

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

FORM 10-Q

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

For the quarterly period ended December 31, 2022

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-33365



Cantaloupe, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of incorporation or organization)

23-2679963

(I.R.S. Employer Identification No.)

100 Deerfield Lane, Suite 300, Malvern, Pennsylvania

(Address of principal executive offices)

19355

(Zip Code)

(610) 989-0340

(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol	Name Of Each Exchange On Which Registered
Common Stock, no par value	CTLP	The NASDAQ Stock Market LLC

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, 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 Act). Yes  No

As of February 3, 2023 there were 72,462,969 outstanding shares of Common Stock, no par value.

**Cantaloupe, Inc.**  
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**Part I. Financial Information**  
**Item 1. Condensed Consolidated Financial Statements**

**Cantaloupe, Inc.**  
**Condensed Consolidated Balance Sheets**

(\$ in thousands, except share data)	December 31, 2022 (Unaudited)	June 30, 2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 28,143	\$ 68,125
Accounts receivable, net	45,721	37,695
Finance receivables, net	7,757	6,721
Inventory, net	26,895	19,754
Prepaid expenses and other current assets	3,471	4,285
<b>Total current assets</b>	<b>111,987</b>	<b>136,580</b>
Non-current assets:		
Finance receivables due after one year, net	14,520	14,727
Property and equipment, net	20,535	12,784
Operating lease right-of-use assets	1,778	2,370
Intangibles, net	29,535	17,947
Goodwill	92,241	66,656
Other assets	4,815	4,568
<b>Total non-current assets</b>	<b>163,424</b>	<b>119,052</b>
<b>Total assets</b>	<b>\$ 275,411</b>	<b>\$ 255,632</b>
<b>Liabilities, convertible preferred stock and shareholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 48,575	\$ 48,440
Accrued expenses	29,474	28,154
Current obligations under long-term debt	1,192	692
Deferred revenue	1,970	1,893
<b>Total current liabilities</b>	<b>81,211</b>	<b>79,179</b>
Long-term liabilities:		
Deferred income taxes	217	186
Long-term debt, less current portion	38,082	13,930
Operating lease liabilities, non-current	1,808	2,366
<b>Total long-term liabilities</b>	<b>40,107</b>	<b>16,482</b>
<b>Total liabilities</b>	<b>121,318</b>	<b>95,661</b>
<b>Commitments and contingencies (Note 14)</b>		
<b>Convertible preferred stock:</b>		
Series A convertible preferred stock, 900,000 shares authorized, 385,782 and 445,063 issued and outstanding, with liquidation preferences of \$19,457 and \$22,115 at December 31, 2022 and June 30, 2022, respectively	2,720	3,138
<b>Shareholders' equity:</b>		
Preferred stock, no par value, 1,800,000 shares authorized	—	—
Common stock, no par value, 640,000,000 shares authorized, 72,462,969 and 71,188,053 shares issued and outstanding at December 31, 2022 and June 30, 2022, respectively	473,605	469,918
Accumulated deficit	(322,232)	(313,085)
<b>Total shareholders' equity</b>	<b>151,373</b>	<b>156,833</b>
<b>Total liabilities, convertible preferred stock and shareholders' equity</b>	<b>\$ 275,411</b>	<b>\$ 255,632</b>

See accompanying notes.

**Cantaloupe, Inc.**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

(\$ in thousands, except per share data)	Three months ended December 31,		Six months ended December 31,	
	2022	2021	2022	2021
<b>Revenues:</b>				
Subscription and transaction fees	\$ 48,932	\$ 41,188	\$ 96,007	\$ 81,812
Equipment sales	12,398	9,903	23,105	15,059
Total revenues	61,330	51,091	119,112	96,871
<b>Costs of sales:</b>				
Cost of subscription and transaction fees	30,202	24,919	60,572	50,944
Cost of equipment sales	12,687	10,182	25,937	15,062
Total costs of sales	42,889	35,101	86,509	66,006
Gross profit	18,441	15,990	32,603	30,865
<b>Operating expenses:</b>				
Sales and marketing	3,210	1,745	5,735	4,084
Technology and product development	5,299	5,780	12,164	11,169
General and administrative	6,559	7,672	18,137	14,936
Investigation, proxy solicitation and restatement expenses	150	—	547	—
Integration and acquisition expenses	2,787	—	2,787	—
Depreciation and amortization	1,350	1,113	2,666	2,135
Total operating expenses	19,355	16,310	42,036	32,324
Operating loss	(914)	(320)	(9,433)	(1,459)
<b>Other income (expense):</b>				
Interest income	878	445	1,445	918
Interest expense	(518)	(475)	(995)	(953)
Other income (expense)	23	(16)	(97)	(75)
Total other income (expense), net	383	(46)	353	(110)
Loss before income taxes	(531)	(366)	(9,080)	(1,569)
Provision for income taxes	(42)	(102)	(67)	(191)
Net loss	(573)	(468)	(9,147)	(1,760)
Preferred dividends	—	—	(334)	(334)
Net loss applicable to common shares	\$ (573)	\$ (468)	\$ (9,481)	\$ (2,094)
<b>Net loss per common share</b>				
Basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.13)	\$ (0.03)
Weighted average number of common shares outstanding used to compute net loss per share applicable to common shares				
Basic and diluted	71,629,939	70,969,246	71,418,845	71,072,587

See accompanying notes.

**Cantaloupe, Inc.**  
**Condensed Consolidated Statements of Shareholders' Equity**  
**(Unaudited)**

**Six Month Period Ended December 31, 2022**

(\$ in thousands, except share data)	Common Stock		Accumulated Deficit	Total
	Shares	Amount		
Balance, June 30, 2022	71,188,053	\$ 469,918	\$ (313,085)	\$ 156,833
Stock-based compensation and exercises (net)	30,077	1,318	—	1,318
Repurchase of Series A convertible preferred stock	—	(1,733)	—	(1,733)
Net loss	—	—	(8,574)	(8,574)
Balance, September 30, 2022	71,218,130	469,503	(321,659)	147,844
Stock-based compensation and exercises (net)	3,919	160	—	160
Common stock issued for acquisition	1,240,920	3,942	—	3,942
Net loss	—	—	(573)	(573)
Balance, December 31, 2022	72,462,969	\$ 473,605	\$ (322,232)	\$ 151,373

**Six Month Period Ended December 31, 2021**

(\$ in thousands, except share data)	Common Stock		Accumulated Deficit	Total
	Shares	Amount		
Balance, June 30, 2021	71,258,047	\$ 462,775	\$ (311,382)	\$ 151,393
Stock-based compensation and exercises (net)	20,958	1,762	—	1,762
Retirement of common stock	(319,823)	—	—	—
Net loss	—	—	(1,291)	(1,291)
Balance, September 30, 2021	70,959,182	464,537	(312,673)	151,864
Stock based compensation and exercises (net)	28,316	1,453	—	1,453
Net loss	—	—	(468)	(468)
Balance, December 31, 2021	70,987,498	\$ 465,990	\$ (313,141)	\$ 152,849

See accompanying notes.

**Cantaloupe, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

(\$ in thousands)	Six months ended December 31,	
	2022	2021
<b>Cash flows from operating activities:</b>		
Net loss	\$ (9,147)	\$ (1,760)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation	1,477	3,129
Amortization of debt issuance costs and discounts	59	68
Provision for expected losses	1,527	1,313
Provision for inventory reserve	135	342
Depreciation and amortization included in operating expenses	2,666	2,135
Depreciation included in costs of sales for rental equipment	554	518
Other	979	112
Changes in operating assets and liabilities:		
Accounts receivable	(6,737)	1,378
Finance receivables	(1,221)	245
Inventory	(5,411)	(6,802)
Prepaid expenses and other assets	755	(160)
Accounts payable and accrued expenses	(1,057)	(4,555)
Operating lease liabilities	(750)	(192)
Deferred revenue	77	(18)
Net cash used in operating activities	(16,094)	(4,247)
<b>Cash flows from investing activities:</b>		
Acquisition of business, net of cash acquired	(35,913)	(2,900)
Purchase of property and equipment	(9,436)	(4,359)
Net cash used in investing activities	(45,349)	(7,259)
<b>Cash flows from financing activities:</b>		
Proceeds from long-term debt	25,000	—
Repayment of long-term debt	(388)	(407)
Contingent consideration paid for acquisition	(1,000)	—
Proceeds from exercise of common stock options	—	86
Repurchase of Series A Convertible Preferred Stock	(2,151)	—
Net cash provided by (used in) financing activities	21,461	(321)
Net decrease in cash and cash equivalents	(39,982)	(11,827)
Cash and cash equivalents at beginning of year	68,125	88,136
Cash and cash equivalents at end of period	\$ 28,143	\$ 76,309
<i>Supplemental disclosures of cash flow information:</i>		
Interest paid in cash	\$ 920	\$ 376
Common stock issued in business combination	\$ 3,942	\$ —

See accompanying notes.

