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

# FORM 10-Q

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

**For the quarterly period ended September 30, 2024**

**or**

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

**For the transition period from _____________ to _______________**

**Commission file number: 001-37862**

# PHUNWARE, INC.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **30-1205798** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |
| **1002 West Avenue, Austin, Texas** | **78701** |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: **512-693-4199**

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

| Title of each class: | Trading Symbol(s) | Name of each exchange on which registered: |
|---|---|---|
| **Common Stock, par value $0.0001 per share** | **PHUN** | **The NASDAQ Capital Market** |

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

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

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
| | | Emerging growth company | ☐ |

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

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

As of November 6, 2024, 19,888,185 shares of common stock, par value $0.0001 per share, were outstanding.

## TABLE OF CONTENTS

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report (the "Report") includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements are intended to be covered by the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts contained in this Report, including statements regarding our future results of operations and financial position, business strategy and plans, and our objectives for future operations, are forward-looking statements. The words "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "will," "would" and similar expressions that convey uncertainty of future events or outcomes are intended to identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements contained in this Report are based on our current expectations and beliefs concerning future developments and their potential effects on us. Future developments affecting us may not be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) and other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under the heading "*Risk Factors*." Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. These risks and others described under "*Risk Factors*" may not be exhaustive.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and developments in the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Report. In addition, even if our results of operations, financial condition and liquidity, and developments in the industry in which we operate are consistent with the forward-looking statements contained in this Report, those results or developments may not be indicative of results or developments in subsequent periods.

## PART I—FINANCIAL INFORMATION

### Item 1. Financial Statements

**Phunware, Inc.**
**Condensed Consolidated Balance Sheets**
***(In thousands, except share and per share information)***

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| **Assets:** | *(Unaudited)* | |
| Current assets: | | |
| Cash and cash equivalents | $ 35,537 | $ 3,934 |
| Accounts receivable, net of allowance for credit losses of $118 and $86 as of September 30, 2024 and December 31, 2023, respectively | 1,078 | 550 |
| Digital currencies | 19 | 75 |
| Prepaid expenses and other current assets | 3,133 | 374 |
| Current assets of discontinued operation | - | 28 |
| Total current assets | 39,767 | 4,961 |
| Property and equipment, net | 27 | 40 |
| Right-of-use asset | 943 | 1,451 |
| Other assets | 276 | 276 |
| Total assets | $ 41,013 | $ 6,728 |
| | | |
| **Liabilities and stockholders' equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 4,776 | $ 7,836 |
| Accrued expenses | 3,005 | 437 |
| Lease liability | 339 | 629 |
| Deferred revenue | 1,153 | 1,258 |
| PhunCoin subscription payable | 1,202 | 1,202 |
| Debt | - | 4,936 |
| Current liabilities of discontinued operation | - | 205 |
| Total current liabilities | 10,475 | 16,503 |
| | | |
| Deferred revenue | 713 | 651 |
| Lease liability | 700 | 1,031 |
| Total liabilities | 11,888 | 18,185 |
| | | |
| Commitments and contingencies (see Note 7) | | |
| **Stockholders' equity (deficit)** | | |
| Common stock, $0.0001 par value; 1,000,000,000 shares authorized; 11,748,780 shares issued and 11,738,650 shares outstanding as of September 30, 2024; and 3,861,578 shares issued and 3,851,448 shares outstanding as of December 31, 2023 | 1 | - |
| Treasury stock at cost; 10,130 shares as of September 30, 2024 and December 31, 2023 | (502 ) | (502 ) |
| Additional paid-in capital | 340,731 | 292,467 |
| Accumulated other comprehensive loss | (418 ) | (418 ) |
| Accumulated deficit | (310,687 ) | (303,004 ) |
| Total stockholders' equity (deficit) | 29,125 | (11,457 ) |
| Total liabilities and stockholders' equity (deficit) | $ 41,013 | $ 6,728 |

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

**Phunware, Inc.**
**Condensed Consolidated Statements of Operations and Comprehensive Loss**
***(In thousands, except share and per share information)***
***(Unaudited)***

| | Three Months Ended September 30, 2024 | Three Months Ended September 30, 2023 | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 |
|---|---|---|---|---|
| Net revenues | $ 665 | $ 1,252 | $ 2,597 | $ 3,892 |
| Cost of revenues | 343 | 621 | 1,281 | 2,651 |
| Gross profit | 322 | 631 | 1,316 | 1,241 |
| Operating expenses: | | | | |
| Sales and marketing | 619 | 839 | 1,671 | 2,837 |
| General and administrative | 2,281 | 2,985 | 7,051 | 11,397 |
| Research and development | 612 | 1,042 | 1,592 | 4,023 |
| Impairment of goodwill | - | 9,043 | - | 9,043 |
| Total operating expenses | 3,512 | 13,909 | 10,314 | 27,300 |
| Operating loss | (3,190 ) | (13,278 ) | (8,998 ) | (26,059 ) |
| Other income (expense): | | | | |
| Interest expense | (10 ) | (264 ) | (126 ) | (1,354 ) |
| Interest income | 381 | - | 760 | - |
| Gain (loss) on extinguishment of debt | - | (237 ) | 535 | (237 ) |
| Gain on sale of digital currencies | - | - | - | 5,310 |
| Other income, net | 59 | 62 | 146 | 497 |
| Total other income (expense) | 430 | (439 ) | 1,315 | 4,216 |
| Loss before taxes | (2,760 ) | (13,717 ) | (7,683 ) | (21,843 ) |
| Income tax expense | - | - | - | - |
| Net loss from continuing operations | (2,760 ) | (13,717 ) | (7,683 ) | (21,843 ) |
| Net loss from discontinued operation | - | (5,262 ) | - | (7,929 ) |
| Net loss | (2,760 ) | (18,979 ) | (7,683 ) | (29,772 ) |
| Other comprehensive loss (income) | | | | |
| Cumulative translation adjustment | - | (37 ) | - | 9 |
| Comprehensive loss | $ (2,760 ) | $ (19,016 ) | $ (7,683 ) | $ (29,763 ) |
| Net loss from continuing operations per share, basic and diluted | $ (0.25 ) | $ (5.72 ) | $ (0.88 ) | $ (9.98 ) |
| Net loss from discontinued operations per share, basic and diluted | $ - | $ (2.19 ) | $ - | $ (3.62 ) |
| Weighted-average shares used to compute net loss per share, basic and diluted | 11,104,174 | 2,398,873 | 8,755,908 | 2,188,101 |

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

**Phunware, Inc.**
**Condensed Consolidated Statements of Changes in Stockholders' Equity (Deficit)**
***(In thousands, except share information)***
***(Unaudited)***

| | Common Stock | | Treasury stock | | Additional Paid-in Capital | Accumulated Deficit | Other Comprehensive Loss | Total Stockholders' Equity (Deficit) |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | |
| **Balances as of June 30, 2024** | 8,620,380 | $ 1 | (10,130) | $ (502) | $ 322,936 | $ (307,927) | $ (418) | $ 14,090 |
| Release of restricted stock | 17,264 | - | - | - | - | - | - | - |
| Sale of common stock, net of issuance costs | 3,111,136 | - | - | - | 17,553 | - | - | 17,553 |
| Stock-based compensation expense | - | - | - | - | 242 | - | - | 242 |
| Net loss | - | - | - | - | - | (2,760) | - | (2,760) |
| **Balances as of September 30, 2024** | 11,748,780 | $ 1 | (10,130) | $ (502) | $ 340,731 | $ (310,687) | $ (418) | $ 29,125 |

| | Common Stock | | Treasury stock | | Additional Paid-in Capital | Accumulated Deficit | Other Comprehensive Loss | Total Stockholders' Equity (Deficit) |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | |
| **Balances as of December 31, 2023** | 3,861,578 | $ - | (10,130) | $ (502) | $ 292,467 | $ (303,004) | $ (418) | $ (11,457) |
| Release of restricted stock | 116,381 | - | - | - | - | - | - | - |
| Issuance of common stock in lieu of cash bonus and consulting fees | 11,453 | - | - | - | 35 | - | - | 35 |
| Common stock issued upon conversion of 2022 Promissory Note | 336,550 | - | - | - | 4,505 | - | - | 4,505 |
| Sale of common stock & exercise of prefunded warrants, net of issuance costs | 7,281,187 | 1 | - | - | 42,192 | - | - | 42,193 |
| Fractional share issuances as a result of reverse stock split | 141,631 | - | - | - | - | - | - | - |
| Stock-based compensation expense | - | - | - | - | 1,532 | - | - | 1,532 |
| Net loss | - | - | - | - | - | (7,683) | - | (7,683) |
| **Balances as of September 30, 2024** | 11,748,780 | $ 1 | (10,130) | $ (502) | $ 340,731 | $ (310,687) | $ (418) | $ 29,125 |

**Phunware, Inc.**
**Condensed Consolidated Statements of Changes in Stockholders' Equity (Deficit)**
***(In thousands, except share information)***
***(Unaudited)***

| | Common Stock Shares | Common Stock Amount | Treasury stock Shares | Treasury stock Amount | Additional Paid-in Capital | Accumulated Deficit | Other Comprehensive Loss | Total Stockholders' Equity (Deficit) |
|---|---|---|---|---|---|---|---|---|
| **Balances as of June 30, 2023** | 2,151,309 | $ - | (10,130 ) | $ (502 ) | $ 279,848 | $ (261,012 ) | $ (426 ) | $ 17,908 |
| Release of restricted stock | 11,142 | - | - | - | - | - | - | - |
| Issuance of common stock in lieu of consulting fees | 2,982 | - | - | - | 33 | - | - | 33 |
| Common stock issued upon conversion of 2022 Promissory Note | 67,975 | - | - | - | 800 | - | - | 800 |
| Sale of common stock, net of issuance costs | 347,842 | - | - | - | 6,001 | - | - | 6,001 |
| Stock-based compensation expense | - | - | - | - | 829 | - | - | 829 |
| Cumulative translation adjustment | - | - | - | - | - | - | (37 ) | (37 ) |
| Net loss | - | - | - | - | - | (18,979 ) | - | (18,979 ) |
| **Balances as of September 30, 2023** | 2,581,250 | $ - | (10,130 ) | $ (502 ) | $ 287,511 | $ (279,991 ) | $ (463 ) | $ 6,555 |

| | Common Stock Shares | Common Stock Amount | Treasury stock Shares | Treasury stock Amount | Additional Paid-in Capital | Accumulated Deficit | Other Comprehensive Loss | Total Stockholders' Equity (Deficit) |
|---|---|---|---|---|---|---|---|---|
| **Balances as of December 31, 2022** | 2,063,074 | $ - | - | $ - | $ 275,572 | $ (250,219 ) | $ (472 ) | $ 24,881 |
| Exercise of stock options, net of vesting of restricted shares | 1,895 | - | - | - | 58 | - | - | 58 |
| Release of restricted stock | 53,866 | - | - | - | - | - | - | - |
| Issuance of common stock under the 2018 employee stock purchase plan | 1,859 | - | - | - | 48 | - | - | 48 |
| Issuance of common stock in lieu of consulting fees | 10,436 | - | - | - | 380 | - | - | 380 |
| Common stock issued upon conversion of 2022 Promissory Note | 67,975 | - | - | - | 800 | - | - | 800 |
| Sales of common stock, net of issuance costs | 382,145 | - | - | - | 6,996 | - | - | 6,996 |
| Stock-based compensation expense | - | - | - | - | 3,657 | - | - | 3,657 |
| Cumulative translation adjustment | - | - | - | - | - | - | 9 | 9 |
| Treasury stock repurchase | - | - | (10,130 ) | (502 ) | - | - | - | (502 ) |
| Net loss | - | - | - | - | - | (29,772 ) | - | (29,772 ) |
| **Balances as of September 30, 2023** | 2,581,250 | $ - | (10,130 ) | $ (502 ) | $ 287,511 | $ (279,991 ) | $ (463 ) | $ 6,555 |

