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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023
OR

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

Commission file number 001-35525

SMITH MICRO SOFTWARE, INC.

(Exact name of registrant as specified in its charter)

Delaware	**33-0029027**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

5800 Corporate Drive
Pittsburgh, PA 15237
(Address of principal executive offices, including zip code)
(412) 837-5300
(Registrant's telephone number, including area code)

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 $0.001 per share	SMSI	NASDAQ

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

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

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

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

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

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

As of November 7, 2023, there were 71,925,856 shares of common stock outstanding.

SMITH MICRO SOFTWARE, INC.
QUARTERLY REPORT ON FORM 10-Q
September 30, 2023

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SMITH MICRO SOFTWARE, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and par value data)

	September 30, 2023	December 31, 2022
	(unaudited)	(audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 7,982	$ 14,026
Accounts receivable, net of allowance for doubtful accounts of $3 and $3 (2023 and 2022, respectively)	10,290	10,501
Prepaid expenses and other current assets	2,940	1,983
Total current assets	21,212	26,510
Equipment and improvements, net	998	1,498
Right-of-use assets	2,686	3,722
Other assets	475	490
Intangible assets, net	31,901	36,320
Goodwill	35,041	35,041
Total assets	$ 92,313	$ 103,581
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 3,027	$ 3,236
Accrued payroll and benefits	2,502	3,883
Current operating lease liabilities	1,434	1,441
Other current liabilities	1,714	1,589
Current portion of convertible notes payable	3,456	9,007
Derivative liabilities	46	1,575
Total current liabilities	12,179	20,731
Non-current liabilities:		
Warrant liabilities	1,278	3,317
Operating lease liabilities	1,787	2,976
Deferred tax liabilities, net	178	178
Total non-current liabilities	3,243	6,471
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $0.001 per share; 100,000,000 shares authorized; 70,384,838 and 56,197,910 shares issued and outstanding (2023 and 2022, respectively)	70	56
Additional paid-in capital	376,057	357,875
Accumulated comprehensive deficit	(299,236)	(281,552)
Total stockholders’ equity	76,891	76,379
Total liabilities and stockholders' equity	$ 92,313	$ 103,581

See accompanying notes to the consolidated financial statements.

SMITH MICRO SOFTWARE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues	$ 11,001	$ 11,699	$ 32,269	$ 37,108
Cost of revenues (including depreciation of $12, $25, $40, and $85 in the three and nine months ended September 30, 2023 and 2022, respectively)	2,528	3,629	8,400	10,882
Gross profit	8,473	8,070	23,869	26,226
Operating expenses:				
Selling and marketing	2,449	2,986	8,631	9,687
Research and development	3,704	7,409	13,276	22,756
General and administrative	2,934	4,208	9,448	11,885
Depreciation and amortization	1,567	1,822	4,872	5,665
Total operating expenses	10,654	16,425	36,227	49,993
Operating loss	(2,181)	(8,355)	(12,358)	(23,767)
Other income (expense):				
Change in fair value of warrant and derivative liabilities	73	3,457	3,486	3,457
Loss on derecognition of debt	(1,583)	—	(2,985)	—
Interest expense, net	(1,443)	(896)	(5,740)	(898)
Other income (expense), net	15	9	(62)	(22)
Loss before provision for income taxes	(5,119)	(5,785)	(17,659)	(21,230)
Provision for income tax expense	14	27	25	77
Net loss	$ (5,133)	$ (5,812)	$ (17,684)	$ (21,307)
Loss per share:				
Basic and diluted	$ (0.08)	$ (0.10)	$ (0.28)	$ (0.39)
Weighted average shares outstanding:				
Basic and diluted	67,354	55,722	62,297	55,140

See accompanying notes to the consolidated financial statements.

SMITH MICRO SOFTWARE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Comprehensive Deficit	Total
	Shares	Amount			
BALANCE, June 30, 2023 (unaudited)	65,202	$ 65	$ 368,527	$ (294,103)	$ 74,489
Non-cash compensation recognized on stock options and employee stock purchase plan ("ESPP")	—	—	6	—	6
Restricted stock grants, net of cancellations	574	—	1,334	—	1,334
ESPP shares issued	7	—	7	—	7
Cancellation of shares for payment of withholding tax	(65)	—	(89)	—	(89)
Common shares issued in settlement and prepayment of notes payable	4,667	5	6,272	—	6,277
Net loss	—	—	—	(5,133)	(5,133)
BALANCE, September 30, 2023 (unaudited)	70,385	$ 70	$ 376,057	$ (299,236)	$ 76,891

	Common Stock		Additional Paid-in Capital	Accumulated Comprehensive Deficit	Total
	Shares	Amount			
BALANCE, December 31, 2022 (audited)	56,198	$ 56	$ 357,875	$ (281,552)	$ 76,379
Non-cash compensation recognized on stock options and ESPP	—	—	24	—	24
Restricted stock grants, net of cancellations	1,837	2	3,290	—	3,292
ESPP shares issued	15	—	15	—	15
Cancellation of shares for payment of withholding tax	(245)	—	(381)	—	(381)
Common shares issued in settlement and prepayment of notes payable	12,580	12	15,234	—	15,246
Net loss	—	—	—	(17,684)	(17,684)
BALANCE, September 30, 2023 (unaudited)	70,385	70	376,057	(299,236)	76,891

See accompanying notes to the consolidated financial statements.

SMITH MICRO SOFTWARE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Comprehensive Deficit	Total
	Shares	Amount			
BALANCE, June 30, 2022 (unaudited)	55,120	$ 55	$ 354,641	$ (267,768)	$ 86,928
Non-cash compensation recognized on stock options and ESPP	—	—	22	—	22
Restricted stock grants, net of cancellations	59	—	1,074	—	1,074
Cancellation of shares for payment of withholding tax	(61)	—	(159)	—	(159)
ESPP	11	—	21	—	32
Common shares issued in stock offering, net of offering costs	1,132	1	1,308	—	1,309
Net loss	—	—	—	(5,812)	(5,812)
BALANCE, September 30, 2022 (unaudited)	56,261	56	356,907	(273,580)	83,383

	Common Stock		Additional Paid-in Capital	Accumulated Comprehensive Deficit	Total
	Shares	Amount			
BALANCE, December 31, 2021 (audited)	54,259	$ 54	$ 352,779	$ (252,273)	$ 100,560
Non-cash compensation recognized on stock options and ESPP	—	—	66	—	66
Restricted stock grants, net of cancellations	1,192	1	3,782	—	3,783
Cancellation of shares for payment of withholding tax	(347)	—	(1,084)	—	(1,084)
ESPP	17	—	40	—	40
Common shares issued in stock offering, net of offering costs	1,132	1	1,308	—	1,309
Exercise of stock options	8	—	16	—	16
Net loss	—	—	—	(21,307)	(21,307)
BALANCE, September 30, 2022 (unaudited)	56,261	56	356,907	(273,580)	83,383

See accompanying notes to the consolidated financial statements.

SMITH MICRO SOFTWARE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Nine Months Ended September 30,	
	2023	2022
	(unaudited)	(unaudited)
Operating activities:		
Net loss	$ (17,684)	$ (21,307)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,912	5,751
Non-cash lease expense	(160)	(374)
Non-cash transaction costs including amortization of debt discount and issuance costs	5,398	1,422
Change in fair value of warrant and derivative liabilities	(3,486)	(3,457)
Loss on derecognition of debt	2,985	—
Stock based compensation	3,316	3,849
Loss on disposal of assets	12	31
Changes in operating accounts:		
Accounts receivable	208	1,108
Prepaid expenses and other assets	220	186
Accounts payable and accrued liabilities	(2,224)	(1,526)
Other liabilities	553	(161)
Net cash used in operating activities	(5,950)	(14,478)
Investing activities:		
Capital expenditures, net	(5)	(85)
Other investing activities	71	94
Net cash provided by investing activities	66	9
Financing activities:		
Proceeds from notes and warrants offering	—	15,000
Proceeds from stock and warrants offering	—	3,000
Stock, notes, and warrants offering costs	—	(1,227)
Proceeds from financing arrangements	981	1,541
Repayments of financing arrangements	(1,156)	(978)
Other financing activities	15	56
Net cash (used in) provided by financing activities	(160)	17,392
Net (decrease) increase in cash and cash equivalents	(6,044)	2,923
Cash and cash equivalents, beginning of period	14,026	16,078
Cash and cash equivalents, end of period	$ 7,982	$ 19,001
Supplemental disclosures of cash flow information:		
Non-cash investing and financing activities:		
Issuance of common stock in settlement and prepayment of notes payable	$ 12,180	$ —
Derivative and warrants in connection with notes and stock offerings	—	9,578

See accompanying notes to the consolidated financial statements.

SMITH MICRO SOFTWARE, INC.
Notes to the Consolidated Financial Statements
(Unaudited)

1. The Company

Smith Micro Software, Inc. ("Smith Micro" or "the Company") develops software to simplify and enhance the mobile experience, providing solutions to some of the leading wireless service providers around the world. From enabling the family digital lifestyle to providing powerful voice messaging capabilities, the Company strives to enrich today's connected lifestyles while creating new opportunities to engage consumers via smartphones and consumer Internet of Things ("IoT") devices. Smith Micro's portfolio includes a wide range of products for creating, sharing, and monetizing rich content, such as visual voice messaging, retail content display optimization and performance analytics on various product sets.

Smith Micro's solution portfolio is comprised of proven products that enable its customers to provide:

- In-demand digital services that connect today's digital lifestyle, including family location services, parental controls, and consumer IoT devices to mobile consumers worldwide;
- Easy visual access to voice messages on mobile devices through visual voicemail and voice-to-text transcription functionality; and
- Strategic, consistent, and measurable digital demonstration experiences that educate retail shoppers, create awareness of products and services, drive in-store sales, and optimize retail experiences with actionable analytics derived from in-store customer behavior.

2. Accounting Policies

Basis of Presentation

The accompanying interim consolidated balance sheet as of September 30, 2023, and the related consolidated statements of operations and stockholders' equity for the three and nine months ended September 30, 2023 and 2022, and the consolidated statements of cash flows for the nine months ended September 30, 2023 and 2022, are unaudited. The unaudited consolidated financial statements have been prepared according to the rules and regulations of the Securities and Exchange Commission ("SEC") and, therefore, certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been omitted.

