, except shares and per share data, unless otherwise noted)

In November 2023, the Company updated the estimated useful lives for 43 capitalized satellites and related launch costs based on updated de-orbit dates. This change represents a change in accounting estimate and the impact of the change was an increase in loss from continuing operations before income taxes of approximately $2,467, or $0.13 per basic and diluted share for the months of November and December 2023.

Foreign Currency Translation

The Company's foreign subsidiaries, which have defined their functional currency as their local currency, translate their assets and liabilities into U.S. Dollars at the exchange rate existing at the balance sheet date, and translate their results from operations at the average exchange rate for each period. The resulting translation adjustments are included as a component of accumulated other comprehensive loss on the consolidated balance sheets, accumulated other comprehensive loss in the consolidated statements of changes in stockholders' equity and as other comprehensive gain (loss) in the consolidated statements of comprehensive loss. Gains and losses from foreign currency transactions are included in other expense, net in the consolidated statements of operations.

Fair Value Measurements

To account for fair value measurements and disclosures, a fair value hierarchy was established that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Company uses the following valuation techniques to measure fair value for its assets and liabilities:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Significant other observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 Unobservable inputs reflecting management's assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Cash, Cash Equivalents, Marketable Securities and Restricted Cash

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Restricted cash included in Other long-term assets, including restricted cash on the consolidated balance sheets, represents amounts pledged as guarantees or collateral for financing arrangements and lease agreements, as contractually required.

The Company invests in highly rated securities, with the primary objective of minimizing the potential risk of principal loss. The Company's investment policy generally requires securities to be investment grade and limits the amount of credit exposure to any one issuer. The Company's investments in marketable debt securities have been classified and accounted for as available-for-sale. The Company classifies its marketable debt securities as either short-term or long-term based on each instrument's underlying contractual maturity date. Unrealized gains and losses on marketable debt securities classified as available-for-sale are recognized in accumulated other comprehensive loss. Interest on securities classified as available-for-sale is included in interest income on the consolidated statements of operations.

The following table shows components of cash, cash equivalents, and restricted cash reported on the consolidated balance sheets and in the consolidated statements of cash flows as of and for the years then ended:

	December 31,	
	2023	2022
Cash and cash equivalents	$ 29,144	$ 47,196
Restricted cash included in Other long-term assets	497	373
	$ 29,641	$ 47,569

Accounts Receivable

Accounts receivable are stated at the amounts management expects to collect from outstanding balances. An allowance for credit losses is recorded based on historical loss experience, consideration of current and future economic conditions, and evaluation of a customer's current and future financial condition. Increases and decreases in the allowance for credit losses are included as a component of general and administrative expense in the consolidated statements of operations. Recoveries of accounts receivable for which an allowance exists, or those that were previously written off, are recorded when received. The Company recorded an expense for credit losses of $640 and $139 for the years ended December 31, 2023 and 2022, respectively.

The Company generally grants credit to its customers on an unsecured basis. The Company does not have any off-balance sheet credit exposure related to its customers.

(In thousands, except shares and per share data, unless otherwise noted)

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash, cash equivalents and restricted cash, marketable securities, and accounts receivable. The Company typically has cash accounts in excess of Federal Deposit Insurance Corporation insurance coverage limits. The Company has not experienced any losses on such accounts, and management believes that the Company's risk of loss is remote.

The Company has a concentration of contractual revenue arrangements with various government agencies. Entities under common control are reported as a single customer. As of December 31, 2023, the Company did not have any customers that accounted for more than 10% of the Company's total accounts receivable. As of December 31, 2022, the Company had one customer (Customer A noted below) that accounted for 16% of the Company's total accounts receivable.

The following customers represented 10% or more of the Company's total revenue:

	Years Ended December 31,	
	2023	2022
Customer A	*	11 %
Customer B[(1)]	26 %	19 %

* *Revenue from this customer was less than 10% of total revenue during the year.*

[(1)] *Consists of multiple U.S. government agencies, of which only one government agency represented greater than 10% of total revenue for the years ended December 31, 2023 and 2022.*

The Company has a concentration in vendor purchases. The Company believes its reliance on its vendors could be shifted over a period of time to alternative vendors should such a change be necessary. If the Company were to be unable to obtain alternative vendors due to factors beyond its control, operations would be disrupted until alternative vendors were secured. The Company had one vendor for the year ended December 31, 2023, and did not have any vendors for the year ended December 31, 2022, from which purchases of equipment, components and services individually represented 10% or more of the Company's total purchases.

The Company is dependent on third parties to launch its satellites into space, and any launch delay, malfunction, or failure could have a negative impact on revenue and might cause the Company not to be able to accommodate customers with sufficient data to meet minimum service level agreements until replacement satellites are available. The Company also incorporates technology and terrestrial data sets from third parties into its platform and its inability to maintain rights and access to such technology and data sets would harm its business and results of operations.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. In-service satellites and related launch costs are capitalized based on the commission date of the underlying asset. Capitalized launch costs for each satellite are allocated based on the total cost of the launch divided by the number of satellites included on that launch. In-service ground stations and related costs are capitalized once signals are transmitted with in-service satellites. In the event of a failed launch or deployment of satellites, the related equipment impairment and launch costs are expensed and recorded in the consolidated statements of operations.

The Company also capitalizes certain software costs incurred in connection with developing internal-use software during the project development stage so long as management with the relevant authority authorizes the project, it is probable the project will be completed, and the software will be used to perform the function intended. Costs incurred for enhancements that are expected to result in additional significant functionality are capitalized and amortized over the estimated useful life of the enhancement. Costs related to preliminary project activities and post-implementation operational activities are expensed as incurred. Internal-use software, which consists primarily of the Company's enterprise software used to build and operate the Company's satellites, is stated at cost less accumulated amortization.

General maintenance and repairs are charged to expense as incurred. Significant refurbishments, renewals and betterments are capitalized. When assets are retired or disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as other expense, net in the Company's consolidated statements of operations.

Depreciation and amortization are computed utilizing the straight-line method over the estimated useful lives of depreciable assets in the table below. Leasehold improvements are amortized using the straight-line method over the lesser of the life of the asset or the remaining life of the lease.

	Years
Furniture and fixtures	7
Machinery and equipment	5
In-service ground stations	3-10
Computer software and website development	3
Computer equipment	3
Capitalized satellite launch costs and in-service satellites	3-4

(In thousands, except shares and per share data, unless otherwise noted)

The following table summarizes the Company's long-lived assets by geography:

	December 31,	
	2023	2022
EMEA(1)	57 %	39 %
Americas (2)	43 %	61 %
Total	100 %	100 %

(1) United Kingdom represented 28%, Germany represented 19% and Luxemburg represented 10% for the year ended December 31, 2023 and United Kingdom represented 30% for the year ended December 31, 2022.
(2) U.S. represented 25% and 34% and Canada represented 18% and 27% for the years ended December 31, 2023 and 2022, respectively.

Equity Method Investments

The Company accounts for equity investments in which it has significant influence, but not a controlling financial interest, using the equity method of accounting. Under the equity method of accounting, investments are initially recorded at cost, less impairment, and subsequently adjusted to recognize the Company's share of earnings or losses as a component of other expense, net in the consolidated statements of operations. The Company's equity method investments are required to be reviewed for impairment when it is determined there may be an other-than-temporary loss in value. The Company did not record any impairment losses related to our equity method investments during the years ended December 31, 2023 and 2022.

Business Combinations

The Company recognizes identifiable assets acquired and liabilities assumed at their acquisition date fair values. Such valuations require us to make significant estimates and assumptions, especially at the acquisition date with respect to intangible assets. While the Company uses its best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed, these estimates which include, but are not limited to, future revenue growth, margins, customer retention rates, technology life, royalty rates, expected use of acquired assets, and discount rates, are inherently uncertain and subject to refinement.

Goodwill is measured as the excess of the consideration transferred over the fair value of assets acquired and liabilities assumed on the acquisition date. Acquisition-related expenses are recognized separately from the business combination and are expensed as incurred and included in the general and administrative expenses line item in the consolidated statements of operations. The authoritative guidance allows a measurement period of up to one year from the date of acquisition to make adjustments to the preliminary allocation of the purchase price. As a result, during the measurement period the Company may record adjustments to the fair values of assets acquired and liabilities assumed, with the corresponding offset to goodwill to the extent that it identifies adjustments to the preliminary purchase price allocation.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the estimated fair value of net tangible and identifiable intangible assets acquired in business acquisitions. The Company first performs a qualitative assessment of goodwill annually in the fourth quarter, and more frequently if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. If it is determined in the qualitative assessment that the fair value of the Company's single reporting unit is more likely than not below its carrying amount, then the Company will perform a quantitative impairment test. The quantitative goodwill impairment test is performed by comparing the fair value of the reporting unit with its carrying amount. Any excess in the carrying value of the goodwill over its fair value is recognized as an impairment loss. For purposes of goodwill impairment testing, the Company has one reporting unit. The annual goodwill impairment assessment performed in the fourth quarter of 2023 indicated that the fair value significantly exceeded the carrying value of goodwill.

Intangible assets consist of acquired intangible assets which include customer relationships, developed technology and trade names and the costs to obtain patents and perpetual nonexclusive license rights for the use of intellectual property. Acquired intangible assets, other than goodwill, are amortized over their estimated useful lives, ranging from 1 to 12 years, based upon the estimated economic value derived from the related intangible asset. Significant judgment is used in determining fair values of acquired intangible assets and their estimated useful lives. Fair value and useful life determinations may be based on, among other factors, estimates of future expected cash flows, royalty cost savings and appropriate discount rates used in calculating present values.

Intangible assets are tested for impairment whenever there are indicators of impairment. The Company did not recognize any impairment charges for intangible assets for the year ended December 31, 2023, but recorded an impairment charge relating to patents of $72 for the year ended December 31, 2022.