**Cantaloupe, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**

**1. BUSINESS**

Cantaloupe, Inc., is organized under the laws of the Commonwealth of Pennsylvania. We are a software and payments company that provides end-to-end technology solutions for self-service commerce. Cantaloupe is transforming the self-service industry by offering one integrated solution for payments processing, logistics, and back-office management. Our enterprise-wide platform is designed to increase consumer engagement and sales revenue through digital payments, digital advertising and customer loyalty programs, while providing retailers with control and visibility over their operations and inventory. As a result, customers ranging from vending machine companies to operators of micro-markets, car wash, electric vehicle charging stations, commercial laundry, kiosks, amusements and more, can run their businesses more proactively, predictably, and competitively.

On December 1, 2022, the Company acquired all of the equity interests of Three Square Market, Inc., a Wisconsin corporation, and Three Square Market Limited, a UK private limited company (collectively "32M") pursuant to an Equity Purchase Agreement. 32M is a leading provider of software and self-service kiosk-based point of sale and payment solutions that power the micro market industry.

*COVID-19 Update*

The Company, its employees, and its customers operate in geographic locations in which its business operations and financial performance continues to be affected by the COVID-19 pandemic. While businesses, schools and other organizations re-open, which has led to increased foot-traffic to distributed assets containing our electronic payment solutions, the emergence of new strains and variants and resurgence of the virus, such as the outbreak of the Omicron variant in early calendar year 2022, have led and may in the future lead to additional shutdowns, closures, and other follow-on impacts including supply chain disruptions, which may impact our operations and financial results. During fiscal year 2023, we experienced elevated component and supply chain costs necessary for the production and distribution of our hardware products. Such impacts to our financial statements include, but are not limited to, increased costs of sales incurred, impairment of goodwill and intangible assets, impairment of long-lived assets including operating lease assets, property and equipment and allowance for doubtful accounts for accounts and finance receivables. We have concluded that there are no material impairments as a result of our evaluation for the quarter ended December 31, 2022. Where applicable, we have incorporated judgments and estimates of the expected impact of COVID-19 in the preparation of the financial statements based on information currently available. These judgments and estimates may change, as new events develop and additional information is obtained, and are recognized in the condensed consolidated financial statements as soon as they become known.

We continue to monitor the evolving situation and follow guidance from federal, state and local public health authorities. Given the potential uncertainty of the situation, the Company cannot, at this time, reasonably estimate the longer-term repercussions of COVID-19 on our financial condition, results of operations or cash flows.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation and Preparation***

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements and therefore should be read in conjunction with the Company's June 30, 2022 Annual Report on Form 10-K.

All intercompany transactions and balances have been eliminated in consolidation. In the opinion of management, all adjustments considered necessary for a fair presentation, consisting of normal recurring adjustments, have been included. Operating results for the three and six months ended December 31, 2022 are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2023. Actual results could differ from estimates. The balance sheet at June 30, 2022 has been derived from the audited consolidated financial statements at that date, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

The Company operates as one operating segment because its chief operating decision maker, who is the Chief Executive Officer, reviews its financial information on a consolidated basis for purposes of making decisions regarding allocating resources and assessing performance.

### Recently Adopted Accounting Pronouncements

#### Lessor Classification

In July 2021, the FASB issued ASU 2021-05, “Lessors – Certain Leases with Variable Lease Payments” which requires lessors to classify leases as operating leases if they have variable lease payments that do not depend on an index or rate and would have selling losses if they were classified as sales-type or direct financing leases. The Company adopted this pronouncement on July 1, 2022. The adoption of this accounting standard did not materially impact the Company’s condensed consolidated financial statements.

#### Accounting for Debt and Equity Instruments

In August 2020, the FASB issued ASU 2020-06, “Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity” which simplifies accounting for convertible instruments and the derivatives scope exception for contracts in an entity’s own equity and improves and amends the related earnings per share (EPS) guidance. The Company adopted this pronouncement on July 1, 2022. The adoption of this accounting standard did not materially impact the Company’s condensed consolidated financial statements.

## 3. LEASES

#### Lessee Accounting

The Company has operating leases for office space, warehouses, and office equipment. At December 31, 2022, the Company has the following balances recorded in the balance sheet related to its lease arrangements:

(\$ in thousands)	Balance Sheet Classification	As of December 31, 2022		As of June 30, 2022	
<b>Assets:</b>	Operating lease right-of-use assets	\$	1,778	\$	2,370
<b>Liabilities:</b>					
Current	Accrued expenses	\$	1,346	\$	1,538
Long-term	Operating lease liabilities, non-current		1,808		2,366
Total lease liabilities		\$	3,154	\$	3,904

The operating lease right-of-use assets are significantly lower than total lease liabilities as indicated in table above. The variance is primarily driven by impairment charges recognized on our right-of-use assets of \$1.6 million in fiscal year 2021, when we optimized our corporate real estate footprint.

Components of lease cost are as follows:

(\$ in thousands)	Three months ended December 31, 2022	Three months ended December 31, 2021
Operating lease costs*	516	443



(\$ in thousands)	Six months ended December 31, 2022	Six months ended December 31, 2021
Operating lease costs*	1,052	885

\* Includes short-term lease and variable lease costs, which are not material.

Supplemental cash flow information and non-cash activity related to our leases are as follows:

(\$ in thousands)	Six months ended December 31, 2022	Six months ended December 31, 2021
<b>Supplemental cash flow information:</b>		
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 1,064	\$ 840
<b>Non-cash activity:</b>		
Lease assets obtained in exchange for new operating lease liabilities	\$ —	\$ 471

Maturities of lease liabilities by fiscal year for our leases are as follows:

(\$ in thousands)	Operating Leases
Remainder of 2023	\$ 886
2024	1,029
2025	707
2026	628
2027	265
Total lease payments	\$ 3,515
Less: Imputed interest	(361)
Present value of lease liabilities	\$ 3,154

#### *Lessor Accounting*

Property and equipment used for the operating lease rental program consisted of the following:

(\$ in thousands)	December 31, 2022	June 30, 2022
Cost	\$ 27,025	25,242
Accumulated depreciation	(22,621)	(22,914)
Net	\$ 4,404	\$ 2,328

The Company's net investment in sales-type leases (carrying value of lease receivables) and the future minimum amounts to be collected on these lease receivables as of December 31, 2022 are disclosed within Note 6 - Finance Receivables.

## 4. REVENUES

Based on similar operational characteristics, the Company's revenues are disaggregated as follows:

(\$ in thousands)	Three months ended December 31,		Six months ended December 31,	
	2022	2021	2022	2021
Transaction fees	\$ 32,392	\$ 26,775	\$ 63,687	\$ 53,195
Subscription fees	16,540	14,413	32,320	28,617
Subscription and transaction fees	\$ 48,932	\$ 41,188	\$ 96,007	\$ 81,812
Equipment sales	12,398	9,903	23,105	15,059
Total revenues	\$ 61,330	\$ 51,091	\$ 119,112	\$ 96,871

### Contract Liabilities

The Company's contract liability (i.e., deferred revenue) balances are as follows:

(\$ in thousands)	Three months ended	Three months ended
	December 31,	December 31,
	2022	2021
Deferred revenue, beginning of the period	\$ 2,069	\$ 1,720
Deferred revenue, end of the period	1,970	1,745
Revenue recognized in the period from amounts included in deferred revenue at the beginning of the period	\$ 119	\$ 120

(\$ in thousands)	Six months ended December	Six months ended
	31,	December 31,
	2022	2021
Deferred revenue, beginning of the period	\$ 1,893	\$ 1,763
Deferred revenue, end of the period	1,970	1,745
Revenue recognized in the period from amounts included in deferred revenue at the beginning of the period	\$ 226	\$ 215

The change in the contract liability balances period-over-period is primarily the result of timing difference between the Company's satisfaction of a performance obligation and payment from the customer.

