

Phunware Reports Third Quarter 2023 Financial Results

AUSTIN, Texas, Nov. 09, 2023 (GLOBE NEWSWIRE) -- [Phunware, Inc. \(NASDAQ: PHUN\)](#) (“Phunware” or the “Company,” “we,” “us” or “our”), the pioneer of Location Based SaaS that offers the only fully integrated [enterprise cloud platform](#) for mobile that enables brands to engage, manage and monetize anyone anywhere, today announced financial results for the quarter ended September 30, 2023.

“I am pleased to announce the launch of the Phunware 3.0 strategy, which focuses on the pillars of continued software sales, the development of additional strategies to monetize our IP, and the resumption of development and incipient launch of our digital assets ecosystem, including [PhunToken, PhunCoin and Phunwallet](#),” said CEO Mike Snively. “I’m glad to be back at Phunware, and am committed to guiding the organization toward a promising future of revolutionizing the way brands and consumers interact. We’ve already hit the ground running on aggressively pursuing our new corporate initiative and look forward to keeping our shareholders well-informed with regular updates.”

Third Quarter 2023 Financial Results

- Net revenues for the quarter totaled \$2.8 million
- Platform revenues were \$1.3 million
- Hardware revenues were \$1.5 million
- Net loss was \$(19.0) million
- Net loss per share was \$(0.16)
- Non-GAAP Adjusted EBITDA loss was \$(4.3) million

Recent Business Highlights

- Notable Corporate and Product Developments:
 - [Announced Purchase Agreement for up to \\$30 Million with Lincoln Park Capital Fund](#)
 - [Provided Corporate Update Naming Mike Snively as CEO](#)
 - [Announced Wind Down of Lyte Technology’s Operations to Reinforce Core Mission](#)
- Notable Customer and Partner Wins:
 - [VHC Health Signs Multi-Year Renewal of Digital Front Door Application with Phunware](#)
 - [Partnered with Wailea Beach Resort – Marriott, Maui for its Enhanced Smart Hospitality Solution](#)

Conference Call Information

Phunware management will host a conference call today (**November 9, 2023**) at 4:30 p.m.

Eastern Time (1:30 p.m. Pacific Time) to discuss its financial results for the quarter ended September 30, 2023.

Interested parties may access the conference call by dialing 800-343-4136 in the United States, or 203-518-9843 from international locations with access code: PHUNWQ3. The conference call will be broadcast live and available for replay [here](#) and via the investor relations section of the Company's website at investors.phunware.com.

Safe Harbor Clause and Forward-Looking Statements

This press release includes forward-looking statements. All statements other than statements of historical facts contained in this press release, 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," "expose," "intend," "may," "might," "opportunity," "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 press release 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*" in our filings with the Securities and Exchange Commission (the "SEC"), including our reports on Forms 10-K, 10-Q, 8-K and other filings that we make with the SEC from time to time. 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*" in our SEC filings 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 press release. In addition, even if our results or operations, financial condition and liquidity, and developments in the industry in which we operate are consistent with the forward-looking statements contained in this press release, those results or developments may not be indicative of results or developments in subsequent periods.

Disclosure Information

Phunware uses and intends to continue to use its Investor Relations website as a means of disclosing material nonpublic information and for complying with its disclosure obligations under Regulation FD. Accordingly, investors should monitor the Company's Investor Relations website, in addition to following the Company's press releases, SEC filings, public conference calls, presentations and webcasts.

About Phunware, Inc.

Everything You Need to Succeed on Mobile — Transforming Digital Human Experience

Phunware, Inc. (NASDAQ: PHUN), the pioneer of Location Based SaaS that offers the only fully integrated enterprise cloud platform for mobile that enables brands to engage, manage and monetize anyone anywhere. Phunware's Software Development Kits (SDKs) include location-based services, mobile engagement, content management, messaging, advertising, loyalty (PhunCoin & PhunToken) and analytics, as well as a mobile application framework of pre-integrated iOS and Android software modules for building in-house or channel-based mobile application and vertical solutions. Phunware helps the world's most respected brands create category-defining mobile experiences, with approximately one billion active devices touching its platform each month when operating at scale. For more information about how Phunware is transforming the way consumers and brands interact with mobile in the virtual and physical worlds, visit <https://phunware.com> and follow @phunware on all social media platforms.