In the opinion of management, the accompanying unaudited consolidated financial statements for the periods presented reflect all adjustments which are normal and recurring, and necessary to fairly state the financial position, results of operations, and cash flows of the Company. These unaudited consolidated financial statements should be read in conjunction with the audited financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed with the SEC on March 23, 2023 (the "2022 Form 10-K").

Intercompany balances and transactions have been eliminated in consolidation.

Operating results for the three and nine months ended September 30, 2023 are not necessarily indicative of the results that may be expected for any other interim period or for the fiscal year ending December 31, 2023.

New Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." This updated guidance sets forth a current expected credit loss model based on expected losses. Under this model, an entity recognizes an allowance for expected credit losses based on historical experience, current conditions and forecasted information rather than the current methodology of delaying recognition of credit losses until it is probable a loss has been incurred. This guidance became effective for the Company beginning with interim periods starting in fiscal year 2023. The impact of adopting the new standard did not have a material impact on the Company's consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current presentation.

3. Equity Transactions

In a registered direct offering concurrent with the 2022 Notes and Warrants Offering referred to in Note 4, on August 11, 2022, the Company entered into a Securities Purchase Agreement (the "Additional Purchase Agreement" and together with the Securities Purchase Agreement further discussed in Note 4, the "Purchase Agreements") with certain accredited investors to sell at a purchase price of $2.65 per share an aggregate of 1,132,075 shares of the Company's common stock and warrants to purchase up to an aggregate of 1,132,075 shares of the Company's common stock (the "Additional Warrants") (the "Stock and Additional Warrants Offering"). Each Additional Warrant is exercisable at a price of $2.65 per share and expires on February 14, 2028. The issuance of the Shares and the Additional Warrants were conducted as a registered direct offering pursuant to the Company's currently effective Registration Statement on Form S-3, previously filed with and declared effective by the SEC, and prospectus supplements thereunder. The Stock and Additional Warrants Offering closed on August 12, 2022, and the Company raised net cash proceeds of $2.8 million.

The Additional Warrants were assessed and concluded to be liability instruments due to cash purchase settlement provisions, and as a result all changes in the fair value of the Additional Warrants will be recognized in the Company's consolidated statements of operations until they are either exercised or expire. The Additional Warrants are not traded in an active securities market and, as such, the estimated fair value at inception was $1.6 million determined utilizing a Black-Scholes option pricing model and is reflected on the balance sheet line "Warrant liabilities" and as an adjustment to Additional Paid-in Capital.

4. Debt and Warrants Transactions

2022 Notes and Warrants Offering

On August 11, 2022, the Company entered into a Securities Purchase Agreement ("SPA") with certain accredited investors, and, pursuant to the SPA, sold a new series of senior secured convertible notes (the "Notes") with an aggregate original principal amount of $15.0 million and an initial conversion price of $3.35 per share, subject to adjustment as described in the Notes, and warrants to acquire up to an aggregate amount of 2,238,806 additional shares of the Company's common stock (the "Warrants" and together with the Notes, the "Notes and Warrants Offering"). The Warrants are exercisable at a price of $3.35 per share and expire five years from the date of issuance on August 11, 2027. There is no established public trading market for the Warrants and the Company does not intend to list the Warrants on any national securities exchange or nationally recognized trading system. The closing of the Notes and Warrants Offering occurred on August 11, 2022.

The Notes accrue compounding interest at the rate of 6.0% per annum, which is payable in cash or shares of the Company's common stock at the Company's option, in arrears in accordance with the terms of the Notes. Upon the occurrence and during the continuance of an Event of Default (as defined in the Notes), the Notes will accrue interest at the rate of 15.0% per annum. Upon conversion and other designated events, holders of the Notes are also entitled to receive an interest make-whole payment. Upon a redemption due to a Change in Control (as defined in the Notes), holders of the Notes are entitled to cash settlement. The Notes mature on December 31, 2023, with amortization payments due monthly by the first business day of the month from April 2023 through December 2023, and the balance at maturity. There were principal installment payments of $10.9 million made during the nine months ended September 30, 2023 as described in Note 3 above, and as such a portion of the debt and related derivative were derecognized.

The Warrants were assessed and concluded to be liability instruments due to cash settlement provisions, and as a result all changes in the fair value of the Warrants will be recognized in the Company's consolidated statements of operations until they are either exercised or expire. The Warrants are not traded in an active securities market and, as such, the estimated fair value at inception was $3.8 million, determined utilizing a Black-Scholes option pricing model and is reflected on the balance sheet line "Warrant liabilities" and as a discount on the Notes.

The Notes contain a make-whole feature and a redemption right payable in cash upon change in control feature, as well as certain other conversion and redemption features. These features are viewed collectively as a compound embedded derivative that meets the criteria to be bifurcated and carried at fair value. This is classified in the balance sheet line as "Derivative liabilities" and as a discount on the Notes, with subsequent adjustments to fair value each reporting period with a charge to earnings. The derivative was initially recognized at a fair value of $4.2 million and is subsequently adjusted to fair value quarterly, as required, and immediately prior to any change in underlying debt balance. The change in valuation of the debt instrument as a whole, including the derivative, as a result of installment payments extinguishing an aggregate of $10.9 million in principal under the Notes, is reflected in the statement of operations line "Loss on derecognition of debt" totaling $1.6 million for the three months ended September 30, 2023 and $3.0 million for the nine months ended September 30, 2023. Below are specific assumptions utilized:

Convertible Notes Derivative	Common stock market price	Risk-free interest rate	Expected dividend yield	Expected term (in years)	Expected volatility
March 31, 2023 for April 1, 2023 Installment date	$ 1.16	4.68 %	—	0.75	84.34 %
May 1, 2023 for May 1, 2023 Installment date	$ 1.22	4.68 %	—	0.67	81.57 %
May 31, 2023 for June 1, 2023 Installment date	$ 1.21	4.91 %	—	0.59	86.20 %
June 30, 2023 for July 1, 2023 Installment date	$ 1.11	5.42 %	—	0.50	90.68 %
July 31, 2023 for August 1, 2023 Installment date	$ 1.14	5.53 %	—	0.42	59.89 %
August 31, 2023 for September 1, 2023 Installment date	$ 1.71	5.54 %	—	0.33	69.85 %
September 30, 2023 for October 1, 2023 Installment date	$ 1.21	5.56 %	—	0.25	78.21 %

During the three months ended September 30, 2023, the Company recognized interest expense of $1.5 million on the Notes and related instruments utilizing the effective interest rate of 155%, which includes amortization of debt issuance costs of $0.1 million, amortization of discount of $1.3 million, and contractual interest of $0.1 million.

During the nine months ended September 30, 2023, the Company recognized interest expense of $5.9 million on the Notes and related instruments utilizing the effective interest rate of 155%, which includes amortization of debt issuance costs of $0.3 million, amortization of discount of $5.1 million, and contractual interest of $0.5 million.

In accordance with the 2022 Notes and Warrants offering, during the nine months ended September 30, 2023, 11,420,603 shares of the Company's Common Stock were issued for the April 1, 2023 through the October 1, 2023 principal amortization installment date payments, which in total reduced the convertible Notes principal balance by $10.9 million. The payment for the October 1, 2023 principal amortization installment date was completed on September 30, 2023. During the three months ended September 30, 2023, 1,159,415 shares of the Company's Common Stock were prefunded to the holders of the Notes for the remaining balance related to the November 1, 2023 principal amortization installment date. This prefunded balance of $1.2 million is reflected in the balance sheet line "Prepaid expenses and other current assets" as of September 30, 2023. There were no conversions by the holders of the Notes during the nine months ended September 30, 2023.

The current balance of the Notes as of September 30, 2023 is as follows (unaudited, in thousands):

	Current
Gross Balance as of September 30, 2023	$ 4,051
Unamortized Discount	(562)
Unamortized Issuance Costs	(33)
Net Balance as of September 30, 2023	$ 3,456

The Notes contain certain customary affirmative and negative covenants regarding the incurrence of indebtedness, acquisition and investment transactions, the existence of liens, the repayment of indebtedness, the payment of cash in respect of dividends, distributions or redemptions, and the transfer of assets, among other matters. As of September 30, 2023, the Company was in compliance with all covenants.

Warrant Liabilities

As further discussed above, on August 11, 2022, warrants to purchase 2,238,806 shares of common stock were issued with an exercise price of $3.35 per share in conjunction with the Notes and Warrants Offering, at an initial fair value of $3.8 million. As further discussed in Note 3, Additional Warrants to purchase 1,132,075 shares of common stock were issued with an exercise price of $2.65 per share in conjunction with the Stock and Additional Warrants Offering.

All changes in the fair value of these warrant liabilities are recognized in the Company's consolidated statements of operations until they are either exercised or expire. Since issuance of the Warrants and Additional Warrants, there have been no warrant exercises. The Warrants and Additional Warrants are not traded in an active securities market and, as such, the estimated fair value was determined by using a Black-Scholes option pricing model that utilizes assumptions noted in the following table. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. Expected volatility is based on the historical volatility over the expected term of the warrants. The Company has no reason to believe future volatility over the expected remaining life of the Warrants and Additional Warrants is likely to differ materially from historical volatility. Expected life is based on the contractual term of the applicable warrants. Below are the specific assumptions utilized:

Warrants	September 30, 2023
Common stock market price	$ 1.21
Risk-free interest rate	4.49 %
Expected dividend yield	—
Expected term (in years)	3.87
Expected volatility	66.05 %

Additional Warrants	September 30, 2023
Common stock market price	$ 1.21
Risk-free interest rate	4.49 %
Expected dividend yield	—
Expected term (in years)	4.37
Expected volatility	69.23 %

5. Fair Value of Financial Instruments

The Company measures and discloses fair value measurements as required by FASB ASC Topic No. 820, *Fair Value Measurements and Disclosures*.