### Contract Costs

At December 31, 2022, the Company had net capitalized costs to obtain contracts of \$0.5 million included in Prepaid expenses and other current assets and \$2.5 million included in Other noncurrent assets on the Condensed Consolidated Balance Sheet. At June 30, 2022, the Company had net capitalized costs to obtain contracts of \$0.5 million included in Prepaid expenses and other current assets and \$2.3 million included in Other noncurrent assets on the Condensed Consolidated Balance Sheet. None of these capitalized contract costs were impaired.

During the three and six months ended December 31, 2022, amortization of capitalized contract costs was \$0.2 million and \$0.4 million respectively. During the three and six months ended December 31, 2021, amortization of capitalized contract costs was \$0.2 million and \$0.3 million respectively.

### Future Performance Obligations

The Company will recognize revenue in future periods related to remaining performance obligations for certain open contracts. Generally, these contracts have terms of one year or less. The amount of revenue related to unsatisfied performance obligations in which the original duration of the contract is greater than one year is not significant.

## 5. ACQUISITION

We completed the following acquisitions in fiscal year 2023 and 2022. Financial results of each transaction are included in our consolidated financial statements from the date of each acquisition.

### *Three Square Market*

On December 1, 2022, the Company acquired all of the equity interests of Three Square Market, Inc., a Wisconsin corporation, and Three Square Market Limited, a UK private limited company (collectively "32M") pursuant to an Equity Purchase Agreement. 32M is a leading provider of software and self-service kiosk-based point of sale and payment solutions to the micro market industry and the acquisition expanded the Company's presence in that industry. In addition to new technology and services, due to 32M's existing customer base, the acquisition expands the Company's footprint into new global markets.

The Company paid an aggregate consideration of approximately \$40.8 million, which consisted of \$36.9 million in cash and 1,240,920 shares of the Company's common stock (the "Stock Consideration") with an aggregate fair value of \$3.9 million for the acquisition of 32M. The aggregate cash consideration includes \$0.5 million of cash paid into an escrow account for net working capital and other post-closing adjustments. Additionally, the Stock Consideration of 1,240,920 shares ("Escrowed Shares") referred to above were placed into an escrow account to resolve indemnification claims for breach of certain representations and warranties and will be released 50% on the first anniversary of the acquisition date and 50% on the second anniversary of the acquisition date, less any shares that may be returned to Company on account of any indemnity claims. The Escrowed Shares are considered to be issued and outstanding shares of the Company as of the acquisition date.

The company funded the cash consideration of the acquisition by borrowing \$25 million of debt from the JPMorgan Credit Facility and the remaining consideration utilizing existing cash on hand.

The acquisition of 32M was accounted for as a business combination using the acquisition method of accounting and which includes the results of operations of the acquired business from the date of acquisition. The purchase price of the acquired company is allocated between tangible and intangible assets acquired and liabilities assumed from the acquired business based on their estimated fair values using primarily Level 3 inputs under ASC Topic 820, *Fair Value Measurement*, with the residual of the purchase price recorded as goodwill.

The estimated fair value of the purchase price consideration consisted of the following:

(\$ in thousands)

Closing cash consideration	\$	36,854
Stock Consideration		3,942
Fair value of total consideration transferred	\$	40,796

The following table summarizes the preliminary fair value assigned to the assets acquired and liabilities assumed at the acquisition date of December 1, 2022.

(\$ in thousands)	<b>Amount</b>
Cash and cash equivalents	\$ 941
Accounts receivable	2,415
Inventories	1,865
Intangible assets	13,222
Other assets	472
Total identifiable assets acquired	18,915
Accounts payable	(1,721)
Tax liabilities	(1,983)
Total liabilities assumed	(3,704)
Total identifiable net assets	15,211
Goodwill	25,585
Fair value of total consideration transferred	\$ 40,796

The Company determined the fair value of the identifiable intangible assets acquired with the assistance of third-party valuation consultants. Amounts allocated to identifiable intangible assets included \$7.4 million related to developed technology, \$5.3 million related to customer relationships, and \$0.5 million related to other intangible assets. The fair value of the acquired developed technology was determined using a multi-period excess earnings method. The fair value of the acquired customer relationships was determined using the with-and-without method which estimates the value using the cash flow impact in a scenario where the customer relationships are not in place. The recognized intangible assets will be amortized on a straight-line basis over the estimated useful lives of the respective assets.

Goodwill of \$25.6 million arising from the acquisition includes the expected synergies between 32M and the Company and intangible assets that do not qualify for separate recognition at the time of acquisition. The goodwill, which is deductible for income tax purposes, was assigned to the Company's only reporting unit.

The above allocation of the purchase price is provisional and is still subject to change within the measurement period. The final allocation of the purchase price is expected to be completed as soon as practicable, but no later than one year from the date of the acquisition.

The Company recognized \$2.8 million of acquisition related costs that were expensed for the three and six months ended December 31, 2022. These costs are recorded within Integration and acquisition expenses in the Condensed Consolidated Statements of Operations.

The amount of 32M revenue included in the Company's Condensed Consolidated Statement of Operations from the acquisition date through December 31, 2022 was \$1.3 million. The amount of 32M earnings included in the Company's Condensed Consolidated Statement of Operations from the acquisition date through December 31, 2022 was \$0.1 million.

#### *Supplemental disclosure of pro forma information*

The following table presents pro forma information as if the acquisition of 32M had occurred on July 1, 2021. The pro forma information presented combines the historical condensed consolidated results of operations of the Company and 32M after giving effect to the preliminary purchase accounting impact of the 32M acquisition related costs (including, but not limited to, amortization associated with the acquired intangible assets, interest expense associated with the Credit Facility to finance a portion of the purchase price, acquisition related costs) and the alignment of accounting policies. This supplemental pro forma information has been prepared for comparative purposes and does not purport to be indicative of what would have occurred had the acquisition been made on July 1, 2021, nor are they indicative of any future results. Furthermore, cost savings and other business synergies related to the acquisition are not reflected in the pro forma amounts.

(In thousands)	Three months ended December 31,		Six months ended December 31,	
	2022	2021	2022	2021
Revenues	\$ 64,614	\$ 54,856	\$ 127,450	\$ 104,665
Net income (loss)	1,357	(1,393)	(7,640)	(5,526)

The supplemental pro forma earnings for the three and six months ended December 31, 2022 were adjusted to exclude \$2.8 million of acquisition related costs.

The supplemental pro forma earnings for the six months ended December 31, 2021 were adjusted to include \$2.8 million of acquisition related costs, the components of which were previously described.

#### *Yoke Payments*

In August 2021, we completed the acquisition of certain assets and liabilities of Delicious Nutritious LLC, doing business as Yoke Payments ("Yoke"), a micro market payments company. The acquisition of Yoke was accounted for as a business combination using the acquisition method of accounting which includes the results of operations of the acquired business from the date of acquisition. The purchase price of the acquired company is allocated between tangible and intangible assets acquired and liabilities assumed from the acquired business based on their estimated fair values using primarily Level 3 inputs under ASC Topic 820, *Fair Value Measurement*, with the residual of the purchase price recorded as goodwill.

Through the acquisition, Yoke's point of sale platform will now extend its offering to provide self-checkout while seamlessly integrating with Cantaloupe's inventory management and payment processing platforms. We plan to differentiate ourselves by

providing a single platform to manage consumer and operational aspects of micro markets, while also integrating multiple service providers for flexibility and ultimate ease to our customers.

The consideration transferred for the acquisition includes payments of \$3 million in cash at the close of the transaction and \$1 million in deferred cash payment due on or before July 30, 2022 based on the achievement of certain sales growth targets for software licenses. On July 27, 2022, the Company made the cash payment of \$1 million in accordance with the requirements of the purchase agreement.

