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

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 14, 2021 (August 26, 2021)

IronNet, Inc.
(Exact name of registrant as specified in its charter)

Delaware	001-39125	83-4599446
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

7900 Tysons One Place, Suite 400 McLean, VA	22102
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (443) 300-6761

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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	**IRNT**	**The New York Stock Exchange**
Redeemable Warrants, each whole warrant exercisable for one share of Common Stock at an exercise price of $11.50 per share	**IRNT.WS**	**The New York Stock Exchange**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

Introductory Note

This Amendment No. 1 on Form 8-K/A ("***Amendment No. 1***") amends the Current Report on Form 8-K of IronNet, Inc., a Delaware corporation (the "***Company***"), dated as of August 26, 2021 and filed on September 1, 2021 (the "***Original Report***"), in which the Company reported, among other events, the completion of the Business Combination (as defined in the Original Report) with LGL Systems Acquisition Corp. ("***LGL***").

This Amendment No. 1 is being filed to include (A) the unaudited condensed consolidated financial statements of IronNet Cybersecurity, Inc., a Delaware corporation ("***Legacy IronNet***"), as of July 31, 2021 and January 31, 2021 and for the three months and six months ended July 31, 2021 and July 31, 2020 and the related notes, (B) the Management's Discussion and Analysis of Financial Condition and Results of Operations of Legacy IronNet as of July 31, 2021 and for the three months and six months ended July 31, 2021 and July 31, 2020 and (C) the unaudited pro forma condensed combined financial information of LGL and Legacy IronNet as of and for the six months ended July 31, 2021 and the year ended January 31, 2021.

This Amendment No. 1 does not amend any other item of the Original Report (except as otherwise expressly stated herein) or purport to provide an update or a discussion of any developments at the Company or its subsidiaries subsequent to the filing date of the Original Report, except as otherwise expressly stated herein.

The information previously reported in or filed with the Original Report is hereby incorporated by reference to this Amendment No. 1. Terms used but not defined herein shall have the meanings ascribed thereto in the Original Report. The information provided herein relates to Legacy IronNet prior to the consummation of the Business Combination unless otherwise specifically indicated (e.g. with respect to subsequent events disclosures, forward-looking statements, or potential future risk factors) or the context otherwise requires.

Forward-Looking Statements

The Company makes certain statements in certain documents incorporated herein by reference that are forward-looking statements for purposes of the safe harbor provisions under the federal securities laws and United States Private Securities Litigation Reform Act of 1995. All statements, other than statements of present or historical fact included in or incorporated by reference in this Amendment No. 1, regarding the Company's future financial performance, as well as the Company's strategy, future operations, financial position, estimated revenues, and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this Amendment No. 1, the words "anticipate," "believe," "continue," "could," "estimate," "expect," "intends," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "will," "would" the negative of such terms and other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on management's current expectations, assumptions, hopes, beliefs, intentions and strategies regarding future events and are based on currently available information as to the outcome and timing of future events. The Company cautions you that these forward-looking statements are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond the control of the Company, incident to its business.

These forward-looking statements are based on information available as of the date of this Amendment No. 1, and current expectations, forecasts, and assumptions, and involve a number of risks and uncertainties. Accordingly, forward-looking statements in this Amendment No. 1 and in any document incorporated herein by reference should not be relied upon as representing the Company's views as of any subsequent date, and the Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

As a result of a number of known and unknown risks and uncertainties, the Company's actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Some factors that could cause actual results to differ include:

- the Company's ability to recognize the anticipated benefits of the Business Combination, which may be affected by, among other things, competition and the ability of the Company to grow and manage growth profitably following the Closing;
- the Company's financial and business performance following the Business Combination, including financial projections and business metrics;
- changes in the Company's strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects and plans;
- the implementation, market acceptance and success of the Company's business model and growth strategy;
- the Company's expectations and forecasts with respect to the size and growth of the cybersecurity industry and the Company's products and services in particular;
- the ability of the Company's products and services to meet customers' needs;
- the Company's ability to compete with others in the cybersecurity industry;
- the Company's ability to retain pricing power with its products;
- the Company's ability to grow its market share;
- the Company's ability to attract and retain qualified employees and management;
- the Company's ability to adapt to changes in consumer preferences, perception and spending habits and develop and expand its product offerings and gain market acceptance of its products, including in new geographies;
- the Company's ability to develop and maintain its brand and reputation;
- developments and projections relating to the Company's competitors and industry;
- the impact of health epidemics, including the COVID-19 pandemic, on the Company's business and on the economy in general;
- the Company's expectations regarding its ability to obtain and maintain intellectual property protection and not infringe on the rights of others;
- expectations regarding the time during which the Company will be an emerging growth company under the JOBS Act; and
- the Company's future capital requirements and sources and uses of cash;
- the Company's ability to obtain funding for its operations and future growth; and
- the Company's business, expansion plans and opportunities.

Please see the other risks and uncertainties set forth in the Proxy Statement/Prospectus in the section titled "*Risk Factors*" beginning on page 36 of the Proxy Statement/Prospectus, which is incorporated herein by reference.

In addition, statements such as "the Company believes," "IronNet believes," or "LGL believes" and similar statements, to the extent they or such similar statements are made herein or in any document incorporated by reference herein, reflect the Company's, Legacy IronNet's or LGL's beliefs and opinions on the relevant subject. These statements are

based upon information available to IronNet or LGL, as the case may be, as of the date of the document in which such statements were made, and while IronNet or LGL, as the case may be, believes such information forms a reasonable basis for such statements, such information may be limited or incomplete, and such statements should not be read to indicate that such party has conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

Item 2.01 Completion of Acquisition or Disposition of Assets.

The disclosure set forth in the section titled "*Introductory Note*" above is incorporated by reference into this Item 2.01 of this Amendment No. 1.

Item 9.01 Financial Statement and Exhibits.

(a) Financial Statements of Business Acquired.

The unaudited condensed consolidated financial statements of Legacy IronNet as of July 31, 2021 and January 31, 2021 and for the three months and six months ended July 31, 2021 and 2020, and the related notes thereto, are attached as Exhibit 99.1 and are incorporated herein by reference.

The Management's Discussion and Analysis of Financial Condition and Results of Operations of Legacy IronNet as of July 31, 2021 and for the three months and six months ended July 31, 2021 and 2020 is attached as Exhibit 99.2 and is incorporated herein by reference.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed combined financial information of LGL and Legacy IronNet as of and for the six months ended July 31, 2021 and the year ended January 31, 2021 is set forth in Exhibit 99.3 hereto and is incorporated herein by reference.

(d) Exhibits.

			Incorporated by Reference		
Exhibit Number	**Description**	**Schedule/ Form**	**File No.**	**Exhibit**	**Filing Date**
99.1*	Unaudited condensed consolidated financial statements of Legacy IronNet as of July 31, 2021 and January 31, 2021 and for the three and six months ended July 31, 2021 and July 31, 2020.				
99.2*	Management's Discussion and Analysis of Financial Condition and Results of Operations of Legacy IronNet as of July 31, 2021 and for the three months and six months ended July 31, 2021 and July 31, 2020.				
99.3*	Unaudited pro forma condensed combined financial information of LGL and Legacy IronNet as of and for the six months ended July 31, 2021 and the year ended January 31, 2021.				
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).				

* Filed herewith.

SIGNATURES

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

IronNet, Inc.

Dated: September 14, 2021

By: /s/ James C. Gerber
Name: James C. Gerber
Title: Chief Financial Officer

Exhibit 99.1

IronNet Cybersecurity, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)
(unaudited)

	As of	
	July 31, 2021	**January 31, 2021**
Assets		
Current Assets		
Cash and Cash Equivalents	$ 14,107	$ 31,543
Accounts Receivable	297	1,643
Unbilled Receivable	3,009	1,425
Related Party Receivables and Loan Receivables	4,486	3,599
Account and Loan Receivables	7,792	6,667
Inventory	2,317	2,180
Deferred Costs	1,712	2,068
Prepaid Warranty	1,018	1,037
Prepaid Expenses and Other Current Assets	2,658	2,172
Total Current Assets	29,604	45,667
Non-Current Assets		
Deferred Costs	2,114	2,056
Deferred Transaction Costs	1,752	—
Property and Equipment, Net	3,645	2,792
Prepaid Warranty	660	878
Deposits and Other Assets	357	298
Total Assets	$ 38,132	$ 51,691
Liabilities, Preferred Stock, and Shareholders' Deficit		
Current Liabilities		
Accounts Payable	$ 3,051	$ 1,922
Accrued Expenses	5,544	2,591
Deferred Revenue	14,726	12,481
Deferred Rent	147	134
Short-Term PPP Loan	5,580	3,487
Income Tax Payable	101	88
Notes Payable	15,000	—
Other Current Liabilities	690	689
Total Current Liabilities	44,839	21,392
Long-Term Liabilities		
Deferred Rent	847	928
Deferred Revenue	18,857	21,563
Long-Term PPP Loan	—	2,093
Other Long-Term Liabilities Payable	689	689
Total Long-Term Liablities	20,393	25,273
Total Liabilities	65,232	46,665
Commitments and Contingencies (Note 6)		
Series A preferred stock; $0.0001 par value; 793,650 shares authorized, issued and outstanding at July 31, 2021 and January 31, 2021	32,500	32,500
Series B preferred stock; $0.0001 par value; 2,177,998 shares authorized, 2,004,084 shares issued and outstanding at July 31, 2021 and January 31, 2021	146,098	146,098
Shareholders' Deficit		
Class A Common stock; $0.0001 par value; 109,969,809 shares authorized; 37,326,837 and 36,632,987 shares issued and outstanding at July 31, 2021 and January 31, 2021, respectively	4	4
Class B Common stock; $0.0001 par value; 20,030,191 shares authorized; 17,606,830 shares issued and outstanding at July 31, 2021 and January 31, 2021	2	2
Additional Paid-In Capital	2,585	2,257
Accumulated Other Comprehensive (Loss) Income	(35)	39
Accumulated Deficit	(207,706)	(175,039)
Subscription Notes Receivable	(548)	(835)
Total Shareholders' Deficit	(205,698)	(173,572)
Total Liabilities, Preferred Stock, and Shareholders' Deficit	$ 38,132	$ 51,691

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

IronNet Cybersecurity, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2021	2020	2021	2020
Product, subscription and support revenue	$ 5,770	$ 6,698	$ 11,907	$ 12,090
Professional services revenue	306	1,246	546	2,723
Total revenue	6,076	7,944	12,453	14,813
Cost of product, subscription and support revenue	1,668	1,090	3,422	2,623
Cost of professional services revenue	147	123	331	437
Total cost of revenue	1,815	1,213	3,753	3,060
Gross Profit	4,261	6,731	8,700	11,753
Operating expenses				
Research and development	7,571	6,862	14,462	14,278
Sales and marketing	7,687	7,885	14,836	16,110
General and administrative	5,965	6,171	11,685	11,975
Total operating expenses	21,223	20,918	40,983	42,363
Operating Loss	(16,962)	(14,187)	(32,283)	(30,610)
Other (expense) income, net	(240)	(78)	(361)	(53)
Loss before income taxes	(17,202)	(14,265)	(32,644)	(30,663)
Benefit (provision) for income taxes	35	(20)	(23)	(39)
Net loss	$ (17,167)	$ (14,285)	$ (32,667)	$ (30,702)
Basic and diluted net loss per common share	(0.31)	(0.27)	(0.60)	(0.57)
Weighted average shares outstanding, basic and diluted	54,838	53,768	54,694	53,772

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

IronNet Cybersecurity, Inc.
Condensed Consolidated Statements of Comprehensive Loss
(in thousands)
(unaudited)

	Three Month Ended July 31,		Six Months Ended July 31,	
	2021	2020	2021	2020
Net loss	$ (17,167)	$ (14,285)	$ (32,667)	$ (30,702)
Change in net unrealized gains (losses) on available for sale investments, net of tax	—	—	—	(2)
Foreign currency translations adjustment, net of tax	(72)	48	(74)	51
Comprehensive loss	$ (17,239)	$ (14,237)	$ (32,741)	$ (30,653)

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

IronNet Cybersecurity, Inc.
Condensed Consolidated Statements of Preferred Stock and Stockholders' Deficit
Three and Six Months Ended July 31, 2021 and 2020
(in thousands)
(unaudited)

	Series A Preferred Stock		Series B Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Subscription Notes Receivable	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at January 31, 2021	794	$32,500	2,004	$146,098	36,633	$ 4	17,607	$ 2	$ 2,257	$ (175,039)	$ 39	$ (835)	$ (173,572)
Issuance of common stock	—	—	—	—	509	—	—	—	209	—	—	—	209
Interest earned on subscription notes receivable	—	—	—	—	—	—	—	—	4	—	—	(4)	—
Payments on subscription notes receivable	—	—	—	—	—	—	—	—	—	—	—	62	62
Stock-based compensation	—	—	—	—	—	—	—	—	17	—	—	—	17
Net loss	—	—	—	—	—	—	—	—	—	(15,500)	—	—	(15,500)
Foreign currency translation adjustment, net of tax of $0	—	—	—	—	—	—	—	—	—	—	(2)	—	(2)
Balance at April 30, 2021	794	32,500	2,004	146,098	37,142	4	17,607	2	2,487	(190,539)	37	(777)	$ (188,786)
Issuance of common stock	—	—	—	—	189	—	—	—	86	—	—	—	86
Interest earned on subscription notes receivable	—	—	—	—	—	—	—	—	2	—	—	(2)	—
Payments on subscription notes receivable	—	—	—	—	—	—	—	—	—	—	—	231	231
Stock-based compensation	—	—	—	—	—	—	—	—	10	—	—	—	10
Net loss	—	—	—	—	—	—	—	—	—	(17,167)	—	—	(17,167)
Foreign currency translation adjustment, net of tax of $0	—	—	—	—	—	—	—	—	—	—	(72)	—	(72)
Balance at July 31, 2021	794	32,500	2,004	146,098	37,331	$ 4	17,607	$ 2	$ 2,585	$ (207,706)	$ (35)	$ (548)	$ (205,698)
Balance at January 31, 2020	794	32,500	1,217	88,711	36,138	4	17,607	2	2,041	(119,666)	394	(900)	(118,125)
Issuance of Series B preferred stock	—	—	571	41,609	—	—	—	—	—	—	—	—	—
Issuance of common stock	—	—	—	—	12	—	—	—	6	—	—	—	6
Interest earned on subscription notes receivable	—	—	—	—	—	—	—	—	4	—	—	(4)	—
Payments on subscription notes receivable	—	—	—	—	—	—	—	—	—	—	—	3	3
Stock-based compensation	—	—	—	—	—	—	—	—	31	—	—	—	31

Unrealized loss on investments	—	—	—	—	—	—	—	—	—	—	(2)	—	(2)
Net loss	—	—	—	—	—	—	—	—	—	(16,417)	—	—	(16,417)
Foreign currency translation adjustment, net of tax of $0	—	—	—	—	—	—	—	—	—	—	3	—	3
Balance at April 30, 2020	794	32,500	1,788	130,320	36,150	4	17,607	2	2,082	(136,083)	395	(901)	$ (134,501)
Issuance of common stock	—	—	—	—	47	—	—	—	16	—	—	—	16
Interest earned on subscription notes receivable	—	—	—	—	—	—	—	—	4	—	—	(4)	—
Stock-based compensation	—	—	—	—	—	—	—	—	25	—	—	—	25
Net loss	—	—	—	—	—	—	—	—	—	(14,285)	—	—	(14,285)
Foreign currency translation adjustment, net of tax of $0	—	—	—	—	—	—	—	—	—	—	48	—	48
Balance at July 31, 2020	794	32,500	1,788	130,320	36,197	$ 4	17,607	$ 2	$ 2,127	$ (150,368)	$ 443	$ (905)	$ (148,697)

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

IronNet Cybersecurity, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended July 31,	
	2021	2020
Cash flows from operating activities		
Net loss	$ (32,667)	$ (30,702)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	445	694
Loss on disposal of property and equipment	—	64
Bad debt expense	—	33
Employee stock based compensation	27	56
Changes in operating assets and liabilities:		
Accounts receivable	(1,164)	(884)
Deferred costs	289	(353)
Inventory	(137)	(84)
Prepaid expenses and other current assets	(486)	(53)
Deposits and other assets	(60)	7
Prepaid warranty	234	154
Accounts payable	(200)	687
Accrued expenses	2,951	61
Income tax payable	15	37
Deferred rent	(67)	(104)
Deferred revenue	(425)	1,627
Net cash used in operating activities	(31,245)	(28,760)
Cash flows from investing activities		
Purchases of property and equipment	(1,232)	(193)
Purchases of investments	—	(1)
Sales of investments	—	751
Proceeds from the maturity of investments	—	650
Net cash (used in) provided by investing activities	(1,232)	1,207
Cash flows from financing activities		
Proceeds from the issuance of debt	15,000	
Proceeds from issuance of Series B preferred stock, net	—	41,609
Proceeds from issuance of common stock	295	21
Proceeds from borrowing of PPP loan	—	5,580
Proceeds from stock subscription	293	3
Payment of deferred transaction costs	(486)	—
Net cash provided by financing activities	15,102	47,213
Effect of exchange rate changes on cash and cash equivalents	(61)	17
Net change in cash and cash equivalents	(17,436)	19,677
Cash and cash equivalents		
Beginning of the period	31,543	10,806
End of the period	$ 14,107	$ 30,483
Supplemental disclosures of non-cash investing and financing activities		
Interest earned on subscription notes receivable	$ 6	$ 8
Non-cash deferred transaction costs	1,265	—

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

1. Organization and Summary of Significant Accounting Policies

IronNet Cybersecurity, Inc. and subsidiaries (hereinafter "IronNet", "we", "us", "our", or the "Company") provide a suite of technologies that provide real-time threat assessment and updates, behavioral modeling, big data analytics, and proactive threat detection and response capabilities as well as consulting services and training programs to protect against current and emerging cyber-threats.