Fair value is an exit price, representing the amount that would be received upon the sale of an asset or the amount that would be paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, the FASB establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

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

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The following table presents information about the financial liabilities that are measured at fair value on a recurring basis at September 30, 2023 and 2022 (unaudited, in thousands):

Level 3	September 30, 2023	September 30, 2022
Notes and Warrants Offering Derivative	$ 46	$ 2,173
Warrants	742	2,462
Additional Warrants	536	1,486
Total	$ 1,324	$ 6,121

The following table presents the changes in the fair value (unaudited, except for December 31, 2022, in thousands):

	Notes and Warrants Offering Derivative	Warrants	Additional Warrants	Total
Measurement at June 30, 2023	$ 217	$ 722	$ 472	$ 1,411
Change in fair value	(157)	20	64	(73)
Derecognition of debt	(14)	—	—	(14)
Measurement at September 30, 2023	$ 46	$ 742	$ 536	$ 1,324

	Notes and Warrants Offering Derivative	Warrants	Additional Warrants	Total
Measurement at December 31, 2022	$ 1,575	$ 2,052	$ 1,265	$ 4,892
Change in fair value	$ (1,448)	$ (1,310)	$ (729)	$ (3,487)
Derecognition of debt	$ (81)	$ —	$ —	$ (81)
Measurement at September 30, 2023	$ 46	$ 742	$ 536	$ 1,324

6. Goodwill and Intangible Assets

In accordance with FASB ASC Topic No. 350, *Intangibles-Goodwill and Other*, Smith Micro reviews the recoverability of the carrying value of goodwill at least annually or whenever events or circumstances indicate a potential impairment. For purposes of the goodwill impairment test, the Company operates as a single reporting unit. Different judgments relating to the determination of reporting units could significantly affect the testing of goodwill for impairment and the amount of any impairment recognized.

In the first quarter of 2023, management concluded that the written notice of termination of a U.S. Tier 1 customer agreement for the Company's family safety solution, as disclosed in Note 16 of the 2022 Form 10-K, represented a triggering event indicating possible impairment of goodwill and long-lived assets, including Customer relationships intangible assets. The estimated fair value of the Company's reporting unit exceeded the fair value of the other assets and liabilities as of February 2023, and as such there was not any impairment. The Company determined that there were no further goodwill impairment indicators through September 30, 2023 and there were no goodwill impairment indicators at December 31, 2022. If current projections, including revenue growth and operating results, are not achieved or specific valuation factors outside the Company's control, such as discount rates, economic or industry challenges, significantly change, goodwill could be subject to future impairment.

For intangibles, an impairment loss is recognized if the carrying amount of an intangible asset is not recoverable and its carrying amount exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. As of February 28, 2023, the Company assessed the assets impacted as a result of the triggering event indicated above and performed a recoverability test on the Customer relationships intangible asset from the acquisition of the Family Safety Mobile Business from Avast in April 2021, using Level 3 unobservable inputs including estimates of revenue growth, and EBITDA. The Company's estimated undiscounted future cash flows exceeded the carrying amount of the Customer relationships intangible asset, and therefore there was no impairment to the definite-lived intangible assets as a result of the triggering event. There were no further intangible asset impairment indicators through September 30, 2023.

The components of the Company's intangible assets were as follows for the periods presented:

	September 30, 2023 (unaudited) (in thousands, except for useful life data)			
	Weighted Average Remaining Useful Life (in Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Purchased technology	6	$ 13,330	$ (6,853)	$ 6,477
Customer relationships	11	27,548	(6,519)	21,029
Customer contracts	1	7,000	(6,171)	829
Software license	6	5,419	(2,153)	3,266
Patents	4	600	(300)	300
Total		$ 53,897	$ (21,996)	$ 31,901

	December 31, 2022 (audited) (in thousands, except for useful life data)			
	Weighted Average Remaining Useful Life (in Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Purchased technology	7	$ 13,529	$ (5,835)	$ 7,694
Customer relationships	12	27,548	(4,490)	23,058
Customer contracts	1	7,000	(5,673)	1,327
Software license	7	5,419	(1,552)	3,867
Non-compete	1	283	(273)	10
Patents	5	600	(236)	364
Total		$ 54,379	$ (18,059)	$ 36,320

The Company amortizes intangible assets over the pattern of economic benefit expected to be generated from the use of the assets, with a total weighted average amortization period of approximately nine years as of September 30, 2023 and ten years as of December 31, 2022. During the three months ended September 30, 2023 and 2022, intangible asset amortization expense was $1.5 million and $1.5 million, respectively. During the nine months ended September 30, 2023 and 2022, intangible asset amortization expense was $4.4 million and $4.8 million, respectively.

As of September 30, 2023, estimated amortization expense for the remainder of 2023 and thereafter was as follows (unaudited, in thousands):

Year Ending December 31,	Amortization Expense
2023	$ 1,454
2024	5,635
2025	5,402
2026	5,007
2027	4,131
2028 and thereafter	10,272
Total	$ 31,901

7. Earnings Per Share

The Company calculates earnings per share ("EPS") as required by FASB ASC Topic No. 260, *Earnings Per Share*. Basic EPS is calculated by dividing the net income available to common stockholders by the weighted average number of common shares outstanding for the period, excluding common stock equivalents. Diluted EPS is computed by dividing the net income available to common stockholders by the weighted average number of common shares outstanding for the period, plus the weighted average number of dilutive common stock equivalents outstanding for the period determined using the treasury-stock method. For periods with a net loss, the dilutive common stock equivalents are excluded from the diluted EPS calculation. For purposes of this calculation, common stock subject to repurchase by the Company, options, warrants, and convertible notes are considered to be common stock equivalents and are only included in the calculation of diluted earnings per share when their effect is dilutive.

The following table sets forth the details of basic and diluted earnings per share (unaudited, in thousands, except per share amounts):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator:				
Net loss	$ (5,133)	$ (5,812)	$ (17,684)	$ (21,307)
Denominator:				
Weighted average shares outstanding – basic	67,354	55,722	62,297	55,140
Potential common shares – options / warrants (treasury stock method) and convertible notes (as if converted method)	—	—	—	—
Weighted average shares outstanding – diluted	67,354	55,722	62,297	55,140
Shares excluded (anti-dilutive)	7,163	4,726	8,722	2,182
Net loss per common share:				
Basic	$ (0.08)	$ (0.10)	$ (0.28)	$ (0.39)
Diluted	$ (0.08)	$ (0.10)	$ (0.28)	$ (0.39)

The following shares were excluded from the computation of diluted net loss per share as the impact of including those shares would be anti-dilutive (unaudited, in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Convertible notes, as if converted	2,178	2,460	3,399	823
Outstanding stock options	84	138	84	144
Outstanding warrants	4,901	2,128	5,239	1,215
Total anti-dilutive shares	7,163	4,726	8,722	2,182

During the quarter ended September 30, 2023, there were 2.0 million warrants that expired unexercised.

8. Stock-Based Compensation

Stock Plans

During the nine months ended September 30, 2023, the Company granted 1.9 million shares of restricted stock under the Company's 2015 Omnibus Equity Incentive Plan, as amended ("2015 OEIP"), which was approved by Smith Micro's stockholders on June 18, 2015 and subsequent amendments to the 2015 OEIP to increase the number of shares reserved thereunder were subsequently approved by its stockholders on June 14, 2018, June 9, 2020, and June 6, 2023. The 2015 OEIP replaced the 2005 Stock Option / Stock Issuance Plan ("2005 Plan") which was due to expire on July 28, 2015. As of

September 30, 2023, there were approximately 3.3 million shares available for future grants under the Company’s 2015 OEIP.

The outstanding options under the 2005 Plan remain outstanding, but no new grants will be made under the 2005 Plan. The maximum number of shares of the Company’s common stock available for issuance over the term of the 2015 OEIP may not exceed 12,625,000 shares.

The 2015 OEIP provides for the issuance of full value awards (restricted stock, performance stock, dividend equivalent right or restricted stock units) and partial value awards (stock options or stock appreciation rights) to employees, non-employee members of the Company's Board of Directors and consultants. Any full value award settled in shares will be debited as 1.2 shares, and partial value awards settled in shares will be debited as 1.0 shares against the share reserve. The exercise price per share for stock option grants is not to be less than the fair market value per share of the Company’s common stock on the date of grant. The Compensation Committee of the Board of Directors administers the 2015 OEIP and determines the vesting schedule at the time of grant. Stock options may be exercisable immediately or in installments, but generally vest over a four-year period from the date of grant. In the event the holder ceases to be employed by the Company, all unvested stock awards terminate, and all vested stock options may be exercised within a period of 90 days following termination of employment. In general, stock options expire ten years from the date of grant. Restricted stock is valued using the closing stock price on the date of the grant. The total value is expensed over the vesting period, which typically ranges from 12 to 48 months, however in the quarter ended September 30, 2023, there were new grants with tranched vesting periods of 2 to 7 months.

Employee Stock Purchase Plan

The Company has a shareholder approved employee stock purchase plan (“ESPP”), under which substantially all employees may purchase the Company’s common stock through payroll deductions at a price equal to 85% of the lower of the fair market values of the stock as of the beginning and end of six-month offering periods. Payroll deductions under the ESPP are limited to 10% of the employee’s compensation and employees may not purchase more than the lesser of $25,000 of stock or 250 shares, for any purchase period. Additionally, no more than 250,000 shares in the aggregate may be purchased under the ESPP.

Stock Compensation Expense

The Company accounts for all stock-based payment awards made to employees and directors based on their fair values and recognized as compensation expense over the vesting period using the straight-line method over the requisite service period for each award as required by FASB ASC Topic No. 718, *Compensation-Stock Compensation*.

Compensation Costs

Non-cash stock-based compensation expenses related to stock options, restricted stock grants and the ESPP were recorded in the financial statements as follows (unaudited, in thousands):

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2023	**2022**	**2023**	**2022**
Cost of sales	—	—	—	2
Sales and marketing	300	179	653	915
Research and development	290	279	754	808
General and administrative	751	637	1,909	2,124
Total non-cash stock compensation expense	$ 1,341	$ 1,095	$ 3,316	$ 3,849

As of September 30, 2023, there was approximately $6.7 million in unrecognized compensation costs related to non-vested stock options and restricted stock granted under the 2015 OEIP and the 2005 Plan.