Additionally in connection with the acquisition, the Company will issue common stock to the former owners of Yoke based on the achievement of certain sales growth targets for software licenses through July 31, 2024 and continued employment as of the respective measurement dates. The accounting treatment for these awards in the context of the business combination is to recognize the awards as a post-combination expense and were not included in the purchase price. We will begin recognizing compensation expense for these awards over the requisite service period when it becomes probable that the performance condition would be satisfied pursuant to ASC 718. At each reporting date, we assess the probability of achieving the sales targets and fulfilling the performance condition. As of December 31, 2022, we determined that it is not probable that the performance condition would be satisfied and, accordingly, have not recognized compensation expense related to these awards for the six months ended December 31, 2022.

The following table summarizes the total consideration paid for Yoke, total net assets acquired, identifiable assets and goodwill recognized at the acquisition date:

(\$ in thousands)		<b>Amount</b>
<b>Consideration</b>		
Cash	\$	2,966
Contingent consideration arrangement	\$	1,000
<b>Fair value of total consideration transferred</b>	<b>\$</b>	<b>3,966</b>
<b>Recognized amounts of identifiable assets</b>		
Total net assets acquired	\$	21
Identifiable intangible assets	\$	1,235
<b>Total identifiable net assets</b>	<b>\$</b>	<b>1,256</b>
<b>Goodwill</b>	<b>\$</b>	<b>2,710</b>

Amounts allocated to identifiable intangible assets included \$0.9 million related to developed technology, \$0.3 million related to customer relationships, and \$0.1 million related to other intangible assets. The fair value of the acquired developed technology was determined using a multi-period excess earnings method. The fair value of the acquired customer relationships was determined using the with-and-without method which estimates the value using the cash flow impact in a scenario where the customer relationships are not in place. The recognized intangible assets will be amortized on a straight-line basis over the estimated useful lives of the respective assets.

Goodwill of \$2.7 million arising from the acquisition includes the expected synergies between Yoke and the Company and intangible assets that do not qualify for separate recognition at the time of acquisition. The goodwill, which is deductible for income tax purposes, was assigned to the Company's only reporting unit.

The above table represents the final allocation of the purchase price, noting no material measurement period adjustments. The allocation of the purchase price was subject to revision during the measurement period, a period not to exceed 12 months from the acquisition date. Adjustments to the provisional values, during the measurement period are recorded in the reporting period in which the adjustment amounts are determined.

## 6. FINANCE RECEIVABLES

The Company's finance receivables consist of financed devices under its QuickStart program. Predominately all of the Company's finance receivables agreements are classified as non-cancellable sixty-month sales-type leases. As of December 31, 2022 and June 30, 2022, finance receivables consist of the following:

(\$ in thousands)	December 31, 2022	June 30, 2022
Current finance receivables, net	\$ 7,757	\$ 6,721
Finance receivables due after one year, net	14,520	14,727
Total finance receivables, net of allowance of \$864 and \$760, respectively	<u>\$ 22,277</u>	<u>\$ 21,448</u>

We collect lease payments from customers primarily as part of the flow of funds from our transaction processing service. Balances are considered past due if customers do not have sufficient transaction revenue to cover the monthly lease payment by the end of the monthly billing period. The Company routinely monitors customer payment performance and uses prior payment performance as a measure to assess the capability of the customer to repay contractual obligations of the lease agreements as scheduled. On an as-needed basis, qualitative information may be taken into consideration if new information arises related to the customer's ability to repay the lease.

Credit risk for these receivables is continuously monitored by management and reflected within the allowance for finance receivables by aggregating leases with similar risk characteristics into pools that are collectively assessed. Because the Company's lease contracts generally have similar terms, customer characteristics around transaction processing volume and sales were used to disaggregate the leases. Our key credit quality indicator is the amount of transaction revenue we process for each customer relative to their lease payment due, as we consider this customer characteristic to be the strongest predictor of the risk of customer default. Customers with low processing volume or with transaction sales that are insufficient to cover the lease payment are considered to be at a higher risk of customer default.

Customers are pooled based on their ratio of gross sales to required monthly lease obligations. We categorize outstanding receivables into two categories: high ratio customers (customers who have adequate transaction processing volumes sufficient to cover monthly fees) and low ratio customers (customers that do not consistently have adequate transaction processing volumes sufficient to cover monthly fees). Using these two categories, we performed an analysis of historical write-offs to calculate reserve percentages by aging buckets for each category of customer.

At December 31, 2022, the gross lease receivable by current payment performance on a contractual basis and year of origination consisted of the following:

(\$ in thousands)	Leases by Origination						Total
	Up to 1 Year Ago	Between 1 and 2 Years Ago	Between 2 and 3 Years Ago	Between 3 and 4 Years Ago	Between 4 and 5 Years Ago	More than 5 Years Ago	
Current	\$ 8,689	\$ 5,066	\$ 2,044	\$ 2,312	\$ 2,996	\$ (5)	\$ 21,102
30 days and under	29	59	38	57	73	8	264
31-60 days	14	37	32	50	66	8	207
61-90 days	12	22	32	42	63	9	180
Greater than 90 days	39	112	140	490	530	77	1,388
Total finance receivables	<u>\$ 8,783</u>	<u>\$ 5,296</u>	<u>\$ 2,286</u>	<u>\$ 2,951</u>	<u>\$ 3,728</u>	<u>\$ 97</u>	<u>\$ 23,141</u>

At June 30, 2022, the gross lease receivable by current payment performance on a contractual basis and year of origination consisted of the following:

(\$ in thousands)	Leases by Origination						Total
	Up to 1 Year Ago	Between 1 and 2 Years Ago	Between 2 and 3 Years Ago	Between 3 and 4 Years Ago	Between 4 and 5 Years Ago	More than 5 Years Ago	
Current	\$ 7,451	\$ 5,047	\$ 2,758	\$ 2,593	\$ 2,807	\$ 103	\$ 20,759
30 days and under	18	10	32	56	94	3	213
31-60 days	25	23	26	58	100	—	232
61-90 days	25	14	20	46	91	—	196
Greater than 90 days	41	47	97	232	391	—	808
Total finance receivables	\$ 7,560	\$ 5,141	\$ 2,933	\$ 2,985	\$ 3,483	\$ 106	\$ 22,208

At December 31, 2022, credit quality indicators by year of origination consisted of the following:

(\$ in thousands)	Leases by Origination						Total
	Up to 1 Year Ago	Between 1 and 2 Years Ago	Between 2 and 3 Years Ago	Between 3 and 4 Years Ago	Between 4 and 5 Years Ago	More than 5 Years Ago	
High ratio customers	\$ 8,744	\$ 4,983	\$ 1,956	\$ 2,299	\$ 3,039	\$ 22	\$ 21,043
Low ratio customers	39	313	330	652	689	75	2,098
Total finance receivables	\$ 8,783	\$ 5,296	\$ 2,286	\$ 2,951	\$ 3,728	\$ 97	\$ 23,141

At June 30, 2022, credit quality indicators by year of origination consisted of the following:

(\$ in thousands)	Leases by Origination						Total
	Up to 1 Year Ago	Between 1 and 2 Years Ago	Between 2 and 3 Years Ago	Between 3 and 4 Years Ago	Between 4 and 5 Years Ago	More than 5 Years Ago	
High ratio customers	\$ 7,498	\$ 4,853	\$ 2,688	\$ 2,623	\$ 2,950	\$ 102	\$ 20,714
Low ratio customers	62	288	245	362	533	4	1,494
Total finance receivables	\$ 7,560	\$ 5,141	\$ 2,933	\$ 2,985	\$ 3,483	\$ 106	\$ 22,208

The following table represents a rollforward of the allowance for finance receivables for the six months ending December 31, 2022 and 2021:

(\$ in thousands)	Six months ended December 31,	Six months ended December 31,
	2022	2021
Balance at June 30	\$ 760	\$ 1,109
Provision for expected losses	392	100
Balance at September 30	\$ 1,152	\$ 1,209
Provision for expected losses	—	100
Write-offs	(288)	(247)
Balance at December 31	\$ 864	\$ 1,062

Cash to be collected on our performing finance receivables due for each of the fiscal years are as follows:

(\$ in thousands)	
2022	\$ 4,390
2023	7,483
2024	5,730
2025	4,311
2026	2,519
Thereafter	631
Total amounts to be collected	25,064
Less: interest	(1,923)
Less: allowance for receivables	(864)
Total finance receivables	<u>\$ 22,277</u>

## 7. ACCOUNTS RECEIVABLE

Accounts receivable primarily include amounts due to the Company for sales of equipment and subscription fees, settlement receivables for amounts due from third-party payment processors and receivables from contract manufacturers, net of the allowance for uncollectible accounts. Accounts receivable, net of the allowance for uncollectible accounts were \$45.7 million as of December 31, 2022 and \$37.7 million as of June 30, 2022.