Impairment of Long-Lived Assets

The Company assesses potential impairments to long-lived assets whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the assets or asset groups. If impairment exists, the impairment loss is measured and recorded based on undiscounted estimated future cash flows. In estimating future cash flows, assets are grouped at the lowest levels for which there are identifiable cash flows that are largely independent of cash flows from other asset groups. The Company recognized impairment charges of $747 on decommissioned satellites and $277 on other long-lived assets for the year ended December 31, 2023, and $549 on decommissioned satellites and $143 on other long-lived assets for the year ended December 31, 2022.

Deferred Offering Costs

The Company capitalizes within other current assets on the consolidated balance sheets certain legal, accounting and other third-party fees that are directly related to the Company's in-process equity financing until such financings are consummated. After consummation of the equity financing, these costs are recorded as a reduction of the proceeds received from the offering. Should a planned equity financing be abandoned, terminated or significantly delayed, the deferred offering costs are written off to operating expenses. There were no deferred offering costs capitalized as of December 31, 2023 and 2022.

Debt Issuance Costs

For long-term debt, the Company presents debt issuance costs on the consolidated balance sheets as a direct deduction from the carrying amount of the related debt facility. Debt issuance costs and the fair value assigned to stock warrants issued related to term loans are amortized over the respective term of the debt facility using the effective interest method.

Warrants

The Company generally classifies warrants for the purchase of shares of its common stock as liabilities on its consolidated balance sheets unless the warrants meet certain specific criteria that require the warrants to be classified within stockholders' equity. Those warrants accounted for as liabilities are freestanding financial instruments that may require the Company to transfer assets upon exercise. The warrant liability is initially recorded at fair value upon the date of issuance of each warrant and is subsequently remeasured to fair value at each reporting date. Changes in the fair value of the warrant liabilities are recognized as a component in other income (expense) in the consolidated statements of operations. Changes in the fair value of the warrant liabilities will continue to be recognized until the warrants are exercised, expire or qualify for equity classification. Warrants classified as equity are initially recorded at fair value on the date of issuance and recorded in additional paid-in capital on the Company's consolidated balance sheets until the warrants are exercised or expire.

On June 13, 2022, in connection with the Blue Torch Financing Agreement, the Company issued warrants to Blue Torch, which were exercisable for an aggregate of 437,024 shares of the Company's Class A common stock with a per share exercise price of $16.08 (the "2022 Blue Torch Warrants"). Additionally, in connection with the closing of the financing, the Company issued a warrant to Urgent Capital LLC for introducing the Company to the Lenders, which is exercisable for an aggregate of 24,834 shares of the Company's Class A common stock with a per share exercise price of $16.08 (the "Urgent Warrants"). On September 27, 2023, the Company issued new warrants to certain Blue Torch affiliates that are exercisable for an additional 597,082 shares of the Company's Class A common stock at a per share exercise price of $5.44 (the "2023 Blue Torch Warrants" and together with the 2022 Blue Torch Warrants and the Urgent Warrants, the "Credit Agreement Warrants").

The Company assumed 1,437,499 publicly-traded warrants ("Public Warrants") and 825,000 private placement warrants issued by NavSight ("Private Warrants" and, together with the Public Warrants, the "Common Stock Warrants") upon the Merger, all of which were issued in connection with NavSight's initial public offering and entitled holders to purchase one share of the Company's Class A common stock at an exercise price of $92.00 per share.

The Company evaluated the Credit Agreement Warrants and the Common Stock Warrants and concluded that they do not meet the criteria to be classified within stockholders' equity. The agreement governing the Credit Agreement Warrants and the Common Stock Warrants includes a provision that could result in a different settlement value for the Common Stock Warrants depending on their holder. Because the holder of an instrument is not an input into the pricing of a fixed-for-fixed option on the Company's Class A common stock, the Common Stock Warrants are not considered to be indexed to the Company's own stock. As the Common Stock Warrants meet the definition of a derivative, the Company recorded these warrants as liabilities on the consolidated balance sheets at fair value based on the Black Scholes model. Subsequent changes in their respective fair values are recognized in the consolidated statements of operations at each reporting date. Changes in the fair value of the warrant liabilities will continue to be recognized until the warrants are exercised, expire, or qualify for equity classification.

Contingent Earnout Liability

In connection with the Merger, eligible Spire equity holders are entitled to receive additional shares of the Company's Class A common stock upon the Company achieving certain earnout triggering events. In accordance with Accounting Standards Codification ("ASC") 815-40, the earnout shares are not indexed to the Company's Class A common stock and therefore were accounted for as a liability and an offset to additional paid-in capital on the consolidated balance sheets at the reverse recapitalization date and subsequently remeasured at each reporting date with changes in fair value recorded as a component of other income (expense) in the consolidated statements of operations.

The contingent earnout liability is categorized as a Level 3 fair value measurement using the Monte Carlo model (Note 8) because the Company estimates projections during the earnout period utilizing unobservable inputs. Contingent earnout payments involve certain assumptions requiring significant judgment and actual results may differ from assumed and estimated amounts. The assumptions utilized in the calculation are based on the achievement of certain stock price milestones, including the current price of our Class A common stock, expected volatility, risk-free rate, expected term and expected dividend yield.

Revenue Recognition

The Company generates revenue from four main solutions: Maritime, Aviation, Weather and Space Services. The Company offers the following three data solutions to customers:

•***Maritime***: precise space-based data used for highly accurate ship monitoring, ship safety and route optimization.

•***Aviation***: precise space-based data used for highly accurate aircraft monitoring, aircraft safety and route optimization.

•***Weather***: precise space-based data used for highly accurate weather forecasting.

As a fourth solution, the Company is also pioneering an innovative "space-as-a-service" business model through its Space Services solution. The Company leverages its fully deployed infrastructure and large-scale operations to enable customers to obtain customized data through its application programming interface ("API") infrastructure.

Revenue recognition involves the identification of the contract, identification of performance obligations in the contract, determination of the transaction price, allocation of the transaction price to the previously identified performance obligations and recognition of revenue as the performance obligations are satisfied.

The Company recognizes revenue for each separately identifiable performance obligation in a data solutions contract representing a promise to transfer data or a distinct service to a customer. In most cases, data provided under the Company's data solutions contracts are accounted for as a single performance obligation due to the integrated nature of the Company's precise space-based data. In some data access contracts, the Company provides multiple project-based services to a customer, most commonly when a contract covers multiple phases of the Space Services solution (e.g., development, manufacturing, launch and satellite operations). In those cases, the Company accounts for each distinct project-based deliverable as a separate performance obligation and allocates the transaction price to each performance obligation based on its relative standalone selling price, which is generally estimated using cost plus a reasonable margin based on value added to the customer.

The Company recognizes revenue when (or as) the performance obligation is satisfied, either over time or at a point in time. The Company has determined that each data access subscription provides a series of distinct services in which the customer simultaneously receives and consumes data. Therefore, for subscription-based data services, the Company recognizes revenue ratably over the subscription period. Revenue is recognized upon delivery for data products such as archive data and custom reports, which are performance obligations satisfied at a point in time upon transfer of control. For Space Services, control of the data typically is transferred at the time the customer gains access to the benefit of the service. If customer acceptance is required, revenue is recognized upon receipt of notice of customer acceptance, which is generally a short period of time after delivery. For certain project-based performance obligations (e.g., manufacturing and launch phases), revenue is recognized over time, using the output method, specifically contract milestones, which we have determined to be the most direct and reasonable measure of progress as they reflect the results achieved and value transferred to the customer.

Contract Assets and Liabilities

For each of the Company's contracts, the timing of revenue recognition, customer billings, and cash collections determines the recorded accounts receivable, contract assets, and contract liabilities on the Company's consolidated balance sheets. Payment terms and conditions generally include a requirement to pay within 30 days. When revenue is recognized in advance of customer invoicing, a contract asset is recorded for the unbilled receivable. Conversely, contract liabilities are recorded when the Company has an unconditional right to consideration before it has satisfied a performance obligation. Contract liabilities consist of funds received in advance of revenue recognition from subscription services or project-based services that are subsequently recognized when the revenue recognition criteria are met. The non-current portion of contract liabilities consists of funds received in advance of revenue recognition from subscription services or other project-based services that have remaining contractual obligations greater than one year from the balance sheet date.

Deferred Contract Costs

Sales commissions earned by the Company's employees are considered incremental costs of obtaining a contract. An asset is recognized for sales commissions if the Company expects the period of benefit from these costs to be more than one year. The Company amortizes the deferred contract costs on a straight-line basis over the period of expected benefit, which is primarily 12 months, consistent with the pattern of revenue recognition of the related performance obligation. The amortized costs are recorded in sales and marketing expense in the Company's consolidated statements of operations. The Company expenses sales commissions as incurred when the period of benefit is less than one year.

Deferred contract costs are included in other current assets, for the current portion, and other long-term assets, for the non-current portion, on the Company's consolidated balance sheets. Deferred contract costs at December 31, 2023 and 2022 were $926 and $890, respectively, of which $487 and $439, respectively, were classified as current. During the years ended December 31, 2023 and 2022, the Company recognized $490 and $809, respectively, as amortization of deferred contract costs in sales and marketing expense.

Cost of Revenue

Cost of revenue consists primarily of personnel costs, depreciation, hosted infrastructure and high-power computing costs, third-party operating and royalty costs associated with delivering data and services to customers, allocated overhead costs and amortization of purchased intangibles customer relationships and developed technology associated with the Acquisition. Overhead costs primarily include allocable amounts of utilities, rent, depreciation expense on assets used directly in revenue producing activities, indirect materials, production and test administration expenses, and repairs and maintenance.