The Company's fiscal year ends on January 31. References to fiscal 2022, for example, refer to the fiscal year ending January 31, 2022.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Registration Statement on Form S-4 filing, filed with the Securities and Exchange Commission (the "SEC") on May 14, 2021. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In our opinion, these financial statements include all adjustments considered necessary to present a fair statement of our consolidated results of operations, financial position and cash flows.

Merger Agreement

On August 26, 2021, IronNet Cybersecurity, Inc., a Delaware corporation ("Legacy IronNet"), LGL Systems Acquisition Corp., a Delaware corporation ("LGL"), and LGL Systems Merger Sub Inc., a Delaware corporation ("Merger Sub"), consummated the closing of the transactions contemplated by the Agreement and Plan of Reorganization and Merger, dated March 15, 2021 and as amended August 6, 2021, by and among Legacy IronNet, LGL and Merger Sub (the "Business Combination Agreement"), following their approval at a special meeting of the stockholders of LGL held on August 26, 2021.

Pursuant to the terms of the Business Combination Agreement, a merger of Legacy IronNet and LGL was effected by the merger of Merger Sub with and into Legacy IronNet (the "Merger"), with Legacy IronNet surviving the Merger (the "Surviving Corporation") as a wholly-owned subsidiary of LGL (the Merger, collectively with the other transactions described in the Business Combination Agreement, the "Business Combination"). Following the consummation of the Merger on the Closing Date, LGL changed its name from LGL Systems Acquisition Corp. to IronNet, Inc. (the "New Company").

Pursuant to the Business Combination Agreement, at the effective time of the Business Combination, (i) each outstanding share of Legacy IronNet common stock and Legacy IronNet preferred stock (with each share of Legacy IronNet preferred stock being treated as if it were converted into ten (10) shares of Legacy IronNet common stock on the effective date of the Business Combination) was converted into the right to receive (a) a number of shares of Company common stock equal to the Exchange Ratio (as defined below) and (b) a cash amount payable in respect of fractional shares of Company common stock that would otherwise be issued in connection with the foregoing conversion, if applicable, and (ii) each Legacy IronNet option, Legacy IronNet restricted stock unit, Legacy IronNet restricted stock award that was outstanding immediately prior to the closing of the Business Combination (and by its terms did not terminate upon the closing of the Business Combination) remains outstanding and (x) in the case of options, represents the right to purchase a number of shares of Company common stock equal to the number of shares of Legacy IronNet common stock subject to such option multiplied by the Exchange Ratio used for Legacy IronNet common stock (rounded down to the nearest whole share) at an exercise price per share equal to the current exercise price per share for such option divided by the Exchange Ratio (rounded up to the nearest whole cent) and (y) in the case of restricted stock units and restricted stock awards, represent a number of shares of Company common stock equal to the number of shares of Legacy IronNet common stock subject to such restricted stock unit or restricted stock award multiplied by the Exchange Ratio (rounded down to the nearest whole share). In addition, Legacy IronNet stockholders and eligible holders of options,

restricted stock unit awards and restricted stock awards (as applicable, only to the extent time vested as of the closing of the Business Combination) may also receive additional merger consideration in the form of a pro rata portion of 1,078 shares of Company common stock if the volume weighted average closing share price for the Company's common stock equals or exceeds $13.00 for ten (10) consecutive days during the two-year period following the closing of the merger.

The Exchange Ratio was 0.8141070 of a share of Company common stock per fully-diluted share of Legacy IronNet common stock.

In connection with Special Meeting and the Business Combination, holders of 15,929 shares of LGL common stock, par value $0.0001 per share ("LGL Common Stock"), or 92.3% of the shares with redemption rights, exercised their right to redeem their shares for cash at a redemption price of approximately $10.03 per share, for an aggregate redemption amount of $159,764.

Gross proceeds recorded from the merger were $138,250.

The Company has capitalized certain transaction costs of $1,752 and $0 as of July 31, 2021, and January 31, 2021, respectively.

Principles of Consolidation

The condensed consolidated financial statements and accompanying notes are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and regulations of the U.S. Securities and Exchange Commission for interim financial reporting. The Company's condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated upon consolidation. Accordingly, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended January 31, 2021, and the related notes which provide a more complete discussion of the Company's accounting policies and certain other information. The information as of January 31, 2021, included on the condensed consolidated balance sheets was derived from the Company's audited consolidated financial statements. The condensed consolidated financial statements were prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments necessary for a fair statement of the Company's financial position as of July 31, 2021, and the results of operations for the three and six months ended July 31, 2021 and 2020, and cash flows for the six months ended July 31, 2021, and 2020.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results may differ from estimates under different assumptions or conditions.

Segment and Geographic Information

Segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker ("CODM"), in deciding how to allocate resources and access performance. The CODM reviews financial information presented on a consolidated basis for the purposes of allocating resources and evaluating financial performance. Accordingly, management has determined that the Company operates as one operating segment.

The following table presents revenue by geographic location:

	Three months ended July 31,		Six months ended July 31,	
	2021	2020	2021	2020
United States	$ 5,523	$ 7,339	$ 10,985	$ 13,950
International	553	605	1,468	863
Total	6,076	7,944	12,453	14,813

Substantially all of the Company's long-lived assets are located in the United States.

Going Concern

As of July 31, 2021, the Company had cash and cash equivalents of $14,107 and collectable receivables of $7,792. As of August 26, 2021, the Company had closed on its previously announced merger and secured gross funding of $138,250 through the closing of its merger. The Company based on its forecast and the proceeds from the recent merger has concluded that it will have sufficient liquidity to fund operations for the period ended 12 months from the issuance of these financial statements. The Company's future capital requirements will depend on many factors, including, but not limited to the rate of our growth, our ability to attract and retain customers and their willingness and ability to pay for our products and services, and the timing and extent of spending to support our efforts to market and develop our products. Further, we may enter into future arrangements to acquire or invest in businesses, products, services, strategic partnerships, and technologies. As such, we may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If additional funds are not available to us on acceptable terms, or at all, our business, financial condition, and results of operations could be adversely affected. The financial statements do not include any adjustments that might become necessary should the Company be unable to continue as a going concern.

Recent Accounting Pronouncements not Yet Adopted

The FASB issued ASU No.2016-02, Leases (Topic 842) ("ASU 2016-02"), which supersedes the current lease requirements in ASC 840, Leases. ASU 2016-02 requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with any capital leases recognized on the consolidated balance sheets. The reporting of lease-related expenses in the consolidated statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective the earlier of the year ending January 31, 2023 or the time at which we no longer qualify as an EGC ("Emerging Growth Company") and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The Company is currently evaluating the impact of adopting the new standard. The adoption of this standard will require the recognition of a right of use asset and liability on the Company's consolidated balance sheets.

In June 2016, the FASB issued ASU2016-13, Measurement of Credit Losses on Financial Instruments (Topic 326). This standard requires a new method for recognizing credit losses that is referred to as the current expected credit loss (CECL) method. The CECL method requires the recognition of all losses expected over the life of a financial instrument upon origination or purchase of the instrument, unless the company elects to recognize such instruments at fair value with changes in profit and loss (the fair value option). This standard is effective for the Company for the earlier of the fiscal years beginning after December 15, 2022 or the time at which we no longer quality as an EGC. Management is currently evaluating the potential impact of this guidance on its financial statements.

In August 2018, the FASB issued ASU2018-15, Intangibles—Goodwill and of Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. This standard requires capitalization of the implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. Further, the standard also requires the Company to expense the capitalized implementation costs of a hosting arrangement over the term of the hosting arrangement. This standard is effective for the Company for fiscal years beginning after December 15, 2020. Management is evaluating the impact of this guidance on its annual financial statements.

New Accounting Pronouncement Adopted in Fiscal 2022

In December 2019, the FASB issued Accounting Standards UpdateNo. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes," which modifies and eliminates certain exceptions to the general principles of ASC 740, Income Taxes. ASU 2019-12 was adopted in the first quarter of fiscal 2022. The prospective adoption of ASU 2019-12 was not material.

2. Revenue

Software, subscription and support revenue

The Company sells a collective defense software solution that provides a near real time collective defense infrastructure that is comprised of two product offerings, IronDefense and IronDome. The software platform is delivered through both on-premises licenses bundled with on-premises hardware and through subscription software.

Our security appliance deliverables include proprietary operating system software and hardware, which together with regular threat intelligence updates and support, maintenance, and warranty. We combine intelligence dependent hardware and software licenses with the related threat intelligence and support and maintenance as a single performance obligation, as it delivers the essential functionality of our cybersecurity solution. As a result, we recognize revenue for this single performance obligation ratably over the expected term with the customer. Significant judgement is required for the assessment of material rights relating to renewal options associated with our contracts.

Subscription revenue, which allow customers to use our security software over a contracted period without taking possession of the software, and managed services where we provide managed detection and response services for customers, are recognized over the contractual term. The cloud-based subscription revenue, where we also provide hosting, recognized for the three months ended July 31, 2021, and July 31, 2020, was $3,209 and $2,949, respectively, and for the six months ended July 31, 2021, and July 31, 2020, was $7,086 and $4,295, respectively. Overall subscription revenue recognized for the three months ended July 31, 2021, and July 31, 2020, was $5,770 and $5,340, respectively, and for the six months ended July 31, 2021, and July 31, 2020, was $11,895 and $9,076, respectively.

Professional services revenue

The Company sells professional services, including cyber operations monitoring, security, training and tailored maturity assessments. Revenue derived from these services is recognized as the services are delivered.

Customer concentration

For the six months ended July 31, 2021, and 2020, two customers accounted for 22% or $2,702 and two customers accounted for 20% or $2,882 of the Company's revenue, respectively. As of July 31, 2021, and January 31, 2021, two and three customers represent 68% and 85% of the total accounts receivable balance, respectively.

Significant customers are those which represent at least 10% of the Company's total revenue at each respective period ending date. The following table presents customers that represent 10% or more of the Company's total revenue:

	For the Six Months Ended July 31,	
	2021	2020
Customer A	11%	*
Customer B	*	10%
Customer C	*	10%
Customer D	11%	*
	22%	20%

* - less than 10%

Deferred Costs

The Company defers contract fulfillment costs that include appliance hardware. The balances in deferred costs are as follows:

Balance at February 1, 2021	$2,805
Cost of revenue recognized	(616)
Costs deferred	341
Foreign Exchange	(4)
Balance at July 31, 2021	$2,526
Balance at February 1, 2020	$3,080
Cost of revenue recognized	(498)
Costs deferred	574
Balance at July 31, 2020	$3,156

The balance of deferred commissions at July 31, 2021 and January 31, 2021 were $1,300 and $1,319, respectively. Deferred commissions are included in the Deferred costs on the Consolidated Balance Sheets of which $707 is current and $593 is long-term as of July 31, 2021.

Deferred revenue

Deferred revenue represents amounts received from and/or billed to customers in excess of revenue recognized. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue depending on whether the revenue recognition criteria have been met. During the six months ended, the Company recognized revenue of $6,316 and $5,243, respectively that was included in the deferred revenue balance at the beginning of each of the respective periods.

The balance in deferred revenue is as follows:

Balance at February 1, 2021	$ 34,044
Revenue recognized	(10,211)
Revenue deferred	9,901
Foreign exchange	(151)
Balance at July 31, 2021	$ 33,583
Balance at February 1, 2020	$ 20,312
Revenue recognized	(11,895)
Revenue deferred	13,520
Foreign exchange	—
Balance at July 31, 2020	$ 21,937

Remaining performance of deferred revenue

As of July 31, 2021, the remaining performance of deferred revenue totaled $33,583. The Company’s recognition of revenue in the future thereon will be as follows:

Years Ending January 31,	
2022(6 mos.)	7,540
2023	10,887
2024	8,413
2025	4,986
2026	1,757
Thereafter	—
	$33,583

3. **Preferred Stock**

As of January 31, 2020, 145,747 of the Series B preferred shares were issued in the amount of $10,625 or $72.90 per share. During the six months ended July 31, 2020, an additional 571 Series B preferred shares have been purchased at a price of $41,609.

For the six months ended July 31, 2021, and July 31, 2020, the Company repurchased 0 shares of common stock.

4. **Stock Incentive Plan**

The Company has a Stock Incentive Plan (the Stock Incentive Plan) under which, as of January 31, 2020, it may grant incentive stock options (ISOs), Restricted Stock Units (RSUs) and other equity securities to acquire, to convert into or to receive up to 36,250 shares of Class A common stock. As of July 31, 2021, there were 1,716 share equivalents that remained available to issue under the Stock Incentive Plan.

All share equivalents issuable under the Stock Incentive Plan normally vest over a forty-eight month period with an initial catch up of 25% vesting at the end of the first year during which no vesting occurs. In limited cases, vesting as short as twelve months with no cliff, vesting based on performance criteria and acceleration under certain events have also been permitted; however, such exceptions apply to less than 15% of the share equivalents authorized under the Stock Incentive Plan.

With regard to stock option grants, the exercise price of each ISO granted under the Stock Option Plan may not be less than the fair market value per share of the underlying Class A common stock on the date of grant. The Board of Directors establishes the term and the vesting of all options issued under the Stock Option Plan; however, in no event will the term exceed ten years. The fair value of each stock option and restricted stock unit award was estimated on the date of grant using the Black-Scholes Option Pricing Model using the independent valuations of the company's stock. The Company's determination of the fair value of stock options and restricted stock units is affected by the Company's stock price as well as a number of subjective and complex assumptions. These assumptions include the Company's volatility, dividend yield, and risk-free interest rate.