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

**Phunware, Inc.**
**Condensed Consolidated Statements of Cash Flows**
***(In thousands)***
***(Unaudited)***

| | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 |
|---|---|---|
| **Operating activities** | | |
| Net loss | $ (7,683 ) | $ (29,772 ) |
| Net loss from discontinued operation | - | (7,929 ) |
| Net loss from continuing operations | (7,683 ) | (21,843 ) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Gain on sale of digital assets | - | (5,310 ) |
| Gain (loss) on extinguishment of debt | (535 ) | 237 |
| Impairment of goodwill | - | 9,043 |
| Stock based compensation | 1,532 | 3,662 |
| Other adjustments | 653 | 1,383 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (561 ) | (189 ) |
| Prepaid expenses and other assets | (2,759 ) | 198 |
| Accounts payable and accrued expenses | (457 ) | (349 ) |
| Lease liability payments | (560 ) | (761 ) |
| Deferred revenue | (43 ) | (625 ) |
| Net cash used in operating activities from continued operations | (10,413 ) | (14,554 ) |
| Net cash used in operating activities from discontinued operations | (177 ) | (1,315 ) |
| Net cash used in operating activities | (10,590 ) | (15,869 ) |
| **Investing activities** | | |
| Proceeds received from sale of digital currencies | - | 15,390 |
| Net cash provided by investing activities - continuing operations | - | 15,390 |
| Net cash used in investing activities - discontinued operation | - | (7 ) |
| Net cash provided by investing activities | - | 15,383 |
| **Financing activities** | | |
| Payments on borrowings | - | (5,056 ) |
| Proceeds from sales of common stock, net of issuance costs | 42,193 | 6,879 |
| Proceeds from exercise of options to purchase common stock | - | 58 |
| Payments on stock repurchases | - | (502 ) |
| Net cash provided by financing activities | 42,193 | 1,379 |
| | | |
| Effect of exchange rate on cash | - | 9 |
| Net increase in cash and cash equivalents | 31,603 | 902 |
| Cash and cash equivalents at the beginning of the period | 3,934 | 1,955 |
| Cash and cash equivalents at the end of the period | $ 35,537 | $ 2,857 |
| | | |
| **Supplemental disclosure of cash flow information** | | |
| Interest paid | $ 22 | $ 1,140 |
| Income taxes paid | $ 40 | $ - |
| **Supplemental disclosures of non-cash financing activities:** | | |
| Issuance of common stock upon conversion of the 2022 Promissory Note | $ 4,505 | $ 800 |
| Issuance of common stock for payment of bonuses and consulting fees | $ 35 | $ 379 |
| Non-cash exchange of digital assets | $ - | $ 557 |
| Issuance of common stock under the 2018 Employee Stock Purchase Plan, previously accrued | $ - | $ 47 |

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

**Phunware, Inc.**
**Notes to Unaudited Condensed Consolidated Financial Statements**
*(In thousands, except share and per share information)*
*(Unaudited)*

## 1. The Company and Basis of Presentation

***The Company***

Phunware, Inc. and its subsidiaries (the "Company", "we", "us", or "our") offers a fully integrated software platform that enables brands to engage, manage and monetize their anytime, anywhere users worldwide. Our mobile experience platform guides users through the entire customer journey. Our location-based technology offers brands mobile engagement, content management and analytics to best interact with their customers. Through our integrated mobile advertising platform of publishers and advertisers, we provide in-app application transactions for mobile audience building, user acquisition, application discovery, audience engagement and audience monetization. Founded in 2009, we are a Delaware corporation headquartered in Austin, Texas.

***Basis of Presentation***

The condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States ("U.S. GAAP") and include the Company's accounts and those of its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

The balance sheet as of December 31, 2023 was derived from our audited consolidated financial statements, but these interim condensed consolidated financial statements do not include all the annual disclosures required by U.S. GAAP. These interim condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto for the year ended December 31, 2023, which are referenced herein. The accompanying interim condensed consolidated financial statements as of September 30, 2024 and for the three and nine months ended September 30, 2024 and 2023, are unaudited. The unaudited interim condensed consolidated financial statements have been prepared on a basis consistent with the audited financial statements, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary to fairly state our financial position as of September 30, 2024 and the results of operations for the three and nine months ended September 30, 2024 and 2023, and cash flows for the nine months ended September 30, 2024 and 2023. The results for the three and nine months ended September 30, 2024 are not necessarily indicative of the results to be expected for the year ending December 31, 2024 or for any future interim period.

Certain reclassifications to prior year presentation have been made to our condensed consolidated statements of operations and comprehensive loss and condensed consolidated statements of cash flows. We have displayed individual line items that we previously considered to be immaterial and combined individual line items that we considered to be immaterial to conform to current year presentation. The reclassifications had no impact on previously reported net loss, and operating, investing or financing activities.

The accompanying condensed consolidated financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

***Discontinued Operations***

On November 1, 2023, we committed to a plan to discontinue and wind down the operations of Lyte Technology, Inc. ("Lyte"), which the Company determined met the criteria for classification as a discontinued operation in accordance with Accounting Standards Codification ("ASC") Topic 205-20, *Discontinued Operations*. Prior periods were recast such that the basis of presentation is consistent with current year presentation. For additional information, see Note 3.

***Reverse Stock Split***

On February 26, 2024, the Company effected a reverse stock split of its common stock at a ratio of one-for-fifty (the "Reverse Stock Split"). The number of authorized shares and par value of our common stock were not adjusted as a result of the Reverse Stock Split. The accompanying financial statements and notes thereto give retrospective effect to the reverse stock split for all periods presented. All issued and outstanding common stock, options, restricted stock units and warrants exercisable for common stock and per share amounts have been retrospectively adjusted.

***Nasdaq listing***

On April 13, 2023, we received a notice from The Nasdaq Stock Market LLC ("Nasdaq") indicating that the Company was not in compliance with Nasdaq Listing Rule 5550(a)(2) (the "Bid Price Requirement") because the bid price of the Company's common stock on the Nasdaq Capital Market had closed below $1.00 per share for the previous 30 consecutive business days. The notice from Nasdaq stated that, under Nasdaq Listing Rule 5810(c)(3)(A), we had been provided a period of 180 calendar days, or until October 10, 2023, to regain compliance with the Bid Price Requirement. On October 10, 2023, we submitted a request to Nasdaq for an additional 180-day extension to regain compliance with the Bid Price Requirement. On October 12, 2023, the Company received a letter from Nasdaq advising that the Company had been granted a 180-day extension to April 8, 2024, to regain compliance with the Bid Price Requirement, in accordance with Nasdaq Listing Rule 5810(c)(3)(A).

On December 21, 2023, the Company received a letter from Nasdaq notifying the Company that, as of December 20, 2023, the Company's common stock had a closing bid price of $0.10 or less for ten consecutive trading days and that, consistent with Nasdaq Listing Rule 5810(c)(3)(A)(iii), the Nasdaq had determined to delist the Company's common stock from the Nasdaq Capital Market. The notice provided the Company an opportunity to appeal the Nasdaq's decision to delist the Company's common stock. On December 22, 2023, we submitted a request for a hearing before the Nasdaq Hearings Panel (the "Panel") to appeal the Nasdaq's delisting determination.

As noted above, we effected a reverse stock split in order to regain compliance with the Bid Price Requirement, and on March 12, 2024, we received a letter from Nasdaq notifying us that we demonstrated compliance with the requirements to remain listed on the Nasdaq Capital Market, as required by the Panel. The letter also informed the Company that pursuant to Listing Rule 5815(d)(4)(B), the Company will be subject to a mandatory Panel monitor for a period of one year from the date of the letter. If, within that one-year monitoring period, the staff finds the Company again out of compliance with the requirement that was the subject of the exception, notwithstanding Rule 5810(c)(2), the Company will not be permitted to provide the staff with a plan of compliance with respect to that deficiency and the staff will not be permitted to grant additional time for the Company to regain compliance with respect to that deficiency, nor will the Company be afforded an applicable cure or compliance period pursuant to Rule 5810(c)(3). Instead, the Nasdaq will issue a delist determination letter and the Company will have an opportunity to request a new hearing with the initial Panel or a newly convened hearings panel if the initial Panel is unavailable. The Company will have the opportunity to respond/present to the hearings panel as provided by Listing Rule 5815(d)(4)(C).

On November 7, 2024, the Company received a letter from Nasdaq notifying the Company that, as a result of the resignation of Stephen Chen from the Company's audit committee effective October 22, 2024, the Company is not in compliance with Nasdaq's audit committee compositions requirements set forth in Nasdaq Listing Rule 5605. Pursuant to Nasdaq Listing Rule 5605(c)(2)(A), the Company must have an audit committee of at least three members, each of whom must be an independent director as defined under Nasdaq Listing Rule 5605(a)(2) and meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (subject to the exemptions provided in Rule 100A-3(c) under the Exchange Act). With Mr. Chen's resignation, the Company's audit committee is currently comprised of only two members, Elliot Han and Rahul Mewawalla, each of whom meet the independence requirements set forth in Nasdaq Listing Rule 5605(a)(2) and Rule 10-A3(b)(1) of the Exchange Act. The letter further provides that, pursuant to Nasdaq Listing Rule 5605(c)(4), the Company is entitled to a cure period to regain compliance with Nasdaq Listing Rule 5605, which cure period will expire the earlier of the Company's next annual stockholders' meeting or October 22, 2025; or if the annual stockholders' meeting is held before April 21, 2025, then the cure period will expire on April 21, 2025. If the Company does not regain compliance within the cure period, Nasdaq will provide written notification to the Company that its securities will be delisted. At that time, the Company may appeal the delisting determination to a hearings panel. The Company is in the process of reviewing and evaluating potential options to regain compliance with Nasdaq audit committee requirements as set forth in Nasdaq Listing Rule 5605 within the cure period provided by Nasdaq.