Research and Development Costs

Research and development expenses consist primarily of employee-related expenses, third-party consulting fees, and computing costs which are expensed as incurred.

Sales and Marketing

Sales and marketing expenses consist primarily of employee-related expenses, sales commissions, marketing and advertising costs, costs incurred in the development of customer relationships, brand development costs, travel-related expenses and amortization of purchased intangible backlog associated with the Acquisition.

The Company expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2023 and 2022 was $1,103 and $933, respectively, and is included in sales and marketing expenses in the consolidated statements of operations.

General and Administrative Costs

General and administrative expenses consist of employee-related expenses for personnel in the Company's executive, finance and accounting, facilities, legal, human resources, and management information systems functions, as well as other administrative employees. In addition, general and administrative expenses include fees related to third-party legal counsel, fees related to accounting, tax and audit costs, office facilities costs, software subscription costs, and other corporate costs.

Employee Benefit Plan

The Company has a qualified retirement plan which covers all employees who meet certain eligibility requirements. Plan matching contributions, discretionary profit-sharing contributions, and qualified nonelective contributions may be made to the 401(k) salary deferral plan at the discretion of the Company's Board of Directors. The Company did not make any matching contributions, discretionary profit-sharing contributions and/or qualified nonelective contributions during the years ended December 31, 2023 and 2022.

The Company has defined contribution pension plans at its foreign subsidiaries which cover all employees who meet certain eligibility requirements. The contributions made by the Company under these plans during the years ended December 31, 2023 and 2022 were $1,838 and $737, respectively.

Stock-Based Compensation

The Company has an equity incentive plan under which the Company grants stock-based awards to employees and non-employees. The Company accounts for stock-based awards in accordance with ASC 718, *Stock-Based Compensation*, which requires the measurement and recognition of compensation expense, based on estimated fair values, for all stock-based awards made to employees and non-employees. For stock options, the fair value is calculated using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of assumptions, including the fair value of the underlying Class A common stock, the expected term of the option, the expected volatility of the price of the Company’s Class A common stock, risk-free interest rates, and the expected dividend yield of the Company’s Class A common stock. For restricted stock units ("RSU") with service-based vesting conditions, the fair value is calculated based upon the Company’s closing stock price on the date of grant using the intrinsic value method. Stock-based compensation expense is recognized on a straight-line basis over the requisite service period and forfeitures are accounted for as they occur.

Key assumptions used in the determination of fair value for stock options are as follows:

Expected term. Because of the lack of sufficient historical data, the Company uses the simple average of the vesting period and the contractual term to estimate the period the stock options are expected to be outstanding.

Expected volatility. The Company determines the expected stock price volatility based on the historical volatility of the Company's Class A common stock and the historical volatilities of an industry peer group.

Expected dividend yield. The Company does not use a dividend rate due to the fact that the Company has never declared or paid cash dividends on its Class A common stock and does not anticipate doing so in the foreseeable future.

Risk-free interest rate. The Company bases its interest rate on a treasury instrument for which the term is consistent with the expected life of the stock options.

Income Taxes

The Company was incorporated in the state of Delaware as a C corporation. Deferred income taxes of the Company are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. All deferred tax assets and liabilities within each particular tax jurisdiction are offset and presented as a noncurrent deferred tax asset or liability. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The factors used to assess the likelihood of realization include the history of taxable income or loss, forecasts of future taxable income and available tax planning strategies that could be implemented to realize net deferred tax assets.

The Company accounts for uncertainty in income taxes in accordance with ASC 740-10, *Income Taxes*, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return, should be recorded in the consolidated financial statements. Under this guidance, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties, if any, as a component of income tax expense on the consolidated statements of operations.

Beginning in 2022, the Tax Cuts and Jobs Act (the "Tax Act") requires taxpayers to capitalize research and development expenses with amortization periods over five years for U.S. and fifteen years for foreign, which reduced the Company’s taxable loss, and created a new deferred tax asset for capitalized research and development costs, and corresponding adjustments to tax on foreign source income through global intangible low-taxed income ("GILTI"), all of which have been accounted for in determining the Company’s tax provision or benefit.

The Company reports income taxes in accordance with Financial Accounting Standards Board ("FASB") ASC 740, Income Taxes, which requires an asset and liability approach in accounting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as net operating loss and tax credit carryforwards. Deferred tax amounts are determined by using the enacted tax rates expected to be in effect when the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance reduces the deferred tax assets to the amount that is more likely than not to be realized.

Related Parties

In conjunction with the Company's acquisition of exactEarth in November 2021, Myriota Pty Ltd ("Myriota"), an existing Spire customer, became a related party as a result of exactEarth's approximately 13% ownership of Myriota. As of December 31, 2023, the Company's investment in Myriota, in the amount of $2,216, was included in other long-term assets on the consolidated balance sheets. The Company accounts for this investment using the equity method of accounting. The Company's share of earnings or losses on the investment is recorded based on a one-month lag, due to the timing of receipt of financial statements from Myriota, as a component of other (expense) income, net in the consolidated statements of operations. The Company generated $678 and $2,278 in revenue from Myriota during the years ended December

31, 2023 and 2022, respectively, and had no accounts receivable as of December 31, 2023 and $170 of accounts receivable as of December 31, 2022, from Myriota.

Comprehensive Loss

Comprehensive loss is comprised of net loss and other comprehensive loss consisting of foreign currency translation adjustments and net unrealized gain and loss on investments.

Net Loss Per Share

The Company follows the two-class method when computing net income (loss) per share as the Company has issued shares that meet the definition of participating securities. The Company has two types of common stock, Class A and Class B. Class B common stock has no economic rights, and therefore has been excluded from the computation of basic and diluted net loss per share. The two-class method determines net income (loss) per share for each class of common and participating securities according to dividends declared, if any, and participating rights in undistributed earnings. The two-class method requires income available to common stockholders for the period to be allocated between common and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed.

Basic net income (loss) per share is computed by dividing the net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) is computed by adjusting net income (loss) to reallocate undistributed earnings based on the potential impact of dilutive securities. Diluted net income (loss) per share is computed by dividing the diluted net income (loss) by the weighted-average number of common shares outstanding during the period, including potential dilutive common shares assuming the dilutive effect of common stock equivalents.

JOBS Act Accounting Election

The Company is provided the option to adopt new or revised accounting guidance under the requirements provided to an “emerging growth company” under the JOBS Act either (1) within the same periods as those otherwise applicable to public business entities, or (2) within the same time periods as non-public business entities, including early adoption when permissible. With the exception of certain accounting standards where the Company elected to early adopt when permissible, the Company has elected to adopt new or revised accounting guidance within the same time period as non-public business entities, as indicated below.

Accounting Pronouncements Recently Adopted

In October 2021, the FASB issued Accounting Standards Update (“ASU”) 2021-08, *Business Combinations* (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to recognition of an acquired contract liability and payment terms and their effect on subsequent revenue recognized by the acquirer. The guidance is effective for annual reporting periods beginning after December 15, 2022, including interim periods within that reporting period, and should be applied prospectively to business combinations occurring on or after the effective date of the amendments. The adoption of ASU 2021-08 as of January 1, 2023 did not impact the Company’s consolidated financial statements.

In September 2022, the FASB issued ASU 2022-04, *Liabilities – Supplier Finance Programs* (Subtopic 405-50), guidance on modifying the disclosure requirements to enhance the transparency of supplier finance programs including disclosure of the key terms of the program, the amount outstanding that remains unpaid by the buyer as of the end of the annual period, a description of where those obligations are presented in the balance sheets, and a roll forward of those obligations during the annual period. The amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2022. The adoption of ASU 2022-04 as of January 1, 2023 did not impact the Company’s consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

In March 2023, the FASB issued ASU 2023-01, *Leases – Common Control Arrangements* (Topic 842), to improve the accounting for amortizing leasehold improvements associated with arrangements between entities under common control. The amendment requires that leasehold improvements be amortized by the lessee over the useful life of the leasehold improvements to the common control group (regardless of the lease term) as long as the lessee controls the use of the underlying asset through a lease. Additionally, leasehold improvements should be accounted for as a transfer between entities under common control through an adjustment to equity when the lessee no longer controls the use of the underlying asset. The amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2023, with early adoption permitted. The Company does not expect this ASU to have a material impact on its consolidated financial statements.

(In thousands, except shares and per share data, unless otherwise noted)

In August 2023, the FASB issued ASU 2023-05, *Business Combinations – Joint Venture Formations* (Subtopic 805-60): Recognition and Initial Measurement. The amendments in this ASU are intended to facilitate consistency in the application of accounting guidance upon the formation of entities qualifying as joint ventures ("JVs"). This ASU generally requires the use of business combinations accounting at the JV formation date, which would result in the contributed assets/liabilities being revalued to fair value and potentially result in the recognition of goodwill and other intangibles on the JV's financial statements. However, this ASU does not alter the ongoing accounting for the JV's operations. This guidance is effective for JVs with formation dates on or after January 1, 2025. The Company does not expect the standard to have a material impact on the Company's consolidated financial statements.

In November 2023, the FASB issued ASU 2023-7, *Segment Reporting* (Topic 280): Improvements to Reportable Segment Disclosures, which is intended to improve reportable segment disclosure requirements, primarily though enhanced disclosures about significant expenses. The amendments will require public entities to disclose significant segment expenses that are regularly provided to the chief operating decision maker and included within segment profit and loss. The guidance is effective for annual reporting periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted, and will be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the ASU to determine its impact on the Company's disclosures.

In December 2023, the FASB issued ASU 2023-9, *Income Taxes* (Topic 740): Improvements to Income Tax Disclosures, which includes amendments that further enhance income tax disclosures, primarily through standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. The guidance is effective for annual reporting periods beginning after December 15, 2024, with early adoption permitted, and should be applied prospectively or retrospectively. The Company is currently evaluating the ASU to determine its impact on the Company's disclosures.