Phunware PR & Media Inquiries:

Email: PRESS@phunware.com

Phone: (512) 693-4199

Phunware Investor Relations:

Matt Glover and John Yi

Gateway Investor Relations

Email: PHUN@gatewayir.com

Phone: (949) 574-3860

Condensed Consolidated Balance Sheets
(In thousands, except share and per share information)

	September 30, 2023	December 31, 2022
	<i>(Unaudited)</i>	
Assets		
Current assets:		
Cash	\$ 2,857	\$ 1,955
Accounts receivable, net of allowance for doubtful accounts of \$68 and \$198 at September 30, 2023 and December 31, 2022, respectively	1,053	958
Inventory	899	2,780
Digital assets	75	10,137
Prepaid expenses and other current assets	599	1,033
Total current assets	5,483	16,863
Property and equipment, net	165	221
Goodwill	16,731	31,113
Intangible assets, net	2,023	2,524
Right-of-use asset	3,041	3,712
Other assets	367	402
Total assets	<u>\$ 27,810</u>	<u>\$ 54,835</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 7,969	\$ 7,699
Accrued expenses	946	2,895
Lease liability	1,008	954
Deferred revenue	1,516	2,904
PhunCoin deposits	1,202	1,202
Current maturities of long-term debt, net	5,563	9,667
Warrant liability	—	256
Total current liabilities	18,204	25,577
Deferred revenue	743	1,274
Lease liability	2,308	3,103
Total liabilities	<u>21,255</u>	<u>29,954</u>
Commitments and contingencies (Note 8)		
Stockholders' equity		
Common stock, \$0.0001 par value; 1,000,000,000 shares authorized; 129,062,144 shares issued and 128,555,644 shares outstanding as of September 30, 2023 and 103,153,337 shares issued and outstanding as of December 31, 2022, respectively	13	10
Treasury stock at cost; 506,500 and 0 shares at September 30, 2023 and December 31, 2022, respectively	(502)	—
Additional paid-in capital	287,498	275,562
Accumulated other comprehensive loss	(463)	(472)
Accumulated deficit	(279,991)	(250,219)
Total stockholders' equity	6,555	24,881
Total liabilities and stockholders' equity	<u>\$ 27,810</u>	<u>\$ 54,835</u>

Condensed Consolidated Statements of Operations and Comprehensive Loss

(In thousands, except per share information)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net revenues	\$ 2,792	\$ 4,758	\$ 11,026	\$ 17,021
Cost of revenues	2,597	3,963	10,014	12,935
Gross profit	<u>195</u>	<u>795</u>	<u>1,012</u>	<u>4,086</u>
Operating expenses:				
Sales and marketing	1,027	1,819	3,627	5,232
General and administrative	3,478	5,189	12,956	14,745
Research and development	1,042	1,665	4,026	4,544
Impairment of goodwill	13,188	—	14,391	—
Total operating expenses	<u>18,735</u>	<u>8,673</u>	<u>35,000</u>	<u>24,521</u>
Operating loss	<u>(18,540)</u>	<u>(7,878)</u>	<u>(33,988)</u>	<u>(20,435)</u>
Other income (expense):				
Interest expense	(264)	(991)	(1,354)	(1,645)
Loss on extinguishment of debt	(237)	—	(237)	—
Impairment of digital assets	—	—	(50)	(21,511)
Gain on sale of digital assets	—	1	5,310	195
Fair value adjustment of warrant liability	—	797	256	3,267
Other income, net	62	53	291	123
Total other income (expense), net	<u>(439)</u>	<u>(140)</u>	<u>4,216</u>	<u>(19,571)</u>
Loss before taxes	<u>(18,979)</u>	<u>(8,018)</u>	<u>(29,772)</u>	<u>(40,006)</u>
Income tax expense	—	—	—	—
Net loss	<u>(18,979)</u>	<u>(8,018)</u>	<u>(29,772)</u>	<u>(40,006)</u>
Other comprehensive income (loss):				
Cumulative translation adjustment	(37)	(84)	9	(201)
Comprehensive loss	<u>\$ (19,016)</u>	<u>\$ (8,102)</u>	<u>\$ (29,763)</u>	<u>\$ (40,207)</u>
Loss per share, basic and diluted	\$ (0.16)	\$ (0.08)	\$ (0.27)	\$ (0.41)
Weighted-average common shares used to compute loss per share, basic and diluted	119,989	98,822	109,430	97,803