There can be no assurance the Company will regain compliance with the audit committee composition requirements or maintain compliance with any other Nasdaq Listing Rules.

**2. Summary of Significant Accounting Policies**

There have been no changes in significant accounting policies as described in our Annual Report on Form 10-K for the year ended December 31, 2023, except as set forth below.

***Recently Adopted Accounting Pronouncements***

In August 2020, the FASB issued ASU 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815 – 40)*, ("ASU 2020-06"). ASU 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. We adopted ASU 2020-06 on January 1, 2024. The adoption of ASU 2020-06 did not have a material impact on our condensed consolidated financial statements and disclosures.

***Recent Accounting Pronouncements Not Yet Adopted***

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures,* ("ASU 2023-09"). ASU 2023-09 requires entities to disclose specific tax rate reconciliation categories, as well as income taxes paid disaggregated by jurisdiction, amongst other disclosure enhancements. For public entities, ASU 2023-09 is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is evaluating the disclosure requirements related to the new standard.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires us to make certain estimates and assumptions that affect the reported amounts in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates and such differences could be material.

**3. Supplemental Information**

***Concentrations of Credit Risk***

Our financial instruments that are exposed to concentrations of credit risk consist primarily of cash and trade accounts receivable. Although we limit our exposure to credit loss by depositing our cash with established financial institutions that management believes have good credit ratings and represent minimal risk of loss of principal, our deposits, at times, may exceed federally insured limits. Collateral is not required for accounts receivable, and we believe the carrying value approximates fair value. The following table sets forth our concentration of accounts receivable, net of specific allowances for credit losses.

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| Customer A | -% | 43% |
| Customer B | 10% | 16% |
| Customer C | 2% | 12% |
| Customer D | 21% | -% |
| Customer E | 14% | -% |
| Customer F | 11% | -% |

***Discontinued Operation***

On November 1, 2023, the Company made the strategic decision to wind down and discontinue the operations of its Lyte reporting segment. We generally completed the wind down of the Lyte operations as of December 31, 2023.

A summary of the Lyte discontinued operation in the condensed consolidated statement of operations and comprehensive loss for the three and nine months ended September 30, 2023 is set forth below:

| | Three months ended September 30, 2023 | Nine months ended September 30, 2023 |
|---|---|---|
| Net revenues | $ 1,539 | $ 7,133 |
| Cost of revenues | 1,975 | 7,361 |
| Gross profit | (436 ) | (228 ) |
| Operating expenses: | | |
| Sales and marketing | 188 | 791 |
| General and administrative | 493 | 1,562 |
| Impairment of goodwill | 4,145 | 5,348 |
| Total operating expenses | 4,826 | 7,701 |
| Operating loss | $ (5,262 ) | $ (7,929 ) |

***Goodwill Impairment***

Goodwill arises from purchase business combinations and is measured as the excess of the cost of the business acquired over the sum of the acquisition-date fair values of tangible and identifiable intangible assets acquired, less any liabilities assumed. In accordance with ASC 350, *Intangibles — Goodwill and Other*, we do not amortize goodwill but rather assess its carrying value for indications of impairment annually, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

We performed a quantitative assessment as of September 30, 2023, using a discounted cash flow model. Based on the analysis performed, we concluded that the carrying amount of our reporting unit exceeded its respective fair value resulting in non-cash impairment charge of $9,043 for the three months ended September 30, 2023.

The goodwill impairment analysis referenced above used the discounted cash flow model (income approach) utilizing Level 3 unobservable inputs. Significant assumptions in this analysis included, but were not limited to, future cash flow projections, the weighted average cost of capital, the terminal growth rate and the tax rate. Estimates of future cash flows are based on current regulatory and economic climates, recent operating results, and planned business strategies. These estimates could be negatively affected by changes in federal, state, or local regulations or economic downturns. Future cash flow estimates are, by their nature, subjective and actual results may differ materially from estimates. We believe the assumptions and estimates utilized are both reasonable and appropriate.

***Loss per Common Share***

Basic loss per common share is computed by dividing net loss applicable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted loss per common share is computed by giving effect to all potential shares of common stock, including those related to our outstanding warrants and stock equity plans, to the extent dilutive. For all periods presented, these shares were excluded from the calculation of diluted loss per share of common stock because their inclusion would have been anti-dilutive. As a result, diluted loss per common share is the same as basic loss per common share for all periods presented.

The following table sets forth common stock equivalents that have been excluded from the computation of dilutive weighted average shares outstanding as their inclusion would have been anti-dilutive:

| | September 30, | |
|---|---|---|
| | **2024** | **2023** |
| Warrants | - | 68,877 |
| Options | 3,705 | 17,610 |
| Restricted stock units | 50,525 | 148,925 |
| Total | 54,230 | 235,412 |

**4. Revenue**

Subscriptions and services revenue consist of platform license subscriptions and application development services. Application transaction revenue is comprised of in-app advertising. Refer to our revenue recognition policy under the subheading, *Revenue Recognition,* in Note 2, "*Summary of Significant Accounting Policies,"* in our Annual Report on Form 10-K filed with the SEC on March 15, 2024.

***Disaggregation of Revenue***

The following table sets forth our net revenues by category:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| Subscriptions and services revenue | $ 464 | $ 697 | $ 1,434 | $ 2,439 |
| Application transaction | 201 | 555 | 1,163 | 1,453 |
| Net revenues | $ 665 | $ 1,252 | $ 2,597 | $ 3,892 |

The following table sets forth our concentration of revenue sources as a percentage of total net revenues:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Customer A | -% | 12% | 12% | 8% |
| Customer C | 5% | 3% | 4% | 12% |
| Customer G | -% | -% | 13% | -% |
| Customer H | 13% | 9% | 7% | 4% |
| Customer I | 18% | 16% | 14% | 14% |

We generate revenue in domestic and foreign regions and attribute net revenue to individual countries based on the location of the contracting entity. We derived over 99% of our net revenues from within the United States for the three and nine months ended September 30, 2024 and 2023.

***Deferred Revenue***

Deferred revenue consists of customer billings or payments received in advance of the recognition of revenue under the arrangements with customers. We recognize deferred revenue as revenue only when revenue recognition criteria are met. During the nine months ended September 30, 2024, we recognized revenue of $1,149 that was included in our deferred revenue balance as of December 31, 2023.

***Remaining Performance Obligations***

Remaining performance obligations were $5,182 as of September 30, 2024, of which we expect to recognize approximately 33% as revenue over the next 12 months and the remainder thereafter.

**5. Debt**

***2022 Promissory Note***

On July 6, 2022, we entered into a note purchase agreement and completed the sale of an unsecured promissory note (the “2022 Promissory Note”) with an original principal amount of $12,809 in a private placement. The 2022 Promissory Note was sold with an original issue discount of $492 and we paid, at closing, issuance costs totaling $522. After deducting all transaction fees paid by us at closing, net cash proceeds to the Company at closing were $11,795. No interest was to accrue on the 2022 Promissory Note. Beginning on November 1, 2022, our monthly amortization payment was approximately $1,566, which includes a 10% premium until the original maturity date of July 1, 2023. We had the right to defer any monthly payment by one month up to twelve times so long as certain conditions, as defined in the 2022 Promissory Note, were satisfied. In the event we exercised the deferral right, the outstanding balance would automatically increase by 1.85%.

On March 15, 2023, we elected to defer monthly payment obligations for April, May, June and July 2023, as permitted, at the time, by the 2022 Promissory Note. In connection therewith, we entered into a waiver agreement with the holder waiving the Payment Deferral Conditions, as defined in the 2022 Promissory Note. For agreeing to waive the Payment Deferral Conditions, we agreed to compensate the noteholder an amount equal to 5% of the outstanding balance immediately before entering into the waiver agreement. We evaluated the modification in accordance with the guidance as in ASC 470 - *Debt*, and we concluded that the modification was not an extinguishment of the original debt; therefore, no gain or loss was recognized upon modification.

On August 14, 2023, we entered into an amendment to the 2022 Promissory Note with the noteholder. The amendment extended the maturity date to May 31, 2024 and provided that effective August 1, 2023, we were required to make monthly amortization payments of at least $800 commencing on August 31, 2023 until the 2022 Promissory Note was paid-in-full. Furthermore, the amendment removed the required payment due on August 1, 2023. We also granted the holder certain limited conversion rights, subject to advance payment and volume conditions. Conversions into shares of our common stock made pursuant to the limited conversion rights were calculated on a conversion price equal to 90% of the lower of (i) the closing trading price of our common stock on the trading day immediately preceding the date for such conversion or (ii) the average closing trading price of our common stock for the five trading days immediately preceding the date for such conversion. If the holder elected to convert pursuant to the limited conversion option, such conversions would reduce the current month’s monthly amortization payment. Any conversions in any given month in excess of the $800 monthly payment would be applied to reduce the following month’s required monthly amortization payment. In connection with the amendment, we agreed to pay an extension fee equal to approximately $708. The amendment also provided that the outstanding balance was to accrue interest at a rate of 8% beginning on August 1, 2023, and payment deferrals were no longer permitted.

Effective December 6, 2023, the Company entered into an acknowledgement and agreement with the noteholder to which the parties (a) memorialized the noteholder's waiver of the Company's obligations to satisfy minimum balance reduction requirements in cash for each of October 2023 and November 2023 and the minimum balance reduction requirement for December 2023. As consideration for the acknowledgement and agreement, we agreed to pay the noteholder a fee in an aggregate amount equal to 7.5%, or approximately $347, of the outstanding balance of the 2022 Promissory Note. The fee was added to the outstanding balance of the 2022 Promissory Note.

During the first quarter of 2024, we issued 336,500 shares of our common stock to the holder of the 2022 Promissory Note, which amounted to aggregate principal and interest payments in the amount of $4,505. These conversions were made pursuant to the terms of the amended 2022 Promissory Note. In addition, conversions were made in connection with the Company granting the holder additional conversion rights. As a result, the noteholder agreed to waive an aggregate of $535 in principal and accrued interest. As a result of the conversions, the 2022 Promissory Note has been paid-in-full.

***Interest Expense***

Interest expense amounted to $10 and $264 for the three months ended September 30, 2024 and 2023, respectively. Interest expense was $126 and $1,354 for the nine months ended September 30, 2024 and 2023, respectively.

**6. Leases**

Further information regarding our other office leases and accounting thereof are located in Note 2, "*Summary of Significant Accounting Policies,*" and Note 9, "*Leases,*" in our Annual Report on Form 10-K filed with the SEC on March 15, 2024.