Stock Options

A summary of the Company's stock options outstanding and related information under the 2015 OEIP and 2005 Plan for the nine months ended September 30, 2023 are as follows (unaudited, in thousands except weighted average exercise price and weighted average remaining contractual life):

	Shares	Weighted Avg. Exercise Price	Wtd. Avg. Remaining Contractual Life (Yrs)	Aggregate Intrinsic Value
Outstanding as of December 31, 2022	139	$ 3.75	5.1	$ 6
Forfeited	(51)	$ 4.25	—	$ 7
Outstanding as of September 30, 2023	84	$ 3.35	4.0	$ —
Vested and expected to vest at September 30, 2023	83	$ 3.34	3.9	$ —
Exercisable as of September 30, 2023	77	$ 3.24	3.7	$ —

Restricted Stock Awards

A summary of the Company's restricted stock awards outstanding under the 2015 OEIP for the nine months ended September 30, 2023 are as follows (unaudited, in thousands, except weighted average grant date fair value):

	Shares	Weighted average grant date fair value
Unvested at December 31, 2022	1,679	4.75
Granted	1,945	1.58
Vested	(770)	4.30
Canceled and forfeited	(109)	3.78
Unvested at September 30, 2023	2,745	2.67

9. Revenues

Revenue Recognition

In accordance with FASB ASC Topic No. 606, *Revenue from Contracts with Customers*, the Company recognizes the sale of goods and services based on the five-step analysis of transactions as provided in Topic 606, which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for such goods and services. For all contracts with customers, the Company first identifies the contract which usually is established when a contract is fully executed by each party and consideration is expected to be received. Next, the Company identifies the performance obligations in the contract. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. The Company then determines the transaction price in the arrangement and allocates the transaction price, if necessary, to each performance obligation identified in the contract. The allocation of the transaction price to the performance obligations are based on the relative standalone selling prices for the goods and services contained in a particular performance obligation. The transaction price is adjusted for the Company's estimate of variable consideration which may include certain incentives and discounts, product returns, distributor fees, and storage fees. The Company evaluates the total amount of variable consideration expected to be earned by using the expected value method, as the Company believes this method represents the most appropriate estimate for this consideration, based on historical service trends, the individual contract considerations, and its best judgment at the time. The Company includes estimates of variable consideration in revenues only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Company generates the majority of its revenue on usage-based fees which are variable and depend entirely on customers' use of perpetual licenses, transactions processed on the Company's hosted environment, advertisement placements on the Company's service platform, and activity on the Company's cloud-based service platform.

The Company's contracts with mobile network operator ("MNO") customers include promises to transfer multiple products and services. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Smith Micro's cloud-based services include a software solution license integrated with cloud-based services. Since the Company does not allow its customers to take possession of the cloud-based elements of its software solutions, and since the utility of the license comes from the cloud-based services that the Company provides, Smith Micro considers the software license and the cloud services to be a single performance obligation. The Company recognizes revenue associated with its MNO customers based upon their active subscribers' access and usage of Smith Micro's software licenses and cloud-based services on Smith Micro's platforms or satisfaction of the performance obligations as indicated in the contracts.

Smith Micro has made accounting policy elections to exclude all taxes by governmental authorities from the measurement of the transaction price, and since the Company's standard payment terms are less than one year, the Company has elected the practical expedient not to assess whether a contract has a significant financing component.

Disaggregation of Revenues

Revenues on a disaggregated basis are as follows (unaudited, in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
License and service fees	$ 741	$ 957	$ 2,619	$ 2,818
Hosted environment usage fees	749	1,074	2,309	3,937
Cloud based usage fees	9,254	9,388	26,438	28,936
Consulting services and other	257	280	903	1,417
Total revenues	$ 11,001	$ 11,699	$ 32,269	$ 37,108

10. Segment, Customer Concentration and Geographical Information

Segment Information

Public companies are required to report financial and descriptive information about their reportable operating segments as required by FASB ASC Topic No. 280, *Segment Reporting*. The Company has one primary business unit based on how management internally evaluates separate financial information, business activities and management responsibility: Wireless. The Wireless segment includes the Family Safety (which includes SafePath®), CommSuite®, and ViewSpot® families of products.

The Company does not separately allocate operating expenses to these product lines, nor does it allocate specific assets. Therefore, product line information reported includes only revenues.

The following table presents the Wireless revenues by product line (unaudited, in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Family Safety	$ 9,179	$ 9,640	$ 27,016	$ 30,173
CommSuite	749	1,070	2,310	3,932
ViewSpot	1,073	989	2,943	3,003
Total Wireless revenues	$ 11,001	$ 11,699	$ 32,269	$ 37,108

Customer Concentration Information

The Company has certain customers whose revenues individually represented greater than 10% of the Company's total revenues, or whose accounts receivable balances individually represented greater than 10% of the Company's total accounts receivable.

For the three months ended September 30, 2023, three customers made up 45%, 32% and 10% of revenues. For the three months ended September 30, 2022, two customers made up 40% and 37% of revenues.

For the nine months ended September 30, 2023, three customers made up 41%, 35%, and 10% of revenues. For the nine months ended September 30, 2022, two customers made up 40% and 37% of revenues.

As of September 30, 2023, three customers accounted for 33%, 32%, and 18% of accounts receivable. As of September 30, 2022, four customers accounted for 36%, 28%, 17%, and 11% of accounts receivable.

Geographical Information

During the three and nine months ended September 30, 2023 and 2022, the Company operated in two geographic locations: the Americas and Europe, Middle East and Africa (EMEA). Revenues attributed to the geographic location of the customers' bill-to address were as follows (unaudited, in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Americas	$ 10,787	$ 11,247	$ 31,380	$ 35,654
EMEA	214	452	889	1,454
Total revenues	$ 11,001	$ 11,699	$ 32,269	$ 37,108

The Company does not separately allocate specific assets to these geographic locations.

11. Commitments and Contingencies

Litigation

The Company may become involved in various legal proceedings arising from its business activities. While management does not believe the ultimate disposition of these matters will have a material adverse impact on the Company's consolidated results of operations, cash flows, or financial position, litigation is inherently unpredictable, and depending on the nature and timing of these proceedings, an unfavorable resolution could materially affect the Company's future consolidated results of operations, cash flows, or financial position in a particular period.

Other Contingent Contractual Obligations

During its normal course of business, the Company has made certain indemnities, commitments, and guarantees under which it may be required to make payments in connection with certain transactions. These include: indemnities to the Company's customers pursuant to contracts for the Company's products and services, including indemnities with respect to intellectual property, confidentiality and data privacy; indemnities to various lessors in connection with facility leases for certain claims arising from use of such facility or under such lease; indemnities to vendors and service providers pertaining to claims based on the negligence or willful misconduct of the Company; indemnities involving the accuracy of representations and warranties in certain contracts; and indemnities to directors and officers of the Company to the maximum extent permitted under the laws of the State of Delaware. In addition, the Company has made or may make contractual commitments to employees providing for severance payments upon the occurrence of certain prescribed events. The Company may also issue a guarantee in the form of a standby letter of credit as security for contingent liabilities under certain customer contracts. The duration of these indemnities, commitments, and guarantees varies, and in certain cases may be indefinite. The majority of these indemnities, commitments, and guarantees may not provide for any limitation of the maximum potential for future payments the Company could be obligated to make. The Company has not recorded any liability for these indemnities, commitments, and guarantees in the accompanying consolidated balance sheets.

12. Leases

The Company leases office space and equipment, and certain office space was subleased during 2022. Management determines if a contract is a lease at the inception of the arrangement and reviews all options to extend, terminate, or purchase its right-of-use assets at the inception of the lease and accounts for these options when they are reasonably certain of being exercised.

Leases with an initial term of greater than twelve months are recorded on the consolidated balance sheet. Lease expense is recognized on a straight-line basis over the lease term.

The Company's lease contracts generally do not provide a readily determinable implicit rate. For these contracts, the estimated incremental borrowing rate is based on information available at the inception of the lease.

Operating lease cost consists of the following (unaudited, in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Lease cost	$ 406	$ 400	$ 1,224	$ 1,219
Sublease income	—	—	—	(18)
Total lease cost	$ 406	$ 400	$ 1,224	$ 1,201

The maturity of operating lease liabilities is presented in the following table (unaudited, in thousands):

	As of September 30, 2023
2023	$ 406
2024	1,509
2025	1,154
2026	474
Total lease payments	3,543
Less imputed interest	322
Present value of lease liabilities	$ 3,221

Additional information relating to the Company's operating leases follows (unaudited):

	As of September 30, 2023
Weighted average remaining lease term (years)	2.42
Weighted average discount rate	6.3 %

13. Income Taxes

The Company accounts for income taxes as required by FASB ASC Topic No. 740, *Income Taxes*. The Company assesses whether a valuation allowance should be recorded against its deferred tax assets based on the consideration of all available evidence, using a "more likely than not" realization standard. The four sources of taxable income that must be considered in determining whether deferred tax assets will be realized are: (1) future reversals of existing taxable temporary differences (i.e., offset of gross deferred tax liabilities against gross deferred tax assets); (2) taxable income in prior carryback years, if carryback is permitted under the applicable tax law; (3) tax planning strategies; and (4) future taxable income exclusive of reversing temporary differences and carryforwards.

In assessing whether a valuation allowance is required, significant weight is to be given to evidence that can be objectively verified. A significant factor in the Company's assessment is that the Company was in a three-year historical cumulative loss as of the end of fiscal 2022. In addition to the three-year historical cumulative loss at the end of fiscal 2022, the Company was also in a loss for fiscal 2017 and 2018. These facts, combined with uncertain near-term market and economic conditions, reduced the Company's ability to rely on projections of future taxable income in assessing the realizability of its deferred tax assets.

After a review of the four sources of taxable income as of December 31, 2022, and after consideration of the Company's cumulative loss position as of December 31, 2022, the Company will continue to reserve its U.S.-based deferred tax amounts, which total $62.7 million as of September 30, 2023.

The Company is subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. The Company is no longer subject to examination for U.S. federal income tax returns for years before December 31, 2018 and for state income tax returns, the Company is no longer subject to examination for years before December 31, 2017. As of September 30, 2023, the Company had no outstanding tax audits. The outcome of tax audits cannot be predicted with certainty. If any issues addressed in the Company's tax audits are resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income tax in the period such resolution occurs. Smith Micro may from time to time be assessed interest or penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to the consolidated financial results of the Company. It is the Company's policy to classify any interest and/or penalties in the consolidated financial statements as a component of income tax expense.