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2023	2022
Operating activities		
Net loss	\$ (29,772)	\$ (40,006)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of debt discount and deferred financing costs	832	690
Loss on extinguishment of debt	237	—
Gain on change in fair value of warrant liability	(256)	(3,267)
Gain on sale of digital assets	(5,310)	(195)
Impairment of digital assets	50	21,511
Impairment of goodwill	14,391	—
Stock-based compensation	3,662	2,169
Other adjustments	1,945	1,185
Changes in operating assets and liabilities:		
Accounts receivable	(122)	(723)
Inventory	1,470	(731)
Prepaid expenses and other assets	583	(254)
Accounts payable	269	925
Accrued expenses	(921)	(1,118)
Lease liability payments	(1,008)	(594)
Deferred revenue	(1,919)	(2,464)
Net cash used in operating activities	(15,869)	(22,872)
Investing activities		
Proceeds received from sale of digital assets	15,390	—
Purchase of digital assets	—	(923)
Acquisition payment	—	(1,125)
Capital expenditures	(7)	(238)
Net cash provided by (used in) investing activities	15,383	(2,286)
Financing activities		
Proceeds from borrowings, net of issuance costs	—	11,795
Payments on borrowings	(5,056)	(4,698)
Proceeds from sales of common stock, net of issuance costs	6,879	3,655
Proceeds from exercise of options to purchase common stock	58	16
Payment for stock repurchase	(502)	—
Net cash provided in financing activities	1,379	10,768
Effect of exchange rate on cash	9	(209)
Net increase (decrease) in cash	902	(14,599)
Cash at the beginning of the period	1,955	23,137
Cash at the end of the period	\$ 2,857	\$ 8,538

	Nine Months Ended September 30,	
	2023	2022
Supplemental disclosure of cash flow information:		
Interest paid	\$ 1,140	\$ 613
Income taxes paid	\$ —	\$ —
Supplemental disclosures of non-cash investing and financing activities:		
Issuance of common stock for 2022 Promissory Note	\$ 800	\$ —
Right-of-use assets obtained in exchange for operating lease obligations	\$ —	\$ 3,053
Non-cash exchange of digital assets	\$ 557	\$ 911
Issuance of common stock in connection with acquisition of Lyte Technology, Inc.	\$ —	\$ 1,814
Issuance of common stock under the 2018 Employee Stock Purchase Plan previously accrued	\$ 47	\$ 116
Issuance of common stock for payment of bonuses previously accrued	\$ 379	\$ —

Non-GAAP Financial Measures and Reconciliation

Our non-GAAP financial measures include adjusted gross profit, adjusted gross margin and adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") (our "non-GAAP financial measures"). 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: (i) 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 its ongoing operating performance for a particular period, (ii) our non-GAAP financial measures do not reflect the impact of certain charges resulting from matters we consider not to be indicative of ongoing operations, and (iii) 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. 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.

Reconciliation of GAAP to Non-GAAP Financial Measures

(In thousands, except percentages)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<i>(in thousands)</i>				
Net loss	\$ (18,979)	\$ (8,018)	\$ (29,772)	\$ (40,006)
Add back: Depreciation and amortization	188	185	564	553
Add back: Interest expense	264	991	1,354	1,645
Add back: Income tax expense	—	—	—	—
EBITDA	(18,527)	(6,842)	(27,854)	(37,808)
Add Back: Stock-based compensation	838	899	3,662	2,169
Add Back: Loss on extinguishment of debt	237	—	237	—
Add Back: Impairment of digital currencies	—	—	50	21,511
Add Back: Impairment of goodwill	13,188	—	14,391	—
Less: Fair value adjustment for warrant liabilities	—	(797)	(256)	(3,267)
Less: Gain on sale of digital assets	—	(1)	(5,310)	(195)
Adjusted EBITDA	\$ (4,264)	\$ (6,741)	\$ (15,080)	\$ (17,590)

(in thousands, except percentages)

Gross profit
Add back: Stock-based compensation
Adjusted gross profit
Adjusted gross margin

Three Months Ended September 30,		Nine Months Ended September 30,	
2023	2022	2023	2022
\$ 195	\$ 795	\$ 1,012	\$ 4,086
80	59	444	154
\$ 275	\$ 854	\$ 1,456	\$ 4,240
9.8%	17.9%	13.2%	24.9%

Supplemental Information

(In thousands, except percentages)

(in thousands, except percentages)

Net Revenues

Platform revenue
Hardware revenue
Net revenues
Platform revenue as percentage of total revenue
Hardware revenue as percentage of total revenue

Three Months Ended September 30,		Change	
2023	2022	Amount	%
\$ 1,253	\$ 1,259	\$ (6)	(0.5)%
1,539	3,499	(1,960)	(56.0)%
\$ 2,792	\$ 4,758	\$ (1,966)	(41.3)%
44.9%	26.5%		
55.1%	73.5%		

(in thousands, except percentages)

Net Revenues

Platform revenue
Hardware revenue
Net revenues
Platform revenue as percentage of total revenue
Hardware revenue as percentage of total revenue

Nine Months Ended September 30,		Change	
2023	2022	Amount	%
\$ 3,893	\$ 5,379	\$ (1,486)	(27.6)%
7,133	11,642	(4,509)	(38.7)%
\$ 11,026	\$ 17,021	\$ (5,995)	(35.2)%
35.3%	31.6%		
64.7%	68.4%		



Source: Phunware, Inc.