We recognize lease expense on a straight-line basis over the lease term with variable lease expense recognized in the period in which the costs are incurred. The components of lease expense are included in general and administrative expense in our condensed consolidated statement of operations and comprehensive loss. Lease expense for the three months ended September 30, 2024 and 2023 was $172 and $305, respectively. Lease expense for the nine months ended September 30, 2024 and 2023 was $516 and $954, respectively. The weighted-average remaining lease term for operating leases as of September 30, 2024 was 2.91 years.

Future minimum lease obligations are set forth below:

| **Future minimum lease obligations years ending December 31,** | **Lease Obligations** |
|---|---|
| 2024 (Remainder) | $ 122 |
| 2025 | 360 |
| 2026 | 370 |
| 2027 | 284 |
| | $ 1,136 |
| Less: Portion representing interest | (97 ) |
| | $ 1,039 |

**7. Commitments and Contingencies**

***Litigation***

On March 30, 2021, Phunware filed an action against its former counsel Wilson Sonsini Goodrich & Rosati, PC ("WSGR"), which is styled *Phunware, Inc., v. Wilson Sonsini Goodrich & Rosati, Professional Corporation, Does 1-25*, Case No. 21CV381517, in the Superior Court of the State of California for the County of Santa Clara. On July 30, 2021, Phunware filed a second action against WSGR in the Superior Court of the State of California for the County of Santa Clara, which is styled *Phunware, Inc., v. Wilson Sonsini Goodrich & Rosati, Professional Corporation, Does 1-25*, Case No. 21CV386411. The two actions were then removed to arbitration. Phunware sought affirmative relief in these actions, as stated in the complaints, for damages according to proof, interest and costs of suit. WSGR filed crossclaims against Phunware in these actions related to services provided by WSGR to Phunware and sought to recover fees related to the services at issue in these actions and interest. In March 2024, WSGR and Phunware settled their claims in the arbitration proceeding relating to Case No. 21CV381517 and Phunware paid approximately $2,194 of the outstanding amount alleged to be owed by Phunware to WSGR in that proceeding. The Phunware and WSGR claims related to Case No. 21CV386411 remain pending in arbitration and the remaining balance of the payables amount alleged to be owed by Phunware will continue to be arbitrated. On August 16, 2024, the Company and WSGR entered into an agreed stay of that arbitration proceeding, which provides for a mutually agreed upon stay of that proceeding until the earlier to occur of (a) August 30, 2025 (subject to either party's right to move to lift the stay earlier than that date for good cause) and (b) the settlement or issuance of a judgment in the Wild Basin litigation, as more fully described below. The outcome of this proceeding and the related Phunware and WSGR claims is uncertain. There is $2,159 and $4,321 in accounts payable in our condensed consolidated balance sheets as of September 30, 2024 and December 31, 2023, respectively, relating to these WSGR claims.

On February 18, 2022, certain stockholders filed a lawsuit against Phunware and certain of its prior and then existing individual officers and directors. The case, captioned *Wild Basin Investments, LLC, et al. v. Phunware, Inc., et al.*, was filed in the Court of Chancery of the State of Delaware (Cause No. 2022-0168-LWW). Plaintiffs allege that they invested in Phunware through various early rounds of financing while the Company was private and that following completion of the business combination transactions resulting in Phunware becoming a public company these stockholders received new shares of Phunware common stock and Phunware warrants that were but should not have been subjected to a 180-day “lock up” period. Plaintiffs also allege that Phunware’s stock price dropped significantly during the lock up period and seek damages, costs and professional fees. On or about October 24, 2024, Plaintiffs, Phunware and individual director and officer defendants entered into a Confidential Settlement Agreement, and on about October 28, 2024, Phunware, the individual director and officer defendants and the applicable Phunware insurers entered into a Settlement Agreement and Mutual Release (collectively, the “Settlement Agreements”). The Settlement Agreements collectively provide for, among other things, the settlement and release of the Plaintiffs' claims against the individual director and officer defendants, certain agreements between the Plaintiffs and Phunware, including the Plaintiffs' agreement to stay collection of any judgment obtained by the Plaintiffs against Phunware until the settlement or conclusion of the pending WSGR arbitration proceeding. Further, the Settlement Agreements provide for a payment of $2.8 million from the Company’s insurers to the Plaintiffs, the payment of $0.2 million from the insurers to Phunware and the release of the insurers’ subrogation claims against Phunware recoveries from WSGR or its insurers in the WSGR arbitration proceeding. As a result, as of September 30, 2024, the Company recorded an accrual within accrued expenses in the condensed consolidated balance sheets in the aggregate amount of $2.8 million, as well as a $2.8 million receivable for loss recovery within prepaid expenses and other current assets in the condensed consolidated balance sheets for the insurance proceeds related to the settlement. Further, for the nine months ended September 30, 2024, the Company recorded $2.8 million charge and an offsetting $2.8 million recovery in other income, net in the condensed consolidated statements of operations and comprehensive loss to reflect the settlement and insurance proceeds receivable, respectively. The Plaintiffs claims against Phunware in this lawsuit remain in effect and the case remains scheduled for bench trial in March 2025. We intend to vigorously defend against the remaining claims in this lawsuit and any appeals. We have not recorded a liability related to this matter because any potential loss is not currently probable or possible to reasonably estimate. Additionally, we cannot presently estimate the range of loss, if any, that may result from this lawsuit.

It is possible that the ultimate resolution of the foregoing matters, or other similar matters, if resolved in a manner unfavorable to us, may be materially adverse to our business, financial condition, results of operations or liquidity.

From time to time, we are and may become involved in various legal proceedings in the ordinary course of business. The outcomes of our legal proceedings are inherently unpredictable, subject to significant uncertainties, and could be material to our operating results and cash flows for a particular reporting period. In addition, for the matters disclosed above that do not include an estimate of the amount of loss or range of losses, such an estimate is not possible, and we may be unable to estimate the possible loss or range of losses that could potentially result from the application of non-monetary remedies.

**8. Stockholders’ Equity**

***Common Stock***

Total common stock authorized to be issued as of September 30, 2024, was 1,000,000,000 shares, with a par value of $0.0001 per share. As of September 30, 2024 and December 31, 2023, there were 11,738,650 and 3,851,448 shares of our common stock outstanding, respectively.

On January 31, 2022, we entered into an At Market Issuance Sales Agreement with H.C. Wainwright & Co., LLC (“Wainwright”), pursuant to which we may offer and sell, from time to time, shares of our common stock, par value $0.0001 per share, for aggregate gross proceeds of up to $100 million, through or to Wainwright, as agent or principal. We terminated our agreement with Wainwright effective June 3, 2024.

On June 4, 2024, we entered into an Equity Distribution Agreement with Canaccord Genuity LLC (“Canaccord”), as representative of certain agents, pursuant to which we may offer and sell, from time to time, shares of our common stock, par value $0.0001 per share, for aggregate gross proceeds of up to $120 million, through the agents.

During the nine months ended September 30, 2024, we sold an aggregate of 3,611,187 shares of our common stock under our sales agreement with Wainwright and Equity Distribution Agreement with Canaccord for aggregate gross cash proceeds of $22,159. Transaction costs were $686. As of September 30, 2024, $100.4 million of shares of our common stock remains issuable pursuant to the Equity Distribution Agreement with Canaccord. As further outlined in Note 10 "*Subsequent Events"* to these notes to the condensed consolidated financial statements, on November 1, 2024, we entered into an Amended and Restated Equity Distribution Agreement (the "Amended and Restated Equity Distribution Agreement") with Canaccord, as representative of certain agents.

On August 22, 2023, we entered into a common stock purchase agreement with Lincoln Park Capital Fund, LLC ("Lincoln Park"), which provides that, upon the terms and subject to the conditions and limitations set forth therein, we have the right, but not the obligation, to sell to Lincoln Park up to $30 million in value of shares of our common stock from time to time over the 24-month term of the purchase agreement. We did not sell any shares of our common stock to Lincoln Park during the nine months ended September 30, 2024. As further outlined in Note 10 "*Subsequent Events"* to these notes to the condensed consolidated financial statements, on October 24, 2024, we terminated the common stock purchase agreement with Lincoln Park effective October 25, 2024.

In a series of offerings during the first quarter of 2024, we sold an aggregate of 2,696,000 shares of our common stock and issued pre-funded warrants to purchase up to 974,000 shares of our common stock. The aggregate gross proceeds from the offerings were $22,600. Aggregate transaction costs, including placement agent fees, were approximately $1,880. The holders of the pre-funded warrants exercised their rights to purchase all 974,000 shares of our common stock.

***Stock Repurchase Plan***

On January 5, 2023, our board of directors authorized and approved a stock repurchase program for the repurchase of outstanding shares of our common stock with an aggregate value of up to $5 million. The stock repurchase plan may be amended or terminated at any time, in the sole discretion of our board of directors. The authorization permits us to repurchase shares of our common stock from time-to-time through open market repurchases at prevailing market prices, in accordance with federal securities laws. During 2023, we repurchased an aggregate 10,130 shares of our common stock at an aggregate repurchase price of $502.

**9. Stock-Based Compensation**

There have been no material changes to the terms of our various equity incentive plans since the filing of our Annual Report on Form 10-K. Refer to Note 13, "*Stock-Based Compensation*," in our Annual Report on Form 10-K filed with the SEC on March 15, 2024 for more information.

***Stock-Based Compensation***

Compensation costs that have been included in our condensed consolidated statements of operations and comprehensive loss for all stock-based compensation arrangements is set forth below:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| **Stock-based compensation** | **2024** | **2023** | **2024** | **2023** |
| Cost of revenues | $ 51 | $ 80 | $ 145 | $ 444 |
| Sales and marketing | 20 | 24 | 51 | 156 |
| General and administrative | 154 | 699 | 1,280 | 2,818 |
| Research and development | 17 | 35 | 56 | 244 |
| Total stock-based compensation | $ 242 | $ 838 | $ 1,532 | $ 3,662 |

As of September 30, 2024, there was approximately $1,029 of total unrecognized compensation cost related to our stock benefit plans. These unrecognized compensation costs are expected to be recognized over an estimated weighted-average period of approximately 1.71 years.