3.Revenue, Contract Assets, Contract Liabilities and Remaining Performance Obligations

Disaggregation of Revenue

Revenue from subscription-based contracts was $67,175, representing 64% of total revenue for the year ended December 31, 2023. Revenue from subscription-based contracts was $57,082, representing 71% of total revenue for the year ended December 31, 2022. Revenue from non-subscription-based contracts was $38,528, representing 36% of total revenue for the year ended December 31, 2023. Revenue from non-subscription-based contracts was $23,186, representing 29% of total revenue for the year ended December 31, 2022.

The following revenue disaggregated by geography was recognized:

	Year Ended December 31, 2023		Year Ended December 31, 2022	
Americas [1]	$ 58,976	56 %	$ 36,734	46 %
EMEA[2]	36,926	35 %	31,962	40 %
Asia Pacific	9,801	9 %	11,572	14 %
Total	$ 105,703	100 %	$ 80,268	100 %

(1) U.S. represented 47 % and 35% for the years ended December 31, 2023 and 2022, respectively, and Canada represented 10% for the year ended December 31, 2022.
(2) United Kingdom represented 13% for the year ended December 31, 2023.

Contract Assets

At December 31, 2023 and 2022, contract assets were $6,215 and $3,353, respectively, on the consolidated balance sheets. The increase in contract assets was primarily due to the increase in revenue.

Changes in contract assets were as follows:

	2023	2022
Balance as of December 31	$ 3,353	$ 2,084
Contract assets recorded during the year	6,180	3,353
Reclassified to accounts receivable	(3,353)	(1,694)
Other	35	(390)
Balance as of December 31	$ 6,215	$ 3,353

(In thousands, except shares and per share data, unless otherwise noted)

Contract Liabilities

At December 31, 2023, contract liabilities were $23,428, of which $23,165 was reported in contract liabilities, current portion, and $263 was reported in other long-term liabilities on the Company's consolidated balance sheets. At December 31, 2022, contract liabilities were $16,628 of which $15,856 was reported in contract liabilities, current portion, and $772 was reported in other long-term liabilities on the Company's consolidated balance sheets. The increase in contract liabilities was primarily due to the increase in subscription-based contracts.

Changes in contract liabilities were as follows:

	2023	2022
Balance as of December 31	$ 16,628	$ 9,255
Contract liabilities recorded during the year	21,489	15,963
Revenue recognized during the period	(14,973)	(8,230)
Other	284	(360)
Balance as of December 31	$ 23,428	$ 16,628

Remaining Performance Obligations

The Company has performance obligations associated with commitments in customer contracts for future services that have not yet been recognized as revenue. These commitments for future services exclude (i) contracts with an original term of one year or less, and (ii) cancellable contracts. As of December 31, 2023, the amount not yet recognized as revenue from these commitments was $198,056. The Company expects to recognize as revenue 40% of these future commitments over the next 12 months, 20% over the next 13 to 24 months, 18% over the next 25 to 36 months, and the remaining 22% thereafter as the performance obligations are met.

4.Other Balance Sheet Components

Other current assets consisted of the following:

	December 31,	
	2023	2022
Technology and other prepaid contracts	$ 4,149	$ 4,695
Notes receivable	4,500	$ —
Prepaid insurance	1,476	2,594
Deferred contract costs	487	439
Other receivables	1,237	1,123
Other	491	428
Other current assets	$ 12,340	$ 9,279

Property and equipment, net consisted of the following:

	December 31,	
	2023	2022
Satellites in-service	$ 59,751	$ 49,889
Internally developed software	2,138	2,119
Ground stations in-service	4,444	3,369
Leasehold improvements	5,800	4,175
Machinery and equipment	4,787	3,585
Computer equipment	1,908	1,985
Computer software and website development	99	99
Furniture and fixtures	1,336	1,156
	80,263	66,377
Less: Accumulated depreciation and amortization	(36,326)	(32,974)
	43,937	33,403
Satellite, launch and ground station work in progress	22,208	15,364
Finished satellites not yet placed in-service	5,064	4,985
Property and equipment, net	$ 71,209	$ 53,752

Depreciation and amortization expense related to property and equipment for the years ended December 31, 2023 and 2022 was $14,711 and $11,771, respectively. For the years ended December 31, 2023 and 2022 there was a loss from decommissioned satellites $747 and $549, respectively.

(In thousands, except shares and per share data, unless otherwise noted)

Other accrued expenses consisted of the following:

	December 31,			
		2023		2022
Operating lease liabilities, current	$	3,506	$	2,333
Professional services		913		1,198
Third-party operating costs		1,088		1,541
Corporate and sales tax		245		542
Accrued interest		853		765
Software		754		580
Other		1,181		1,251
Other accrued expenses	$	8,540	$	8,210

5. Goodwill and Intangible Assets

The following table summarizes changes in goodwill balance:

Balance at December 31, 2022	$	49,954
Impact of foreign currency translation		1,201
Balance at December 31, 2023	$	51,155

Intangible assets consisted of the following:

	December 31, 2023			
	Gross Carrying Amount		Accumulated Amortization	
Customer relationships	$	23,427	$	(4,064)
Developed technology		13,313		(2,312)
Trade names		2,257		(940)
Backlog		3,117		(3,117)
Patents		419		(308)
FCC licenses		480		(249)
	$	43,013	$	(10,990)

	December 31, 2022			
	Gross Carrying Amount		Accumulated Amortization	
Customer relationships	$	22,877	$	(2,062)
Developed technology		13,001		(1,174)
Trade names		2,204		(478)
Backlog		3,043		(3,036)
Patents		419		(276)
FCC licenses		480		(217)
	$	42,024	$	(7,243)

As of December 31, 2023, the weighted-average amortization period for customer relationships and developed technology was 9.9 years, trade names was 2.9 years, and patents and FCC licenses was 6.4 years. Amortization expense related to intangible assets for the years ended December 31, 2023 and 2022 was $3,518 and $6,570, respectively.

During the year ended December 31, 2023 the Company did not recognize any impairment charges and during the year ended December 31, 2022, the Company recognized impairment charges of $72 for intangible assets relating to patent costs which are included in other expense, net in the consolidated statements of operations. The patents asset balance as of each of December 31, 2023 and 2022 included $57 of capitalized patent costs that will begin amortization upon the issuance of an official patent right to the Company.

(In thousands, except shares and per share data, unless otherwise noted)

As of December 31, 2023, the expected future amortization expense of intangible assets is as follows:

Years ending December 31,		
2024	$	3,572
2025		3,563
2026		3,517
2027		3,095
2028		3,094
Thereafter		15,125
		31,966
Capitalized patent costs, unissued		57
	$	32,023

6.Long-Term Debt

Long-term debt consisted of the following:

	December 31,			
		2023		2022
Blue Torch term loan	$	117,996	$	100,511
Other		5,128		4,857
Total long-term debt		123,124		105,368
Less: Debt issuance costs		(9,011)		(6,893)
Non-current portion of long-term debt	$	114,113	$	98,475

The Company recorded $19,032 and $13,955 of interest expense, which included amortization of deferred issuance costs of $2,337 and $3,781 from long-term debt for the years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023, the scheduled principal payments of long-term debt was as follows:

Years ending December 31,		
2024	$	—
2025		—
2026		118,281
2027		342
2028		342
Thereafter		4,159
Total debt payments		123,124

Blue Torch Credit Agreement

On June 13, 2022, the Company, as borrower, and Spire Global Subsidiary, Inc. and Austin Satellite Design, LLC, as guarantors, entered into a Financing Agreement (the "Blue Torch Financing Agreement") with Blue Torch Finance LLC, a Delaware limited liability company ("Blue Torch"), as administrative agent and collateral agent, and certain lenders (the "Lenders"). The Blue Torch Financing Agreement provides for, among other things, a term loan facility in an aggregate principal amount of up to $120,000 (the "Blue Torch Credit Facility"). A portion of the proceeds of the term loan was used to repay the Company's then-existing $70,000 credit facility with FP Credit Partners, L.P., and the remainder of the proceeds of the term loan may be used for general corporate purposes.

The Blue Torch Credit Facility is scheduled to mature on June 13, 2026. Subject to certain exceptions, prepayments of principal under the Blue Torch Credit Facility will be subject to early termination fees in the amount of 3.0%, 2.0% and 1.0% of the principal prepaid if prepayment occurs within the first, second and third years following the closing date, respectively, plus if prepayment occurs on or prior to the first anniversary of the closing date, a make-whole amount equal to the amount of interest that would have otherwise been payable through the maturity date of the Blue Torch Credit Facility.

The $120,000 term loan was available and drawn at closing, of which $19,735 was placed in an escrow account by Blue Torch with such amount to be released upon the Company achieving certain metrics related to annualized recurring revenue and a total annualized recurring revenue leverage ratio. These metrics were achieved and the $19,735 was released from the escrow account and delivered to the Company in February 2023. The term loan accrues interest at a floating rate, to be based, at the Company's election, on either a reference rate or a 3-month Term Secured Overnight Financing Rate ("SOFR") (subject to a 1.0% floor), plus an interest rate margin of 7.0% for reference rate borrowings and 8.0% for 3-month Term SOFR borrowings, plus an incremental Term SOFR margin of 0.26161%. The Company elected the Term SOFR rate which was 13.6408% as of December 31, 2023. Principal on the term loan is only payable at maturity and interest on the term loan is due and payable quarterly for Term SOFR borrowings. The Company is also required to pay other customary fees and costs in connection with the Blue Torch Credit Facility, including a commitment fee in an amount equal to $2,400 on the closing date, a $250 annual agency fee and an exit fee of $1,800 upon termination of the Blue Torch Financing Agreement.