14. Subsequent Events

The Company evaluates and discloses subsequent events as required by FASB ASC Topic No. 855, *Subsequent Events*. The Topic establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued or are available to be issued. Subsequent events have been evaluated as of the date of this filing and no further disclosures are required.

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

In this document, the terms "Smith Micro," "Company," "we," "us," and "our" refer to Smith Micro Software, Inc. and, where appropriate, its subsidiaries.

This Quarterly Report on Form 10-Q (this "Report") contains forward-looking statements regarding Smith Micro which include, but are not limited to, statements concerning customer concentration, projected revenues, market acceptance of products, the success and timing of new product introductions, the competitive factors affecting our business, our ability to raise additional capital, gross profit and income, our expenses, the protection of our intellectual property, and our ability to remain a going concern. These forward-looking statements are based on our current expectations, estimates and projections about our industry, management's beliefs, and certain assumptions made by us. Words such as "anticipates," "expects," "intends," "plans," "predicts," "potential," "believes," "seeks," "estimates," "should," "may," "will," and variations of these words or similar expressions are intended to identify forward-looking statements. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements. These statements are not guarantees of future performance and are subject to risks, uncertainties, and assumptions that are difficult to predict. Therefore, our actual results could differ materially from those expressed or implied in any forward-looking statements as a result of various factors. Such factors include, but are not limited to, the following:

- our customer concentration, given that the majority of our sales currently depend on a few large client relationships;
- our ability to establish and maintain strategic relationships with our customers and mobile device manufacturers, their ability to attract customers, and their willingness to promote our products;
- our ability and/or customers' ability to distribute our mobile software applications to their end users through third party mobile software application stores, which we do not control;
- our dependency upon effective operation with operating systems, devices, networks and standards that we do not control and on our continued relationships with mobile operating system providers, device manufacturers and mobile software application stores on commercially reasonable terms or at all;
- our ability to hire and retain key personnel;
- the possibility of security and privacy breaches in our systems and in the third-party software and/or systems that we use, damaging client relations and inhibiting our ability to grow;
- failure to realize the expected benefits of prior acquisitions;
- interruptions or delays in the services we provide from our data center hosting facilities that could harm our business;
- the existence of undetected software defects in our products and our failure to resolve detected defects in a timely manner;
- our current client concentration within the vertical wireless carrier market, and the potential impact to our business resulting from changes within this vertical market, or failure to penetrate new markets;
- rapid technological evolution and resulting changes in demand for our products from our key customers and their end users;
- intense competition in our industry and the core vertical markets in which we operate, and our ability to successfully compete;
- the risks inherent with international operations;
- the impact of evolving information security and data privacy laws on our business and industry;
- the impact of governmental regulations on our business and industry;
- our ability to protect our intellectual property and our ability to operate our business without infringing on the rights of others;
- the risk of being delisted from NASDAQ if we fail to meet any of its applicable listing requirements;
- our ability to raise additional capital and the risk of such capital not being available to us at commercially reasonable terms or at all;

- risks related to the existence and terms of our outstanding convertible notes, including that they may restrict our ability to obtain additional financing, and adversely affect our business, financial condition and cash flows from operations in the future, and could require us to curtail or cease our operations;
- the risk that the conversion of our outstanding convertible notes and exercise of the warrants issued in connection therewith, which will dilute the ownership interest of our existing stockholders, may also depress the price of our common stock;
- the risk that our obligations to the holders of our convertible notes are secured by a security interest in substantially all of our assets, and if we default on those obligations, the note holders could foreclose on our assets;
- our ability to be profitable;
- our ability to remain a going concern;
- changes in our operating results due to shifts in our sales mix and variability in our operating expenses;
- our ability to assimilate acquisitions without diverting management attention and impacting current operations;
- the availability of third-party intellectual property and licenses needed for our operations on commercially reasonable terms, or at all;
- the difficulty of predicting our quarterly revenues and operating results and the chance of such revenues and results falling below analyst or investor expectations, which could cause the price of our common stock to fall; and
- those additional factors which are listed under Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on March 23, 2023 (the "2022 Form 10-K") under the caption "RISK FACTORS."

The forward-looking statements contained in this Report are made on the basis of the views and assumptions of management regarding future events and business performance as of the date this Report is filed with the Securities and Exchange Commission (the "SEC"). In addition, we operate in a highly competitive and rapidly changing environment; therefore, new risk factors can arise, and it is not possible for management to predict all such risk factors, nor to assess the impact of all such risk factors on our business or the extent to which any individual risk factor, or combination of risk factors, may cause results to differ materially from those contained in any forward-looking statement. We do not undertake any obligation to update these statements to reflect events or circumstances occurring after the date this Report is filed.

Overview

Smith Micro provides software solutions that simplify and enhance the mobile experience to some of the leading wireless service providers around the globe. From enabling the Digital Family Lifestyle™ to providing powerful voice messaging capabilities, we strive to enrich today's connected lifestyles while creating new opportunities to engage consumers via smartphones and consumer IoT devices. Our portfolio includes a wide range of products for creating, sharing, and monetizing rich content, such as visual voice messaging, retail content display optimization and performance analytics on any product set.

We continue to innovate and evolve our business to respond to industry trends and maximize opportunities in emerging markets, such as digital lifestyle services and online safety, "Big Data" analytics, automotive telematics, and the consumer IoT marketplace. The key to our longevity, however, is not simply technological innovation, but our focus on understanding our customers' needs and delivering value.

In the third quarter of 2023, our revenues declined by 6% to $11.0 million compared to the third quarter of 2022, primarily driven by a $0.5 million decrease in our Family Safety product line, coupled with a $0.3 million decrease in CommSuite revenues. These revenue declines primarily resulted from decreases associated with T-Mobile's efforts to migrate legacy Sprint subscribers to the T-Mobile network, which has impacted our revenues associated with legacy Sprint subscribers for both Family Safety and CommSuite. There was no legacy Sprint subscriber revenue for CommSuite in the third quarter of 2023. However, as a result of the decline in our cost of revenues, we have driven an increase in our gross profit during the third quarter of 2023 to $8.5 million, an increase of $0.4 million as compared to the prior year. Additionally, our operating expenses have decreased during the third quarter of 2023 compared to the third quarter of 2022 by approximately $5.8 million, primarily due to quarter-over-quarter reductions in Research and Development expenses of $3.7 million as

SafePath migration efforts have now been substantially completed. The net loss for the third quarter of 2023 was $5.1 million, resulting in a net loss of $0.08 per basic and diluted share.

While we currently provide white label Family Safety applications to all three Tier 1 wireless carriers in the United States, in accordance with the notice provided by one of our Tier 1 customers in February 2023, our Family Safety contract with that customer terminated effective June 30, 2023, and we will continue providing services to that customer for a post-termination period through November 2023. The revenues associated with that customer contract were approximately 36% of total revenues for the nine-month period ended September 30, 2023. Primarily as a result of that contract nearing the end of the post-termination period, we are anticipating our revenues to decline in the fourth quarter of 2023. In the first quarter of 2024, we expect no further material revenues related to that contract. Despite that termination, we continue to believe that we remain strategically positioned to offer our market-leading family safety platform to the majority of U.S. mobile subscribers. Since our acquisitions of Circle Media Labs, Inc.'s ("Circle") operator business in 2020 and the Family Safety Mobile Business from Avast in April 2021, we have been focused on migrating those customers from the acquired software platforms to our flagship SafePath platform, with the first such migration being completed during the first quarter of 2022 at one of our U.S. Tier 1 carrier customers. Another U.S. Tier 1 carrier customer successfully migrated to the SafePath platform during the third quarter of 2023. We believe that with these transitions to the SafePath platform now complete, we have an opportunity to increase the respective subscriber bases, and in turn, grow the revenues associated with these Tier 1 carriers.

Additionally, as a result of the termination notice referenced above, we announced actions late in the first quarter of 2023 that resulted in the elimination of approximately 26% of the Company's global workforce. The severance related costs associated with these actions were recognized in the first quarter of 2023. These actions, coupled with other cost reduction measures taken, have resulted in approximately $6.6 million of quarterly cost savings in the third quarter of 2023 as compared to the third quarter of 2022.

Refer to section titled "Liquidity and Capital Resources" for discussion of significant material changes in cash, and Note 4 of our Notes to the Consolidated Financial Statements for discussion regarding the changes related to the notes payable, derivative liabilities, and warrant liabilities.

Results of Operations

The table below sets forth certain statements of operations and comprehensive loss data expressed as a percentage of revenues for the three months ended September 30, 2023 and 2022. Our historical results are not necessarily indicative of the operating results that may be expected in the future.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenues	23.0	31.0	26.0	29.3
Gross profit	77.0	69.0	74.0	70.7
Operating expenses:				
Selling and marketing	22.3	25.5	26.7	26.1
Research and development	33.7	63.3	41.1	61.3
General and administrative	26.7	36.0	29.3	32.0
Depreciation and amortization	14.2	15.6	15.1	15.3
Total operating expenses	96.8	140.4	112.3	134.7
Operating loss	(19.8)	(71.4)	(38.3)	(64.0)
Change in fair value of warrant and derivative liabilities	0.7	29.5	10.8	9.3
Loss on derecognition of debt	(14.4)	—	(9.3)	—
Interest expense, net	(13.1)	(7.7)	(17.8)	(2.4)
Other income (expense), net	0.1	0.1	(0.2)	(0.1)
Loss before provision for income taxes	(46.5)	(49.4)	(54.7)	(57.2)
Provision for income tax expense	0.1	0.2	0.1	0.2
Net loss	(46.7)%	(49.7)%	(54.8)%	(57.4)%

Three Months Ended September 30, 2023 Compared to the Three Months Ended September 30, 2022

Revenues. Revenues were $11.0 million and $11.7 million for the three months ended September 30, 2023 and 2022, respectively, representing a decrease of $0.7 million, or 6%. This decrease was primarily related to decreases associated with our Family Safety and CommSuite product lines of $0.5 million and $0.3 million, respectively. The revenue decline primarily resulted from decreases associated with T-Mobile's efforts to migrate legacy Sprint subscribers to the T-Mobile network, which has impacted our revenues associated with legacy Sprint subscribers for both Family Safety and CommSuite product lines.