The weighted-average assumptions for the six months ended July 31 are noted in the following table:

	Six Months Ended July 31,	
	2021	**2020**
Expected volatility	55.00%	55.00%
Expected dividend yield	0.00%	0.00%
Expected option term (in years)	2.0	2.0
Risk-free interest rate	0.14%	0.23%

The expected volatility of the options granted was estimated using the historical volatility of share prices of publicly traded companies within the same or similar industry as a substitute for the historical volatility of the Company's common shares, which is not determinable without an active external or internal market. The expected dividends are based on the Company's historical estimated issuance and management's expectations for dividend issuance in the future. The expected term of options granted represents the period of time that options granted are expected to be outstanding. The risk-free interest rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

Presented below is a summary of the status of the stock options under the Stock Incentive Plan:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term *(Years)*	Intrinsic Value of Outstanding Options Term *(Years)*
Outstanding at February 1, 2021	2,680	$ 0.43	5.9	5,573
Granted	—	—	—	—
Exercised	(699)	$ 0.42	5.4	4,689
Forfeited or expired	(141)	$ 0.47	5.8	—
Outstanding at July 31, 2021	1,840	$ 0.43	5.4	12,348
Exercisable at July 31, 2021	1,786	$ 0.43	5.4	11,992

The Company recorded $10 and $25 of compensation cost related to stock options to operations during the three months ended and $27 and $56 for the six months ended July 31, 2021, and July 31, 2020, respectively.

The Restricted Stock Units (RSUs) granted under the Stock Incentive Plan contain an additional vesting requirement that, in addition to the applicable time or performance vesting criteria noted above, also require the occurrence of a liquidity event. The requirements have not yet been met and therefore there is no expense recorded for the six months ended July 2021 and 2020. However, as of August 26, 2021, the Board approved the merger as the liquidity event, as further discussed in Note 12, Subsequent Events. They also have a life of seven years. Presented below is a summary of the status of outstanding RSUs, including showing the vesting status other than the liquidity event condition:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested at February 1, 2021	11,930	$ 1.48
Granted	2,679	3.87
Vested	(2,115)	1.63
Forfeited or expired	(390)	2.77
Non-vested at July 31, 2021	12,104	$ 1.95

The fair value of each RSU was estimated on the date of grant using the Black-Scholes Option Pricing Model based on the same assumptions utilized for calculating fair market value of the stock options and utilizing the as converted equivalent price of securities issued during the period.

As of July 31, 2021, there was approximately $36,236 of unrecognized compensation cost related to share-based compensation arrangements granted under the Stock Plan, of which $12 remained for options and $36,224 remained for RSUs, respectively. The company recognizes such compensation costs over a weighted-average period of four years for options and the period between the date of a liquidity event and four years for RSUs. The fair value of the shares under stock options granted that vested, net of forfeited vested, during the six months periods ended July 31, 2021, and 2020 totaled ($4,444) and $509, respectively.

5. **Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset in an orderly transaction or paid to settle a liability in an orderly transaction between market participants at the measurement date. Accounting standards utilize a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels, which are described below:

- Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices that are either directly or indirectly observable for the asset or liability.
- Level 3 – Unobservable inputs that are supported by little or no market activity.

These levels are not necessarily an indication of the risk of liquidity associated with the financial assets or liabilities disclosed. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement, as required under ASC 820-10 "Fair Value Measurement."

Investments with an original maturity of three months or less at the date of purchase are considered cash equivalents, while all other investments are classified as short-term or long-term based on their maturities and their availability for use in current operations.

The following table presents our assets measured at fair value on a recurring basis:

	July31, 2021				January 31, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 102	$ —	$ —	$102	$ 102	$ —	$ —	$102
Investments	—	—	—	—	—	—	—	—
Total assets	$ 102	—	$ —	$102	$ 102	—	$ —	$102

The Company's PPP loan and note payable approximates fair value based on its terms and are classified as Level 2 within the fair value hierarchy.

6. **Commitments and Contingencies**

Contingencies may arise in the normal course of business. No material contingencies are outstanding for the six months ending July 31, 2021, or July 31, 2020.

Leases

The Company leases office space under the terms of noncancelable operating leases that expire at various dates through November 2026. Certain operating lease agreements provide for an annual 2.75% escalation of the base rent. The Company is also responsible for operating expenses. The following is a schedule by year of the future minimum lease payments required under the Company's operating leases:

Remaining six months of fiscal 2022	565
2023	1,025
2024	755
2025	775
2026	775
Thereafter	1,455
	$5,350

The Company is recognizing the total cost of its office leases ratably over the respective lease periods. The difference between rent paid and rent expense is reflected as deferred rent in the accompanying balance sheets.

Rent expense totaled $297 and $857 for the three months ended July 31, 2021, and July 31, 2020, respectively. Rent expense totaled $592 and $1,400 for the six months ended July 31, 2021, and July 31, 2020, respectively.

During FY 2021, we have completed lease buyouts of two office spaces in Maryland, for leases that were expiring in FY 2021 and FY 2022, and we have made payments of $394 to facilitate early terminations for those leases. Based on the company moving to a more fully remote posture, we also decreased our lease portfolio in Japan and New York in addition to the two office spaces in Maryland.

7. Income Taxes

The income tax provision for interim periods is determined using an estimate of the Company's annual effective tax rate as adjusted for discrete items arising in that quarter. The effective income tax rate was (0.1)% and (0.1)% for the six months ended July 31, 2021 and 2020. The effective tax rate differs from the U.S. statutory rate primarily due to the full valuation allowances on the Company's net domestic deferred tax assets and impact of foreign tax rate differential.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted and signed into U.S. law to provide economic relief to individuals and businesses facing economic hardship as a result of the COVID-19 pandemic. Changes in tax laws or rates are accounted for in the period of enactment. The income tax provisions of the CARES Act do not have a significant impact on our current taxes, deferred taxes, or uncertain tax positions.

8. Related Party Transactions

Software, subscription and support revenue from Related Parties

Certain investors and companies who the Company is affiliated with, purchased software, subscription and support revenue. The Company recognized $436 and $835 of revenue from contracts with related parties for the three months ending July 31, 2021, and July 31, 2020, respectively. The Company recognized $872 and $1,061 of revenue from contracts with related parties for the six months ending July 31, 2021, and July 31, 2020, respectively. The corresponding receivable was $3,413 and $2,540 as of July 31, 2021, and January 31, 2021, respectively.

Loans from Employees

On December 29, 2018, the Company entered into a loan with a current executive of the Company with a principal balance of $1,000 bearing an interest rate of 2.76% for a term of three years and is secured by a pledge of certain shares of Class A Common stock. The balance outstanding at July 31, 2021, and January 31, 2021 was $1,073 and $1,059, respectively.

9. Net Loss Per Share Attributable to Common Shareholders

IronNet computes basic earnings per share (EPS) by dividing income available to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted EPS reflects the effect of potential shares that would be issued if stock option awards, restricted stock units, and preferred stock were converted into common stock, to the extent dilutive. Other than voting rights, the Class B common stock has the same rights as the Class A common stock and therefore both are treated as the same class of stock for the purposes of the earnings per share calculation.

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

	Three months ended July 31,		Six months ended July 31,	
	2021	2020	2021	2020
Numerator: Net loss	$ (17,167)	$ (14,285)	$ (32,667)	$ (30,702)
Denominator: Weighted-average shares in computing net loss per share attributable to common stockholders	54,838	53,768	54,694	53,772
Net loss attributable to common shareholders—basic and diluted	$ (0.31)	$ (0.27)	$ (0.60)	$ (0.57)

Since the Company was in a net loss position for all periods presented, basic net loss per share is the same as diluted net loss per share as the inclusion of all potential common shares outstanding would have been antidilutive. The potential shares of common stock that were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented because including them would have been antidilutive are as follows as of July 31:

	As of July 31, 2021	As of July 31, 2020
Shares of common stock issuable from stock options	1,840	4,139
RSUs subject to future vesting	21,589	19,669
Shares of common stock issuable upon conversion from preferred shares	28,046	25,882
Potential common shares excluded from diluted net loss per share	51,475	49,690

10. PPP loan

During FY 2021, in response to the increased economic uncertainties that the impact ofthe COVID-19 pandemic may have on our business, results of operations, liquidity or capital resources, the Company has taken measures to ensure that we can continue the continuity of our business operations through the use of funding measures which included the Paycheck Protection Program (PPP) loan from the US Small Business Administration pursuant to the provision of the CARES Act. The purpose of the loan was for small businesses to keep their workforces employed through the pandemic. The company received loan funds of $5,580 on April 21, 2020. The loan bears interest at 1% and is payable in monthly installments beginning on September 15, 2021. As of July 31, 2021 and January 31, 2021, the Company has an interest accrual of $72 and $44 related to the PPP loan. At this time, the Company has repaid the loan on August 26, 2021, see Note 12, Subsequent Events, for additional information.

In addition to seeking and receiving the PPP loan under the Act, the Company has also elected to defer the Company portion of payroll taxes under the Act. Amounts deferred from March 1, 2020 through to the end of 2020 will become due 50% on December 31, 2021 with the remaining 50% due on December 31, 2022. The balance of the payroll tax deferral is $1,379 as of July 31, 2021 and is included in Other current and Long-Term Liabilities on the balance sheet.

11. Debt

On June 21, 2021, the Company entered into a Loan and Security Agreement ("Term Loan") with SVB Innovation Credit Fund VIII, L.P. for term loan advances of up to $15,000 to provide for working capital needs over the period leading up to completion of the combination with LGL Systems Acquisition Corporation. The Term Loan can be prepaid at any time, has a term for up to six months or the date on which the Company completes its combination with LGL Systems Acquisition Corporation, whichever comes sooner, bears monthly interest at a per annum rate equal to eight percent and bears customary fees for de-SPAC bridge loans of this nature. The Company has drawn $15,000 as of July 31, 2021. As of August 26, 2021, in conjunction with the merger, the Company has repaid the term loan, see Note 12, Subsequent Events for additional details.

12. Subsequent Events

The Company has evaluated its July 31, 2021 financial statements for subsequent events through September 14, 2021, the date the financial statements were available to be issued.

On August 26, 2021, IronNet Cybersecurity, Inc., a Delaware corporation, LGL Systems Acquisition Corp., a Delaware corporation, and LGL Systems Merger Sub Inc., a Delaware corporation, consummated the closing of the transactions contemplated by the Agreement and Plan of Reorganization and Merger, dated March 15, 2021 and as amended August 6, 2021.

On the Closing Date, a number of purchasers (each, a "Subscriber") purchased from the Company an aggregate of 12,500 shares of Company common stock (the "PIPE Shares"), for a purchase price of $10.00 per share and an aggregate purchase price of $125,000, pursuant to separate subscription agreements entered into effective as of March 15, 2021 (each, a "Subscription Agreement"). Pursuant to the Subscription Agreements, the Company granted certain registration rights to the Subscribers with respect to the PIPE Shares. The sale of the PIPE Shares was consummated concurrently with the closing of the Business Combination.

Loan repayments

On August 26, 2021, the Company repaid in full all amounts due and owing, and terminate all commitments and obligations under, that Loan and Security Agreement, dated June 21, 2021, by and between SVB Innovation Credit Fund VIII, L.P. (the "Lenders") and Legacy IronNet. The Company agreed to pay to the Lenders approximately $15,600, which includes pay-off amounts for principal, interest, fees, reimbursement of expenses and other items.

On August 26, 2021, the Company repaid in full all amounts due and terminated all commitments and obligations under, the unsecured PPP loan. The unsecured loan is evidenced by a promissory note of the Company with PNC Bank (the "Lender"). The Company agreed to pay to the Lender approximately $5,656, which includes payoff amounts for principal and interest.

Restricted Stock Units

Under the terms of the Legacy IronNet's restricted stock units, vesting of each award was subject to the occurrence of a liquidity event as defined by the 2014 Stock Incentive Plan, among other conditions including a service requirement. On August 26, 2021, in connection with the close of the merger with LGL, the Board of Directors resolved to deem the merger as satisfying the Liquidity Event condition. The resolution resulted in a modification of the restricted stock units under ASC 718 "*Compensation—Stock Compensation*". The Company is still evaluating the impact of the modification of the awards outstanding but expects there will be a material additional non cash expense in the fiscal third quarter 2022. The expected additional expense results from a required revaluation of the already granted RSUs as of the modification on our merger date. At the time of the modification there were 11,978,604 unvested RSUs.

Earnout Share Triggering Event

Following the Closing of the Business Combination and pursuant to the terms of the Business Combination Agreement, the Eligible IronNet Equity holders of Legacy IronNet had the right to receive up to 1,078,125 Earnout Shares, issuable upon the occurrence of the Earnout Triggering Event during the Earnout Period. As of the close of trading on September 10, 2021, the requisite conditions of the Earnout Triggering Event had been satisfied such that, within five (5) Business Days after the occurrence of the Triggering Event, the Company will issue the 1,078,125 Earnout Shares to the Eligible IronNet Equity Shareholders.

Exhibit 99.2

IRONNET'S MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless context otherwise requires, all references in this section to "IronNet," "we," "us," "our," or "its" refer to IronNet and its consolidated subsidiaries prior to the Business Combination.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes thereto attached as an exhibit to the 8-K. The consolidated financial statements, attached as an exhibit to the8-K, are presented in U.S. dollars (USD) rounded to the nearest thousand, with the amounts in this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") rounded to the nearest tenth of a million. Therefore, differences in the tables between totals and sums of the amounts listed may occur due to such rounding.

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and in the Form S-4 filed with the SEC on August 6, 2021, incorporated by reference, particularly in the sections titled "Special Note Regarding Forward-Looking Statements" and "Risk Factors." Our fiscal year end is January 31, and our fiscal quarters end on April 30, July 31, October 31, and January 31. Our fiscal years ended January 31, 2021 and January 31, 2020 are referred to herein as fiscal 2021 and fiscal 2020, respectively. The three months ended July 31, 2021 and July 31, 2020 periods are referred to herein as quarter to date 2022 and quarter to date 2021, respectively. The six months ended July 31, 2021 and July 31, 2020 periods are referred to herein as year to date 2022 and year to date 2021, respectively.

Overview

Gen. Keith B. Alexander (Ret.) founded IronNet in 2014 to solve the major cybersecurity problem he witnessed and defined during his tenure as former head of the NSA and founding Commander of U.S. Cyber Command: You can't defend against threats you can't see. Our innovative approach provides the ability for groups of organizations—within an industry sector, supply chain, state or country, for example—to see, detect and defend against sophisticated cyber attacks earlier and faster than ever before.

IronNet has defined a new market category called Collective Defense. IronNet has developed the Collective Defense platform, a solution that can identify anomalous (potentially suspicious or malicious) behaviors on computer networks and share this intelligence anonymously and in real time among Collective Defense community members. Collective Defense communities comprise groups of organizations that have common risks, such as a supply chain, a business ecosystem, or across an industry sector, a state, or a country. This cybersecurity model delivers timely, actionable, and contextual alerts and threat intelligence on attacks targeting enterprise networks, and functions as an early-warning detection system for all community members.

This new platform addresses a large and unwavering compound problem: limited threat visibility for increasingly borderless enterprises across sectors and at the national level, paired with ineffective threat knowledge sharing across companies and sectors and a "go it alone" approach to cybersecurity. These operational gaps, combined with market dynamics like the increased velocity of sophisticated cyber attacks and the deepening scarcity of qualified human capital, have set our mission to transform how cybersecurity is waged.

Our Business

IronNet has focused on the development and delivery of a suite of advanced cybersecurity capabilities for detection, alerting, situational awareness and hunt/remediation combined into a comprehensive Collective Defense platform. IronNet compliments these capabilities, delivered to both commercial and public sector enterprises, with professional services.

Software, Subscription and Support Revenue

Our primary line of business is the delivery of its integrated software capabilities through its Collective Defense platform. The platform is comprised of two flagship products:

IronDefense is an advanced NDR solution that usesAI-driven behavioral analytics to detect and prioritize anomalous activity inside individual enterprises. IronNet leverages advanced AI/ML algorithms to detect previously unknown threats, which are those that have not been identified and "fingerprinted" by industry researchers), in addition to screening known threats, and applies its Expert System to prioritize the severity of the behaviors—all at machine speed and cloud scale.