The Blue Torch Financing Agreement contains customary affirmative covenants and customary negative covenants limiting the Company's ability and the ability of its subsidiaries to, among other things, dispose of assets, undergo a change in control, merge or consolidate, make acquisitions, incur debt, incur liens, pay dividends, repurchase stock and make investments, in each case subject to certain exceptions. The Company must also comply with a maximum debt to annualized recurring revenue leverage ratio financial covenant tested monthly during the first two years of the Blue Torch Financing Agreement, a maximum debt to EBITDA leverage ratio financial covenant tested monthly during the third and fourth years of the Blue Torch Financing Agreement and a minimum liquidity financial covenant tested at all times.

On September 27, 2023, the Company entered into the Waiver and Amendment No. 2 to Financing Agreement (the “Waiver and Amendment”) with Blue Torch and the Lenders, which amends the Blue Torch Financing Agreement to (a) waive an event of default under the Blue Torch Financing Agreement arising out of the total annualized recurring revenue leverage ratio being greater than the permitted ratio, (b) amend the financial covenants to provide covenant relief from the maximum debt to annualized recurring revenue leverage ratio and the maximum debt to EBITDA leverage ratio set forth in the Blue Torch Financing Agreement for future periods, and (c) provide for a second amendment exit fee. The second amendment exit fee is $1,800 (which is an amount equal to one and a half percent (1.50%) of the aggregate outstanding principal balance of the term loans on the effective date of the Waiver and Amendment), bears interest from the date of the Waiver and Amendment at the Adjusted Term SOFR for a 3-month interest period plus the applicable margin under the Financing Agreement, and is payable by the Company in cash upon the termination of the Blue Torch Financing Agreement, either as a result of acceleration of the loans or at the final maturity date. The Waiver and Amendment required a repayment by the Company of $2,500 of the outstanding principal balance of the term loans and a prepayment premium of $50, which were paid on October 2, 2023. The Waiver and Amendment also requires additional reporting if the Company’s liquidity level is less than $35,000 at any time during a month and revises the minimum liquidity covenant to require liquidity of at least $30,000 at all times, commencing on September 30, 2023, which in both cases represent a $5,000 incremental change from the original requirements. The Company was in compliance with all applicable financial covenants as of December 31, 2023.

On June 13, 2022, in connection with the Blue Torch Financing Agreement, the Company issued warrants to Blue Torch, which were exercisable for an aggregate of 437,024 shares of the Company’s Class A common stock with a per share exercise price of $16.08 (the “2022 Blue Torch Warrants”). In addition, in connection with the closing of the financing, the Company paid Urgent Capital LLC, a Delaware limited liability company, a fee for introducing the Company to the Lenders, for the purpose of loan financing, in the amount equal to $600 in cash and a warrant to purchase 24,834 fully paid and non-assessable shares of the Company's Class A common stock with a per share exercise price of $16.88 (the “Urgent Warrants”).

On September 27, 2023, in connection with the Waiver and Amendment, the Company and certain affiliates of Blue Torch amended and restated the 2022 Blue Torch Warrants to reduce the per share exercise price from $16.08 to $5.44. The Company also concurrently issued new warrants to certain Blue Torch affiliates that are exercisable for an additional 597,082 shares of the Company’s Class A common stock at a per share exercise price of $5.44 (the “2023 Blue Torch Warrants" and together with the 2022 Blue Torch Warrants and the Urgent Warrants, the “Credit Agreement Warrants”).

The Company evaluated the Credit Agreement Warrants and concluded that they do not meet the criteria to be classified within stockholders’ equity. The agreements governing the Credit Agreement Warrants include a provision that could result in a different settlement value for the Credit Agreement Warrants depending on their holder. Because the holder of an instrument is not an input into the pricing of a fixed-for-fixed option on the Company’s Class A common stock, the Credit Agreement Warrants are not considered to be indexed to the Company’s Class A common stock.

As the Credit Agreement Warrants meet the definition of a derivative, the Company recorded these warrants as liabilities on the consolidated balance sheets at fair value (Note 8) based on the Black-Scholes model as of June 13, 2022 and September 27, 2023 with inputs that include the Company’s Class A common stock price in an actively traded market, making this fair value classified as a Level 2 financial instrument. The other significant assumptions used in the model are the exercise price, expected term, volatility, interest rate, and dividend yield. Subsequent changes in their respective fair values are recognized in the consolidated statements of operations at each reporting date. Changes in the fair value of the warrant liabilities will continue to be recognized until the warrants are exercised, expire, or qualify for equity classification.

The Company incurred $4,591 of debt issuance costs, inclusive of fees paid to the Lenders, and issued Credit Agreement Warrants with an estimated fair value of $6,157 at the date of issuance, the total of which has been presented as a deduction from the carrying amounts of the Blue Torch Credit Facility on the consolidated balance sheets and is being amortized to interest expense over the term of the Blue Torch Credit Facility.

The Credit Agreement Warrants may be exercised on a cashless basis. The Credit Agreement Warrants are exercisable for a term beginning on the date of issuance and ending on the earlier to occur of ten years from the date of issuance or the consummation of certain of the Company's acquisitions as set forth in the Credit Agreement Warrants. The number of shares for which the Credit Agreement Warrants are exercisable and the associated exercise price are subject to certain proportional adjustments as set forth in the Credit Agreement Warrants.

(In thousands, except shares and per share data, unless otherwise noted)

Government Loan

In November 2021, the Company completed the Acquisition and assumed an interest free loan agreement with the Strategic Innovation Fund ("SIF") which was recorded at an amount equal to the proceeds received. Under this agreement and subsequent amendment, the Company was eligible to receive funding for certain expenditures incurred from February 13, 2018 to May 12, 2023, up to a maximum of $5,701. As of December 31, 2023 and 2022, $5,128 and $4,857, respectively, was included in long-term debt, non-current on the consolidated balance sheets related to the SIF loan agreement. Any amount outstanding under this loan is repayable in 15 annual payments beginning February 28, 2026 and has a stated interest rate of zero.

7.Leases

Lease expenses for the years ended December 31, 2023 and 2022 were $4,172 and $3,409, respectively. Aggregate variable lease expenses and short-term lease expenses were $613 and $548, for the years ended December 31, 2023 and 2022, respectively.

The following table provides the required information regarding the Company's leases for which the Company is the lessee:

	December 31,	
	2023	2022
Assets		
ROU assets	$ 14,921	$ 11,687
Total ROU assets	$ 14,921	$ 11,687
Liabilities		
Current	$ 3,506	$ 2,333
Non-current	13,079	10,815
Total lease liabilities	$ 16,585	$ 13,148
Weighted-average remaining lease term (years)	5.4	5.7
Weighted-average discount rate	8 %	9 %

Approximately 80% of the Company's right-of-use (“ROU”) assets and lease liabilities relate to office facilities leases, with the remaining amounts representing primarily ground station leases.

As of December 31, 2023, the maturity of operating leases are as follows:

Years ending December 31,	
2024	$ 4,745
2025	4,058
2026	3,639
2027	2,774
2028	1,868
Thereafter	3,586
Total lease payments	20,670
Less: Interest on lease payments	(4,085)
Present value of lease liabilities	$ 16,585

Operating cash flows paid included in the measurement of operating lease liabilities for the years ended December 31, 2023 and 2022 were $2,782 and $1,632, respectively, and were included in net cash used in operating activities in the consolidated statements of cash flows. Amortization of ROU assets was $2,928 and $2,344 for the years ended December 31, 2023 and 2022, respectively.

(In thousands, except shares and per share data, unless otherwise noted)

8.Fair Value Measurement

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present the Company's fair value hierarchy for its financial instruments that are measured at fair value on a recurring basis:

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents:				
Money market funds	$ 10,114	$ —	$ —	$ 10,114
	$ 10,114	$ —	$ —	$ 10,114
Marketable securities:				
U.S. treasury bills and bonds	$ 8,840	$ —	$ —	$ 8,840
Commercial paper	—	1,395	—	1,395
U.S. government and agency securities	—	1,491	—	1,491
	$ 8,840	$ 2,886	$ —	$ 11,726
Long-term liabilities:				
Credit Agreement Warrants	$ —	$ 5,988	$ —	$ 5,988
Contingent earnout liability	—	—	220	220
	$ —	$ 5,988	$ 220	$ 6,208

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents:				
Money market funds	$ 5,180	$ —	$ —	$ 5,180
Commercial paper	—	2,097	—	2,097
	$ 5,180	$ 2,097	$ —	$ 7,277
Marketable securities:				
U.S. treasury bills and bonds	$ 1,494	$ —	$ —	$ 1,494
Corporate securities	—	7,745	—	7,745
Commercial paper	—	2,576	—	2,576
U.S. government and agency securities	—	11,269	—	11,269
	$ 1,494	$ 21,590	$ —	$ 23,084
Liabilities:				
Current liabilities:				
Public Warrants	$ 267	$ —	$ —	$ 267
Long-term liabilities:				
Credit Agreement Warrants	$ —	$ 1,831	$ —	$ 1,831
Contingent earnout liability	—	—	349	349
	$ —	$ 1,831	$ 349	$ 2,180

(In thousands, except shares and per share data, unless otherwise noted)

Financial Assets

The Company values its Level 1 assets, consisting of money market funds and U.S. treasury bills and bonds, using quoted prices in active markets for identical instruments.

Financial assets whose fair values that are measured on a recurring basis using Level 2 inputs consist of commercial paper, corporate securities, and U.S. government and agency securities. The Company measures the fair values of these assets with the help of a pricing service that either provides quoted market prices in active markets for identical or similar securities or uses observable inputs for their pricing without applying significant adjustments.