### Concentrations

Accounts receivable from one contract manufacturer represented 16% of accounts receivable, net of allowance as of December 31, 2022 and June 30, 2022. The Company also had accounts payable due to this contract manufacturer as of December 31, 2022. On January 31, 2023, the Company entered into an Offset and Release of Claims Agreement with this counterparty. As part of the agreement, outstanding receivables and payables were offset and the net position was settled through a cash disbursement from the Company. The accounts receivable balance with the contract manufacturer that was outstanding as of December 31, 2022 has subsequently been fully resolved.

Accounts receivable with the Company's largest customer represented 15% and 17% of accounts receivable, net of allowance as of December 31, 2022 and June 30, 2022 respectively. The Company has collected approximately \$2.9 million of outstanding accounts receivables in January 2023 resulting in a significant reduction of this concentration.

### Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts for losses resulting from the inability of its customers to make required payments, including from a shortfall in the customer transaction fund flow from which the Company would normally collect amounts due. The allowance is calculated under an expected loss model. We estimate our allowance using an aging analysis of the receivables balances, primarily based on historical loss experience. Furthermore, current conditions are analyzed on a quarterly basis as we reassess whether our receivables continue to exhibit similar risk characteristics as the prior measurement date, and determine if the reserve calculation needs to be adjusted for new developments, such as a customer's inability to meet its financial obligations. The Company writes off receivable balances against the allowance for doubtful accounts when management determines the balance is uncollectible and the Company ceases collection efforts.

The following table represents a rollforward of the allowance for doubtful accounts for the three months ending December 31, 2022 and 2021:

(\$ in thousands)	Six months ended December 31,	
	2022	2021
Beginning balance of allowance as of June 30	9,328	7,715
Provision for expected losses	1,044	312
Write-offs	(127)	—
Balance at September 30	<u>10,245</u>	<u>8,027</u>
Provision for expected losses	91	801



Write-offs	(214)	(566)
Balance at December 31	<u>10,122</u>	<u>8,262</u>

## 8. LOSS PER SHARE CALCULATION

Basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted earnings per share, applicable only to years ended with reported income, is computed by dividing net income by the weighted average number of common shares outstanding during the period plus the dilutive effect of outstanding stock options and restricted stock-based awards using the treasury stock method. The calculation of basic and diluted loss per share is presented below:

(\$ in thousands, except per share data)	Three months ended December 31,	
	2022	2021
<b>Numerator for basic and diluted loss per share</b>		
Net loss	\$ (573)	\$ (468)
Preferred dividends	—	—
Net loss applicable to common shareholders	<u>(573)</u>	<u>(468)</u>
<b>Denominator for basic loss per share - Weighted average shares outstanding</b>	71,629,939	70,969,246
Effect of dilutive potential common shares	—	—
<b>Denominator for diluted loss per share - Adjusted weighted average shares outstanding</b>	<u>71,629,939</u>	<u>70,969,246</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>

(\$ in thousands, except per share data)	Six months ended December 31,	
	2022	2021
<b>Numerator for basic and diluted loss per share</b>		
Net loss	\$ (9,147)	\$ (1,760)
Preferred dividends	(334)	(334)
Net loss applicable to common shareholders	<u>(9,481)</u>	<u>(2,094)</u>
<b>Denominator for basic loss per share - Weighted average shares outstanding</b>	71,418,845	71,072,587
Effect of dilutive potential common shares	—	—
<b>Denominator for diluted loss per share - Adjusted weighted average shares outstanding</b>	<u>71,418,845</u>	<u>71,072,587</u>
Basic and diluted loss per share	<u>\$ (0.13)</u>	<u>\$ (0.03)</u>

Anti-dilutive shares excluded from the calculation of diluted loss per share were approximately 5 million for the three and six months ended December 31, 2022 and approximately 4 million for the three and six months ended December 31, 2021.

## 9. GOODWILL AND INTANGIBLES

Intangible asset balances and goodwill consisted of the following:

(\$ in thousands)	As of December 31, 2022			Amortization Period
	Gross	Accumulated Amortization	Net	
<b>Intangible assets:</b>				
Brand and tradenames	\$ 2,226	\$ (1,260)	\$ 966	1 - 7 years
Developed technology	19,267	(9,707)	9,560	5 - 6 years
Customer relationships	24,592	(5,583)	19,009	5 - 18 years
<b>Total intangible assets</b>	<b>\$ 46,085</b>	<b>\$ (16,550)</b>	<b>\$ 29,535</b>	
<b>Goodwill</b>	<b>92,241</b>	<b>—</b>	<b>92,241</b>	<b>Indefinite</b>
(\$ in thousands)	As of June 30, 2022			Amortization Period
	Gross	Accumulated Amortization	Net	
<b>Intangible assets:</b>				
Brand and tradenames	1,705	(1,133)	572	1 - 7 years
Developed technology	11,819	(8,761)	3,058	5 - 6 years
Customer relationships	19,339	(5,022)	14,317	10 - 18 years
<b>Total intangible assets</b>	<b>\$ 32,863</b>	<b>\$ (14,916)</b>	<b>\$ 17,947</b>	
<b>Goodwill</b>	<b>66,656</b>	<b>—</b>	<b>66,656</b>	<b>Indefinite</b>

During the three and six months ended December 31, 2022, there was \$0.8 million and \$1.6 million in amortization expense related to intangible assets, respectively, that was recognized. The Company recognized \$25.6 million in goodwill and \$13.2 million in newly acquired intangible assets in association with the 32M acquisition as referenced in *Note 5 - Acquisition*.

During the three and six months ended December 31, 2021, there was \$0.9 million and \$1.6 million for each respective period in amortization expense related to intangible assets that was recognized. The Company recognized \$2.7 million in goodwill and \$1.2 million in newly acquired intangible assets in association with the Yoke acquisition as referenced in *Note 5 - Acquisition*.

The Company performs an annual goodwill impairment test on April 1 and more frequently if events and circumstances indicate that the asset might be impaired. The Company has determined that there is a single reporting unit for purposes of testing goodwill for impairment. During the three and six months ended December 31, 2022 and December 31, 2021, the Company did not recognize any impairment charges related to goodwill.

## 10. DEBT AND OTHER FINANCING ARRANGEMENTS

The Company's debt and other financing arrangements as of December 31, 2022 and June 30, 2022 consisted of the following:

(\$ in thousands)	As of December 31, 2022	As of June 30, 2022
JPMorgan Credit Facility*	39,438	14,813
Other obligations	57	70
Less: unamortized issuance costs and debt discount	(221)	(261)
Total	39,274	14,622
Less: debt and other financing arrangements, current	(1,192)	(692)
Debt and other financing arrangements, noncurrent	<u>\$ 38,082</u>	<u>\$ 13,930</u>

\* See discussion below on amendment to the JPMorgan Credit Facility.

Details of interest expense presented on the Condensed Consolidated Statements of Operations are as follows:

(\$ in thousands)	Three months ended		Six months ended	
	December 31,		December 31,	
	2022	2021	2022	2021
JPMorgan Credit Facility*	313	227	591	457
Other interest expense	205	248	404	496
<b>Total interest expense</b>	<b>\$ 518</b>	<b>\$ 475</b>	<b>\$ 995</b>	<b>\$ 953</b>

### **JPMorgan Chase Bank Credit Agreement**

#### *JP Morgan Agreement dated August 14, 2020 and amendment dated March 2, 2021*

On August 14, 2020, the Company repaid all amounts outstanding under the \$30.0 million senior secured term loan facility (“2020 Antara Term Facility”) with Antara Capital Master Fund LP (“Antara”) and entered into a credit agreement (the “2021 JPMorgan Credit Agreement”) with JPMorgan Chase Bank, N.A. (“JPMorgan”).