Cost of revenues. Cost of revenues were $2.5 million and $3.6 million for the three months ended September 30, 2023 and 2022, respectively. This decrease of approximately $1.1 million was primarily due to cost reduction efforts and the period-over-period decline in revenue.

Gross profit. Gross profit was $8.5 million, or 77% of revenues, for the three months ended September 30, 2023, compared to $8.1 million, or 69.0% of revenues, for the three months ended September 30, 2022. The increase of $0.4 million in gross profit was driven by the period-over-period decline in cost of revenues.

Selling and marketing. Selling and marketing expenses were $2.4 million and $3.0 million for the three months ended September 30, 2023 and 2022, respectively. This decrease of approximately $0.5 million was primarily due to decreases in personnel related costs and advertising costs.

Research and development. Research and development expenses were $3.7 million and $7.4 million for the three months ended September 30, 2023 and 2022 respectively. This decrease of $3.7 million was primarily due to the decline in personnel-related costs of approximately $2.6 million associated with the workforce reduction efforts referenced above and reductions in contractor costs of $1.0 million due to the substantial completion of SafePath migration efforts during 2023.

General and administrative. General and administrative expenses were $2.9 million and $4.2 million for the three months ended September 30, 2023 and 2022, respectively. This decrease of approximately $1.3 million was primarily related to a reduction of $0.6 million due to transaction fees incurred related to the Note and Stock Offering in August 2022 and declines in personnel related costs of approximately $0.4 million associated with the workforce reduction efforts referenced above, and approximately $0.3 million of other administrative expense reductions.

Depreciation and amortization. Depreciation expense was $0.1 million and $0.3 million for the three months ended September 30, 2023 and 2022, respectively. Amortization expense was $1.5 million for both of the three months ended September 30, 2023 and 2022. The total decrease of approximately $0.3 million was primarily due to the quarter-over-quarter decrease in depreciation expense recognized as certain fixed assets have now been fully depreciated.

Change in fair value of warrant and derivative liabilities. Change in fair value of warrant and derivative liabilities was $0.1 million and $3.5 million for the three months ended September 30, 2023 and 2022, respectively. The total decrease of $3.4 million resulted from valuation related impacts to the warrant and derivative liabilities in the respective periods.

Loss on derecognition of debt. The loss recognized on derecognition of debt in the third quarter of 2023 was $1.6 million. This resulted from installment payments made on the convertible notes in the form of shares, and the required derecognition of the net debt position related to that principal balance, including the derivative and discounts.

Interest expense, net. Interest expense was $1.4 million and $0.9 million for the three months ended September 30, 2023 and 2022, respectively. The increase in interest expense of $0.5 million was primarily related to the amortization of the discount and debt issuance costs and stated interest expense related to the financing transaction from August of 2022, which is discussed in further detail in Notes 3 and 4 herein (the "Note and Stock Offering").

Other income (expense), net. Other income (expense) was nominal for both the three months ended September 30, 2023 and 2022.

Provision for income tax expense. Because of our cumulative loss position, the provision for income tax expense consists of state income taxes, foreign tax withholdings, and foreign income taxes for the three months ended September 30, 2023 and 2022. There were no material changes in the period-to-period comparison.

Nine Months Ended September 30, 2023 Compared to the Nine Months Ended September 30, 2022

Revenues. Revenues were $32.3 million and $37.1 million for the nine months ended September 30, 2023 and 2022, respectively, representing a decrease of $4.8 million, or 13%. This decrease was primarily related to declines associated with our Family Safety and CommSuite product lines of $3.2 million and $1.6 million, respectively. The decrease in revenues was primarily associated with T-Mobile's efforts to migrate legacy Sprint subscribers to the T-Mobile network, which has impacted our revenues associated with legacy Sprint subscribers for both Family Safety and CommSuite.

Cost of revenues. Cost of revenues were $8.4 million and $10.9 million for the nine months ended September 30, 2023 and 2022, respectively. This decrease of approximately $2.5 million was primarily due to the period-over-period decline in revenue coupled with the cost reduction efforts undertaken in 2023.

Gross profit. Gross profit was $23.9 million, or 74% of revenues, for the nine months ended September 30, 2023, compared to $26.2 million, or 70.7% of revenues, for the nine months ended September 30, 2022. The decrease of approximately $2.4 million in gross profit was driven by the period-over-period decline in revenue volume.

Selling and marketing. Selling and marketing expenses were $8.6 million and $9.7 million for the nine months ended September 30, 2023 and 2022, respectively. This decrease of $1.1 million was primarily due to decreases in personnel-related costs of $0.7 million coupled with a period-over-period reduction in severance and reorganization related costs of $0.7 million, partially offset by an increase in stock based compensation of $0.3 million.

Research and development. Research and development expenses were $13.3 million and $22.8 million for the nine months ended September 30, 2023 and 2022 respectively. This decrease of approximately $9.5 million was primarily due to the decline in personnel-related costs of approximately $6.9 million associated with the workforce reduction efforts referenced above and reductions in contractor costs of $2.7 million due to the substantial completion of SafePath migration efforts during 2023.

General and administrative. General and administrative expenses were $9.4 million and $11.9 million for the nine months ended September 30, 2023 and 2022, respectively. This decrease of approximately $2.4 million was primarily related to declines in in personnel related costs of approximately $1.0 million associated with the workforce reduction efforts referenced above, a reduction of $0.6 million due to transaction fees incurred related to the Note and Stock Offering in August 2022, a decrease in travel costs of approximately $0.2 million and a reduction in stock-based compensation expense of approximately $0.2 million.

Depreciation and amortization. Depreciation expense was $0.5 million and $0.9 million for the nine months ended September 30, 2023 and 2022, respectively. Amortization expense was $4.4 million and $4.8 million for the nine months ended September 30, 2023 and 2022, respectively. The total decrease of approximately $0.8 million was primarily due to certain fixed assets and intangible assets that have now been fully depreciated and amortized.

Change in fair value of warrant and derivative liabilities. Change in fair value of warrant and derivative liabilities was $3.5 million for both the nine months ended September 30, 2023 and 2022. The fair value adjustments resulted from valuation related impacts to the warrant and derivative liabilities.

Loss on derecognition of debt. The loss recognized on derecognition of debt for the nine months ended September 30, 2023 was $3.0 million This resulted from installment payments made on the convertible notes issued under the Note and Stock offering in August 2022 (the "Notes") in the form of shares, and the required derecogition of the net debt position related to that principal balance, including the derivative, and discounts. There was nothing commensurate in the nine months ended September 30, 2022.

Interest expense, net. Interest expense was $5.7 million and $0.9 million for the nine months ended September 30, 2023 and 2022, respectively. The increase in interest expense of $4.8 million was primarily related to the amortization of the discount and debt issuance costs and stated interest expense related to the August 2022 Note and Stokc Offering, with the Notes issued thereunder being outstanding for the full year in 2023 versus less than two months during the nine months ended September 30, 2022.

Other income (expense), net. Other expense was $0.1 million and nominal for the nine months ended September 30, 2023 and 2022, respectively. The increase was primarily related to changes in foreign currency rates for the respective periods.

Provision for income tax expense. Because of our cumulative loss position, the provision for income tax expense consists of state income taxes, foreign tax withholdings, and foreign income taxes for the nine months ended September 30, 2023 and 2022. There were no material changes in the period-to-period comparison.

Liquidity and Capital Resources

The Company’s principal sources of liquidity are its existing cash and cash equivalents, and cash generated by operations. The Company's primary needs for liquidity relate to working capital requirements for operations and its debt service requirements. As of September 30, 2023, the Company's cash and cash equivalents were approximately $8.0 million. We believe that we will be able to meet our financial obligations as they become due over the next twelve months.

Operating activities

Net cash used in operating activities was $6.0 million for the nine months ended September 30, 2023. The primary uses of operating cash were a net loss of $17.7 million less non-cash expenses totaling $13.0 million, and a decrease in accounts payable and accrued liabilities of $2.2 million, partially offset by an increase in other liabilities of $0.6 million and a decrease in accounts receivable of $0.2 million and a decrease in operating prepaid expenses and other assets of $0.2 million.

Net cash used in operating activities was $14.5 million for the nine months ended September 30, 2022. The primary uses of operating cash were the net loss of $21.3 million, offset by net non-cash expenses totaling $7.2 million coupled with a decrease in accounts payable and accrued liabilities of $1.5 million, partially offset by a decrease in accounts receivable of $1.1 million and a increase in prepaid and other assets of $0.2 million.

Investing activities

Net cash provided by investing activities was $0.1 million for the nine months ended September 30, 2023. Net cash used in investing activities for nine months ended September 30, 2022 was nominal.

Financing activities

Net cash provided by financing activities of $0.2 million for the nine months ended September 30, 2023 was primarily attributable to the timing of borrowings and repayments from short-term insurance premium financing arrangements.

Net cash provided by financing activities of $17.4 million for the nine months ended September 30, 2022, was primarily attributable to proceeds from our convertible notes and warrants offering of $15.0 million and our stock and warrants offering of $3.0 million. Partially offsetting the proceeds from the convertible notes and warrants were $1.2 million in transaction fees. Also impacting net cash provided by financing activities were proceeds from insurance premium financing agreements and revolver draws of $1.5 million, offset by repayments on those arrangements of $1.0 million.

Recent Accounting Guidance

See Note 2 of our Notes to the Consolidated Financial Statements for information regarding our recent accounting guidance.

Critical Accounting Policies and Estimates

Our discussion and analysis of results of operations, financial condition, and liquidity are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may materially differ from these estimates under different assumptions or conditions. On an on-going basis, we review our estimates to ensure that they appropriately reflect changes in our business or new information as it becomes available. See Note 1 of our Notes to the Consolidated Financial Statements in our 2022 Form 10-K for information regarding our critical accounting policies and estimates. There have been no material changes to the Company's critical accounting policies and estimates since the 2022 Form 10-K.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

We conducted an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (“Exchange Act”)) as of September 30, 2023. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have determined that as of September 30, 2023, our disclosure controls and procedures were effective to ensure that the information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and our management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Management's responsibility for financial statements

Our management is responsible for the integrity and objectivity of all information presented in this Report. The consolidated financial statements were prepared in conformity with U.S. GAAP and include amounts based on management's best estimates and judgments. Management believes the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements fairly represent the Company's financial position and results of operations for the periods and as of the dates stated therein.