Public and Private Placement Warrants

The Company assumed 1,437,499 publicly-traded warrants ("Public Warrants") and 825,000 private placement warrants issued by NavSight ("Private Warrants" and, together with the Public Warrants, the "Warrants") upon the Merger, all of which were issued in connection with NavSight's initial public offering and entitled the holder to purchase one share of the Company's Class A common stock at an exercise price of $92.00 per share. The fair value of the Public Warrants was based on the quoted market price and was classified as a Level 1 financial instrument.

In November 2022, the Company announced the commencement of an exchange offer (the "Offer") and consent solicitation relating to all holders of the Warrants to receive 0.2 shares of Class A common stock in exchange for each outstanding Warrant tendered by the holder. On December 19, 2022, a total of 2,069,561 Warrants were tendered and exchanged for 413,910 shares of Class A common stock.

Concurrently with the Offer, the Company also solicited consents from holders of the Public Warrants to amend the Warrant Agreement to permit the Company to require that each Warrant that was outstanding upon the closing of the Offer be exchanged for 0.18 shares of Class A common stock, which is a ratio 10% less than the exchange ratio applicable to the Offer (such amendment, the "Warrant Amendment"). Because consents were received from holders of more than 65% of the Company's outstanding Public Warrants, the Warrant Amendment was approved. On December 19, 2022, the Company exercised its right to acquire and retire all remaining outstanding Public Warrants in exchange for shares of Class A common stock in accordance with the terms of the Warrant Amendment. The remaining 192,936 Public Warrants were exchanged on January 4, 2023 for 34,728 shares of the Company's Class A common stock. Following the exchange, none of the Warrants remain outstanding.

Credit Agreement Warrants

On June 13, 2022, in connection with the Blue Torch Financing Agreement, the Company issued warrants to Blue Torch, which were exercisable for an aggregate of 437,024 shares of the Company's Class A common stock with a per share exercise price of $16.08 (the "2022 Blue Torch Warrants"). Additionally, in connection with the closing of the financing, the Company issued a warrant to Urgent Capital LLC for introducing the Company to the Lenders, which is exercisable for an aggregate of 24,834 shares of the Company's Class A common stock with a per share exercise price of $16.08 (together with the 2022 Blue Torch Warrants and the 2023 Blue Torch Warrants (as defined below), the "Credit Agreement Warrants").

On September 27, 2023, in connection with the Waiver and Amendment, the Company and certain affiliates of Blue Torch amended and restated the 2022 Blue Torch Warrants to reduce the per share exercise price from $16.08 to $5.44. The Company also concurrently issued new warrants to those affiliates that are exercisable for an additional 597,082 shares of the Company's Class A common stock at a per share exercise price of $5.44 (the "2023 Blue Torch Warrants").

The fair value of the Credit Agreement Warrants is estimated using the Black-Scholes model with inputs that include the Company's Class A common stock price in an actively traded market, making this fair value classified as a Level 2 financial instrument. The other significant assumptions used in the model are the exercise price, expected term, volatility, interest rate, and expected dividend yield.

The table below quantifies the significant inputs used for the Credit Agreement Warrants:

	December 31, 2023	December 31, 2022
Fair value of the Company's Class A common stock	$ 7.82	$ 7.68
Exercise price	$ 5.44 - 16.08	$ 16.08
Risk-free interest rate	3.88 %	3.88 %
Expected volatility factor	55.0 %	55.0 %
Expected dividend yield	— %	— %
Remaining contractual term (in years)	8.5 - 9.7	9.1

(In thousands, except shares and per share data, unless otherwise noted)

Contingent Earnout Liability

In connection with the Merger, eligible Spire equity holders are entitled to receive additional shares of the Company's Class A common stock upon the achievement of certain earnout triggering events. The estimated fair value of the contingent earnout liability is determined using a Monte Carlo simulation using a distribution of potential outcomes on a monthly basis over the earnout period, which is a period up to five years post-closing of the Merger, prioritizing the most reliable information available, making this fair value classified as a Level 3 liability. The assumptions utilized in the calculation are based on the achievement of certain stock price milestones, including the current price of the Company's Class A common stock, expected volatility, risk-free interest rate, expected term and expected dividend yield.

The table below quantifies the significant inputs used for the contingent earnout liability:

	December 31,	
	2023	2022
Fair value of the Company's Class A common stock	$ 7.82	$ 7.68
Risk-free interest rate	4.09 %	4.16 %
Expected volatility factor	55.0 %	55.0 %
Earnout expiration date	August 16, 2026	August 16, 2026

The following table presents a summary of the changes in the fair value of the Company's Level 3 financial instruments that are measured at fair value on a recurring basis:

	Contingent Earnout Liability
Fair value as of December 31, 2022	349
Change in fair value of contingent earnout liability	(129)
Fair value as of December 31, 2023	$ 220

(In thousands, except shares and per share data, unless otherwise noted)

Cash and Cash Equivalents and Marketable Securities

The following table summarizes the Company's cash, cash equivalents and available-for-sale securities by significant marketable securities category:

	December 31, 2023			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash and cash equivalents:				
Cash	$ 19,030	$ —	$ —	$ 19,030
Cash equivalents:				
Money market funds	10,114	—	—	10,114
	$ 29,144	$ —	$ —	$ 29,144
Marketable Securities:				
U.S. treasury bills and bonds	$ 8,838	$ 2	$ —	$ 8,840
Commercial paper	1,395	—	—	1,395
U.S. government and agency securities	1,492	—	(1)	1,491
	$ 11,725	$ 2	$ (1)	$ 11,726

	December 31, 2022			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash and cash equivalents:				
Cash	$ 39,919	$ —	$ —	$ 39,919
Cash equivalents:				
Money market funds	5,180	—	—	5,180
Commercial paper	2,098	—	(1)	2,097
	$ 47,197	$ —	$ (1)	$ 47,196
Marketable Securities:				
U.S. treasury bills and bonds	$ 1,495	$ —	$ (1)	$ 1,494
Corporate securities	7,771	—	(26)	7,745
Commercial paper	2,578	—	(2)	2,576
U.S. government and agency securities	11,272	—	(3)	11,269
	$ 23,116	$ —	$ (32)	$ 23,084

The following table represents amortized cost and estimated fair value of marketable securities, by contractual maturity:

	December 31, 2023	
	Amortized Cost	Fair Value
Due in one year or less	$ 11,725	$ 11,726

In accordance with the Company's investment policy, investments are placed in investment grade securities with high credit quality issuers, and generally limit the amount of credit exposure to any one issuer. The Company evaluates securities for impairment at the end of each reporting period. The Company did not record any impairment charges related to its available-for-sale securities during the years ended December 31, 2023 and 2022.

9. Commitments and Contingencies

L3Harris Commitment

In conjunction with the Acquisition, the Company acquired the agreement (the "L3Harris Agreement") with L3Harris Technologies, Inc. ("L3Harris") to receive satellite automatic identification system ("S-AIS") data from the L3Harris AppStar payloads on-board Iridium NEXT Constellation, Iridium's Real-Time Second-Generation satellite constellation with 58 AppStar payloads. Under the Amended and Restated

(In thousands, except shares and per share data, unless otherwise noted)

L3Harris Agreement dated January 21, 2020 (the "A&R L3Harris Agreement"), the Company incurs a fixed fee of $358 per month. The A&R L3Harris Agreement expires on August 7, 2031.

Under the A&R L3Harris Agreement, the Company will pay a 30% share of S-AIS data revenues for the portion of exactEarth annual S-AIS data revenue which is in excess of $16,000. No revenue share was owed to L3Harris under the A&R L3Harris Agreement, with respect to AIS Analytics sales, during the years ended December 31, 2023 and 2022. For the years ended December 31, 2023 and 2022, $5,059 and $5,045 was recognized in cost of revenue in the consolidated statements of operations for the exclusive access rights to data generated from satellites.

The following table summarizes the operational fees commitment under the A&R L3Harris Agreement, which includes the fixed payments to L3Harris:

Years ending December 31,		
2024	$	4,300
2025		4,300
2026		4,300
2027		4,300
2028		4,300
Thereafter		11,189
	$	32,689

Litigation

At times, the Company is party to various claims and legal actions arising in the normal course of business. Although the ultimate outcome of these matters is not presently determinable, management believes that the resolution of all such pending matters, based on an assessment of the current facts and circumstances, will not have a material adverse effect on the Company’s business, results of operations, financial condition or cash flows; however, there can be no assurance that the ultimate resolution of these matters will not have a material impact on the Company’s consolidated financial statements in any period.

10.Stock-Based Compensation

In connection with the Closing, the Company adopted the 2021 Equity Incentive Plan (the “2021 Plan”) and the 2021 Employee Stock Purchase Plan (“2021 ESPP”). The number of shares available for issuance under the 2021 Plan is increased on the first day of each fiscal year, beginning on January 1, 2022, in an amount equal to the lesser of (i) 2,994,000 shares of Class A common stock, (ii) a number of shares of Class A common stock equal to 5% of the total number of shares of all of Class A common stock outstanding as of the last day of the immediately preceding fiscal year, or (iii) such number of shares of Class A common stock as the Company’s board of directors or its designated committee may determine no later than the last day of the immediately preceding fiscal year.

The 2021 Plan permits the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock, restricted stock units, and performance awards to employees, directors, or consultants under the 2021 Plan. Under the 2021 ESPP, the Company can grant stock options to employees to purchase shares of Class A common stock at a purchase price which equals 85% of the lower of (i) the fair market value of Class A common stock on the first trading day of the offering period or (ii) the fair market value of Class A common stock on the exercise date. As of December 31, 2023, 717,543 and 532,686 shares were available for grant under the 2021 Plan and 2021 ESPP, respectively.