***Restricted Stock Units***

A summary of our restricted stock unit activity for the nine months ended September 30, 2024 is set forth below:

| | **Shares** | **Weighted Average Grant Date Fair Value** |
|---|---|---|
| Outstanding as of December 31, 2023 | 96,808 | $ 25.21 |
| Granted | 84,081 | 5.63 |
| Released | (127,834 ) | 11.93 |
| Forfeited | (2,530 ) | 17.47 |
| Outstanding as of September 30, 2024 | 50,525 | $ 26.61 |

***Stock Options***

A summary of our stock option activity under the 2018 Equity Incentive Plan (the "2018 Plan) and related information is as follows:

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding as of December 31, 2023 | 2,500 | $ 56.89 | 4.2 | $ - |
| Granted | - | - | | |
| Exercised | - | - | | |
| Forfeited | - | - | | |
| Outstanding as of September 30, 2024 | 2,500 | $ 56.89 | 3.69 | $ - |
| Exercisable as of September 30, 2024 | 2,500 | $ 56.89 | 3.69 | $ - |

A summary of our option activity under our 2009 Equity Incentive Plan (the "2009 Plan") and related information is as follows:

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding as of December 31, 2023 | 14,625 | $ 39.67 | 2.90 | $ - |
| Granted | - | - | | |
| Exercised | - | - | | |
| Forfeited | (13,420 ) | 37.06 | | |
| Outstanding as of September 30, 2024 | 1,205 | $ 91.71 | 2.74 | $ - |
| Exercisable as of September 30, 2024 | 1,205 | $ 91.71 | 2.74 | $ - |

Our stock benefit plans had 211,270 and 86,837 shares of common stock reserved for future issuances under our equity incentive plans as of September 30, 2024 and December 31, 2023, respectively. In addition, the shares of common stock reserved for issuance under the 2018 Plan also will include any shares of common stock subject to stock options granted under the 2009 Plan, that expire or otherwise terminate without having been exercised in full and shares of common stock issued pursuant to awards granted under the 2009 Plan that are forfeited. As of September 30, 2024, the maximum number of shares of common stock that may be added to the 2018 Plan pursuant to the foregoing is 1,205.

Furthermore, there were 46,791 and 30,415 shares of common stock available for sale and reserved for issuance under our 2018 Employee Stock Purchase Plan as of September 30, 2024 and December 31, 2023, respectively.

**10. Subsequent Events**

On October 24, 2024, we delivered notice to Lincoln Park terminating the common stock purchase agreement dated August 22, 2023, with Lincoln Park effective October 25, 2024.

On November 1, 2024, we filed a registration statement on Form S-3 pursuant to Rule 462(b) of the Securities Act (the “462(b) Registration Statement”) which increased the aggregate amount of securities we may offer under the existing shelf registration statement on Form S-3 (File No. 333-262461) (the “Original Registration Statement”) by a proposed additional aggregate offering price of approximately $12.4 million, which represents 20% of the maximum aggregate offering price of unsold securities under the Original Registration Statement. Additionally, on November 1, 2024, we entered into an Amended and Restated Equity Distribution Agreement with Canaccord, as representative of certain agents, pursuant to which we increased the aggregate amount of shares of our common stock that we may sell under our at-the-market facility to an aggregate offering price of approximately $171.5 million, which is comprised of approximately (i) $97.0 million of gross proceeds from prior sales of our common stock under the Equity Distribution Agreement, (ii) $23.0 million remaining as originally authorized under the Equity Distribution Agreement, (iii) $12.4 million as contemplated by the 462(b) Registration Statement, and (iv) a remainder of $39.1 million authorized to be sold from time to time pursuant to that certain Amendment No. 1 to Prospectus Supplement filed with the SEC on November 1, 2024.

From October 1, 2024 through November 8, 2024, we sold an additional 8,149,535 shares of our common stock under our equity distribution agreement with Canaccord, as amended, for aggregate gross proceeds of approximately $81.1 million. Transaction costs were approximately $2.0 million.

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

References in this section to "we," "us," "our," or "the Company" refer to Phunware, Inc. References to "management" or "management team" refer to our officers and directors.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes thereto presented in "*Part I – Item 1. Financial Statements.*" As discussed in the section titled "*Special Note Regarding Forward-Looking Statements,"* the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, those discussed in the section titled "*Risk Factors*" and elsewhere in this Report.

Certain figures, such as interest rates and other percentages, included in this section have been rounded for ease of presentation. Percentage figures included in this section have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this section may vary slightly from those obtained by performing the same calculations using the figures in our condensed consolidated financial statements or in the associated text. Certain other amounts that appear in this section may similarly not sum due to rounding.

### Key Events & Recent Developments

On October 22, 2024, Michael Snavely tendered his resignation as Chief Executive Officer, and as a member of our Board of Directors, effective immediately. On the same date, our Board of Directors appointed Mr. Stephen Chen, our then existing Chairperson of our Board of Directors, as Interim Chief Executive Officer. In connection therewith, while Mr. Chen will continue to serve as member of the Board of Directors, effective October 22, 2024, Mr. Chen resigned as Chairperson of the Board and as a member of the Company's Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee.

On November 1, 2024, Troy Reisner notified the Company that he intends to step down as our Chief Financial Officer and depart the Company on or after November 15, 2024 and prior to November 30, 2024. The Company has initiated a search for potential candidates to replace Mr. Reisner.

Please see the section captioned *"Liquidity and Capital Resources"* for additional discussion on additional recent developments.

### Overview

Phunware, Inc. offers a fully integrated software platform that equips companies with the products, solutions and services necessary to engage, manage and monetize their mobile application portfolios globally at scale. Our platform provides the entire mobile lifecycle of applications, media and data in one login through one procurement relationship. Our offerings include:

- Enterprise mobile software development kits (SDKs) including content management, location-based services, marketing automation, business intelligence and analytics, alerts, notifications and messaging, audience engagement and audience monetization;
- Integration of our SDK licenses into existing applications maintained by our customers;
- Cloud-based vertical solutions, which are off-the-shelf, iOS- and Android-based mobile application portfolios, solutions and services that address: the patient experience for healthcare, the shopper experience for retail, the fan experience for sports, the traveler experience for aviation, the luxury resident experience for real estate, the luxury guest experience for hospitality, the student experience for education and the generic user experience for all other verticals and applications; and
- Application transactions for mobile audience building, user acquisition, application discovery, audience engagement and monetization, including our engagement-driven digital asset PhunToken.

In October 2024, we announced the commencement of the development of a new generative AI-driven software development platform that will democratize access to world-class design, user experience and content creation so that businesses of any size can design, create, build, and deploy high-quality custom mobile applications in days or even hours. The platform is designed to harness and integrate the power of generative AI in a manner that will enable businesses to quickly develop and monetize custom mobile app solutions at a lower cost, making them accessible to small and medium-sized businesses.

We intend to continue investing for long-term growth. We have invested and expect to continue investing in the expansion of our ability to market, sell and provide our current and future products and services to customers globally. We also expect to continue investing in the development and improvement of new and existing products and services to address customers' needs. We currently do not expect to be profitable in the near future.

**Key Business Metrics**

Our management regularly monitors certain financial measures to track the progress of our business against internal goals and targets. We believe that the most important of these measures include backlog and deferred revenue.

***Bookings, Backlog and Deferred Revenue.*** We define these measures and purpose as follows:

•Bookings represents actual contracted value for a period, whether invoiced or not, to be invoiced and recognized as revenue over time. We believe that bookings reflects the current demand for our products and services and provides us insight into how well our sales and marketing efforts are performing.
•Backlog represents future amounts to be invoiced under our active contracts. At any point in the contract term, there can be amounts that we have not yet been contractually able to invoice. Until such time as these amounts are invoiced, they are not recorded in revenue, deferred revenue, accounts receivable or elsewhere in our condensed consolidated financial statements and are considered by us to be backlog. We expect backlog to fluctuate up or down from period to period for several reasons, including the timing and duration of customer contracts, varying billing cycles and the timing and duration of customer renewals. We reasonably expect approximately 38% of our backlog as of September 30, 2024 will be invoiced during the subsequent 12-month period, primarily due to the fact that our contracts are typically one to three years in length.
•Deferred revenue consists of amounts that have been invoiced but have not yet been recognized as revenues as of the end of a reporting period. Together, the sum of deferred revenue and backlog represents the total billed and unbilled contract value yet to be recognized in revenues and provides visibility into future revenue streams.

The following table sets forth our software and subscriptions bookings:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| *(in thousands)* | **2024** | **2023** | **2024** | **2023** |
| Bookings – subscriptions and services | $ 476 | $ 387 | $ 2,222 | $ 555 |

The follow table sets forth our deferred revenue and backlog:

| *(in thousands)* | **September 30, 2024** | **December 31, 2023** |
|---|---|---|
| Backlog | $ 3,153 | $ 2,750 |
| Deferred revenue | 1,866 | 1,909 |
| Total backlog and deferred revenue | $ 5,019 | $ 4,659 |

**Non-GAAP Financial Measures**

***Adjusted Gross Profit, Adjusted Gross Margin and Adjusted EBITDA***

We report our financial results in accordance with accounting principles generally accepted in the United States of America ("GAAP"). We also use certain non-GAAP financial measures that fall within the meaning of Securities and Exchange Commission Regulation G and Regulation S-K Item 10(e), which may provide users of the financial information with additional meaningful comparison to prior period results. Our non-GAAP financial measures include adjusted gross profit (derived from the GAAP measure of gross profit), adjusted gross margin (derived from the GAAP measure of gross margin) and adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") (derived from the GAAP measure of net loss from continuing operations) (our "non-GAAP financial measures"). Management uses these measures (i) to compare operating performance on a consistent basis, (ii) to calculate incentive compensation for our employees, (iii) for planning purposes including the preparation of our internal annual operating budget and (iv) to evaluate the performance and effectiveness of operational strategies.

Our non-GAAP financial measures should be considered in addition to, not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. They are not measurements of our financial performance under GAAP and should not be considered as alternatives to revenue or net loss, as applicable, or any other performance measures derived in accordance with GAAP and may not be comparable to other similarly titled measures of other businesses. Our non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under GAAP. Some of these limitations include:

•Non-cash compensation is and will remain a key element of our overall long-term incentive compensation package, although we exclude it as an expense when evaluating our ongoing operating performance for a particular period;

- •Our non-GAAP financial measures do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of ongoing operations; and
- •Other companies in our industry may calculate our non-GAAP financial measures differently than we do, limiting their usefulness as comparative measures.

We compensate for these limitations to our non-GAAP financial measures by relying primarily on our GAAP results and using our non-GAAP financial measures only for supplemental purposes. Our non-GAAP financial measures include adjustments for items that may not occur in future periods. However, we believe these adjustments are appropriate because the amounts recognized can vary significantly from period to period, do not directly relate to the ongoing operations of our business and complicate comparisons of our internal operating results and operating results of other peer companies over time. For example, it is useful to exclude non-cash, stock-based compensation expenses because the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations and these expenses can vary significantly across periods due to timing of new stock-based awards. We may also exclude certain discrete, unusual, one-time, or non-cash costs in order to facilitate a more useful period-over-period comparison of our financial performance. Each of the normal recurring adjustments and other adjustments described in this paragraph help management with a measure of our operating performance over time by removing items that are not related to day-to-day operations or are non-cash expenses.