IronDome is a threat-sharing solution that facilitates a crowdsource-like environment in which the IronDefense threat detections from an individual company are shared among members of a Collective Defense community. IronDome analyzes threat detections across the community to identify broad attack patterns and provides anonymized intelligence back to all community members in real time, giving all members early insight into potential incoming attacks. Automated sharing across the Defense Community enables faster detection of attacks at earlier stages of the cyber kill chain.

Our Collective Defense platform delivers strong network effects: every customer contributing its threat data (anonymously) into the community reaps exponential benefits from the shared intelligence of the other organizations. The collaborative aspect of Collective Defense, and the resulting prioritization of alerts based on their potential severity, helps address the known problem of "alert fatigue" that plagues overwhelmed security analysts.

The Collective Defense platform is available for on-premise, cloud (public or private), and hybrid environments, and is scalable to include small-to-medium businesses, public-sector agencies, as well as multinational corporations. We utilize the platform to provide professional cybersecurity services such as incident response and threat hunting, as well as programs to help customers assess cybersecurity governance, maturity, and readiness. Our CS services are designed to create shared long-term success measures with our customers, differentiating us from other cybersecurity vendors by working alongside customers as partners and offering consultative and service capabilities well beyond implementation of our Collective Defense platform.

The Collective Defense platform is available via a subscription-based pricing and flexible delivery model, with options available for major public cloud providers such as AWS and Microsoft Azure; private cloud, or HCI such as Nutanix; and on-premise environments through hardware and virtual options. To make it as easy as possible for customers to add Collective Defense into their existing security stack, we built a rich set of APIs that enable integrations with standard security products, SIEM; SOAR; EDR; NGFW tools; and cloud-native logs from major public cloud providers.

Professional Services

We sell professional services, including development of national cyber security strategies, cyber operations monitoring, security, training, red team, incident response and tailored maturity assessments. Revenue derived from these services is recognized as the services are delivered.

Financing to Date

To date, IronNet has financed its operations primarily through private placements of common stock, warrants, redeemable convertible preferred stock and the closing of the business combination. From IronNet's inception in 2014 through July 31, 2021, IronNet has raised aggregate gross proceeds of $178.6 million from the issuance of common stock, warrants and redeemable convertible preferred stock in exchange for cash. During the six months ended July 31, 2021, IronNet incurred a net loss of $32.7 million and used $31.7 million in cash to fund operations. As of July 31, 2021, IronNet had $14.1 million of cash on hand to continue to fund operations.

IronNet expects its capital and operating expenditures to increase significantly in connection with its ongoing activities, as IronNet:

- continues to invest in research and development related to new technologies;
- increases its investment in marketing and advertising, as well as the sales and distribution infrastructure for its products and services;
- maintains and improves operational, financial, and management information systems;
- hires additional personnel;
- obtains, maintains, expands, and protects its intellectual property portfolio; and
- enhances internal functions to support its operations as a publicly-traded company.

With the closing of the Business Combination on August 26, 2021, IronNet received gross proceeds of $138.3 million before fees and expenses, additionally, receipt of the funds from future financing rounds can now be considered probable, as defined in accounting standards ASU No. 2014-15 (subtopic 205-40).

Impact of COVID-19 On Our Business

In December 2019, the first cases ofCOVID-19 were reported in China. In March 2020, the World Health Organization declaredCOVID-19 a global pandemic. We operate in geographic locations that have been impacted by COVID-19. The pandemic has impacted, and could further impact, our operations and the operations of our customers as a result of quarantines, various local, state and federal government public health orders, facility and business closures, and travel and logistics restrictions. We anticipate governments and businesses will likely take additional actions or extend existing actions to respond to the risks of the COVID-19 pandemic. We are continuing to actively monitor the impacts and potential impacts of theCOVID-19 pandemic on our customers, supply chain, and other integral parts of our operations. As the pandemic continues to varying impacts around the globe, we have noted that it has impacted the timing of certain of our professional services revenues.

We instituted a global work-from-home policy in March 2020 and to date have not experienced significant disruptions as a result. We expect that most of our employees will work from home indefinitely. As part of our shift to remote operations, we terminated several office leases that did not have a material financial impact on us.

In response to the increased economic uncertainties that the impact of theCOVID-19 pandemic may have on our business, results of operations and liquidity and capital resources, we took measures to ensure that we would be able to maintain the continuity of our business operations. For example, in April 2020 we obtained a loan in the amount of $5.6 million from the U.S. Small Business Administration (SBA) under the Paycheck Protection Program (PPP). This loan was paid in full in August 2021. In addition to receiving a PPP loan under the CARES Act, we also elected to defer our portion of payroll taxes due for the period from March 2020 through December 31, 2020. Of the deferred amounts, one-half will become due on each of December 31, 2021 and 2022.

Key Factors Affecting Performance

New customer acquisition

Our future growth depends in large part on our ability to acquire new customers. If our efforts to attract new customers are not successful, our revenue may decline in the future. Our IronDefense and IronDome platforms are designed to be used in conjunction with point solutions to capture and share critical data and findings to enable our behavioral analytics to identify threats and for defenders to respond more accurately and quickly. IronNet believes that it has significant room to capture additional market share and intends to continue to invest in sales and marketing to engage its prospective customers, increase brand awareness, and drive adoption of its solution.

Customer retention

Our ability to increase revenue depends in large part on our ability to retain existing customers.

Investing in business growth

Since inception, we have invested significantly in the growth of our business. We intend to continue to invest in our research and development team to lead product improvements, our sales team to broaden our brand awareness and our general and administrative expenses to increase for the foreseeable future given the additional expenses for finance, compliance and investor relations as we grow as a public company. In addition to our internal growth, we may also consider acquisitions of businesses, technologies, and assets that complement and bolster additional capabilities to our product offerings.

Key Business Metrics

We monitor the following key metrics to measure our performance, identify trends, formulate business plans and make strategic decisions.

Recurring Software Customers

We believe that our ability to increase the number of subscription and other recurring contract type customers on our platform is an indicator of our market penetration, the growth of our business, and our potential future business opportunities. We have a history of growing the number of customers who have contracted for our platforms on a recurring basis, which does not include our professional services customers. Our recurring software customers include customers who have a recurring contract for either or both of our IronDefense and IronDome platforms. These platforms are generally sold together, but they also can be purchased on a standalone basis. We have consistently increased the number of such customers period-over-period, and we expect this trend to continue as we increase subscription offerings to small and medium-sized businesses, in addition to increased subscription offerings for our larger enterprise customers. The following table sets forth the number of recurring software customers as of the dates presented:

	July 31,	
	2021	**2020**
Recurring Software Customers	51	22
Year-over-year growth	132%	22%

	January 31,	
	2021	**2020**
Recurring Software Customers	27	20
Year-over-year growth	35%	43%

Annual Recurring Revenue ("ARR")

ARR is calculated at a particular measurement date as the annualized value of our then existing customer subscription contracts and the portions of other software and product contracts that are to be recognized over the course of the contracts and that are designed to renew, assuming any contract that expires during the 12 months following the measurement date is renewed on its existing terms. We believe this is a reasonable assumption as less than 1% of an approximate total of $160 million in cumulative ARR that would have been reported over the last 12 quarters through the end of fiscal year 2021 did not renew their contract. The following table sets forth our ARR as of the dates presented:

	July 31,	
	2021	**2020**
	(in millions)	
Annual recurring revenues	$24.1	$19.5
Year-over-year growth	24%	21%

	January 31,	
	2021	2020
	(in millions)	
Annual recurring revenues	$25.8	$15.0
Year-over-year growth	72%	37%

Dollar-based Average Contract Length

Our dollar-based average contract length is calculated from a set of customers against the same metric as of a prior period end. Because many of our customers have similar buying patterns and the average term of our contracts is more than 12 months, this metric provides a means of assessing the degree of built-in revenue repetition that exists across our customer base.

We calculate our dollar-based average contract length as follows:

- Numerator: We multiply the average total length of the contracts, measured in years or fractions thereof, by the respective revenue recognized for the last six months of each reporting period.
- Denominator: We use the revenue attributable to software and product customers for the same six month period used in the numerator. This effectively represents the revenue base that is being generated by those customers.

Dollar-based average contract length is obtained by dividing the Numerator by the Denominator. Our dollar-based average contract length decreased from 3.2 to 2.8 years, or (13)%, for the six months ended July 31, 2021 as compared to the six months ended July 31, 2020, and decreased from 3.5 to 2.9 years, or 17% for the year ended January 31, 2021 as compared to the year ended January 31, 2020. As our revenues and our customer base increases, we expect our average contract length to trend downward over time. Declines in average contract length are not reflective of the average lifetime of a customer.

	July 31,	
	2021	2020
	(in years)	
Dollar-based average contract length	2.8	3.2

	January 31,	
	2021	2020
	(in years)	
Dollar-based average contract length	2.9	3.5

Calculated Billings

Calculated billings is a non-GAAP financial measure that we believe is a key metric to measure our periodic performance. Calculated billings represent our total revenue plus the change in deferred revenue in a period. Calculated billings in any particular period aims to reflect amounts invoiced to customers to access our software-based, cybersecurity analytics products, cloud platform and professional services, together with related support services, for our new and existing customers. We typically invoice our customers on multi-year or annual contracts in advance, either annually or monthly. Calculated billings decreased $4.3 million, or (26)%, in year to date 2022 over year to date 2021 and increased $19.7 million, or 85%, in fiscal 2021 over fiscal 2020. Calculated billings decreased when comparing year to date 2022 to year to date 2021 primarily due to lower revenue and during fiscal year 2021, IronNet was focused on growing their deferred revenue. As deferred revenue remains more consistent, we expect our calculated billings growth rate to trend down over time. We also expect that calculated billings will be affected by timing of entering into agreements with customers; and the mix of billings in each reporting period as we typically invoice customers multi-year or annually in advance and, to a lesser extent, monthly in advance.

While we believe that calculated billings may be helpful to investors because it provides insight into the cash that will be generated from sales of our subscriptions, this metric may vary from period-to-period for a number of reasons, and therefore has a number of limitations as a quarter-to-quarter or year-over-year comparative measure. In addition, other companies, including companies in our industry, may calculate similarly-titled non-GAAP measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our metric of calculated billings as tools for comparison. Because of these and other limitations, you should consider calculated billings along with revenue and our other GAAP financial results.

The following table presents a reconciliation of revenue, the most directly comparable financial measure calculated in accordance with GAAP, to calculated billings:

	Six Months Ended July 31,		2021 vs 2020	
	2021	2020		
	(in millions)			
Revenue	$ 12.5	$ 14.8	(2.3)	(16)%
Add: Total Deferred revenue, end of period	33.6	21.9	11.7	53
Less: Total Deferred revenue, beginning of period	34.0	20.3	13.7	67
Calculated billings	$ 12.1	$ 16.4	$ (4.3)	(26)%

	Year Ended January 31,		2021 vs 2020	
	2021	2020		
	(in millions)			
Revenue	$ 29.2	$ 23.2	6.1	26%
Add: Total Deferred revenue, end of period	34.0	20.3	13.7	67
Less: Total Deferred revenue, beginning of period	20.3	20.3	0.0	0
Calculated billings	$ 42.9	$ 23.2	$ 19.7	85%

Components of Our Results of Operations

Revenue

Our revenues are derived from sales of software subscriptions, subscription-like software products and software support contracts as well as from professional services. Products, subscriptions and support revenues accounted for 95% of our revenue in quarter to date 2022, for 84% of our revenue in quarter to date 2021, for 96% of our revenue in year to date 2022, for 82% of our revenue in year to date 2021, and for 85% of our revenue for each of fiscal 2021 and fiscal 2020. Professional services revenues accounted for 5% of our revenue in quarter to date 2022, for 16% of our revenue in our quarter to date 2021, for 4% of our revenue in year to date 2022, for 18% of our revenue in year to date 2021 and for 15% of our revenue for each of fiscal 2021 and fiscal 2020.

Our typical customer contracts and subscriptions range from one to five years. We typically invoice customers in advance. We combine intelligence dependent hardware and software licenses as well as subscription-type deliverables with the related threat intelligence and support and maintenance as a single performance obligation, as it delivers the essential functionality of our cybersecurity solution. Most companies also participate in the IronDome collective defense software solution that provides them access to IronNet's collective defense infrastructure linking participating stakeholders. As a result, we recognize revenue for this single performance obligation ratably over the expected term with the customer. Amounts that have been invoiced are recorded in deferred revenue or they are recorded in revenue if the revenue recognition criteria have been met. Significant judgement is required for the assessment of material rights relating to renewal options associated with our contracts.

Professional services revenues are generally sold separately from our products and include services such as development of national cyber security strategies, cyber operations monitoring, security, training, red team, incident response and tailored maturity assessments. Revenue derived from these services is recognized as the services are delivered.

Cost of Revenue

Cost of product, subscription and support revenue includes expenses related to our hosted security software, employee-related costs of our customer facing support, such as salaries, bonuses and benefits, an allocated portion of administrative costs and the amortization of deferred costs.

Cost of professional services revenue consists primarily of employee-related costs, such as salaries, bonuses and benefits, cost of contractors and an allocated portion of administrative costs.

Gross Profit

Gross profit, calculated as total revenue less total costs of revenue is affected by various factors, including the timing of our acquisition of new customers, renewals from existing customers, the data center and bandwidth costs associated with operating our cloud platform, the extent to which we expand our customer support organization, and the extent to which we can increase the efficiency of our technology and infrastructure through technological improvements. Also, we view our professional services in the context of our larger business and as a significant lead generator for future product sales. Because of these factors, our services revenue and gross profit may fluctuate over time.

Operating Expenses

Research and development

Our research and development efforts are aimed at continuing to develop and refine our products, including adding new features and modules, increasing their functionality, and enhancing the usability of our platform. Research and development costs primarily include personnel-related costs and acquired software costs. Research and development costs are expensed as incurred.

Sales and marketing

Sales and marketing expenses consist primarily of employee compensation and related expenses, including salaries, bonuses and benefits for our sales and marketing employees, sales commissions that are recognized as expenses over the period of benefit, marketing programs, travel and entertainment expenses, and allocated overhead costs. We capitalize our sales commissions and recognize them as expenses over the estimated period of benefit.

We intend to continue to make significant investments in our sales and marketing organization to drive additional revenue, further penetrate the market and expand our global customer base. In particular, we will continue to invest in growing and training our sales force, broadening our brand awareness and expanding and deepening our channel partner relationships. We expect our sales and marketing expenses to decrease as a percentage of our revenue over the long term, although our sales and marketing expenses may fluctuate as a percentage of our revenue from period to period due to the timing and extent of these expenses.

General and administrative

General and administrative costs include salaries, stock-based compensation expenses, and benefits for personnel involved in our executive, finance, legal, people and culture, and administrative functions, as well as third-party professional services and fees, and overhead expenses.

We expect that general and administrative expenses will increase in absolute dollars as we hire additional personnel and enhance our systems, processes, and controls to support the growth in our business as well as our increased compliance and reporting requirements as a public company.

Other income (expense), net

Other income (expense), net consists primarily of interest income, interest expense, and foreign currency exchange gains and losses.

Provision for income taxes

Provision for income taxes consists of federal and state income taxes in the United States and income taxes and withholding taxes in certain foreign jurisdictions in which we conduct business. We maintain a full valuation allowance on our U.S. federal and state deferred tax assets.