The Audit Committee of the Company's Board of Directors, which is composed solely of independent directors, meets regularly with our independent registered public accounting firm, SingerLewak LLP, and representatives of management to review accounting, financial reporting, internal control, and audit matters, as well as the nature and extent of the audit effort. The Audit Committee is responsible for the engagement of the independent auditors. The independent auditors have free access to the Audit Committee.

Changes in internal control over financial reporting

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company may become involved in various legal proceedings arising from its business activities. While management does not believe the ultimate disposition of these matters will have a material adverse impact on the Company's consolidated results of operations, cash flows, or financial position, litigation is inherently unpredictable, and depending on the nature and timing of these proceedings, an unfavorable resolution could materially affect the Company's future consolidated results of operations, cash flows or financial position in a particular period.

Item 1A. Risk Factors

In addition to the other information included in this Report, you should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" in our 2022 Form 10-K, and the factors identified at the beginning of Part I, Item 2 of this Report, under the heading, "Management's Discussion and Analysis of Financial Condition and Results of Operations," which could materially affect our business, financial condition, cash flows, or results of operations. The risks described in the 2022 Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently considers immaterial also may materially adversely affect its business, financial condition, and/or operating results. There have been no material changes to the risk factors included in our 2022 Form 10-K.

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

The table set forth below shows all repurchases of securities by us during the three months ended September 30, 2023:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 1 - 31, 2023	22,776	$ 1.15	—	—
August 1 - 31, 2023	22,215	1.60	—	—
September 1 - 30, 2023	20,373	1.35	—	—
Total	65,364	$ 1.37		

(1) Shares of the Company's common stock repurchased by the Company as payment of withholding taxes in connection with the vesting of restricted stock awards during the applicable period. All of the shares were cancelled when they were acquired by the Company.

Item 6. Exhibits

Exhibit	Description
10.1	Form of Restricted Stock Agreement under 2015 Omnibus Equity Incentive Plan
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its Inline XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

SIGNATURES

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

	SMITH MICRO SOFTWARE, INC.
November 9, 2023	By /s/ William W. Smith, Jr.
	William W. Smith, Jr.
	Chairman of the Board, President and Chief Executive Officer
	(Principal Executive Officer)
November 9, 2023	By /s/ James M. Kempton
	James M. Kempton
	Vice President and Chief Financial Officer
	(Principal Financial and Accounting Officer)

SMITH MICRO SOFTWARE, INC.
2015 OMNIBUS EQUITY INCENTIVE PLAN
RESTRICTED STOCK AGREEMENT

This Agreement is made as of [•] (the "Grant Date"), by and between Smith Micro Software, Inc. (the "Company"), and [•] (the "Awardee"). As used herein, "Parties" means Company and Awardee and "Party" means either of them.

WITNESSETH:

WHEREAS, the Company has adopted and maintains the Smith Micro Software, Inc. 2015 Omnibus Equity Incentive Plan, effective June 18, 2015 (as amended, the "Plan"); and

WHEREAS, the Committee has authorized the award to the Awardee of Restricted Stock under the Plan, on the terms and conditions set forth in the Plan and as hereinafter provided;

NOW, THEREFORE, in consideration of the premises contained herein, the Company and the Awardee hereby agree as follows:

1. Plan. This Restricted Stock Award is made pursuant to the terms of the Plan, which are incorporated herein by reference. Capitalized terms used in this Agreement which are defined in the Plan shall have the same meaning as set forth in the Plan.

2. Award of Restricted Stock. The Company hereby grants to the Awardee, in consideration of the services to be rendered by the Awardee to the Company, a Restricted Stock Award consisting of, in the aggregate, [•] shares of Common Stock of the Company (the "Restricted Shares"). All such Restricted Shares shall be subject to the forfeiture, transfer and other restrictions set forth in this Agreement (collectively, "Restrictions"), such Restrictions to become effective immediately upon execution of this Agreement by the Parties hereto. The Awardee hereby accepts the Restricted Shares and agrees with respect thereto to the terms and conditions set forth in this Agreement and in the Plan.

3. Restrictions on Transfer. Restricted Shares may not be sold, pledged, assigned, hypothecated or otherwise transferred or encumbered until such Restricted Shares become vested in accordance with Section 4 of this Agreement. Any transfer in violation of this Section 3 shall be void and without any force or effect and shall constitute a breach of the terms of this Agreement and of the Plan. The Restricted Shares will be registered in book entry form in the name of the Awardee, and until such time as the Restricted Shares become vested, shall be subject to the following legend:

> The transferability of the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of a Restricted Stock Agreement under the Smith Micro Software, Inc. 2015 Omnibus Equity Incentive Plan, as the same may be amended and/or restated from time to time, between the registered owner

and Smith Micro Software, Inc. (the "Company"). A copy of the Plan and the Restricted Stock Agreement may be obtained from the Secretary of the Company.

4. Vesting. Except as otherwise provided herein, and subject to the Awardee's continuing service with the Company for the applicable vesting period, and except as otherwise provided in this Agreement or in the Plan, the Restricted Shares shall vest, and the Restrictions thereon shall lapse, in accordance with the following schedule:

[Vesting Schedule]

5. Forfeiture. The Restrictions on the Restricted Shares shall not lapse unless and until (and solely to the extent) the vesting requirements with respect to such Restricted Shares are satisfied. To the extent the vesting requirements set forth in Section 4 of this Agreement are not satisfied with respect to all or any portion of the Restricted Shares as a result of Awardee's Termination of Service for any reason prior to vesting of the Restricted Shares, the terms of Article VI of the Plan shall control, and the non-vested portion of the Restricted Shares shall be forfeited by the Awardee.

6. Change of Control. Notwithstanding the vesting conditions contained in Section 4 of this Agreement, upon a Change of Control, all of the Restricted Shares shall automatically become fully vested, no longer subject to restrictions and freely transferable, in each case as of the date of such Change of Control.

7. Voting and Dividend Rights. The Awardee shall have the voting and dividend rights of a holder of Shares with respect to the Restricted Shares; *provided, however,* that any dividends paid on the Restricted Shares in the form of Shares shall be deposited with the Company, together with a share power endorsed in blank or other appropriate instrument of transfer and such Shares shall be subject to the same restrictions, including as it relates to transfer and forfeiture, as the Restricted Shares.

8. Regulation by the Committee. This Agreement and the Restricted Shares shall be subject to the administrative procedures and rules as the Committee shall adopt. All decisions of the Committee upon any question arising under the Plan or under this Agreement, shall be conclusive and binding upon the Awardee.

9. Withholding. The Awardee shall be required to pay to the Company, and the Company or an Affiliate shall be entitled to deduct and withhold from any compensation paid to the Awardee pursuant to the Plan, the minimum amount necessary in connection with the Restricted Shares to satisfy its withholding obligations under any and all applicable federal, state and/or local tax rules or regulations and to take all such other action as the Committee deems necessary to satisfy all obligations for the payment of such withholding taxes. The Awardee shall be entitled to make an election to include the Fair Market Value of the Restricted Shares into income under Section 83(b) of the Code (a "Section 83(b) Election"). Any such election must be made within thirty (30) days after the Grant Date. If the Awardee elects to make a Section 83(b) Election, the Awardee shall provide the

Company with a copy of an executed version and satisfactory evidence of the filing of the executed Section 83(b) Election with the U.S. Internal Revenue Service. The Awardee agrees to assume full responsibility for ensuring that the Section 83(b) Election is actually and timely filed with the US Internal Revenue Service and for all tax consequences resulting from the Section 83(b) Election. In the event that an Awardee does not make an 83(b) Election with respect to the Award, the Awardee shall satisfy any federal, state or local tax withholding obligation by authorizing the Company to instruct a broker selected by the Company to sell a number of shares of Common Stock to be released to Awardee upon the vesting of Awardee's Award equal to the amount necessary to solely meet Awardee's tax withholding obligations relating to the vesting of such Award. Such sale shall be effected at the then market price of the Common Stock at the time the shares are sold. By accepting this Award, Awardee expressly elects that tax withholding shall be accomplished pursuant to this paragraph and the terms contained in Exhibit A attached hereto, and Awardee expressly agrees to and acknowledges those terms of Exhibit A attached hereto (including any representations made therein) and that Exhibit A constitutes a written plan under Rule 10b5-1 of the Securities Exchange Act of 1934 ("Rule 10b5-1"). This Award, including Exhibit A, must be accepted by Awardee during a period in which Awardee does not possess any material nonpublic information regarding the Company.

If the Company determines that the Awardee cannot satisfy Awardee's tax withholding obligations in accordance with the above paragraph and Exhibit A, then it may permit Awardee to satisfy such tax withholding obligations by any of the following means, or by a combination of such means:

(a) tendering a cash payment;

(b) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable or deliverable to the Awardee as a result of the vesting of the Restricted Stock; provided, however, that no shares of Common Stock shall be withheld with a value exceeding the maximum amount of tax required to be withheld by law; or

(c) delivering to the Company previously owned and unencumbered shares of Common Stock.

Notwithstanding any action the Company takes with respect to any or all income tax, social insurance, payroll tax, or other tax-related withholding ("Tax-Related Items"), the ultimate liability for all Tax-Related Items is and remains the Awardee's responsibility and the Company (a) makes no representation or undertakings regarding the treatment of any Tax-Related Items in connection with the grant or vesting of the Restricted Stock or the subsequent sale of any shares; and (b) does not commit to structure the Restricted Stock to reduce or eliminate the Awardee's liability for Tax-Related Items.