The following tables set forth the most comparable GAAP financial measures from which our non-GAAP financial measures are derived as well as the non-GAAP financial measures we monitor.

| GAAP Financial Measures | **Three months ended September 30,** | | **Nine months ended September 30,** | |
|---|---|---|---|---|
| *(in thousands, except percentages)* | **2024** | **2023** | **2024** | **2023** |
| Gross profit | $ 322 | $ 631 | $ 1,316 | $ 1,241 |
| Gross margin | 48.4 % | 50.4 % | 50.7 % | 31.9 % |
| Net loss from continuing operations | $ (2,760 ) | $ (13,717 ) | $ (7,683 ) | $ (21,843 ) |

| | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| *(in thousands, except percentages)* | **2024** | **2023** | **2024** | **2023** |
| Adjusted gross profit (1) | $ 373 | $ 711 | $ 1,461 | $ 1,685 |
| Adjusted gross margin (1) | 56.1 % | 56.8 % | 56.3 % | 43.3 % |
| Adjusted EBITDA (2) | $ (2,885 ) | $ (3,314 ) | $ (7,308 ) | $ (12,794 ) |

(1)Adjusted gross profit and adjusted gross margin are non-GAAP financial measures. We believe that adjusted gross profit and adjusted gross margin provide supplemental information with respect to gross profit and gross margin regarding ongoing performance. We define adjusted gross profit as net revenues less cost of revenue, adjusted to exclude one-time revenue adjustments, stock-based compensation and amortization of intangible assets. We define adjusted gross margin as adjusted gross profit as a percentage of net revenues.

(2)Adjusted EBITDA is a non-GAAP financial measure. We believe adjusted EBITDA provides helpful information with respect to operating performance as viewed by management, including a view of our business that is not dependent on (i) the impact of our capitalization structure and (ii) items that are not part of day-to-day operations. We define adjusted EBITDA as net loss plus (i) interest expense, net of interest income (ii) income tax expense, (iii) depreciation, and further adjusted for (iv) non-cash impairment, (v) valuation adjustments and (vi) stock-based compensation expense.

***Reconciliation of Non-GAAP Financial Measures***

The following tables set forth a reconciliation of the most directly comparable GAAP financial measure to each of the non-GAAP financial measures discussed above.

| | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| *(in thousands, except percentages)* | **2024** | **2023** | **2024** | **2023** |
| Gross profit | $ 322 | $ 631 | $ 1,316 | $ 1,241 |
| Add back: Stock-based compensation | 51 | 80 | 145 | 444 |
| Adjusted gross profit | $ 373 | $ 711 | $ 1,461 | $ 1,685 |
| Adjusted gross margin | 56.1 % | 56.8 % | 56.3 % | 43.3 % |

| (in thousands) | Three Months Ended September 30, 2024 | Three Months Ended September 30, 2023 | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 |
|---|---|---|---|---|
| Net loss from continuing operations | $ (2,760 ) | $ (13,717 ) | $ (7,683 ) | $ (21,843 ) |
| Add back: Depreciation | 4 | 21 | 12 | 63 |
| Add back: Interest expense | 10 | 264 | 126 | 1,354 |
| Less: Interest income | (381 ) | - | (760 ) | - |
| EBITDA | (3,127 ) | (13,432 ) | (8,305 ) | (20,426 ) |
| Add back: Stock-based compensation | 242 | 838 | 1,532 | 3,662 |
| Add back/less: Loss (gain) on extinguishment of debt | - | 237 | (535 ) | 237 |
| Add back: Impairment of goodwill | - | 9,043 | - | 9,043 |
| Less: Gain on sale of digital assets | - | - | - | (5,310 ) |
| Adjusted EBITDA | $ (2,885 ) | $ (3,314 ) | $ (7,308 ) | $ (12,794 ) |

**Components of Results of Operations**

***Revenue and Gross Profit***

There are a number of factors that impact the revenue and margin profile of the services and technology offerings we provide, including, but not limited to, solution and technology complexity, technical expertise requiring the combination of products and types of services provided, as well as other elements that may be specific to a particular client solution.

*Platform Subscriptions and Services*

Subscription revenue is derived from software license fees, which are comprised of subscription fees from customers licensing our Software Development Kits (SDKs), that include access to our platform. Services revenue is derived from development services around designing and building new applications or enhancing existing applications. Support revenue is comprised of support and maintenance fees of customer applications, software updates and technical support for application development services for a support term.

Subscriptions and services gross profit is equal to subscriptions and services revenue less the cost of personnel and related costs for our support and professional services employees, external consultants, stock-based compensation and allocated overhead. Costs associated with our development and project management teams are generally recognized as incurred. Costs directly attributable to the development or support of applications relating to platform subscription customers are included in cost of sales, whereas costs related to the ongoing development and maintenance of our software platform are expensed in research and development. As a result, platform subscriptions and services gross profit may fluctuate from period to period.

*Application Transaction Revenue*

We also generate revenue by charging advertisers to deliver advertisements (ads) to users of digitally connected devices. Depending on the specific terms of each advertising contract, we generally recognize revenue when the ad loads onto the device of a user. We generally sell our ads by cost per thousand impressions and generally, an impression results when the user has the potential to see the ad.

Application transaction gross profit is equal to application transaction revenue less cost of revenue associated with application transactions. Application transaction gross profit is impacted by the cost of advertising traffic we pay to our suppliers and amount of traffic which we can purchase from those suppliers. As a result, our application transaction gross profit may fluctuate from period to period due to variable costs of advertising traffic.

***Gross Margin***

Gross margin measures gross profit as a percentage of revenue. Gross margin is generally impacted by the same factors that affect changes in the mix of platform and hardware revenue.

***Operating Expenses***

Our operating expenses include sales and marketing expenses, general and administrative expenses and research and development expenses. Personnel costs are the most significant component of operating expenses and consist of salaries, benefits, bonuses, stock-based compensation and, in sales and marketing expense, commissions.

*Sales and Marketing Expense.* Sales and marketing expense is comprised of compensation, commission expense, variable incentive pay and benefits related to sales personnel, along with travel expenses, other employee related costs, including stock-based compensation and expenses related to marketing programs and promotional activities. In order to grow revenues, we may increase the size and spend of our sales and marketing organization. As a result, our sales and marketing expenses may increase in absolute dollars but may fluctuate as a percentage of our total revenue from period to period.

*General and Administrative Expense.* General and administrative expense is comprised of compensation and benefits of administrative personnel, including variable incentive pay and stock-based compensation, bad debt expenses and other administrative costs such as facilities expenses, professional fees and travel expenses. We incur general and administrative expenses as a result of operating as a public company, including expenses related to compliance with the rules and regulations of the SEC and listing standards of Nasdaq, additional insurance expenses, investor relations activities and other administrative and professional services. We also expect, over time, to increase the size of our general and administrative function to support the growth of our business. As a result, our general and administrative expenses may increase in absolute dollars but may fluctuate as a percentage of our total revenue from period to period.

*Research and Development Expense.* Research and development expenses consist primarily of employee compensation costs and overhead allocation. We believe that continued investment in our platform is important for our growth. As a result, our research and development expenses may increase in absolute dollars but may fluctuate as a percentage of revenue from period to period.

***Interest Expense***

Interest expense includes interest related to our outstanding debt, including amortization of discounts and deferred issuance costs.

Refer to Note 5 "*Debt*" in the notes to the condensed consolidated financial statements included Part I, Item 1 of this Quarterly Report on Form 10-Q for more information on our debt offerings.

We also may seek additional debt financing to fund the expansion of our business or to finance strategic acquisitions in the future, which may have an impact on our interest expense.

**Results of Operations**

***Net Revenues***

| | Three Months Ended September 30, | | Change | |
|---|---|---|---|---|
| *(in thousands, expect percentages)* | **2024** | **2023** | **Amount** | **%** |
| **Revenue** | | | | |
| Platform subscriptions and services | $ 464 | $ 697 | $ (233) | (33.4) % |
| Application transaction | 201 | 555 | (354) | (63.8) % |
| Total revenue | $ 665 | $ 1,252 | $ (587) | (46.9) % |
| Platform subscriptions and services as a percentage of total revenue | 69.8 % | 55.7 % | | |
| Application transactions as a percentage of total revenue | 30.2 % | 44.3 % | | |
| Platform revenues as a percentage of total revenue | 100.0 % | 100.0 % | | |

| | Nine Months Ended September 30, | | Change | |
|---|---|---|---|---|
| *(in thousands, expect percentages)* | **2024** | **2023** | **Amount** | **%** |
| **Revenue** | | | | |
| Platform subscriptions and services | $ 1,434 | $ 2,439 | $ (1,005) | (41.2) % |
| Application transaction | 1,163 | 1,453 | (290) | (20.0) % |
| Total revenue | $ 2,597 | $ 3,892 | $ (1,295) | (33.3) % |
| Platform subscriptions and services as a percentage of total revenue | 55.2 % | 62.7 % | | |
| Application transaction as a percentage of total revenue | 44.8 % | 37.3 % | | |
| Platform revenue as a percentage of total revenue | 100.0 % | 100.0 % | | |

Net revenues decreased $0.6 million, or (46.9)%, for the three months ended September 30, 2024 compared to the corresponding period in 2023, as a result of additional development fees recognized in 2023 and timing of advertising campaigns.

Net revenues decreased $1.3 million, or (33.3)%, for the nine months ended September 30, 2024 compared to the corresponding period in 2023, primarily due to $0.3 million due to a specific customer contract termination, $0.2 million in revenue recognized in 2023 related to a customer onboarding and $0.2 million for customers who were customers in 2023, but are no longer customers in 2024. Further decreases of $0.3 million are the result of advertising campaigns.