The 2021 JPMorgan Credit Agreement provides for a \$5 million secured revolving credit facility (the “2021 JPMorgan Revolving Facility”) and a \$15 million secured term facility (the “2021 JPMorgan Secured Term Facility”) and together with the 2021 JPMorgan Revolving Facility, as amended, the “2021 JPMorgan Credit Facility”), which included an uncommitted expansion feature that allowed the Company to increase the total revolving commitments and/or add new tranches of term loans in an aggregate amount not to exceed \$5 million.

The 2021 JPMorgan Credit Facility has a three year maturity, with interest determined, at the Company’s option, on a base rate of LIBOR or Prime Rate plus an applicable spread tied to the Company’s total leverage ratio and having ranges between 2.75% and 3.75% for Prime rate loans and between 3.75% and 4.75% for LIBOR rate loans. In the event of default, the interest rate may be increased by 2.00%. The 2021 JPMorgan Credit Facility carries a commitment fee of 0.50% per annum on the unused portion. From August 14, 2020 through March 2, 2021, the applicable interest rate was Prime Rate plus 3.75%. On March 2, 2021, the Company entered into an amendment (the “First Amendment”) to the 2021 JPMorgan Credit Facility lowering the interest rate charged to the Company. In conjunction with the First Amendment, the Company elected to convert its loans to a Eurodollar borrowing which is subject to a LIBOR based interest rate.

The Company’s obligations under the 2021 JPMorgan Credit Facility were secured by first priority security interests in substantially all of the assets of the Company. The 2021 JPMorgan Credit Agreement included customary representations, warranties and covenants, and acceleration, indemnity and events of default provisions, including a financial covenant requiring the Company to maintain an adjusted quick ratio of not less than 2.75 to 1.00 beginning January 1, 2021, and not less than 3.00 to 1.00 beginning April 1, 2021, and a financial covenant requiring the Company to maintain, as of the end of each of its fiscal quarters commencing with the fiscal quarter ended December 31, 2021, a total leverage ratio of not greater than 3.00 to 1.00.

#### *JP Morgan amended and restated Credit Agreement dated March 17, 2022*

On March 17, 2022, the Company entered into an amended and restated credit agreement with JPMorgan Chase Bank, N.A. which provided for a \$15 million secured revolving credit facility (the “Amended Revolving Facility”) and a \$25 million secured term facility (the “Amended Secured Term Facility”) and together with the Amended Revolving Facility, the “Amended JPMorgan Credit Facility”), and fully replaced our previous 2021 JPMorgan Credit Facility. The Amended Secured Term Facility includes a \$10 million increase from the 2021 JPMorgan Secured Term Facility which is available for a period of up to twelve months following the Closing Date.

On December 1, 2022, the Company entered into a first amendment (the “2022 Amendment”) to its Amended and Restated Credit Agreement, dated as of March 17, 2022, which, among other things, amended the definition of the Company’s EBITDA under the Credit Agreement. On December 1, 2022, the Company borrowed an additional \$25 million under the Amended JPMorgan Credit Facility to partially fund the cash consideration of the 32M acquisition as referenced in *Note 5 - Acquisition*.

The Amended JPMorgan Credit Facility has a four year maturity. Interest on the Amended JPMorgan Credit Facility will be based, at the Company’s option, on a base rate or SOFR plus an applicable margin tied to the Company’s total leverage ratio and having ranges of between 2.50% and 3.00% for base rate loans and between 3.50% and 4.00% for SOFR loans; provided that until June 30, 2022 the applicable margin shall be 2.75% for base rate loans and 3.75% for SOFR loans. Subject to the occurrence of a material acquisition and the Company’s total leverage ratio exceeding 3.00 to 1.00, the interest rate on the loans may increase by 0.25%. In an event of default, the interest rate may be increased by 2.00%. The Amended JPMorgan Credit

Facility will also carry a commitment fee of 0.50% per annum on the unused portion. As of December 31, 2022, the applicable interest rate for the Amended JPMorgan Credit Facility is approximately 8%.

The Amended JPMorgan Credit Facility includes customary representations, warranties and covenants, and acceleration, indemnity and events of default provisions, including, among other things, two financial covenants. One financial covenant requires the Company to maintain, at all times, a total leverage ratio of not more than 3.00 to 1.00 on the last day of any fiscal quarter. The other financial covenant is conditional on a material acquisition occurring: if a material acquisition occurs, the Company is required to maintain a total leverage ratio not greater than 4.00 to 1.00 for the next four fiscal quarters following the material acquisition.

The Amended Secured Term Facility was accounted for as a modification of the 2021 JPMorgan Secured Term Facility. The previously unamortized debt issuance costs remain capitalized, the new fees paid to the creditor were capitalized, and allocated third-party costs incurred allocated to the term facility were charged to expense. We have also evaluated that the borrowing capacity of the Amended Revolving Facility is greater than the borrowing capacity of the 2021 JPMorgan Revolving Facility. The previously unamortized debt issuance costs remain capitalized, the new fees paid to the creditor and allocated third-party costs were capitalized. The Company capitalized \$0.3 million of issuance costs related to the Amended JPMorgan Credit Facility during the year-ended June 30, 2022. The Company was in compliance with its financial covenants for the Amended JPMorgan Credit Facility as of December 31, 2022.

References to "JPMorgan Credit Facility" in the Condensed Consolidated Financial Statements and related notes, Management's Discussion and Analysis of Financial Condition and Results of Operations and other parts of the Form 10-Q specifically refers to the 2021 JPMorgan Credit Facility prior to March 17, 2022 and to the Amended JPMorgan Credit Facility subsequent to and as of March 17, 2022.

**11. ACCRUED EXPENSES**

Accrued expenses consisted of the following as of December 31, 2022 and June 30, 2022:

(\$ in thousands)	As of December 31, 2022	As of June 30, 2022
Sales tax reserve	\$ 16,932	\$ 14,694
Accrued compensation and related sales commissions	2,640	3,289
Operating lease liabilities, current	1,346	1,538
Accrued professional fees	4,901	4,200
Accrued taxes and filing fees payable	1,873	2,036
Contingent consideration arrangement for the Yoke acquisition*	—	1,000
Other accrued expenses	1,282	1,397
Consideration withheld in escrow for the 32M acquisition*	500	—
<b>Total accrued expenses</b>	<b>\$ 29,474</b>	<b>\$ 28,154</b>

\* See Note 5 - Acquisition for description of the arrangement.

**12. INCOME TAXES**

For the three months ended December 31, 2022, the Company recorded an income tax provision of \$42 thousand. For the six months ended December 31, 2022, the Company recorded an income tax provision of \$67 thousand. As of December 31, 2022, the Company reviewed the existing deferred tax assets and continues to record a full valuation against its deferred tax assets. The income tax provision primarily relates to state income and franchise taxes and deferred taxes related to indefinite lived intangibles. As of December 31, 2022, the Company had a total unrecognized income tax benefit of \$0.6 million. The provision is based upon actual loss before income taxes for the six months ended December 31, 2022, as the use of an estimated annual effective income tax rate does not provide a reliable estimate of the income tax provision.

For the three months ended December 31, 2021, the Company recorded an income tax provision of \$102 thousand. For the six months ended December 31, 2021, the Company recorded an income tax provision of \$191 thousand. As of December 31, 2021, the Company reviewed the existing deferred tax assets and continues to record a full valuation against its deferred tax assets. The income tax provisions primarily relate to the Company's uncertain tax positions, as well as state income and franchise taxes. As of December 31, 2021, the Company had a total unrecognized income tax benefit of \$0.5 million. The provision is based upon actual loss before income taxes for the six months ended December 31, 2021, as the use of an estimated annual effective income tax rate does not provide a reliable estimate of the income tax provision.

**13. EQUITY****STOCK OPTIONS**

The Company estimates the grant date fair value of the stock options with service conditions (i.e., a condition that requires an employee to render services to the Company for a stated period of time to vest) it grants using a Black-Scholes valuation model. The Company's assumption for expected volatility is based on its historical volatility data related to market trading of its own common stock. The Company uses the simplified method to determine expected term, as the Company does not have adequate historical exercise and forfeiture behavior on which to base the expected life assumption. The dividend yield assumption is based on dividends expected to be paid over the expected life of the stock option. The risk-free interest rate assumption is determined by using the U.S. Treasury rates of the same period as the expected option term of each stock option.