Results of Operations

Comparison of Quarter to Date 2022 and Quarter to Date 2021

The following tables set forth our consolidated statement of operations in dollar amounts and as a percentage of total revenue for each period presented (dollars in millions):

	Three Months Ended July 31, 2021		2020		2021 vs 2020	
	(in millions)					
Software, subscription and support revenue	$ 5.8	95%	$ 6.7	84%	$ (0.9)	-14%
Professional services revenue	0.3	5%	1.2	16%	(0.9)	-75%
Total revenue	6.1	100%	7.9	100%	(1.9)	-24%
Cost of software, subscription and support revenue	1.7	27%	1.1	14%	0.6	53%
Cost of professional service revenue	0.1	2%	0.1	2%	0.0	20%
Total cost of revenue	1.8	30%	1.2	15%	0.6	50%
Gross profit	4.3	70%	6.7	85%	(2.5)	-37%
Operating expenses:						
Research and development	7.6	125%	6.9	86%	0.7	10%
Sales and marketing	7.7	127%	7.9	99%	(0.2)	-3%
General and administrative	6.0	98%	6.2	78%	(0.2)	-3%
Total operating expenses	21.2	349%	20.9	263%	0.3	1%
Operating loss	(17.0)	-279%	(14.2)	-179%	(2.8)	20%
Other (expense) income, net	(0.2)	-4%	(0.1)	-1%	(0.2)	208%
Loss before provision for income taxes	(17.2)	-283%	(14.3)	-180%	(2.9)	21%
Provision for income taxes	0.0	1%	(0.0)	0%	0.1	nm
Net loss	$ (17.2)	-283%	$ (14.3)	-180%	$ (2.9)	20%

Nm – Not meaningful

Revenue

Total revenue decreased by $1.9 million or (24)% in quarter to date 2022 compared to quarter to date 2021.

Software revenue decreased by $0.9 million or (14)% primarily due to the Company's transition from contracts that had materialnon-recurring elements which would not renew in full to contract forms that were designed to fully renew. Therefore, the non-recurring revenue elements of contracts were minimized.

Despite the overall decline in software, subscription and support revenue, the subscription revenue portion increased by $0.5 million or 9%, in quarter to date 2022, from $5.3 million to $5.8 million and accounted for 100% of our total software revenue in quarter to date 2022, up from 79% in quarter to date 2021. A majority of that growth compared to the same period of last year has come from new customers in the Asia-Pacific region. New customers, worldwide, accounted for $2.3 million of the subscription revenue quarter to date 2022.

Professional services revenue decreased $0.9 million or (75)% in quarter to date 2022 compared to quarter to date 2021, primarily due to the completion of a national cybersecurity strategy engagement in EMEA in fiscal 2021 and delays in professional services contract starts in quarter to date 2022 due to lockdowns from COVID-19, which are expected in the second half of fiscal year 2022. Professional services accounted for 5% of our total revenue in quarter to date 2022 and for 16% of our total revenue in quarter to date 2021.

Cost of revenue

Total cost of revenue increased by $0.6 million or 50%, in quarter to date 2022, compared to quarter to date 2021. Cost of software, subscription and support revenue increased by $0.6 million or 53%, in quarter to date 2022, compared to quarter to date 2021. The increase was due primarily to an increase in customer cloud cost during quarter to date 2022 compared to quarter to date 2021.

Cost of professional service revenue remained consistent when comparing quarter to date 2022 and quarter to date 2021.

Gross Profit and Gross Margin

Mix changes in cost of revenue resulted in a decrease in software gross margin to 71.1% in quarter to date 2022 compared to 83.7% in quarter to date 2021, and a decrease in professional services gross margin to 52.0% in quarter to date 2022 compared to 90.1% in quarter to date 2021. Quarter to date 2021 margin was unusually high as we onboarded 2 significant revenue customers which hadn't yet ramped their full cloud costs in period and finalized delivery of key significant service contract in EMEA. Professional services margin will continue to be volatile contract to contract as we scale the business.

We expect that gross margins for the rest of fiscal 2022 to improve slightly to achieve our full year guidance. Margins may remain volatile compared to fiscal 2021 due to the continuing presence of large contracts in our revenue mix.

The following tables show gross profit and gross margin, respectively, for software products and support revenue and professional services revenue for quarter to date 2022 as compared to quarter to date 2021.

	Three Months Ended July 31,		2021 vs 2020	
	2021	2020		
	(in millions)			
Software products margin	$ 4.1	$ 5.6	$ (1.5)	-27%
Professional services margin	0.2	1.1	(1.0)	-86%
Total Gross profit margin	$ 4.3	$ 6.7	$ (2.5)	-37%

	2021	2020	Change
Software products margin	71.1%	83.7%	-12.6%
Professional services margin	52.0%	90.1%	-38.2%
Total Gross profit margin	70.1%	84.7%	-14.6%

Operating expenses

Research and development

Research and development expenses increased by $0.7 million or 10%, in quarter to date 2022, compared to quarter to date 2021 primarily due to the ramping resources to support product development. At 125% of total revenues in quarter to date 2022 compared to 86% in quarter to date 2021, we expect that our overall R&D expenditure rate as a percentage of revenues will decline in the future.

Sales and marketing

Sales and marketing cost decreased by $0.2 million or (3)% in quarter to date 2022, compared to quarter to date 2021, primarily due to a large number of newly hired but not yet trained sales and marketing personnel in quarter to date 2021 which, decreased 20% over the course of the fiscal year as the company settled on its highest performing personnel. This led to an 8% decrease in sales and marketing payroll costs in year to date 2022 compared to the comparable period prior year. At 127% of total revenues in quarter to date 2022 compared to 99% in quarter to date 2021, we expect that our overall sales and marketing expenditure rates as a percentage of revenues will decline in the future.

General and administrative

General and administrative costs decreased by $0.2 million when comparing quarter to date 2022 to quarter to date 2021, quarter to date 2022 includes $0.6 million of one-time charges relating to the Business Combination. Quarter to date 2022 general and administrative expenses were at 98% of total revenues compared to 78% in quarter to date 2021. Quarter to date 2022 expenses were higher due to additional costs stemming from preparations to operate as an SEC compliant company and a lower-than-normal building rent, travel and depreciation expenses during quarter to date 2021 as the company was operating in a wholly remote manner. We expect that our overall general and administrative expenditure rates as a percentage of revenues will decline in the future.

Other (expense) income, net

Other (expense) income, changed by $(0.2) million in quarter to date 2022, compared to quarter to date 2021, primarily due to an increase in interest expense related to the new loan entered into during the three months ended July 31, 2021. Please refer to the Liquidity and Capital Resources section for more information about the loan.

Provision for income taxes

The change in provision for income taxes was immaterial to the results of operations primarily due to our continued net loss position, the accumulation of net loss carryforwards, and offsetting valuation allowance.

Comparison of Year to Date 2022 and Year to Date 2021

The following tables set forth our consolidated statements of operations in dollar amounts and as a percentage of total revenue for each period presented (dollars in millions):

	Six Months Ended July 31,				2021 vs 2020	
	2021		2020			
	(in millions)					
Software, subscription and support revenue	$ 11.9	96%	$ 12.1	82%	$ (0.2)	-2%
Professional services revenue	0.5	4%	2.7	18%	(2.2)	-80%
Total revenue	12.5	100%	14.8	100%	(2.4)	-16%
Cost of software, subscription and support revenue	3.4	27%	2.6	18%	0.8	30%
Cost of professional service revenue	0.3	3%	0.4	3%	(0.1)	-24%
Total cost of revenue	3.8	30%	3.1	21%	0.7	23%
Gross profit	8.7	70%	11.8	79%	(3.1)	-26%
Operating expenses:						
Research and development	14.5	116%	14.3	96%	0.2	1%
Sales and marketing	14.8	119%	16.1	109%	(1.3)	-8%

General and administrative	11.7	94%	12.0	81%	(0.3)	-2%
Total operating expenses	41.0	329%	42.4	286%	(1.4)	-3%
Operating loss	(32.3)	-259%	(30.6)	-207%	(1.7)	5%
Other (expense) income, net	(0.4)	-3%	(0.1)	0%	(0.3)	581%
Loss before provision for income taxes	(32.6)	-262%	(30.7)	-207%	(2.0)	6%
Provision for income taxes	(0.0)	0%	(0.0)	0%	0.0	nm
Net loss	$ (32.7)	-262%	$ (30.7)	-207%	$ (2.0)	6%

Nm – Not meaningful

Revenue

Total revenue decreased by $2.4 million or (16)% in year to date 2022 compared to year to date 2021.

Software revenue decreased by $0.2 million primarily due to the Company's transition from contracts that had materialnon-recurring elements which would not renew in full to contract forms that were designed to fully renew. Therefore, the non-recurring revenue elements of contracts were minimized.

Despite the overall decline in software, subscription and support revenue, the subscription revenue portion increased by $2.8 million or 31%, in year to date 2022, from $9.1 million to $11.9 million and accounted for 100% of our total software revenue in year to date 2022, up from 75% in year to date 2021. A majority of that growth compared to the same period of last year has come from the Asia-Pacific region. New customers, worldwide, accounted for $4.6 million of the subscription revenue year to date 2022.

Professional services revenue decreased $2.2 million or (80)% in year to date 2022 compared to year to date 2021, primarily due to the completion of a national cybersecurity strategy engagement in EMEA in fiscal 2021 and delays in professional services contract starts in year to date 2022 due to lockdowns from COVID-19, which are expected in the second half of fiscal year 2022. Professional services accounted for 4% of our total revenue in year to date 2022 and for 18% of our total revenue in year to date 2021.

Cost of revenue

Total cost of revenue increased by $0.7 million or 23%, in year to date 2022, compared to year to date 2021. Cost of software, subscription and support revenue increased by $0.8 million or 30%, in year to date 2022, compared to year to date 2021. The increase was due primarily to an increase in customer cloud cost during year to date 2022 compared to year to date 2021.

Cost of professional service revenue decreased by $0.1 million or (24)% in year to date 2022, compared to year to date 2021. The decrease in cost of service revenue was primarily due to a decrease in overall professional services activity in year to date 2022 compared to year to date 2021.

Gross Profit and Gross Margin

Mix changes in cost of revenue resulted in a decrease in software gross margin to 71.3% in year to date 2022 compared to 78.3% in year to date 2021, and a decrease in professional services gross margin to 39.4% in year to date 2022 compared to 84.0% in year to date 2021. Year to date 2021 margin was unusually high as we onboarded 2 significant revenue customers which hadn't yet ramped their full cloud costs in period and finalized delivery of key significant service contract in EMEA. Professional services margin will continue to be volatile contract to contract as we scale the business.

We expect that gross margins for the rest of fiscal 2022 to improve. Margins may remain volatile compared to fiscal 2021 due to the continuing presence of large contracts in our revenue mix.

The following tables show gross profit and gross margin, respectively, for software products and support revenue and professional services revenue for year to date 2022 as compared to year to date 2021.

	Six Months Ended July 31,			
	2021	2020	2021 vs 2020	
	(in millions)			
Software products margin	$ 8.5	$ 9.5	$ (1.0)	-10%
Professional services margin	0.2	2.3	(2.1)	-91%
Total Gross profit margin	$ 8.7	$ 11.8	$ (3.1)	-26%

	2021	2020	Change
Software products margin	71.3%	78.3%	-7.0%
Professional services margin	39.4%	84.0%	-44.6%
Total Gross profit margin	69.9%	79.3%	-9.5%

Operating expenses

Research and development

Research and development expenses increased by $0.2 million or 1%, in year to date 2022, compared to year to date 2021 primarily due to the ramping resources to support product development. At 116% of total revenues in year to date 2022 compared to 96% in year to date 2021, we expect that our overall R&D expenditure rate as a percentage of revenues will decline in the future.

Sales and marketing

Sales and marketing cost decreased by $1.3 million or (8)% in year to date 2022, compared to year to date 2021, primarily due to a large number of newly hired but not yet trained sales and marketing personnel in year to date 2021 which, decreased 20% over the course of the fiscal year as the company settled on its highest performing personnel. This led to an 8% decrease in sales and marketing payroll costs in year to date 2022 compared to the comparable period prior year. At 119% of total revenues in year to date 2022 compared to 109% in year to date 2021, we expect that our overall sales and marketing expenditure rates as a percentage of revenues will decline in the future.

General and administrative

General and administrative costs decreased by $0.3 million when comparing year to date 2022 to year to date 2021, year to date 2022 includes $0.6 million of one-time charges relating to the Business Combination. Year to date 2022 general and administrative expenses were at 94% of total revenues compared to 81% in year to date 2021. Year to date 2022 expenses were higher due to additional costs stemming from preparations to operate as an SEC compliant company and a lower-than-normal building rent, travel and depreciation expenses during year to date 2021 as the company was operating in a wholly remote manner. We expect that our overall general and administrative expenditure rates as a percentage of revenues will decline in the future.

Other (expense) income, net

Other (expense) income, changed by $(0.3) million in year to date 2022, compared to year to date 2021, primarily due to an increase in interest expense related to the new loan entered into during the three months ended July 31, 2021. Please refer to the Liquidity and Capital Resources section for more information about the loan.

Provision for income taxes

The change in provision for income taxes was immaterial to the results of operations primarily due to our continued net loss position, the accumulation of net loss carryforwards, and offsetting valuation allowance.

The following tables set forth our consolidated statements of operations in dollar amounts and as a percentage of total revenue for each period presented (dollars in millions):

	Year Ended January 31,				2021 vs 2020	
	2021		2020			
	(in millions)					
Products, subscription and support revenue	$ 24.7	85%	$ 19.8	85%	$ 4.9	25%
Professional services revenue	4.5	15%	3.4	15%	1.1	32%
Total revenue	29.2	100%	23.2	100%	6.0	26%
Cost of product, subscription and support revenue	5.4	18%	5.9	25%	(0.5)	-8%
Cost of professional service revenue	1.6	5%	0.7	3%	0.9	129%
Total cost of revenue	7.0	24%	6.6	29%	0.4	6%
Gross profit	22.2	76%	16.6	72%	5.6	34%
Operating expenses:						
Research and development	25.8	88%	26.6	115%	(0.8)	-3%
Sales and marketing	30.4	104%	17.9	77%	12.5	70%
General and administrative	21.3	73%	20.5	88%	0.8	4%
Total operating expenses	77.5	265%	65.0	280%	12.5	19%
Operating loss	(55.3)	-189%	(48.4)	-209%	(6.9)	14%
Other income, net	(0.0)	0%	0.5	2%	(0.5)	-100%
Loss before provision for income taxes	(55.3)	-189%	(47.9)	-206%	(7.4)	15%
Provision for income taxes	(0.1)	0%	(0.0)	0%	(0.1)	nm
Net loss	$(55.4)	-190%	$(47.9)	-206%	$ (7.5)	16%

Nm – not meaningful

Revenue

Total revenue increased by $6.0 million or 26% in fiscal 2021 compared to fiscal 2020. The increase was mostly due to disproportionally high growth as the APJ and EMEA regions came online with their sales teams, increasing the proportion of total revenues from those regions to 26% and 13% of the total revenues in fiscal 2021, respectively, up from 7% and 7%, respectively in fiscal 2020.

Software, subscription and support revenue accounted for 85% of our total revenue in both fiscal 2021 and fiscal 2020. Software, subscription and support revenue accounted for 85% of our total revenue in both fiscal 2021 and fiscal 2020. The cloud-based subscription revenue portion increased by $6.0 million or 154%, in fiscal 2021, from $3.9 million to $9.9 million and accounted for 40% of our total software revenue overall in fiscal 2021, up from 20% in fiscal 2020. The increase in subscription revenue was driven primarily by $4.0 million of revenue from three large contracts from new customers starting in fiscal 2021 and $2.4 million in increased revenue from contracts with existing customers who either upsold or had proceeded into their first full year of revenue recognition. These increases were offset in part by a net revenue decrease of $0.4 million from several smaller customers.

Professional services revenue accounted for 15% of our total revenue in both fiscal 2021 and fiscal 2020. The professional services revenue increased $1.1 million or 32% in fiscal 2021 compared to fiscal 2020, primarily due to a large, $1.5 million consulting contract with a new customer to advise a country in the EMEA region about strategies for protecting their nation. Though several professional services contracts reoccur on a regular basis, most are project specific and last less than a fiscal year.

Cost of revenue

Total cost of revenue increased by $0.4 million or 6%, in fiscal 2021, compared to fiscal 2020. Cost of software, subscription and support revenue decreased by $0.5 million or (8)%, in fiscal 2021, compared to fiscal 2020. The decrease was due primarily to more efficient purchasing of third-party computing costs and increased efficiency in providing software support to customers.