***Cost of Revenues, Gross Profit and Gross Margin***

| | Three Months Ended September 30, | | Change | |
|---|---|---|---|---|
| *(in thousands, expect percentages)* | **2024** | **2023** | **Amount** | **%** |
| **Cost of Revenue** | | | | |
| Platform subscriptions and services | $ 270 | $ 425 | $ (155 ) | (36.5 ) % |
| Application transaction | 73 | 196 | (123 ) | (62.8 ) % |
| Total cost of revenue | $ 343 | $ 621 | $ (278 ) | (44.8 ) % |
| **Gross Profit** | | | | |
| Platform subscriptions and services | $ 194 | $ 272 | $ (78 ) | (28.7 ) % |
| Application transaction | 128 | 359 | (231 ) | (64.3 ) % |
| Total gross profit | $ 322 | $ 631 | $ (309 ) | (49.0 ) % |
| **Gross Margin** | | | | |
| Platform subscriptions and services | 41.8 % | 39.0 % | | |
| Application transaction | 63.7 % | 64.7 % | | |
| Total gross margin | 48.4 % | 50.4 % | | |

| | Nine Months Ended September 30, | | Change | |
|---|---|---|---|---|
| *(in thousands, expect percentages)* | **2024** | **2023** | **Amount** | **%** |
| **Cost of Revenue** | | | | |
| Platform subscriptions and services | $ 861 | $ 2,151 | $ (1,290 ) | (60.0 %) |
| Application transaction | 420 | 500 | (80 ) | (16.0 %) |
| Total cost of revenue | $ 1,281 | $ 2,651 | $ (1,370 ) | (51.7 %) |
| **Gross Profit** | | | | |
| Platform subscriptions and services | $ 573 | $ 288 | $ 285 | 99.0 % |
| Application transaction | 743 | 953 | (210 ) | (22.0 %) |
| Total gross profit | $ 1,316 | $ 1,241 | $ 75 | 6.0 % |
| **Gross Margin** | | | | |
| Platform subscriptions and services | 40 % | 12 % | | |
| Application transaction | 64 % | 66 % | | |
| Total gross margin | 51 % | 32 % | | |

Total gross profit decreased $0.3 million, or (49)%, three months ended September 30, 2024 compared to the corresponding period in 2023, primarily as a result of the issues resulting in decreased revenue described above.

Total gross profit increased $0.1 million, or 6.0%, for the nine months ended September 30, 2024 compared to the corresponding period of 2023, as a result of a decrease of $0.3 million in stock-based compensation expense. Although the Company experienced a decrease of revenue, the company improved gross margin on customer projects in 2024.

***Operating Expenses***

| *(in thousands, except percentages)* | Three Months Ended September 30, 2024 | 2023 | Change Amount | % |
|---|---|---|---|---|
| **Operating expenses** | | | | |
| Sales and marketing | $ 619 | $ 839 | $ (220 ) | (26.2 %) |
| General and administrative | 2,281 | 2,985 | (704 ) | (23.6 %) |
| Research and development | 612 | 1,042 | (430 ) | (41.3 %) |
| Impairment of goodwill | - | 9,043 | (9,043 ) | (100.0 %) |
| Total operating expenses | $ 3,512 | $ 13,909 | $ (10,397 ) | (74.8 %) |

| *(in thousands, except percentages)* | Nine Months Ended September 30, 2024 | 2023 | Change Amount | % |
|---|---|---|---|---|
| **Operating expenses** | | | | |
| Sales and marketing | $ 1,671 | $ 2,837 | $ (1,166 ) | (41.1 %) |
| General and administrative | 7,051 | 11,397 | (4,346 ) | (38.1 %) |
| Research and development | 1,592 | 4,023 | (2,431 ) | (60.4 %) |
| Impairment of goodwill | - | 9,043 | (9,043 ) | (100.0 %) |
| Total operating expenses | $ 10,314 | $ 27,300 | $ (16,986 ) | (62.2 %) |

*Sales and Marketing*

Sales and marketing expense decreased $0.2 million, or (26.2)% and $1.2 million, or (41.1)%, for the three and nine months ended September 30, 2024, respectively, compared to the corresponding periods of 2023, primarily due to a decrease in payroll and related expenses as a result of lower headcount.

*General and Administrative*

General and administrative expense decreased $0.7 million, or (26.3)%, for the three months ended September 30, 2024 compared to the corresponding period of 2023, due to a $0.5 million decrease in payroll and related expenses as a result of lower headcount, $0.4 million decrease in stock-based compensation expense and $0.1 million in facilities costs. These decreases were partially offset by an increase of $0.3 million decrease in professional expenses, mainly related to legal fees.

General and administrative expense decreased $4.3 million, or (38.1)%, for the nine months ended September 30, 2024 compared to the corresponding period of 2023, due to $1.8 million decrease in payroll and related expenses as a result of lower headcount, $1.5 million decrease in stock-based compensation expense, $0.7 million decrease in professional expenses, mainly related to legal fees and $0.3 million decrease in facilities expenses.

*Research and Development*

Research and development expense decreased $0.4 million, or (41.3)%, and $2.4 million, or (60.4)%, for the three and nine months ended September 30, 2024, respectively, compared to the corresponding periods of 2023, primarily as a result of decrease in payroll and related expenses as a result of lower headcount.

*Impairment of goodwill*

We recorded an impairment of goodwill related to our Phunware operating segment for the three and nine months ended September 30, 2023. Refer to Note 3, "*Supplemental Information,"* in the notes to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further discussion.

***Other expense***

| *(in thousands, except percentages)* | Three Months Ended September 30, 2024 | 2023 |
|---|---|---|
| **Other income (expense)** | | |
| Interest expense | $ (10) | $ (264) |
| Interest income | 381 | - |
| Gain (loss) on extinguishment of debt | - | (237) |
| Other income, net | 59 | 62 |
| Total other income (expense) | $ 430 | $ (439) |

| *(in thousands, except percentages)* | Nine Months Ended September 30, 2024 | 2023 |
|---|---|---|
| **Other income (expense)** | | |
| Interest expense | $ (126) | $ (1,354) |
| Interest income | 760 | - |
| Gain (loss) on extinguishment of debt | 535 | (237) |
| Gain on sale of digital currencies | - | 5,310 |
| Other income, net | 146 | 497 |
| Total other income | $ 1,315 | $ 4,216 |

During the three months ended September 30, 2024, we recorded other income of $0.4 million, primarily as a result of interest income from cash and cash equivalents. In addition, we incurred a $2.8 million charge related to a partial settlement of a lawsuit with an offsetting $2.8 million recovery to reflect proceeds to be paid by insurance carriers related to the settlement. Refer to Note 7, "*Commitments and Contingencies*," in the notes to the condensed consolidated financial statements included in Item I, Part I of this Quarterly Report on Form 10-Q for further discussion related to the settlement and insurance recovery. During the three months ended September 30, 2023, we recorded other expense of approximately $0.4 million, primarily as a result of interest expense and a loss on extinguishment of debt on our 2022 Promissory Note, as amended.

During the nine months ended September 30, 2024, we recorded other income of $1.3 million, primarily as a result of interest income and a recognized gain on the extinguishment of the 2022 Promissory Note. In addition, we incurred a $2.8 million charge related to a partial settlement of a lawsuit with an offsetting $2.8 million recovery to reflect proceeds to be paid by insurance carriers related to the settlement. Refer to Note 7, "*Commitments and Contingencies*," in the notes to the condensed consolidated financial statements included in Item I, Part I of this Quarterly Report on Form 10-Q for further discussion related to the settlement and insurance recovery. During the nine months ended September 30, 2023, we recorded other income of $4.2 million, primarily as a result of gains on sales of our digital asset holdings. This was partially offset due to interest expense related to the 2022 Promissory Note.

**Liquidity and Capital Resources**

As of September 30, 2024, we held total cash of $35.5 million, all of which was held in the United States. We have a history of operating losses and negative operating cash flows. As we continue to focus on growing our revenues, we expect these trends to continue into the foreseeable future.

On February 1, 2022, we filed a Form S-3, which was subsequently declared effective by the SEC on February 9, 2022, pursuant to which we could issue up to $200 million in common stock, preferred stock, warrants and units. Contained therein, was a prospectus supplement pursuant to which we could sell up to $100 million of our common stock in an "at the market offering" pursuant to an At Market Issuance Sales Agreement we entered into with H.C. Wainwright & Co., LLC ("Wainwright") on January 31, 2022. We terminated our agreement with Wainwright effective June 3, 2024.

On July 6, 2022, we entered into a note purchase agreement and completed the sale of an unsecured promissory note (referred to herein as the 2022 Promissory Note) with an original principal amount of $12.8 million in a private placement. After deducting all transaction fees paid by us at closing, net cash proceeds to us at closing were $11.8 million. No interest was to accrue on the 2022 Promissory Note. On August 14, 2023, we entered into an amendment to the 2022 Promissory Note with the noteholder. The amendment extended the maturity date to June 1, 2024 and provided that effective August 1, 2023, we were required to make monthly amortization payments of at least $800 thousand commencing on August 31, 2023 until the 2022 Promissory Note is paid-in-full. We also granted the noteholder certain limited conversion rights, which if elected by the noteholder, would reduce the required monthly payment. The limited conversion rights were subject to advance payment and volume conditions. The amendment also provided that the outstanding balance shall accrue interest at a rate of 8% and payment deferrals are no longer permitted under the 2022 Promissory Note. During the first quarter of 2024, we issued 336,550 shares of our common stock to the holder of the 2022 Promissory Note. These conversions were made pursuant to the terms of the amended 2022 Promissory Note. In addition, conversions were made in connection with the Company granting the holder additional conversion rights. As a result of the conversions, the 2022 Promissory Note has been paid-in-full.

On August 22, 2023, we entered into a common stock purchase agreement with Lincoln Park Capital Fund, LLC ("Lincoln Park"), which provides that, upon the terms and subject to the conditions and limitations set forth therein, we have the right, but not the obligation, to sell to Lincoln Park up to $30.0 million in value of shares of our common stock from time to time over the 24-month term of the purchase agreement. Concurrently with entering into the purchase agreement, we also entered into a registration rights agreement with Lincoln Park pursuant to which the Company agreed to register the sale of the shares of the Company's common stock that have been and may be issued to Lincoln Park under the purchase agreement pursuant to the Company's existing shelf registration statement on Form S-3. During the nine months ended September 30, 2024, we did not sell any shares to Lincoln Park. On October 24, 2024, we terminated the common stock purchase agreement with Lincoln Park effective October 25, 2024.

On January 16, 2024, we entered into a definitive securities purchase agreement with certain institutional investors for the purchase and sale of an aggregate of 800,000 shares of our common stock and pre-funded warrants to purchase up to 950,000 shares of our common stock for gross proceeds of approximately $7 million. The holders of the pre-funded warrants have exercised their rights to purchase all of the underlying common stock.

On January 18, 2024, we entered into a definitive securities purchase agreement with certain institutional investors for the purchase and sale of an aggregate of 1,096,000 shares of our common stock and pre-funded warrants to purchase up to 24,000 shares of our common stock for gross proceeds of approximately $5.6 million. The holders of the pre-funded warrants have exercised their rights to purchase all of the underlying common stock.

On February 9, 2024, we consummated a registered public offering of an aggregate of 800,000 shares of our common stock. We entered into securities purchase agreements with certain institutional investors, and as a result of the registered public offering, we raised gross proceeds of approximately $10 million.

On June 4, 2024, we entered into an Equity Distribution Agreement with Canaccord Genuity LLC ("Canaccord"), as representative of certain agents, pursuant to which we may offer and sell, from time to time, shares of our common stock for aggregate gross proceeds of up to $120 million, through the agents.