The fair value of options granted during the six months ended December 31, 2022 and 2021 were determined using the following assumptions and includes only options with an established grant date under ASC 718:

	Six months ended December 31,	
	2022	2021
Expected volatility (percent)	74.6% - 77.6%	73.2% - 73.6%
Weighted average expected life (years)	4.4 - 4.6	4.5
Dividend yield (percent)	0.0 %	0.0 %
Risk-free interest rate (percent)	2.7% - 4.1%	1.0% - 1.2%
Number of options granted	1,620,000	495,000
Weighted average exercise price	\$ 4.58	\$ 9.98
Weighted average grant date fair value	\$ 2.87	\$ 5.72

Stock based compensation related to stock options with an established grant date for the three and six months ended December 31, 2022 was \$0.6 million and \$1.6 million, respectively, and for the three and six months ended December 31, 2021 was \$0.6 million and \$1.4 million, respectively.

#### *Performance based awards*

The Company has awarded stock options to certain executives which vest each year over a three to four year period. These stock options are subject to the achievement of performance goals to be established by the Company's Board for each fiscal year.

The Compensation Committee of the Board of Directors has established the performance metrics as a price target for the trading price of the Company's common stock in each applicable fiscal year. The price target is achieved if the average closing price of the common stock during any consecutive 30-trading-day period during the applicable fiscal year meets or exceeds: (i) \$10.50 in the case of fiscal year 2021; (ii) \$13.50 in the case of fiscal year 2022; (iii) \$16.50 in the case of fiscal year 2023; and (iv) \$19.50 in the case of fiscal year 2024. If at least 80% of the performance goals for an applicable fiscal year are achieved, the Compensation Committee may determine that the portion of the option eligible to vest based on such fiscal year's performance will vest on a prorated basis. In so determining, the Compensation Committee will consider the Company's performance relative to its market competitors and any other considerations deemed relevant by the Compensation Committee. The Compensation Committee's guideline is generally that for every percentage point the achieved price falls below the price target, the percentage of the performance options eligible to vest in respect of the applicable fiscal year should be reduced by 2%, but the Compensation Committee may vary this formula in its sole discretion.

For these performance based awards that provide discretion to the Compensation Committee, a mutual understanding of the key terms and conditions between the Company and the employees have not yet been met and a "Grant Date" as defined in *ASC Topic 718 Compensation — Stock Compensation*, has not been established. When the service period begins prior to the grant date, the Company begins recognizing compensation cost before there is a grant date. The Company estimates the award's fair value at each reporting period for these equity classified awards, until the grant date, utilizing a Monte Carlo simulation valuation model. The total benefit recognized for the three and six months ended December 31, 2022 for these awards was \$(0.9) million and \$(1.1) million, respectively, as a result of reversing unvested grants for terminated executives during the period. The total expense recognized for the three and six months ended December 31, 2021 for these awards was \$0.3 million and \$0.9 million, respectively.

#### *COMMON STOCK AWARDS*

Two employees of Hudson Executive, a greater than 10% shareholder and a related party of the Company, entered into consulting agreements with the Company in August and September of 2020, respectively, under which the consultants provided financial and strategic analysis and advisory services to the Company's CEO through July 31, 2021. As consideration for the services, in March 2021 the consultants were granted a total of 80,000 restricted stock units. In September 2021, the Company extended these consulting agreements through July 31, 2022 and, in connection therewith, the consultants were granted an additional 20,000 restricted stock units. On February 2, 2022, the Board of Directors of the Company appointed one of the above mentioned employees of Hudson Executive as a director of the Company, effective immediately. In connection with the appointment to the Board, the consulting agreement for that individual was terminated, effective February 2, 2022. The total

expense recognized for the three and six months ended December 31, 2022 and 2021 for these consulting agreements was immaterial.

The total expense recognized for common stock awards for the three and six months ended December 31, 2022 was \$0.5 million and \$1.0 million, respectively, and for the three and six months ended December 31, 2021 was \$0.5 million and \$0.8 million, respectively.

#### *PREFERRED STOCK*

During the six months ended December 31, 2022, the Company retired 59,281 shares of its Series A convertible preferred stock that it purchased for an aggregate amount of approximately \$2.5 million.

The repurchase transaction was primarily accounted for as an extinguishment of preferred stock and recorded as a decrease to the carrying value of the preferred stock in the amount of \$0.5 million and common stock of \$1.7 million for an aggregate amount of \$2.2 million that was included within the Cash flows from financing activities in the Condensed Consolidated Statements of Cash Flows.

The remaining \$0.3 million was deemed to be an amount in excess of the fair value of the preferred stock and was recorded within Operating expenses in the Condensed Consolidated Statements of Operations and Cash flows from operating activities in the Condensed Consolidated Statements of Cash Flows.

### **14. COMMITMENTS AND CONTINGENCIES**

#### *LITIGATION*

We are a party to litigation and other proceedings that arise in the ordinary course of our business. These types of matters could result in fines, penalties, compensatory or treble damages or non-monetary sanctions or relief. In accordance with the accounting guidance for contingencies, we reserve for litigation claims and assessments asserted or threatened against us when a loss is probable and the amount of the loss can be reasonably estimated. We cannot predict the outcome of legal or other proceedings with certainty.

#### *Securities and Exchange Commission ("SEC") Inquiries*

Since fiscal year 2019, the Company has received inquiries from the SEC into the facts and circumstances of the 2019 Investigation and has fully cooperated with these inquiries.

#### *Leases*

The Company has entered into various operating lease obligations. See *Note 3 - Leases* for additional information.

#### *Purchase Commitments*

As of December 31, 2022, the Company had firm commitments to purchase inventory of approximately \$9.3 million over the next year.

### **15. RELATED PARTY TRANSACTIONS**

A member of our Board of Directors serves as a strategic advisor to a consulting firm that we utilize for payments analytics and advisory services. These services are utilized by the Company to reduce the cost of our interchange and other processing fees charged by payment processors and credit card networks. As consideration for the services, we pay the consulting firm a success fee based on the savings realized by the Company, and a recurring monthly subscription fee for the analytical services. The total expense recognized within Cost of subscription and transaction fees for the three and six months ended December 31, 2022 for these arrangements was \$0.1 million. The total expense recognized within Cost of subscription and transaction fees for the three and six months ended December 31, 2021 for these arrangements was \$0.5 million and \$0.8 million respectively.

See *Note 13 - Equity* for information on transactions relating to Hudson Executive.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the condensed consolidated financial statements and related notes included in this Form 10-Q.

### Forward-Looking Statements

This Form 10-Q contains certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, regarding, among other things, the anticipated financial and operating results of Cantaloupe, Inc. ("Cantaloupe" or the "Company"). For this purpose, forward-looking statements are any statements contained herein that are not statements of historical fact and include, but are not limited to, those preceded by or that include the words, "estimate," "could," "should," "would," "likely," "may," "will," "plan," "intend," "believes," "expects," "anticipates," "projected," or similar expressions. Those statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by the statements. The forward-looking information is based on various factors and was derived using numerous assumptions. Important factors that could cause the Company's actual results to differ materially from those projected include, for example:

- general economic, market or business conditions unrelated to our operating performance, including the impact of the ongoing COVID-19 pandemic;
- potential mutations of COVID-19 and the efficacy of vaccines and treatment developments and their deployment;
- failure to comply with the financial covenants in the Amended JPMorgan Credit Facility (as defined below);
- our ability to raise funds in the future through sales of securities or debt financing in order to sustain operations in the normal course of business or if an unexpected or unusual event were to occur;
- our ability to compete with our competitors and increase market share;
- disruptions in or inefficiencies to our supply chain and/or operations including the impacts of the COVID-19 pandemic;
- the risks related to the availability of, and cost inflation in, supply chain inputs, including labor, raw materials, packaging and transportation;
- whether our current or future customers purchase, lease, rent or utilize ePort devices, Seed's software solutions or our other products in the future at levels currently anticipated;
- whether our customers continue to utilize the Company's transaction processing and related services, as our customer agreements are generally cancellable by the customer on thirty to sixty days' notice;
- our ability to satisfy our trade obligations included in accounts payable and accrued expenses;
- the incurrence by us of any unanticipated or unusual non-operating expenses, which may require us to divert our cash resources from achieving our business plan;
- our ability to predict or estimate our future quarterly or annual revenue and expenses given the developing and unpredictable market for our products;
- our ability to integrate acquired companies into our current products and services structure;
- our ability to retain key customers from whom a significant portion of our revenue is derived;
- the ability of a key customer to reduce or delay purchasing products from us;
- our ability to obtain widespread commercial acceptance of our products and service offerings;
- whether any patents issued to us will provide any competitive advantages or adequate protection for our products, or would be challenged, invalidated or circumvented by others;
- our ability to operate without infringing the intellectual property rights of others;
- the ability of our products and services to avoid disruptions to our systems or unauthorized hacking or credit card fraud;