Cost of professional service revenue increased by $0.9 million in fiscal 2021, compared to fiscal 2020. The increase in cost of service revenue was primarily due to an increase in overall professional services activity in fiscal 2021 compared to fiscal 2020 combined with an increasing proportion of traditional services margin contracts in the mix, resulting in a decline in the overall services margin to 64%.

Gross Profit and Gross Margin

Favorable changes in the cost of revenue resulted in an increase in software gross margin to 78.1% in fiscal 2021 compared to 70.2% in fiscal 2020. We expect that gross margins for fiscal 2022 will continue to be above the fiscal 2020 level. However, margins may remain volatile compared to fiscal 2021 due to the continuing presence of large contracts in our revenue mix.

The following tables show gross profit and gross margin, respectively, for software products and support revenue and professional services revenue for fiscal 2021 as compared to fiscal 2020.

	Year Ended January 31,		2021 vs 2020	
	2021	2020		
	(in millions)			
Software products margin	$ 19.3	$ 13.9	$ 5.4	39%
Professional services margin	2.9	2.6	0.3	12%
Total Gross profit margin	$ 22.2	$ 16.5	$ 5.7	35%

	2021	2020	Change
Software products margin	78.1%	70.2%	7.9%
Professional services margin	64.4%	79.4%	-15.0%
Total Gross profit margin	76.0%	71.6%	4.4%

Operating expenses

Research and development

Research and development expenses decreased by $0.8 million or (3%), in fiscal 2021, compared to fiscal 2020 as we reorganized our engineering departments towards our cloud-based and increasingly SaaS-delivered software offerings and paused net hiring as we completed that transition. At 88% of total revenues in fiscal year 2021 compared to 115% in fiscal 2020, we expect that our overall R&D expenditure rate as a percentage of revenues will continue to decline in the future.

Sales and marketing

Sales and marketing cost increased by $12.5 million or 70% in fiscal 2021, compared to fiscal 2020, primarily due to the continued build out of our sales force globally. We either expanded or initiated activity in Singapore, Japan, Australia, the United Kingdom and in the United Arab Emirates throughout fiscal 2020, resulting in a partial year impact to sale and marketing costs. Aside from the Customer Success teams that had become established by the beginning of fiscal year 2020, the remainder of that Sales and Marketing headcount, inclusive of

sales support personnel ended fiscal 2020 with an average through the year of 41 full time equivalents. In comparison, for fiscal 2021, we had an average of 90 full time equivalents (a 120% increase compared to the prior year). At 104% of total revenues in fiscal 2021 compared to 77% in fiscal 2020, we expect that our overall sales and marketing expenditure rates as a percentage of revenues will begin to decline in the future.

General and administrative

General and administrative costs increased by $0.8 million or 4% in fiscal 2021, compared to fiscal 2020 primarily due to $1.5 million of one-time charges relating to our response to COVID-19 restrictions and our staffing shift towards our cloud deployment and support models. These one-time charges included the costs of ending or reducing existing office leases, and severance and extended health benefits for employees. Absent those charges, general and administrative costs would have declined by $0.6 million, or (3%). At 68% of total revenues in fiscal 2021 compared to 88% in fiscal 2020, excluding the one-time charges, we expect that our overall general and administrative expenditure rates as a percentage of revenues will continue to decline in the future.

Other income (expense), net

Other income, net decreased by $0.5 million in fiscal 2021, compared to fiscal 2020 primarily due to a reduction in interest income from investments.

Provision for income taxes

The change in provision for income taxes was immaterial to the results of operations primarily due to our continued net loss position, the accumulation of net loss carryforwards, and offsetting valuation allowance.

Liquidity and Capital Resources

We have incurred losses and negative cash flows from operations since inception and had accumulated deficits of $207.7 million and $150.4 million as of July 31, 2021 and 2020, respectively. Through July 31, 2021, we have funded our operations with proceeds from sales of IronNet common stock and preferred stock and receipts from sales of our products and services to customers in the ordinary course of business.

On June 21, 2021, we entered into a loan and security agreement, or the loan agreement, with an entity affiliated with Silicon Valley Bank, or SVB, for borrowings of up to $15.0 million. Under the terms of the loan agreement, an initial tranche of $10.0 million was advanced on June 21, 2021, and we received the second advance of $5.0 million on July 6, 2021. Amounts outstanding under the loan agreement accrue interest at 8.0% per annum. We are obligated only to make payments of accrued interest until the maturity date of the loan, which will be the closing date of the Business Combination, August 26, 2021. We are also be obligated to make a final payment of $0.5 million to SVB upon the maturity date of the loan. We may voluntarily prepay amounts outstanding under the loan agreement, subject to the payment of the same final payment to SVB described in the preceding sentence. Our obligations under the SVB loan are secured by substantially all of our assets. The loan agreement with SVB contains negative covenants restricting our activities, including limitations on dispositions, mergers or acquisitions, incurring indebtedness or liens, paying dividends or making investments and other specified business transactions. There are no financial covenants associated with the loan agreement. Our obligations under the loan agreement are subject to acceleration upon the occurrence of specified events of default, including a material adverse change in our business, operations or financial or other condition. The Business Combination was consummated on August 26, 2021 and the $15 million loan, along with fees and interest, was paid off on August 27, 2021.

Based on our current growth plan, our cash and cash equivalents of $14.1 million, our collectible accounts receivable of $7.8 million, along with the receipt of the gross proceeds of $138.8 million before fees and expenses related to the closing of the Business Combination on August 26, 2021, we believe that we have cash balances as well as the ability to raise sufficient additional capital to enable us to fund our operating expenses and capital expenditure requirements in the ordinary course of business into at least the fourth quarter of fiscal year 2023. Accordingly, the company meets the going concern requirements on which the financial statements have been based.

Our future capital requirements will depend on many factors, including, but not limited to the rate of our growth, our ability to attract and retain customers and their willingness and ability to pay for our products and services, and the timing and extent of spending to support our efforts to market and develop our products. Further, we may enter into future arrangements to acquire or invest in businesses, products, services, strategic partnerships, and technologies. As such, we may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If additional funds are not available to us on acceptable terms, or at all, our business, financial condition, and results of operations could be adversely affected.

Cash Flows

For Year to Date 2022 and Year to Date 2021

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

	Six Months Ended July 31,	
	2021	2020
	(in millions)	
Net cash used in operating activities	$ (31.2)	$ (28.8)
Net cash (used in) provided by investing activities	$ (1.2)	$ 1.2
Net cash provided by financing activities	$ 15.1	$ 47.2

Operating Activities

Net cash used in operating activities during year to date 2022 was $(31.2) million, which resulted from a net loss of $(32.7) million, primarily driven by growth-related operating expenses exceeding the gross profits from sales, adjusted for non-cash charges of $0.5 million and net cash inflows of $1.0 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of $0.4 million of depreciation and amortization expense. Cash used in operating activities during year to date 2022 benefited from the change in accrued expenses of $3.0 million, offset from the change in accounts receivable of $(1.2) million, which is the result of timing of new customer contracts.

Net cash used in operating activities during year to date 2021 was $(28.8) million, which resulted from a net loss of $(30.7) million adjusted for noncash charges of $0.8 million and net cash inflows of $1.1 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of $0.7 million of depreciation and amortization expense. Cash used in operating activities during year to date 2021 benefited from the change in deferred revenue of $1.6 million, offset by a change in accounts receivable of $(0.9) million.

Investing Activities

Net cash used in investing activities during year to date 2022 of $(1.2) million was primarily due to $1.2 million in purchases of property and equipment.

Net cash provided by investing activities during year to date 2021 of $1.2 million was primarily due to net proceeds from sales and maturities of investments of $1.4 million offset by $0.2 million in purchases of property and equipment.

Financing Activities

Net cash provided by financing activities of $15.1 million during year to date 2022 was primarily due to net proceeds from issuing common stock for $0.3 million, proceeds from stock subscriptions for $0.3 million and $15.0 million from the loan issued during the year to date 2022, offset by payment of deferred transaction costs of $0.5 million.

Net cash provided by financing activities of $47.2 million during year to date 2021 was primarily due to net proceeds from our sale of Series B preferred stock of $41.6 million and the net proceeds from the PPP loan of $5.6 million.

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

	Year Ended January 31,	
	2021	2020
	(in millions)	
Net cash used in operating activities	$ (42.7)	$ (48.8)
Net cash provided by investing activities	$ 0.1	$ 24.2
Net cash provided by financing activities	$ 63.3	$ 10.7

Operating Activities

Net cash used in operating activities during fiscal 2021 was $(42.7) million, which resulted from a net loss of $(55.4) million, primarily driven by growth-related operating expenses exceeding the gross profits from sales, adjusted for non-cash charges of $1.4 million and net cash inflows of $11.3 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of $1.2 million of depreciation and amortization expense, $0.2 million in losses on the sale of fixed assets as the result of the closure of facilities, offset by a net credit in stock-based compensation expense due to increased forfeiture rates in fiscal 2021. Cash used in operating activities during fiscal 2021 benefited from the change in deferred revenue of $13.7 million, offset by a change in accounts receivable of $(3.4) million, which were the result of timing of new customer contracts.

Net cash used in operating activities during fiscal 2020 was $(48.8) million, which resulted from a net loss of $(47.9) million adjusted fomon-cash charges of $1.2 million and net cash outflows of $(2.1) million from changes in operating assets and liabilities. Non-cash charges primarily consisted of $1.0 million of depreciation and amortization expense and stock-based compensation expense of $0.2 million. Cash used in operating activities during fiscal year 2020 was the result of spending on inventory in preparation of new customer contracts and changes in accounts payable.

Investing Activities

Net cash provided by investing activities during fiscal 2021 of $0.1 million was primarily due to $1.0 million in proceeds from the maturity of investments and $0.1 million in proceeds from the sale of property and equipment offset by $1.0 million in purchases of property and equipment.

Net cash provided by investing activities during fiscal 2020 of $24.2 million was primarily due to net proceeds from sales and maturities of investments of $25.2 million offset by $1.1 million in purchases of property and equipment.

Financing Activities

Net cash provided by financing activities of $63.3 million during fiscal 2021 was primarily due to net proceeds from our sale of Series B preferred stock of $57.4 million, the net proceeds from the PPP loan of $5.6 million and the issuance of common stock, including upon exercise of stock options by employees of $0.3 million.

Net cash provided by financing activities of $10.7 million during fiscal 2020 was primarily due to net proceeds from our sale of Series B preferred stock of $10.6 million and the issuance of common stock upon the exercise of stock options by employees of $0.1 million.

Contractual obligations

Our principal commitments consist of lease obligations for office space. For more information regarding our lease obligations, see Note 6, Commitments and Contingencies to the interim condensed consolidated financial statements filed as Exhibit 99.1 to the report to which this discussion and analysis is included as an exhibit. In addition, as described above, we received proceeds from a PPP loan resulting in debt on our balance sheet. We funded these obligations with cash flows from operations and existing cash.

During year to date 2022 and in future years, we have made and expect to continue to make additional investments in our product, scale our operations, and continue to enhance our security measures. We will continue to expand the use of software systems to scale with our overall growth.

Off-Balance sheet arrangements

As of July 31, 2021, we did not have any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with GAAP. The preparation of these financial statements require us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, as well as related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

The critical accounting policies, assumptions and judgements that we believe have the most significant impact on our consolidated financial statements are described below.

Revenue Recognition

Our revenues are derived from sales of software, subscriptions, support and maintenance, and other services. The Company satisfies performance obligations to recognize revenue for a single performance obligation ratably over the expected term with the customer.

Revenue is recognized when all of the following criteria are met:

- **Identification of the contract, or contracts, with a customer**—A contract with a customer to account for exists when (i) we enter into an enforceable contract with a customer that defines each party's rights regarding the goods or services to be transferred and identifies the payment terms related to these goods or services, (ii) the contract has commercial substance and the parties are committed to perform, and (iii) we determine that collection of substantially all consideration to which we will be entitled in exchange for goods or services that will be transferred is probable based on the customer's intent and ability to pay the promised consideration.
- **Identification of the performance obligations in the contract**—Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the goods or service either on its own or together with other resources that are readily available from third parties or from us, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised goods or services, we apply judgment to determine whether promised goods or services are capable of being distinct and distinct in the context of the contract. If these criteria are not met the promised goods or services are accounted for as a combined performance obligation.
- **Determination of the transaction price**—The transaction price is determined based on the consideration to which we will be entitled in exchange for transferring goods or services to the customer.
- **Allocation of the transaction price to the performance obligations in the contract**—We allocate the transaction price to each performance obligation based on the amount of consideration expected to be received in exchange for transferring goods and services to the customer. If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation on a relative standalone selling price based on the observable selling price of our products and services.

- **Recognition of revenue when, or as, we satisfy performance obligations**—We satisfy performance obligations either over time or at a point in time as discussed in further detail below. Revenue is recognized at or over the time the related performance obligation is satisfied by transferring a promised good or service to a customer.

Costs to Obtain or Fulfill a Contract

We capitalize incremental costs of obtaining a non-cancelable subscription and support revenue contract and on professional services revenue as contract acquisition costs. The capitalized amounts consist primarily of sales commissions paid to our direct sales force. The capitalized amounts are recoverable through future revenue streams under all non-cancelable customer contracts. Amortization of capitalized costs, which occurs on a straightline basis, is included in Sales and marketing expense in the accompanying consolidated statements of operations. Contract fulfillment costs include appliance hardware and installation costs that are essential in providing the future benefit of the solution, which are also capitalized. We amortize our contract fulfillment costs ratably over the contract term in a manner consistent with the related revenue recognition on that contract and are included in cost of revenue.

Stock-based Compensation

We recognize expense for stock-based compensation awards based on the estimated fair value of the award on the date of grant or date of modification, which is amortized on a straight-line basis over the employee's or director's requisite service period, generally the vesting period of the award. We use the Black-Scholes pricing model to estimate the fair value of options on the date of grant. On August 26, 2021, the Board authorized that the Liquidity Event Satisfaction for the restricted stock units will be deemed to have been met as a result of the merger and shares of common stock subject to the awards will be delivered, in accordance with the terms of the Restricted Stock Unit Agreement.

The use of a valuation model requires management to make certain assumptions with respect to selected model inputs. We grant stock options at exercise prices determined equal to the fair value of common stock on the date of the grant. The fair value of our common stock at each measurement date is based on a number of factors, including the results of third-party valuations, our historical financial performance, and observable arms-length sales of our capital stock including convertible preferred stock, and the prospects of a liquidity event, among other inputs. We estimate an expected forfeiture rate for stock options, which is factored into the determination of stock-based compensation expense. The volatility assumption is based on the historical and implied volatility of our peer group with similar business models. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. The dividend yield percentage is zero because we do not currently pay dividends nor do we intend to do so in the future.

These estimates involve inherent uncertainties and the use of different assumptions may have resulted in stock-based compensation expense that was different from the amounts recorded.

Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed by, or under the supervision of, that company's principal executive and principal financial officers, or persons performing similar functions, and influenced by that company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

As of July 31, 2021, we were a private company and historically had limited accounting and financial reporting personnel and other resources with which to address our internal control over financial reporting. In connection with the preparation and audit of our consolidated financial statements for the year ended January 31, 2021, we identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We did not have a sufficient number of personnel with an appropriate degree of accounting and internal controls knowledge, experience, and training to appropriately analyze, record and disclose accounting matters commensurate with IronNet's accounting and reporting requirements, which resulted in an inability to consistently establish appropriate authorities and responsibilities in pursuit of their financial reporting objectives. This material weakness contributed to the following additional material weaknesses:

- We did not design and maintain effective controls over the review of journal entries and account reconciliations. Specifically, certain personnel have the ability to both (i) create and post journal entries within IronNet's general ledger system, and (ii) prepare and review account reconciliations.
- We did not design and maintain effective controls over information technology general controls for information systems that are relevant to the preparation of our financial statements. Specifically, we did not design and maintain: (i) program change management controls for the financial systems to ensure that information technology program and data changes affecting financial IT applications and underlying accounting records are identified, tested, authorized and implemented appropriately; (ii) appropriate user access controls to ensure appropriate segregation of duties and that adequately restrict user and privileged access to financial applications, programs and data to appropriate Company personnel; (iii) computer operations controls to ensure data backups are authorized and restorations monitored; and (iv) testing and approval controls for program development to ensure that new software development is aligned with business and IT requirements.