10. Noncompetition. The Awardee hereby agrees that this Section 10 is reasonable and necessary in order to protect the legitimate business interests and goodwill of the Company, including the Company's trade secrets, valuable confidential business and professional information, substantial relationships with prospective and existing customers and clients, and specialized training provided to the Awardee and other employees of the Company. Accordingly, the Awardee covenants and agrees

that during the Noncompete Period, (i) the Awardee shall not in the Restricted Territory, directly or indirectly, whether as principal or as agent, officer, director, employee, consultant, shareholder or otherwise alone or in association with any other Person, engage or participate in, be connected with, lend credit or money to, furnish consultation or advice or permit the Awardee's name to be used in connection with, any Competing Business (other than as a holder of not greater than 1% of the outstanding capital stock of any publicly traded corporation) and (ii) the Awardee shall not directly or indirectly induce any employee of the Company or any of its Affiliates to terminate such employee's employment with the Company or any of its Affiliates or offer employment to any person who was employed by the Company or any of its Affiliates unless such person shall have ceased to be employed by the Company or any of its Affiliates for a period of at least 12 months. As used herein, the following terms shall have the following meanings:

(a) "Competing Business" shall mean any third party engaged in the business of selling or attempting to sell any product or service which competes materially with (i) products or services sold or licensed (or offered for sale or license) by the Company within the two years prior to the termination of the Awardee's employment with the Company, or (ii) new products under development or planned for development by the Company as of the termination of the Awardee's employment with the Company; and

(b) "Noncompete Period" shall mean the period during which Awardee is employed by the Company and the one year period following the termination of the Awardee's employment with the Company, which period shall be extended by the amount of time during such period during which the Awardee is in violation of this provision; and

(c) "Restricted Territory" shall mean the United States of America and each other country in which the Company has sold or licensed (or offered for sale or license) products or services within the two years prior to the termination of the Awardee's employment with the Company, or in which the Company is actively pursuing its business through dedicated sales or similar efforts at the time of the termination of the Awardee's employment with the Company.

It is expressly understood and agreed that although the Awardee and the Company consider the restrictions contained in this Section 10 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against the Awardee, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable against such Awardee. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

11. Amendment. The Committee may amend this Agreement at any time and from time to time; *provided, however,* that no amendment of this Agreement that would materially and adversely impair the Awardee's rights or entitlements with respect to the Restricted Shares or that would

expand the Awardee's covenant made pursuant to Section 10 shall be effective without the prior written consent of the Awardee (unless such amendment is required in order to cause the Restricted Stock Award hereunder to be exempt from Code Section 409A, as interpreted by applicable authorities).

12. Choice of Law; Venue. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware. Each of the parties to this Agreement consents and submits to the exclusive and personal jurisdiction of any state or federal court located in the State of Delaware in any action or proceeding arising out of or relating to this Agreement, agrees that all claims in respect of any such action or proceeding may be heard and determined in any such court and agrees not to bring any action or proceeding arising out of our relating to this Agreement in any other court.

13. Awardee Acknowledgment. Awardee acknowledges and agrees that the vesting of the Restricted Shares pursuant to this Agreement is earned only by continuing service with the Company and the satisfaction of the vesting conditions set forth herein. Awardee further acknowledges and agrees that nothing in this Agreement nor in the Plan shall confer upon the Awardee any right to continue in the service of the Company, nor shall it interfere in any way with Awardee's right or the Company's right to terminate Awardee's service at any time, with or without Cause. Awardee acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof. Awardee has reviewed the Plan and this Agreement in their entirety, has sought the advice of counsel in connection with the negotiation and execution of this Agreement and fully understands all provisions of the Restricted Stock Award described herein. By executing this Agreement, the Awardee hereby agrees to be bound by all of the terms of both the Plan and this Agreement.

[Signatures on next page]

SMITH MICRO SOFTWARE, INC.

By:
Name: [•]
Title: [•]
Date:

AGREED TO AND ACKNOWLEDGED BY AWARDEE, INCLUDING EXHIBIT A

AWARDEE

Name: [•]
Date:

Exhibit A

Written Plan under Rule 10b5-1(c) (the "10b5-1 Plan")

The undersigned hereby consents and agrees that Awardee's tax withholding obligation under Section 9 of the Restricted Stock Agreement dated as of August 23, 2023 ("Agreement") to which this Exhibit A is attached, shall be satisfied by the sale of shares of Common Stock on the undersigned's behalf pursuant to the procedures set forth in this 10b5-1 Plan. Awardee agrees and acknowledges that this 10b5-1 Plan is a binding obligation of Awardee. All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

Participant hereby irrevocably instructs and authorizes the Company and the Company's designated broker, or such other broker-dealer that is a member of the Financial Industry Regulatory Authority reasonably acceptable to the Company for such purpose (the "Broker"), to sell on Awardee's behalf a whole number of shares of Common Stock (it being understood that such shares of Common Stock to be sold must have vested pursuant to the terms of the Award) sufficient to generate cash proceeds to satisfy Awardee's tax withholding obligation under Section 9 of the Agreement (net of any associated broker commissions); provided further that all sales of shares of Common Stock pursuant to this 10b5-1 Plan shall be at prevailing market prices and in compliance with Rule 144 of the Securities Act, if applicable, and the Broker shall, and the Company shall cause the Broker to, file all Form 144s, to the extent required, on behalf of Awardee with respect to the sale of shares of Common Stock under this 10b5-1 Plan.

Awardee hereby irrevocably instructs and authorizes the Broker to remit to the Company the cash proceeds necessary to satisfy Awardee's tax withholding obligation under Section 9 of the Agreement.

Awardee acknowledges that the Broker may aggregate Awardee's sales with sales occurring on the same day that are effected on behalf of other Company employees pursuant to sales of shares vesting under Company awards and your proceeds will be based on a blended price for all such sales. Awardee acknowledge that Awardee will be responsible for all brokerage fees and other costs of sale, and you agree to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale.

The undersigned Awardee hereby represents and warrants that on the date of the adoption of this 10b5-1 Plan, (i) Awardee was not aware of any material nonpublic information about the shares of Common Stock or the Company; (ii) Awardee adopted this 10b5-1 Plan in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1; and (iii) Awardee otherwise adopted this 10b5-1 Plan in compliance with the requirements of Rule 10b5-1.

Awardee acknowledges that this 10b5-1 Plan is intended to satisfy the requirements of "sell-to-cover" transactions under Rule 10b5-1 and therefore this 10b5-1 Plan shall not be subject to the limitations of paragraph (c)(1)(ii)(D) of Rule 10b5-1 and shall not be considered an outstanding or additional contract, instruction or plan under such paragraph (c)(1)(ii)(D) of Rule 10b5-1.

This 10b5-1 Plan may be amended, modified, terminated or suspended only with the consent of Awardee and the Company. An amendment or modification may only be made during an “open window period” (or term of similar import describing a period wherein Awardee is not precluded by the Company from selling shares of Common Stock on the open market) applicable to Awardee and on which Awardee is not aware of any material nonpublic information regarding the Company or the shares of Common Stock. Furthermore, any amendment or modification shall be made in accordance with Rule 10b-5-1.

Awardee acknowledges that if Awardee is a director or officer (as defined in Rule 10b5-1) of the Company, no sales under this 10b5-1 Plan may occur until the later of: (i) ninety (90) days after the adoption of this 10b5-1 Plan and (ii) two business days following the disclosure of the Company’s financial results in a Form 10-Q or Form 10-K for the completed quarter in which this 10b5-1 Plan was adopted. Awardee acknowledges that if Awardee is not a director or officer (as defined in Rule 10b5-1) of the Company, no sales under this 10b5-1 Plan may occur until thirty (30) days after the adoption of this 10b5-1 Plan.

Awardee acknowledges that it may not be possible to sell shares of Common Stock during the term of this 10b5-1 Plan due to (a) a legal or contractual restriction applicable to Awardee or to the Broker, (b) a market disruption, (c) rules governing order execution priority on the market on which the Company’s shares are traded, or (d) the Company otherwise determines that sales may not be effected under this 10b5-1 Plan.

Awardee acknowledges that, in the event that this 10b5-1 Plan is not available to Awardee at such time Awardee’s tax obligation becomes due or if the proceeds of any such sale of shares of Common Stock pursuant to this 10b5-1 Plan are otherwise insufficient to satisfy Awardee’s full withholding obligations, then prior to any shares of Common Stock being released to Awardee, Awardee shall satisfy such tax withholding obligations in accordance with another method set forth in Section 9 of the Agreement.

Awardee hereby agrees to execute and deliver to the Company or Broker any other agreements or documents as the Company or Broker reasonably deems necessary or appropriate to carry out the purposes and intent of this 10b5-1 Plan.

Awardee and the Company acknowledge that this 10b5-1 Plan is intended to comply with the requirements of Rule 10b5-1(c)(1) under the Securities Exchange Act of 1934 and to be interpreted to comply with the requirements of Rule 10b5-1(c)(1) under the Securities Exchange Act of 1934. Awardee expressly consents and agrees that Awardee is adopting this 10b5-1 Plan to permit the sale of shares of Common Stock, solely to cover Awardee’s tax withholding obligations under Section 9 of the Agreement and Awardee hereby appoints the Company as his agent and attorney-in-fact to instruct the Broker with respect to the number of shares of Common Stock that must be sold under this 10b5-1 Plan to satisfy such tax withholding obligation.

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

I, William W. Smith, Jr., certify that:

1. I have reviewed this quarterly report on Form 10Q of Smith Micro Software, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 9, 2023

/s/ William W. Smith, Jr.

William W. Smith, Jr.
Chairman of the Board, President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

I, James M. Kempton, certify that:

1. I have reviewed this quarterly report on Form 10Q of Smith Micro Software, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 9, 2023

/s/ James M. Kempton

James M. Kempton
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATIONS OF THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned hereby certifies, in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of Smith Micro Software, Inc., that, to his knowledge, the quarterly report on Form 10Q for the period ended September 30, 2023 of Smith Micro Software, Inc. (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Smith Micro Software, Inc.

November 9, 2023	By /s/ William W. Smith, Jr.
	William W. Smith, Jr.
	Chairman of the Board, President and Chief Executive Officer
	(Principal Executive Officer)
November 9, 2023	By /s/ James M. Kempton
	James M. Kempton
	Vice President and Chief Financial Officer
	(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to Smith Micro Software, Inc. and will be retained by Smith Micro Software, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.