During the nine months ended September 30, 2024, we sold an aggregate of 3,611,187 shares of our common stock under our At Market Issuance Sales Agreement with Wainwright and Equity Distribution Agreement with Canaccord for aggregate gross cash proceeds of approximately $22.2 million. Transaction costs were $0.7 million. From October 1, 2024 through the date of this Report, we sold additional shares of our common stock under the Equity Distribution Agreement, as amended, with Canaccord for aggregate gross proceeds $81.1 million. On November 1, 2024, we entered into an Amended and Restated Equity Distribution Agreement with Canaccord, as representative of certain agents, pursuant to which we increased the aggregate amount of shares of our common stock that we may sell under our at-the-market facility to an aggregate offering price of $171,520,779. As of the date of this Report, up to $70.8 million of shares of our common stock remain available for offer and sale pursuant to the Amended and Restated Equity Distribution Agreement with Canaccord. Refer to Note 10 "*Subsequent Events*" in the notes to the condensed consolidated financial statements included Part I, Item 1 of this Quarterly Report on Form 10-Q for more information on our Amended and Restated Equity Distribution Agreement with Canaccord.

Although we expect to generate operating losses and negative operating cash flows in the future, based on the financing events described above, management believes it has sufficient cash on hand for at least one year following the filing date of this Quarterly Report on Form 10-Q.

Our future capital requirements will depend on many factors, including our pace of growth, subscription renewal activity, the timing and extent of spend to support development efforts, the expansion of sales and marketing activities and the market acceptance of our products and services. We believe that it is likely we will in the future enter into arrangements to acquire or invest in complementary businesses, technologies and intellectual property rights. We may be required to seek additional equity or debt financing, or issue securities under our effective registration statement described above. If additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us, or at all. If we are unable to raise additional capital when desired and/or on acceptable terms, our business, operating results and financial condition could be adversely affected.

The accompanying consolidated financial statements have been prepared assuming we will continue to operate as a going concern, which contemplates the realization of assets and settlement of liabilities in the ordinary course of business.

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

| *(in thousands, except percentages)* | Nine Months Ended September 30, 2024 | 2023 |
|---|---|---|
| **Consolidated statement of cash flows** | | |
| Net cash provided used in operating activities | $ (10,590 ) | $ (15,869 ) |
| Net cash provided by investing activities | $ - | $ 15,383 |
| Net cash provided by financing activities | $ 42,193 | $ 1,379 |

***Operating Activities***

The primary source of cash from operating activities is receipts from sales of our various product and service offerings to customers. The primary uses of cash from operating activities are payments to employees for compensation and related expenses, publishers and other vendors for the purchase of digital media inventory and related costs, sales and marketing expenses and general operating expenses.

We utilized $10.6 million of cash from operating activities during the nine months ended September 30, 2024, resulting in a net loss of $7.7 million. The net loss included non-cash charges of $1.6 million, primarily consisting of stock-based compensation. In addition, certain changes in our operating assets and liabilities resulted in a cash decrease of $4.3 million, primarily relating to a decrease in accounts payable and accrued expenses and lease liability payments.

We utilized $15.9 million of cash from operating activities during the nine months ended September 30, 2023, resulting in a net loss from continuing operations of $21.8 million. The net loss included non-cash charges of $9.0 million primarily related to an impairment of goodwill and stock-based compensation, offset by gain on the sale of digital assets. In addition, certain changes in our operating assets and liabilities resulted in a cash decrease of $1.7 million, primarily relating to a decrease in deferred revenue and lease liability payments. Further cash decreases were the result of $1.3 million from the discontinued operations of Lyte.

***Investing Activities***

Investing activities for the nine months ended September 30, 2023 consisted mainly of the sales of our digital asset holdings.

***Financing Activities***

Our financing activities during the nine months ended September 30, 2024 consisted of various sales of our common stock.

Our financing activities during the nine months ended September 30, 2023 consisted of $6.9 million in proceeds from the sale of our common stock. We also had payments on our 2022 Promissory Note of $5.1 million and $0.5 million for repurchases of shares of our common stock.

Refer to the notes to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for information on the Company's financing activities.

**Contractual Obligations**

Information set forth in Note 6, "*Leases,*" in the notes to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference.

**Off-Balance Sheet Arrangements**

Through September 30, 2024, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K, such as the use of unconsolidated subsidiaries, structured finance, special purpose entities or variable interest entities.

**Indemnification Agreements**

In the ordinary course of business, we provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners and other parties with respect to certain matters, including, but not limited to, losses arising out of breach of such agreements, solutions to be provided by the Company or from intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with directors and certain current and former officers and employees that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of, or are related to, their status or service as directors, officers or employees.

**Recent Accounting Pronouncements**

Refer to Note 2, "*Summary of Significant Accounting Policies*," in the notes to the condensed consolidated financial statements included in Item I, Part I of this Quarterly Report on Form 10-Q for analysis of recent accounting pronouncements applicable to our business.

**Critical Accounting Policies and Estimates**

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

Except for the changes described in Note 2, "*Summary of Significant Accounting Policies*," in the notes to the condensed consolidated financial statements included in Item I, Part I of this Quarterly Report on Form 10-Q, there have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on March 15, 2024.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

### Item 4. Controls and Procedures

**Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures are controls and other procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the 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 our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Certifying Officers (as defined below), or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer (together, the "Certifying Officers"), we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on the foregoing, our Certifying Officers concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this Report.

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. As previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023, management identified a material weakness in internal control over financial reporting related to the design of information technology general controls ("ITGCs") related to user access, program change and appropriate segregation of duties for certain IT applications. Further, as a result of cost cutting measures and headcount turnover in our accounting function, business process controls across the Company's financial reporting processes were not effectively designed and implemented due to a lack of segregation of duties between preparer and reviewer.

We are actively engaged in the implementation of a remediation plan to ensure that controls contributing to the material weakness described above are designed appropriately and will operate effectively. We implemented additional ITGCs to manage user access and program changes across our key systems. Further, we have implemented additional review controls to ensure proper segregation of duties in our financial reporting processes. However, on November 1, 2024, Troy Reisner, notified the Company he intends to step down as Chief Financial Officer and depart the Company on or after November 15, 2024 and prior to November 30, 2024. This may result in a delay in the completion of the implementation of this remediation plan.

Management believes that the remediation measures described above, if successfully implemented, will strengthen our internal control over financial reporting and remediate the material weakness we have identified. However, the material weakness in our internal control over financial reporting will not be considered remediated until the new controls are fully implemented, in operation for a sufficient period of time, tested and concluded by management to be designed and operating effectively.

Management is committed to continuous improvement of our internal control over financial reporting and will continue to diligently review our financial reporting controls and procedures. However, we cannot provide any assurance that these remediation efforts will be successful or that our internal control over financial reporting will be effective as a result of these efforts. Management will test, evaluate and audit the implementation of these new processes and internal controls to ascertain whether they are designed and operating effectively to provide reasonable assurance that they will prevent or detect a material error in the Company's financial statements.

**Changes in Internal Control over Financial Reporting**

Except as set forth above, there were no changes in our internal control over financial reporting identified in conjunction with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Limitations on Effectiveness of Controls**

Our management, including our Certifying Officers, do not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived 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. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

The information set forth under the "*Litigation*" subheading in Note 7, "*Commitments and Contingencies,*" in the notes to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference.

### Item 1A. Risk Factors

Important risk factors that could affect our operations and financial performance, or that could cause results or events to differ from current expectations, are described in Part I, Item 1A, "*Risk Factors*" of our Annual Report on Form 10-K filed with the SEC on March 15, 2024 for the year ended December 31, 2023 or contained elsewhere in this Report. The risks and uncertainties described within our Form 10-K for the year ended December 31, 2023 are not the only risks we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business or results of operations.

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

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

None.

### Item 6. Exhibits

Unless otherwise noted, the exhibits listed on the accompanying Exhibit Index are filed or incorporated by reference (as stated therein) as part of this Quarterly Report on Form 10-Q.

**EXHIBIT INDEX**

| Exhibit No. | Description |
|---|---|
| 3.1 | Certificate of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K (File No. 001-37862), filed with the SEC on January 2, 2019). |
| 3.2 | Amended and Restated Bylaws of the Registrant (Incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K (File No. 001-37862), filed with the SEC on November 4, 2022). |
| 3.3 | Certificate of Amendment to the Certificate of Incorporation filed February 23, 2024 (Incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K (File No. 00-37862) filed with the SEC on February 28, 2024.) |
| 4.1 | Description of Securities (Incorporated by reference to Exhibit 4.15 of the Registrant's Form 10-K (File No. 001-37862), filed with the SEC on March 31, 2021). |
| 31.1* | Certification of the Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a)* |
| 31.2* | Certification of the Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a)* |
| 32.1(1) | Certification of the Principal Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350* |
| 101.INS | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded with the Inline XBRL document.* |
| 101.SCH | Inline XBRL Taxonomy Extension Schema* |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)* |

* Filed herewith

(1) The certifications attached as Exhibit 32.1 accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed "filed" by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

## SIGNATURES

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

| | | |
|---|---|---|
| November 8, 2024 | **Phunware, Inc.** | |
| | By: | */s/ Stephen Chen* |
| | Name: | Stephen Chen |
| | Title: | Interim Chief Executive Officer<br>(Principal Executive Officer) |
| November 8, 2024 | By: | */s/ Troy Reisner* |
| | Name: | Troy Reisner |
| | Title: | Chief Financial Officer<br>(Principal Accounting and Financial Officer) |

**Exhibit 31.1**

**CERTIFICATION**

I, Stephen Chen, certify that:

1.I have reviewed this Quarterly Report on Form 10-Q of Phunware Inc.;

2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a.Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b.Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c.Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d.Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5.The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a.All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b.Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2024

*/s/ Stephen Chen*
Stephen Chen
Interim Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATION**

I, Troy Reisner, certify that:

1.I have reviewed this Quarterly Report on Form 10-Q of Phunware Inc.;

2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c)Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d)Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5.The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a)All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 8, 2024

*/s/ Troy Reisner*
Troy Reisner
Chief Financial Officer
(Principal Financial and Accounting Officer)

**Exhibit 32.1**

**CERTIFICATION**

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Stephen Chen, Interim Chief Executive Officer (Principal Executive Officer) of Phunware, Inc. (the "Company"), and Troy Reisner, Chief Financial Officer (Principal Financial and Accounting Officer) of the Company, each hereby certifies that, to the best of his knowledge:

1.The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2024, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act, and

2.The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 8, 2024

**Phunware, Inc.**

By: */s/ Stephen Chen*
Name: Stephen Chen
Title: Interim Chief Executive Officer
(Principal Executive Officer)

By: */s/ Troy Reisner*
Name: Troy Reisner
Title: Chief Financial Officer
(Principal Accounting and Financial Officer)

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