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

With the oversight of senior management, we have instituted plans to remediate these material weaknesses and will continue to take remediation steps, including hiring additional key supporting accounting personnel with public company reporting and accounting operations experience. We are also implementing the required segregation of roles and duties both in manual and systems related processes including for journal entries and account reconciliation, and formalizing the documentation and performance of remaining information technology general controls for information systems utilized for financial reporting. We believe the measures described above will remediate the material weakness identified and strengthen our internal control over financial reporting. We are committed to continuing to improve our internal control processes and will continue to diligently and vigorously review our financial reporting controls and procedures.

Quantitative and Qualitative Disclosures about Market Risk

We have operations in the United States and internationally, and we are exposed to market risk in the ordinary course of our business.

Foreign Currency Risk

The significant majority of our sales contracts are denominated in U.S. dollars, with a small number of contracts denominated in foreign currencies. A portion of our operating expenses are incurred outside the United States, denominated in foreign currencies and subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Singapore Dollar, British Pound, Japanese Yen and Australian Dollar. Additionally, fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our consolidated statements of operations. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have a material impact on our historical consolidated financial statements for year to date 2022 or fiscal year 2021. As the impact of foreign currency exchange rates has not been material to our historical operating results, we have not entered into derivative or hedging transactions, but we may do so in the future if our exposure to foreign currency becomes more significant.

Emerging Growth Company ("EGC") Status

We are an emerging growth company, as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until those standards apply to private companies. We have elected to use this extended transition period for complying with certain new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an EGC or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our consolidated financial statements may or may not be comparable to companies that comply with new or revised accounting pronouncements as of public companies' effective dates.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

*Capitalized terms used but not defined in this Exhibit 99.3 shall have the meaning ascribed to them in the Combined Company's final prospectus and definitive proxy statement, declared effective by Securities and Exchange Commission (the "**SEC**") on August 6, 2021, as amended (the "**Proxy Statement/Prospectus**").*

In connection with the consummation of the business combination (the "**Business Combination**") on August 26, 2021 (the "**Closing Date**") pursuant to that certain Agreement and Plan of Reorganization and Merger (the "**Business Combination Agreement**"), dated March 15, 2021 and as amended August 6, 2021, by and among IronNet Cybersecurity, Inc. ("**Legacy IronNet**"), LGL Systems Acquisition Corp. ("**LGL**") and LGL Systems Merger Sub, Inc. ("**Merger Sub**"), the registrant changed its name from LGL Systems Acquisition Corp. to IronNet, Inc. (the "**Combined Company**").

The following unaudited pro forma condensed combined financial information presents the combination of the financial information of Legacy IronNet and LGL, adjusted to give effect to the Business Combination and other events contemplated by the Business Combination Agreement. The following unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X.

Prior to the Business Combination, LGL and Legacy IronNet had different fiscal years. LGL's fiscal year ended on December 31, whereas Legacy IronNet's fiscal year ended on January 31. The Combined Company's fiscal year ends on January 31. The unaudited pro forma condensed combined balance sheet as of July 31, 2021 combines the historical unaudited condensed consolidated balance sheet of LGL as of June 30, 2021 and the historical unaudited condensed consolidated balance sheet of Legacy IronNet as of July 31, 2021 on a pro forma basis as if the Business Combination and the other related transactions, summarized below, had been consummated on July 31, 2021.

The unaudited pro forma condensed combined statement of operations for the six months ended July 31, 2021 combines the historical unaudited condensed consolidated statement of operations of LGL for the six months ended June 30, 2021 and the historical unaudited condensed consolidated statement of operations of Legacy IronNet for the six months ended July 31, 2021, on a pro forma basis as if the Business Combination, summarized below, had been consummated on February 1, 2020.

The unaudited pro forma condensed combined statement of operations for the year ended January 31, 2021 combines the historical audited statement of operations of LGL for the year ended December 31, 2020 (As Restated) and the historical audited consolidated statement of operations of Legacy IronNet for the fiscal year ended January 31, 2021 on a pro forma basis as if the Business Combination, summarized below, had been consummated on February 1, 2020.

The unaudited pro forma condensed combined financial statements have been developed from and should be read in conjunction with the following:

- the (a) historical audited financial statements of LGL for the year ended December 31, 2020 and the related notes (As Restated), which were restated on May 10, 2021 to reflect a change from LGL's prior accounting for its public warrants issued in connection with, as well as its private warrants issued simultaneously with, its initial public offering in November 2019 as liabilities instead of components of equity, incorporated by reference, and (b) historical unaudited financial statements of LGL as of and for the six months ended June 30, 2021 and the related notes, included in LGL's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, filed with the SEC on August 16, 2021 (the "**LGL 10-Q**");
- the (a) historical audited financial statements of Legacy IronNet for the year ended January 31, 2021 and the related notes and (b) historical unaudited financial statements of Legacy IronNet as of and for the six months ended July 31, 2021 and the related notes, incorporated by reference;
- LGL's Management's Discussion and Analysis of Financial Condition and Results of Operations for the period ended June 30, 2021, included in the LGL 10-Q;
- LGL's Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2020, incorporated by reference;
- the accompanying notes to the unaudited pro forma condensed combined financial statements;

- Legacy IronNet's Management's Discussion and Analysis of Financial Condition and Results of Operations for the period ended July 31, 2021, included in the Form 8-K
- Legacy IronNet's Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended January 31, 2021, incorporated by reference; and
- Other information relating to LGL and Legacy IronNet included in the Form8-K, including the Business Combination Agreement and the description of certain terms thereof set forth under the section entitled "The Business Combination."

The following describes the parties to the Business Combination Agreement as each entity stood immediately prior to the consummation of the Business Combination:

LGL Systems Acquisition Corp.

LGL Systems Acquisition Corp., referred to herein as LGL, is a blank check company incorporated under the laws of the State of Delaware on April 30, 2019. LGL was formed for the purpose of entering into a merger, share exchange, asset acquisition, stock purchase, recapitalization, reorganization or other similar business combination with one or more businesses or entities. LGL is an "emerging growth company" as defined under the Securities Act and the Exchange Act. Based on its business activities, LGL is a "shell company" as defined under the Securities Act and the Exchange Act because it has no operations and nominal assets consisting almost entirely of cash.

IronNet Cybersecurity, Inc.

IronNet Cybersecurity, Inc., referred to herein as Legacy IronNet, incorporated in the state of Delaware, combines its innovative cybersecurity products with expert services to create a platform designed to deliver the most advanced, real-time cyber defense globally, protecting both private and public sectors. Legacy IronNet's Collective Defense platform, which features proprietary and patented technology, detects cyber anomalies, and shares anonymized threat data in real time within a secure ecosystem, providing all Collective Defense members with a previously unachievable level of visibility into potential incoming threats.

LGL Systems Merger Sub Inc.

LGL Systems Merger Sub Inc., referred to herein as Merger Sub, is a newly-formed, wholly-owned direct subsidiary of LGL formed solely for the purposes of the Business Combination, and was incorporated in the state of Delaware. As a part of the Business Combination, at the Closing Date, the Merger Sub will be merged with and into Legacy IronNet, and the separate corporate existence of the Merger Sub will cease.

At the date of the Business Combination Agreement, the authorized equity interests of Merger Sub consisted of 1,000 shares of common stock, of which 1,000 are issued and outstanding and owned by LGL as of the date of the Business Combination Agreement. At the time the Business Combination is effective, all the property, rights, privileges, powers, and franchises of Merger Sub shall vest in the Combined Company, and all debts, liabilities and duties of Merger Sub shall become the debts, liabilities, and duties of the Combined Company.

Description of Business Combination

Pursuant to the Business Combination Agreement, Merger Sub merged with and into Legacy IronNet, with Legacy IronNet surviving as a wholly owned subsidiary of LGL. Following the consummation of the Business Combination on the Closing Date, LGL changed its name from LGL Systems Acquisition Corp. to IronNet, Inc. Upon the consummation of the Business Combination, holders of shares of Legacy IronNet common stock (after taking into account the conversion of Legacy IronNet preferred stock into Legacy IronNet common stock) received (or had the right to receive) shares of common stock of the Combined Company (the "**Combined Company Common Stock**") at a deemed value of $10.00 per share after giving effect to the exchange ratio of 0.8141070 of a share of Combined Company Common Stock per fully-diluted share of Legacy IronNet common stock (the "**Exchange Ratio**"). Accordingly, immediately following the consummation of the Business Combination, 84,423,567 shares of Combined Company Common Stock were issued and outstanding, and 1,078,125 shares of Combined Company Common Stock were reserved for the potential future issuance of the Earnout Shares, based on the following transactions contemplated by the Business Combination Agreement:

- The conversion of all outstanding shares of Legacy IronNet convertible preferred stock into shares of Legacy IronNet common stock at the applicable conversion rate effective at the time of the Business Combination, as calculated pursuant to Legacy IronNet's Certificate of Incorporation in effect at the time of the conversion;

- the cancellation of each issued and outstanding share of Legacy IronNet common stock (including shares of Legacy IronNet common stock resulting from the conversion of Legacy IronNet convertible preferred stock) and the conversion into the right to receive a number of shares of Combined Company Common Stock equal to the Exchange Ratio;
- the conversion of all outstanding Legacy IronNet options into options exercisable for shares of Combined Company Common Stock with the same terms except for the number of shares exercisable and the exercise price, each of which was adjusted using the Exchange Ratio;
- the conversion of all outstanding Legacy IronNet restricted stock units into an award of restricted stock units with respect to a number of shares of Combined Company Common Stock at the Exchange Ratio, which awards will continue to be governed by the same terms and conditions (including vesting terms) effective immediately prior to the Effective Time. The "Effective Time" is immediately upon the filing of the Certificate of Merger on the Closing Date; and
- during the two-year period following the closing date of Business Combination (the "**Earnout Period**"), the Combined Company may issue to former Legacy IronNet stockholders and eligible holders of Legacy IronNet options and restricted stock unit awards (as applicable, only to the extent time vested as of the closing of the Business Combination) up to 1,078,125 shares of Combined Company common stock upon the occurrence of the Earnout Triggering Event (defined below). The issuance of these shares would dilute all Combined Company Common Stock outstanding at that time. An "Earnout Triggering Event" means the date on which the closing volume weighted average price of one share of Combined Company Common Stock quoted on the NYSE (or the exchange on which the shares of the Combined Company Common Stock are then listed) is equal to or greater than equal to $13.00 for any ten consecutive trading days occurring after the closing date of the Business Combination and on or prior to the second anniversary date of the Closing Date of the Business Combination.

Other Events in Connection with the Business Combination

Other events that took place in connection with the Business Combination are summarized below:

- the sale and issuance of 12,500,000 shares of Combined Company common stock to certain accredited investors (the "**Subscription Investors**") in a private placement (the "**Private Placement**") at $10.00 per share, of which LGL Systems Acquisition Holding Company, LLC (the "**Sponsor**"), an entity the managing member of which is affiliated with certain officers and directors of LGL, purchased 566,000 of such shares; and
- the surrender by the Sponsor of 1,078,125 shares of common stock to LGL for no consideration, which will be used for the issuance of Earnout Shares upon the occurrence of the Earnout Triggering Event.

Accounting for the Business Combination

The Business Combination was accounted for as a reverse recapitalization under GAAP. Under this method of accounting, LGL is treated as the "acquired" company for financial reporting purposes. This determination is primarily based on:

- Legacy IronNet stockholders comprising a majority of the voting power of the Combined Company and having the ability to determine the outcome of the election of directors of the Combined Company Board;
- Legacy IronNet's operations prior to the acquisition comprise the only ongoing operations of the Combined Company; and
- Legacy IronNet's senior management comprises all of the senior management of the Combined Company.

Accordingly, for accounting purposes, the financial statements of the Combined Company will represent a continuation of the financial statements of Legacy IronNet, with the Business Combination being treated as the equivalent of Legacy IronNet issuing stock for the net assets of LGL, accompanied by a recapitalization. The net assets of LGL will be stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the Business Combination will be presented as those of Legacy IronNet in future reports of the Combined Company.

The contingent obligation to issue Earnout Shares is accounted for as equity on the Combined Company's balance sheet because the Earnout Triggering Event is indexed to the fair value of common stock of Combined Company.

Basis of Pro Forma Presentation

The adjustments in the unaudited pro forma condensed combined financial information have been identified and presented to provide relevant information necessary for an illustrative understanding of the Combined Company upon consummation of the Business Combination. Assumptions and estimates underlying the unaudited pro forma adjustments set forth in the unaudited pro forma condensed combined financial information are described in the accompanying notes.

The unaudited pro forma condensed combined financial information is not necessarily indicative of the operating results and financial position that would have been achieved had the Business Combination occurred on the dates indicated, and does not reflect adjustments for any anticipated synergies, operating efficiencies, tax savings or cost savings. The unaudited pro forma condensed combined financial information does not purport to project the future operating results or financial position of the Combined Company following the completion of the Business Combination. The unaudited pro forma adjustments represent management's estimates based on information available as of the date of this unaudited pro forma condensed combined financial information and are subject to change as additional information becomes available and analyses are performed. LGL and Legacy IronNet have not had any historical relationship prior to the transactions. Accordingly, no pro forma adjustments were required to eliminate activities between the companies.

The unaudited pro forma condensed combined financial information reflects LGL stockholders' approval of the Business Combination on the Closing Date, and that LGL public stockholders holding 15,928,889 shares have elected to redeem their shares prior to Closing.

The table below summarizes the pro forma Combined Company Common Stock issued and outstanding immediately after the Business Combination:

	Pro Forma Combined	
	Shares	**%**
IronNet Securityholders(1)	86,340,000	83.5%
LGL Public Stockholders	1,321,111	1.3%
Sponsor(2)	3,800,375	3.7%
Subscription Investors, other than Sponsor(2)	11,934,000	11.5%
Total	**103,239,554**	**100%**

(1) Includes 18,971,549 shares of Combined Company Common Stock issuable upon exercise or settlement of Legacy IronNet stock options and restricted stock units assumed in connection with the Business Combination.

(2) Reflects the sale and issuance of 12,500,000 shares of LGL Class A common stock to the Subscription Investors in the Private Placement at $10.00 per share, of which the Sponsor agreed to purchase 566,000 of such shares.