The following table summarizes stock option activity under the Company's equity compensation plans:

	Number of Options		Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term *(in years)*
Options outstanding as of December 31, 2022	2,389,622	$	18.52	6.1
Granted	61,446	$	5.37	
Exercised	(500)	$	7.04	
Forfeited, canceled, or expired	(252,016)	$	27.62	
Options outstanding as of December 31, 2023	2,198,552	$	17.11	5.0
Vested and expected to vest at December 31, 2023	2,198,552	$	17.11	5.0
Exercisable at December 31, 2023	1,901,002	$	16.91	4.6

The aggregate intrinsic value of options exercised during 2023 and 2022, was $1 and $483, respectively. The aggregate fair value of options vested during 2023 and 2022 was $3,729 and $6,072, respectively. The Company received $3 and $806 in cash proceeds from options exercised during the years ended December 31, 2023 and 2022, respectively. The weighted-average grant date fair value of options granted for the years ending December 31, 2023 and 2022 was $2.77 and $0.95, respectively. The aggregate intrinsic value of options outstanding as of

(In thousands, except shares and per share data, unless otherwise noted)

December 31, 2023 and 2022 was $387 and $200, respectively. The aggregate intrinsic value of options exercisable as of December 31, 2023 and 2022 was $236 and $200, respectively.

The following table summarizes stock RSU activity under the 2021 Plan:

	Number of RSUs	Weighted Average Grant Date Fair Value per Share
Outstanding as of December 31, 2022	1,547,256	$ 19.60
RSUs granted	1,447,101	$ 5.60
RSUs vested	(781,557)	$ 17.97
RSUs forfeited	(365,217)	$ 15.70
Outstanding as of December 31, 2023	1,847,583	$ 10.17

For RSUs with service-based vesting conditions, the fair value is calculated based upon the Company's closing stock price on the date of grant, and the stock-based compensation expense is recognized over the four-year vesting period.

As of December 31, 2023, there was $19,407 of total unrecognized compensation expense related to options and RSUs expected to be recognized over a weighted average-period of 2.17 years.

The following table summarizes the components of total stock-based compensation expense based on roles and responsibilities of the employees within the consolidated statements of operations:

	Years Ended December 31,	
	2023	2022
Cost of revenue	$ 197	$ 232
Research and development	3,474	3,154
Sales and marketing	2,707	2,822
General and administrative	6,600	5,283
	$ 12,978	$ 11,491

The fair value of stock-based compensation for stock options was estimated using the Black-Scholes option-pricing model requiring the use of subjective valuation assumptions and inputs, including the expected stock price volatility. The Company's options have characteristics significantly different from those of traded options, and changes in input assumptions can materially affect the fair value estimates. Stock-based compensation expense for options is recognized over their respective vesting period, which ranges from one to four years.

The fair value of stock options was estimated using the following assumptions at the date of the grant:

	Year Ended December 31,	
	2023	2022
Risk-free interest rate	4.1%	2.9%
Expected volatility factor	51.8%	58.3%
Expected option life	5.5 years	5.5 years
Expected dividend yield	—	—

(In thousands, except shares and per share data, unless otherwise noted)

11.Stockholders' Equity

In August 2021, the Company's Board of Directors approved the amended and restated certificate of incorporation which states the Company's authority to issue 1,000,000,000 shares of Class A and 15,000,000 shares of Class B common stock with a par value of $0.0001 per share. The total number of shares of preferred stock authorized to be issued is 100,000,000 shares, par value $0.0001 per share, and none was outstanding as of December 31, 2023 and 2022.

Common Stock

Shares of Class A common stock have both economic and voting rights. Shares of Class B common stock have no economic rights, but do have voting rights. Each holder of shares of Class A common stock will be entitled to one vote for each share of common stock held at all meetings of shareholders and each holder of shares of Class B common stock will be entitled to nine votes for each share of common stock held at all meetings of shareholders.

Prior to the Closing of the Merger, voting, dividend and liquidation rights of the holders of the common stock were subject to and qualified by the rights, powers, and preferences of the holders of the preferred stock. The holders of the common stock were entitled to one vote for each share of common stock held at all meetings of shareholders. Dividends were issued to common stockholders only after holders of the preferred stock received funds legally available in the amount equal to 8% of the original issuance price per annum on each outstanding share of preferred stock. In the event of liquidation, dissolution, distribution of assets or winding-up of the Company, the holders of common stock would receive payment on a pro rata basis on the number of shares held by each such holder, after the rights of the holders of the preferred stock have been satisfied.

12.Income Taxes

Loss before income taxes consisted of the following:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Domestic loss	$ (53,898)	$ (69,072)
Foreign loss	(9,986)	(20,017)
Loss before income taxes	$ (63,884)	$ (89,089)

The income tax provision consists of the following:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Current income tax provisions:		
Federal	$ —	$ —
State	—	—
Foreign	(176)	386
Current income tax provision	(176)	386
Deferred income tax expense:		
Federal	—	—
State	—	—
Foreign	248	(64)
Deferred income tax expense	248	(64)
Total income tax provision	$ 72	$ 322

(In thousands, except shares and per share data, unless otherwise noted)

The following table presents a reconciliation of the federal statutory rate of 21% to effective tax rate:

	Year Ended December 31, 2023	2022
U.S. federal tax benefit at statutory rate	21.0 %	21.0 %
State income taxes, net of federal benefit	2.5 %	4.2 %
Foreign rate differential	0.7 %	1.3 %
Contingent earnout	—	2.3 %
Stock-based compensation	(1.6)%	(0.8)%
UK R&D expenditure	1.2 %	—
GILTI inclusion	(2.6)%	—
Deferred tax adjustments	(5.7)%	—
Non-deductible expenses and other	(0.6)%	3.0 %
Change in valuation allowance, net	(15.0)%	(31.3)%
Effective tax rate	(0.1)%	(0.3)%

For 2023 and 2022, our effective tax rate differs from the amount computed by applying the statutory federal and state income tax rates to net loss before income tax, primarily as the result of state income taxes, R&D credits, foreign income taxes and changes in our valuation allowance.

The significant components of deferred tax assets (liabilities) are as follows:

	Year Ended December 31, 2023	2022
Deferred tax assets		
Net operating loss carryforward	$ 98,300	$ 97,737
Research and development credit carryforward	4,560	6,402
Interest expense limitation carryforward	5,141	—
Stock-based compensation	1,709	1,836
Property and equipment	6,030	3,533
Operating lease liabilities	1,891	1,965
Sec 174 Capitalized R&D	8,416	3,424
Intangibles	233	56
Other accruals	4,848	3,422
Gross deferred tax assets	131,128	118,375
Less: Valuation allowance	(113,503)	(102,480)
Net deferred tax assets	17,625	15,895
Deferred tax liabilities		
Intangibles	(13,165)	(13,945)
Operating lease right-of-use assets	(1,785)	(1,950)
Foreign property and equipment and intangibles	(708)	(771)
Other accruals	(3,036)	—
Gross deferred tax liabilities	(18,694)	(16,666)
Net deferred tax liabilities	$ (1,069)	$ (771)

As of December 31, 2023, the Company had accumulated undistributed earnings generated by its foreign subsidiaries of $17,627. The Company continues to assert that all its foreign earnings are to be permanent income reinvested and expects future U.S. cash generation to be sufficient to meet future U.S. cash needs. As such, the Company has not recognized a deferred tax liability related to unremitted foreign earnings.

Realization of the deferred tax assets is dependent upon the generation of future taxable income, if any, the amount and timing of which is uncertain. The Company could not conclude that it was more likely than not that tax benefits from operating losses would be realized and, accordingly, has provided a full valuation allowance against its Spire Global United States, Australia, Germany, Singapore, Luxemburg, exactEarth Canada and UK deferred tax assets. There is no valuation allowance on Spire Global UK. The valuation allowance as of December 31, 2022 was $102,480, which increased to $113,503 as of December 31, 2023. The increase in the valuation allowance of $11,023 is mostly related to current year losses.

(In thousands, except shares and per share data, unless otherwise noted)

At December 31, 2023, the Company had $248,665 of federal net operating losses available to reduce future taxable income, which will begin to expire in 2032. Approximately $166,140 of federal net operating loss included above can be carried forward indefinitely. The Company also had federal research and development tax credit carryforwards of $3,922, which will begin to expire in 2032, and federal interest limitation carryforwards of $20,486 which can be carried forward indefinitely.

At December 31, 2023, the Company had $81,656 of post-apportioned state net operating losses, which can be carried forward for periods that vary from five years to indefinitely. The Company also had state interest limitation carryforwards of $10,337, which can be carried forward indefinitely.

The federal and state net operating loss carryforwards and certain tax credits may be subject to significant limitations under Section 382 and Section 383, respectively, of the Internal Revenue Code of 1986, as amended, and similar provisions under state law. Under those sections of the Internal Revenue Code, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research and development tax credits, to offset its post-change income or tax liability may be limited. In general, an "ownership change" will occur if there is a cumulative change in ownership by "5-percent shareholders" that exceeds 50 percentage points over a rolling three-year period. The Company has not yet undertaken an analysis of whether the Merger constitutes an "ownership change" for purposes of Internal Revenue Code Section 382 and Section 383. The Company may experience ownership changes in the future as a result of subsequent shifts in its stock ownership.

As of December 31, 2023, the Company had $160,689 of foreign net operating losses available to reduce future taxable income, which will begin to expire in 2030 and can vary from seven years to indefinitely based on each applicable foreign jurisdiction. The Company also had research and development tax credit carryforwards in Canada of $639, which will begin to expire in 2029.

Unrecognized Tax Benefits

The Company does not have any significant uncertain tax positions.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties, if any, as a component of income tax expense on the consolidated statements of operations.

The Company is subject to taxation in the United States, Canada, Germany, Luxembourg, Singapore and the United Kingdom. The Company has not been audited by the Internal Revenue Service or any state or foreign tax authority. The Company is subject to audit by the Internal Revenue Service for income tax returns filed since inception due to net operating loss carryforwards. The Company is subject to audit in Singapore and the United Kingdom from tax years 2018 and 2019, respectively, and in Luxembourg from tax year 2020 and in Australia from tax year 2018.

13.Net Loss per Share

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

	Years Ended December 31,	
	2023	2022
Numerator:		
Net loss	$ (63,956)	$ (89,411)
Denominator:		
Weighted-average shares used in computing basic and diluted net loss per share	19,580,006	17,484,927
Basic and diluted net loss per share	$ (3.27)	$ (5.11)

The Company has two types of common stock, Class A and Class B. Class B common stock has no economic rights, therefore has been excluded from the computation of basic and diluted net loss per share. The Company's potential dilutive securities have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted-average number of common shares outstanding used to calculate both basic and diluted net loss per share is the same.

The Company excluded the following potential common shares, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share for the years ended December 31, 2023 and 2022 because including them would have had an anti-dilutive effect:

	Fiscal Year Ended December 31,	
	2023	2022
Stock options and 2021 ESPP to purchase Class A common stock	2,212,165	2,408,998
Public and Private Warrants	—	192,936
RSUs	1,847,583	1,547,530
Credit Agreement Warrants	1,058,940	461,858
	5,118,688	4,611,322

14. Subsequent Events

On February 4, 2024, the Company and Signal Ocean Ltd ("Signal Ocean") entered into a securities purchase agreement for the issuance and sale of 833,333 shares of the Company's Class A common stock to Signal Ocean at a price of $12.00 per share (the "Private Placement"). The Private Placement closed on February 8, 2024, resulting in gross proceeds to the Company of $10,000.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended ("Exchange Act"), is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in company reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

We performed an evaluation under the supervision and with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule(s) 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2023. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of December 31, 2023 because of the material weaknesses in internal control over financial reporting described below.

Notwithstanding the material weaknesses described in Management's Report on Internal Control over Financial Reporting, our management has concluded that our consolidated financial statements for the periods covered by and included in this Annual Report are prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and fairly present, in all material respects, our financial position, results of operations and cash flows for each of the periods presented herein.

Material Weaknesses in Internal Control over Financial Reporting

We have identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses were identified:

We did not design and maintain an effective control environment commensurate with the financial reporting requirements of a public company. Specifically, we lacked a sufficient number of professionals with an appropriate level of internal controls and accounting knowledge, training, and experience to appropriately analyze, record and disclose accounting matters timely and accurately. Additionally, the lack of a sufficient number of professionals resulted in an inability to consistently establish appropriate authorities and responsibilities in pursuit of our financial reporting objectives, as demonstrated by, among other things, insufficient segregation of duties in our finance and accounting functions. This material weakness contributed to the following additional material weaknesses:

i. We did not design and maintain an effective risk assessment process at a precise enough level to identify new and evolving risks of material misstatement in our financial statements. Specifically, changes to existing controls or the implementation of new controls have not been sufficient to respond to changes to the risks of material misstatement in the financial statements.

ii. We did not design and maintain effective controls over the segregation of duties related to journal entries and account reconciliations. Specifically, certain personnel have the ability to both (a) create and post journal entries within our general ledger system, and (b) prepare and review account reconciliations.

The material weaknesses above resulted in certain immaterial audit adjustments, which were recorded prior to the issuance of the consolidated financial statements as of and for the year ended December 31, 2020. Additionally, these material weaknesses could result in a misstatement of substantially all of our accounts or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

iii. We did not design and maintain effective controls related to the identification of and accounting for certain non-routine, unusual or complex transactions, including the proper application of GAAP to such transactions. Specifically, we did not design and maintain:

a.controls to timely identify and account for warrant instruments, which resulted in the restatement of the previously issued financial statements of NavSight related to adjustments to warrant liabilities and equity;

b.controls to account for business combinations, including the associated valuation estimates and the completeness and accuracy of the opening balance sheet, which did not result in a misstatement to our consolidated financial statements; and

c.controls to timely identify and account for the fair value of the contingent earnout liability, which resulted in an error in the fair value of the contingent earnout liability in, and the restatement of, our previously issued unaudited condensed consolidated financial statements as of and for each of the interim periods ended September 30, 2021, March 31, 2022 and June 30, 2022 and our consolidated financial statements as of and for the year ended December 31, 2021.

Additionally, these material weaknesses could result in a misstatement of substantially all of our accounts or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

iv.We did not design and maintain effective controls over certain information technology ("IT") general controls for information systems that are relevant to the preparation of our financial statements. Specifically, we did not design and maintain:

a. user access controls to ensure appropriate segregation of duties and that adequately restrict user and privileged access to financial applications, programs, and data to appropriate company personnel;

b. program change management controls for our financial systems to ensure that IT program and data changes affecting financial IT applications and underlying accounting records are identified, tested, authorized, and implemented appropriately; and

c. testing and approval controls for program development to ensure that new software development is aligned with business and IT requirements.

These IT deficiencies did not result in a misstatement to the financial statements, however, the deficiencies, when aggregated, could impact our ability to maintain effective segregation of duties, as well as the effectiveness of IT-dependent controls (such as automated controls that address the risk of material misstatement to one or more assertions, along with the IT controls and underlying data that support the effectiveness of system-generated data and reports) that could result in misstatements potentially impacting all financial statement accounts and disclosures that would result in a material misstatement to the annual or interim financial statements that would not be prevented or detected. Accordingly, management has determined these deficiencies in the aggregate constitute a material weakness.

Remediation Efforts on Material Weaknesses in Internal Control over Financial Reporting

In response to the material weaknesses identified, we have implemented several changes to our internal control over financial reporting and will continue performing remedial actions in 2024, as described below.

The remediation and ultimate resolution of each of the material weaknesses will be reviewed with the Audit Committee of the Company's Board of Directors.

We have made progress to address the material weaknesses related to the control environment, as described below:

Key Professionals

In fiscal 2022 and 2023 and continuing to date, we identified and hired a number of professionals with appropriate levels of internal controls and accounting knowledge to improve the overall domestic and international financial accounting and reporting departments. The positions hired include chief accounting officer, director of accounting and Americas controller, director of technical accounting, accounting manager, senior and staff accountants, senior financial systems manager, and system administrator. In addition, we engaged with external consultants and experts to provide technical accounting and financial systems services. The Company continues to monitor personnel requirements and expertise needed to have an effective control environment, including providing necessary ongoing training to its finance and accounting personnel.

Risk Assessment

We engaged a third-party consulting firm to assist in designing and implementing a risk assessment process to identify and evaluate changes in the Company's business and the impact on its internal controls. During fiscal 2023, we conducted a financial risk assessment to identify key business processes and establish internal materiality thresholds. We performed walkthroughs of all key processes, identified key controls, and developed narratives describing risk points, processes, and corresponding controls. A Risk and Control Matrix (RCM) was created to serve as the basis for a testing program in progress.

We engaged a third-party consulting firm to complete an initial Enterprise Risk Assessment. With the assistance of the consulting firm, we identified key risks for technology-based organizations and interviewed management team members and the Chair of the Audit Committee to discuss key risk areas. We reviewed responses received, compiled a list of identified risks, and developed heat maps to depict the likelihood, impact, and preparedness of the Company to respond to the identified risks. Action and testing plans are being developed to address the risks and testing is in process, after which results will be monitored and reviewed with management.

Segregation of Duties

During fiscal year 2022, we completed our initial assessment on segregation of duties with assistance from a third-party consulting firm and began our analysis across all processes and locations, including establishing appropriate authorities and responsibilities. During 2022, we designed and implemented controls over the segregation of duties related to journal entries and account reconciliations, including the implementation of automated controls, which replaced previously manual detective controls, designed to prevent the ability for the same person to create and post journal entries in our general ledger system. With the hiring of additional personnel including a senior financial system manager in late 2022, and an accounts receivable specialist and a senior accountant in 2023, we were able to implement additional automated controls and to further segregate the preparation and review of account reconciliations during fiscal year 2023. We are in the process of testing the controls designed over segregation of duties.

Non-routine, Unusual or Complex Transactions

Over the course of 2022, we hired key accounting personnel and engaged with third-party technical accounting experts to improve our controls related to the identification of and proper application of GAAP accounting for non-routine, unusual, or complex transactions. Since the Merger that occurred in August 2021, warrant instruments have been accounted for in accordance with the Company's accounting policies based on GAAP. During the fourth quarter of 2022, Management trained the accounting team and designed new controls to timely identify and account for the fair value of the contingent earnout liability, and hired a third-party technical accounting firm to assist with the proper application of GAAP for non-routine, unusual, or complex transactions, including any business combinations that may arise in the future. We have tested the controls designed for non-routine, unusual or complex transactions and are in the process of monitoring the controls for operating effectiveness.

IT General Controls

Management designed and maintained testing and approval controls for program development to ensure that the software is aligned with business and IT requirements. This includes final approval and testing of the software prior to migration to production. Over the course of 2022 and continuing through 2023, the Company designed and implemented certain IT general controls, including controls over user access rights and privileges and change management.

While the above actions and planned actions are subject to ongoing management evaluation and will require validation and testing of the design and operating effectiveness of internal controls over a sustained period, we are committed to continuous improvement and will continue to diligently review our internal control over financial reporting. The material weaknesses will not be considered remediated until management completes the design and implementation of the measures described above, until the controls operate for a sufficient period of time, and until management has concluded, through testing, that the controls are effective.

Limitations on Effectiveness of Controls and Procedures

Our management, including our principal executive officer and principal financial officer, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

There have been no changes (other than those described above) in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

During the three months ended December 31, 2023, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act or any non-Rule 10b5-1 trading arrangement (as defined in the SEC's rules).

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.