IronNet Cybersecurity, Inc.
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
As of July 31, 2021
(Amounts in thousands of U.S. dollars, except per share data)

	LGL Systems Acquisition Corp. (Historical)	IronNet Cybersecurity, Inc. (Historical)	Pro Forma Transaction Adjustments		Combined Pro Forma
Assets					
Current assets:					
Cash and cash equivalents	471	14,107	173,025	2a	123,632
			125,000	2b	
			(6,038)	2f	
			(23,169)	2g	
			(159,764)	2n	
Accounts receivable	—	297	—		297
Unbilled receivable	—	3,009	—		3,009
Related party receivables and loan receivables	—	4,486	—		4,486
Account and loan receivables	—	7,792	—		7,792
Inventory	—	2,317	—		2,317
Deferred costs	—	1,712	—		1,712
Prepaid warranty	—	1,018	—		1,018
Prepaid expenses and other current assets	45	2,658	—		2,703
Total current assets	**516**	**29,604**	**109,054**		**139,174**
Non-current assets:					
Deferred costs	—	2,114	—		2,114
Deferred transaction costs	—	1,752	(1,752)	2o	—
Property and equipment, net	—	3,645	—		3,645
Prepaid warranty	—	660	—		660
Deposits and other assets	—	357	—		357
Marketable securities held in trust	173,025	—	(173,025)	2a	—
Total assets	**173,541**	**38,132**	**(65,723)**		**145,950**
Liabilities					
Current liabilities:					
Accounts payable	—	3,051	9	2e	3,060
Accrued expenses	—	5,544	2,109	2e	7,653
Accounts payable and accrued expenses	2,118	—	(2,118)	2e	—
Deferred revenue	—	14,726	—		14,726
Deferred rent	—	147	—		147
Shor-term PPP loan	—	5,580	—		5,580
Income tax payable	—	101	—		101
Notes payable	—	15,000	—		15,000
Other current liabilities	—	690	—		690
Total current liabilities	2,118	44,839	—		46,957
Long-term liabilities:					
Deferred rent	—	847	—		847
Deferred revenue	—	18,857	—		18,857
Long-term PPP loan	—	—	—		—

Warrant liabilities	25,975	—	(15,741)	**2m**	10,234
Deferred underwriting fee payable	6,038	—	(6,038)	**2f**	—
Other long-term liabilities	—	689	—		689
Total liabilities	**34,131**	**65,232**	**(21,779)**		**77,584**
Commitment and contingencies					
Class A common stock subject to possible redemption	134,410	—	(134,410)	**2c**	—
Series A preferred stock	—	32,500	(32,500)	**2h**	—
Series B preferred stock	—	146,098	(146,098)	**2h**	—
Shareholders' equity:					
Preferred stock	—	—	—		—
Class A common stock (LGL)	0	—	(0)	**2l**	—
Class B convertible common stock (LGL)	0	—	(0)	**2j**	—
			(0)	**2k**	
Class A common stock (IronNet)	—	4	3	**2h**	—
			2	**2i**	
			(9)	**2l**	
Class B common stock (IronNet)	—	2	(2)	**2i**	—
Ironnet, Inc. common stock	—	—	1	**2b**	11
			1	**2c**	
			0	**2k**	
			9	**2l**	
Additional paid-in capital	19,853	2,585	124,999	**2b**	276,644
			134,409	**2c**	
			(14,853)	**2d**	
			(0)	**2l**	
			(23,169)	**2g**	
			(159,764)	**2n**	
			178,595	**2h**	
			0	**2j**	
			15,741	**2m**	
			(1,752)	**2o**	
Accumulated other comprehensive income	—	(35)	—		(35)
Accumulated deficit	(14,853)	(207,706)	14,853	**2d**	(207,706)
Less: Subscription notes receivable	—	(548)	—		(548)
Total shareholders' equity (deficit)	**5,000**	**(205,698)**	**269,064**		**68,366**
Total liabilities and equity	**$ 173,541**	**$ 38,132**	**$ (65,723)**		**$ 145,950**

IronNet Cybersecurity, Inc.
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the six months ended July 31, 2021
(Amounts in thousands of U.S. dollars, except per share data)

	LGL Systems Acquisition Corp. (Historical)	IronNet Cybersecurity, Inc. (Historical)	Pro Forma Adjustments		Combined Pro Forma
Product, subscription and support revenue	—	11,907	—		11,907
Professional services revenue	—	546	—		546
Total revenue	**—**	**12,453**	**—**		**12,453**
Cost of product, subscription and support revenue	—	3,422	—		3,422
Cost of services revenue	—	331	—		331
Total cost of revenue	**—**	**3,753**	**—**		**3,753**
Gross Profit	**—**	**8,700**	**—**		**8,700**
Operating expenses					
Research and development	—	14,462	—		14,462
Sales and marketing	—	14,836	—		14,836
General and administrative	—	11,685	2,412	**3b**	14,097
Operating and formation costs	2,412	—	(2,412)	**3b**	—
Total operating expenses	**2,412**	**40,983**	**—**		**43,395**
Operating loss	(2,412)	(32,283)	—		(34,695)
Other income, net	—	(361)	—		(361)
Interest income	5	—	(5)	**3a**	—
Change In Fair Value of Warrant Liabilities	(2,538)	—	—		(2,538)
Loss before provision for income taxes	**(4,945)**	**(32,644)**	**(5)**		**(37,594)**
Provision For Income Taxes	—	(23)	—		(23)
Net loss	**(4,945)**	**(32,667)**	**(5)**		**(37,617)**
Weighted average shares outstanding, basic	7,432,762	54,694,000	—		103,395,486
Weighted average shares outstanding, diluted	7,432,762	54,694,000	—		103,395,486
Basic net (loss) income per common share	$ (0.67)	$ (0.60)	$ —		$ (0.36)
Diluted net (loss) income per common share	$ (0.67)	$ (0.60)	$ —		$ (0.36)

IronNet Cybersecurity, Inc.
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended January 31, 2021
(Amounts in thousands of U.S. dollars, except per share data)

	LGL Systems Acquisition Corp. (Historical) (As Restated)	IronNet Cybersecurity, Inc. (Historical)	Pro Forma Adjustments (Assuming No Redemption)		Combined Pro Forma (Assuming No Redemption)
Product, subscription and support revenue	—	24,701	—		24,701
Professional services revenue	—	4,526	—		4,526
Total revenue	**—**	**29,227**	**—**		**29,227**
Cost of product, subscription and support revenue	—	5,393	—		5,393
Cost of services revenue	—	1,629	—		1,629
Total cost of revenue	**—**	**7,022**	**—**		**7,022**
Gross Profit	**—**	**22,205**	**—**		**22,205**
Operating expenses					
Research and development	—	25,754	—		25,754
Sales and marketing	—	30,381	—		30,381
General and administrative	—	21,347	630	**3c**	21,977
Formation and operating costs	630	—	(630)	**3c**	—
Total operating expenses	**630**	**77,482**	**—**		**78,112**
Operating loss	(630)	(55,277)	—		(55,907)
Other income, net	—	(19)	—		(19)
Interest income	809	—	(809)	**3a**	—
Change In Fair Value of Warrant Liabilities	(8,971)	—	—		(8,971)
Loss before provision for income taxes	**(8,792)**	**(55,296)**	**(809)**		**(64,897)**
Provision For Income Taxes	(38)	(77)	38	**3b**	(77)
Net loss	**(8,830)**	**(55,373)**	**(771)**		**(64,974)**
Weighted average shares outstanding, basic	6,703,614	53,928,489	—		103,395,486
Weighted average shares outstanding, diluted	6,703,614	53,928,489	—		103,395,486
Basic net (loss) income per common share	$ (1.39)	$ (1.03)	$ —		$ (0.63)
Diluted net (loss) income per common share	$ (1.39)	$ (1.03)	$ —		$ (0.63)

Notes to Unaudited Pro Forma Condensed Combined Financial Statements

1. Basis of Presentation

The Business Combination was accounted for as a reverse recapitalization under GAAP. Under this method of accounting, LGL is treated as the "acquired" company for financial reporting purposes. This determination is primarily based on:

- Legacy IronNet stockholders comprising a majority of the voting power of the Combined Company and having the ability to determine the outcome of the election of directors of the Combined Company Board;
- Legacy IronNet's operations prior to the acquisition comprising the only ongoing operations of the Combined Company; and
- Legacy IronNet's senior management comprising all of the senior management of the Combined Company.

Accordingly, for accounting purposes, the financial statements of the Combined Company represent a continuation of the financial statements of Legacy IronNet with the Business Combination treated as the equivalent of Legacy IronNet issuing stock for the net assets of LGL, accompanied by a recapitalization. The net assets of LGL will be stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the Business Combination will be presented as those of Legacy IronNet in future reports of the Combined Company.

The unaudited pro forma condensed combined balance sheet as of July 31, 2021 gives pro forma effect to the Business Combination and the other events contemplated by the Business Combination Agreement as if they had been consummated on July 31, 2021. The unaudited pro forma condensed combined statement of operations for the six months ended July 31, 2021 and year ended January 31, 2021 give pro forma effect to the Business Combination and the other transactions contemplated by the Business Combination Agreement as if they had been consummated on February 1, 2020.

The unaudited pro forma condensed combined financial statements have been developed from and should be read in conjunction with:

- the (a) historical audited financial statements of LGL for the year ended December 31, 2020 and the related notes (As Restated), which were restated on May 10, 2021 to reflect a change from LGL's prior accounting for its public warrants issued in connection with, as well as its private warrants issued simultaneously with, its initial public offering in November 2019 as liabilities instead of components of equity, incorporated by reference, and (b) historical unaudited financial statements of LGL as of and for the six months ended June 30, 2021 and the related notes, included in LGL's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, included in the LGL10-Q;
- the (a) historical audited financial statements of Legacy IronNet for the year ended January 31, 2021 and the related notes and (b) historical unaudited financial statements of Legacy IronNet as of and for the six months ended July 31, 2021 and the related notes, incorporated by reference;
- LGL's Management's Discussion and Analysis of Financial Condition and Results of Operations for the period ended June 30, 2021, included in the LGL 10-Q;
- LGL's Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2020, incorporated by reference;
- the accompanying notes to the unaudited pro forma condensed combined financial statements;
- Legacy IronNet's Management's Discussion and Analysis of Financial Condition and Results of Operations for the period ended July 31, 2021, included in the 8-K
- Legacy IronNet's Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended January 31, 2021, incorporated by reference; and
- Other information relating to LGL and Legacy IronNet included in the8-K, including the Business Combination Agreement and the description of certain terms thereof set forth under the section entitled "The Business Combination."

Management has made significant estimates and assumptions in its determination of the pro forma adjustments based on information available as of the date of these unaudited pro forma condensed combined financial information. As the unaudited pro forma condensed combined financial information has been prepared based on these preliminary estimates, the final amounts recorded may differ materially from the information presented as additional information becomes available. Management considers this basis of presentation to be reasonable under the circumstances.

The accounting treatment of LGL's warrants that were outstanding as of the Closing Date (the warrants held by holders other than the Sponsor being referred to as the "**Public Warrants**," and the warrants held by the Sponsor being referred to as the "**Private Warrants**") are being reflected as equity classified instruments or liability classified instruments. Public Warrants are being reflected as equity, while Private Warrants are reflected as liabilities in the unaudited pro forma financial information.

The accounting treatment for the contingent obligation to issue the Earnout Shares was evaluated to assess if the arrangement qualifies as an equity- or liability-classified instrument. Currently it is treated as, and is reflected in the unaudited pro forma financial information as, an equity-classified instrument.

One-time direct and incremental transaction costs incurred are reflected in the unaudited pro forma condensed combined balance sheet as a direct reduction to Legacy IronNet's additional paid-in capital and are assumed to be cash settled.

2. Unaudited Pro Forma Condensed Combined Balance Sheet Adjustments

The pro forma adjustments included in the unaudited pro forma condensed combined balance sheet as of July 31, 2021 are as follows:

a) Reflects the reclassification of $173.0 million of cash and cash equivalents held in LGL's trust account that becomes available for transaction consideration, transaction expenses and the operating activities following the Business Combination. See adjustment (m) below for actual redemptions in connection with the closing of the Business Combination.

b) Reflects the gross cash proceeds from the Private Placement of 12.5 million shares of LGL common stock for $125.0 million from Subscription Investors.

c) Represents the reclassification of $134.4 million of LGL Class A common stock subject to possible redemption to permanent equity immediately prior to the closing.

d) Reflects the elimination of $14.9 million of LGL's historical accumulated deficit.

e) Reflects the reclassification of Legacy LGL's financial statement line items to mirror those of Legacy IronNet's, the accounting acquirer.

f) Reflects the payment of $6.0 million of deferred underwriters' fees incurred during LGL's initial public offering due upon the Closing.

g) Represents the direct and incremental transaction costs of $29.2 million incurred prior to, or concurrent with the Closing, including the deferred underwriting fees related to the LGL initial public offering as described in adjustment (f).

h) Reflects the conversion of Legacy IronNet convertible preferred stock into Legacy IronNet Class A Common Stock pursuant to the conversion rate effective immediately prior to the Effective Time.

i) Reflects the conversion of 17,606,830 shares of Legacy IronNet's Class B Common Stock into shares of Legacy IronNet's Class A Common Stock.

j) Reflects the Sponsor's forfeiture of 1,078,125 shares of LGL common stock.

k) Reflects the conversion of the remaining 3,234,375 shares held by Sponsor after the reservation of the possible earnout into shares of LGL's Class A Common Stock.

l) Represents the recapitalization of common shares between Legacy IronNet Class A Common Stock, LGL Class A Common Stock and Additional Paid-In Capital.

m) Reflects the reclassification of $15.7 million of LGL's Public Warrants from warrant liabilities to additional paid-in capital.

n) Represents the cash disbursed to redeem 15,928,889 shares of LGL's Common Stock in connection with the Business Combination at an assumed redemption price of approximately $10.03 per share based on the funds held in the trust account as of June 30, 2021.

o) Represents the reclassification of deferred transaction costs to additional paid-in capital. The unaudited pro forma condensed combined statements of operations does not include any incremental stock based compensation expense related to the modification of the Legacy IronNet restricted stock units as the company is still evaluating the impact on the outstanding awards under ASC 718.

3. Unaudited Pro Forma Condensed Combined Statements of Operations Adjustments

Adjustments to Unaudited Pro Forma Condensed Combined Statement of Operations for the six months ended July 31, 2021

The adjustments included in the unaudited pro forma condensed combined statement of operations for the six months ended July 31, 2021 are as follows:

a) Represents the elimination of $5.2 thousand of interest income on LGL's trust account and unrealized gains (losses) on securities held within the trust.

b) Represent the reclassification of $2.4 million of Operating and Formation costs to General and Administrative costs.

Adjustments to Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended January 31, 2021

The adjustments included in the unaudited pro forma condensed combined statement of operations for the year ended January 31, 2021 are as follows:

a) Represents the elimination of $808.5 thousand of interest income on LGL's trust account and unrealized gains (losses) on securities held within the trust.

b) Represents the income tax impact of the elimination of investment income related to the investments held in the LGL Trust Account.

c) Represent the reclassification of $629.7 thousand of Operating and Formation costs to General and Administrative costs.

The unaudited pro forma condensed combined statements of operations does not include any incremental stock based compensation expense related to the modification of the Legacy IronNet restricted stock units as the company is still evaluating the impact on the outstanding awards under ASC 718.

4. Loss Per Share

Represents the net loss per share calculated using the historical weighted average shares outstanding and the issuance of additional shares in connection with the Business Combination and other related events, assuming such additional shares were outstanding since February 1, 2020. As the Business Combination is being reflected as if it had occurred as of February 1, 2020, the calculation of weighted average shares outstanding for basic and diluted net loss per share assumes the shares issued in connection with the Business Combination have been outstanding for the entire periods presented.

Following the Closing, the Eligible IronNet Equity holders will have the right to receive up to 1,078,125 Earnout Shares, issuable upon the occurrence of the Earnout Triggering Event during the Earnout Period. Because the Earnout Shares are contingently issuable based upon the share price of the Surviving Company reaching specified thresholds that have not been achieved, the Earnout Shares have been excluded from basic and diluted pro forma net loss per share.

	For the six months ended July 31, 2021 Pro Forma Combined	For the year ended January 31, 2021 Pro Forma Combined
In thousands, except per share data		
Pro forma net income attributable to common shareholders - basic	$ (37,617)	$ (64,974)
Basic weighted average shares outstanding	103,395,486	103,395,486
Pro Forma Basic Earnings (Loss) Per Share	**$ (0.36)**	**$ (0.63)**
Pro forma net income attributable to common shareholders - diluted	$ (37,617)	$ (64,974)
Diluted weighted average shares outstanding	103,395,486	103,395,486
Pro Forma Diluted Earnings (Loss) Per Share	**$ (0.36)**	**$ (0.63)**
Pro Forma Basic and Diluted Weighted Average Shares		
LGL Common Stock	5,121,486	5,121,486
Total LGL	**5,121,486**	**5,121,486**
Shares Issued to IronNet(1)	86,340,000	86,340,000
PIPE Shareholders	11,934,000	11,934,000
Total Pro Forma Basic Weighted Average Shares	**103,395,486**	**103,395,486**
Total Pro Forma Diluted Weighted Average Shares	**103,395,486**	**103,395,486**

(1) Includes 18,971,549 shares of Combined Company Common Stock issuable upon exercise or settlement of Legacy IronNet stock options and restricted stock units assumed in connection with the Business Combination.