- geopolitical conflicts, such as the ongoing conflict between Russia and Ukraine;
- whether we are able to fully remediate our material weaknesses in our internal controls over financial reporting or continue to experience material weaknesses in our internal controls over financial reporting in the future, and are not able to accurately or timely report our financial condition or results of operations;
- the ability to remain in compliance with the continued listing standards of the Nasdaq Global Select Market (“Nasdaq”) and continue to remain as a member of the US Small-Cap Russell 2000®;
- whether our suppliers would increase their prices, reduce their output or change their terms of sale; and
- the risks associated with the currently pending investigation, potential litigation or possible regulatory action arising from the 2019 Investigation (as defined in the Company’s June 30, 2022 Annual Report on Form 10-K) and its findings, from the failure to timely file our periodic reports with the Securities and Exchange Commission, from the restatement of the affected financial statements, from allegations related to the registration statement for the follow-on public offering, or from potential litigation or other claims arising from these events.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Actual results or business conditions may differ materially from those projected or suggested in forward-looking statements as a result of various factors including, but not limited to, those described above, or those discussed under Part I, Item 1A. “Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended June 30, 2022 (“2022 Form 10-K”). We cannot assure you that we have identified all the factors that create uncertainties. Moreover, new risks emerge from time to time and it is not possible for our management to predict all risks, nor can we assess the impact of all risks on our business or the extent to which any risk, or combination of risks, may cause actual results to differ from those contained in any forward-looking statements. Readers should not place undue reliance on forward-looking statements.

Any forward-looking statement made by us in this Form 10-Q speaks only as of the date of this Form 10-Q. Unless required by law, we undertake no obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of this Form 10-Q or to reflect the occurrence of unanticipated events.

## OVERVIEW OF THE COMPANY

Cantaloupe, Inc., is organized under the laws of the Commonwealth of Pennsylvania. We are a software and payments company that provides end-to-end technology solutions for self-service commerce. Cantaloupe is transforming the self-service industry by offering one integrated solution for payments processing, logistics, and back-office management. Our enterprise-wide platform is designed to increase consumer engagement and sales revenue through digital payments, digital advertising and customer loyalty programs, while providing retailers with control and visibility over their operations and inventory. As a result, customers ranging from vending machine companies to operators of micro-markets, car wash, electric vehicle charging stations, commercial laundry, kiosks, amusements and more, can run their businesses more proactively, predictably, and competitively.

On December 1, 2022, the Company acquired all of the equity interests of Three Square Market, Inc., a Wisconsin corporation, and Three Square Market Limited, a UK private limited company (collectively “32M”) pursuant to an Equity Purchase Agreement. 32M is a leading provider of software and self-service kiosk-based point of sale and payment solutions that power the micro market industry.

The Company’s fiscal year ends June 30. The Company generates revenues in multiple ways. During the three months ended December 31, 2022 and December 31, 2021, we derived approximately 80% and 81%, respectively, from subscription and transaction fees and 20% and 19%, respectively, from equipment sales. During the six months ended December 31, 2022 and December 31, 2021, we derived approximately 81% and 84%, respectively, from subscription and transaction fees and 19% and 16%, respectively, from equipment sales.

Active Devices (as defined below) operating on the Company’s platform and using our services include those resulting from the sale or lease of our point of sale (“POS”) electronic payment devices, telemetry devices or certified payment software or the servicing of similar third-party installed POS terminals or telemetry devices. Customers can obtain POS electronic payment devices from us in the following ways:

- Purchasing devices directly from the Company or one of its authorized resellers;
- Financing devices under the Company’s QuickStart Program, which are non-cancellable sixty-month sales-type leases, through an unrelated equipment financing company, if available, or directly from the Company; and
- Renting devices under the Company’s Cantaloupe One program, which are typically 36 months duration agreements.

### **3G Network discontinuation and upgrade cycle**

The Company currently has a large customer base with over 1 million Active Devices connected to our platform which we have built over 30 years of being a key player in the unattended retail industry. The major telecommunication service providers in North America have been phasing out older generation cellular networks (2G and 3G networks) over the past year due to capacity and bandwidth limitations to make room for newer technologies that are faster, more reliable, provides a wider range of coverage, and overall enables a more responsive device.

A significant portion of our customer base and Active Devices were impacted by the discontinuation of the 3G wireless networks as these devices are inoperable after December 31, 2022. Our transition away from the 3G wireless network is now complete as the major cellular service providers phased these networks out in North America by December 31, 2022. The upgrade in cellular networks has impacted our industry and has required the Company to offer discounts to strategic customers especially during the fiscal year 2023 to ensure that our existing customer base is properly transitioned to the new platform. These discounts contributed to the decrease in our equipment sales margin in the first half of fiscal year 2023 and are not expected to continue in future periods.

### **Key Developments during the Quarter**

Highlights of the Company for the fiscal quarter ended December 31, 2022 are below:

- Revenues of \$61.3 million, an increase of 20.0% year over year. The increase was led by a seventh consecutive quarter of record transaction fees revenue;
- We successfully closed on the acquisition of Three Square Market in December 2022; further accelerating our micro market and international presence;
- We held our first investor day at Nasdaq where we articulated our renewed vision and strategy;
- We launched a pilot program for our new ePort Engage Ads feature, which is a self-service advertisement platform that enables our customers to upload custom images or advertisements to display on their ePort Engage devices based on specific times or day parameters that the customer chooses. The product is expected to made available to customers in Q4 of fiscal year 2023;
- Our company held the Cantaloupe University event in November, where we brought together 150 customers and partners, specifically enterprise level customers, from across the United States to learn about the latest innovations, upcoming product releases, and to receive an in-depth training on Seed, ePort, and micro markets; and
- We continued to see significant customer interest and growth in the newly launched Cantaloupe ONE Platform, a bundled subscription model, which provides operators the flexibility and predictability of a monthly, fixed subscription amount covering the hardware and service fees.

As of December 31, 2022, we have approximately 275 employees in the United States and United Kingdom and offices in Malvern, Pennsylvania, Atlanta, Georgia, River Falls, Wisconsin and Birmingham, United Kingdom.

### **COVID-19 Update**

The Company, its employees, and its customers operate in geographic locations in which its business operations and financial performance continues to be affected by the COVID-19 pandemic. While businesses, schools and other organizations re-open, which has led to increased foot-traffic to distributed assets containing our electronic payment solutions, the emergence of new strains and variants and resurgence of the virus, such as the outbreak of the Omicron variant in early calendar year 2022, have led and may in the future lead to additional shutdowns, closures, and other follow-on impacts including supply chain disruptions, which may impact our operations and financial results. During fiscal year 2023, we experienced elevated component and supply chain costs necessary for the production and distribution of our hardware products. Such impacts to our financial statements include, but are not limited to, increased costs of sales incurred, impairment of goodwill and intangible assets, impairment of long-lived assets including operating lease assets, property and equipment and allowance for doubtful accounts for accounts and finance receivables. We have concluded that there are no material impairments as a result of our evaluation for the quarter ended December 31, 2022. Where applicable, we have incorporated judgments and estimates of the expected impact of COVID-19 in the preparation of the financial statements based on information currently available. These judgments and estimates may change, as new events develop and additional information is obtained, and are recognized in the condensed consolidated financial statements as soon as they become known.

We continue to monitor the evolving situation and follow guidance from federal, state and local public health authorities. Given the potential uncertainty of the situation, the Company cannot, at this time, reasonably estimate the longer-term repercussions of COVID-19 on our financial condition, results of operations or cash flows.

## QUARTERLY RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the condensed consolidated financial statements and related notes included in this Form 10-Q.

The following table shows certain financial and non-financial data that management believes give readers insight into certain trends and relationships about the Company's financial performance. We believe the metrics (Active Devices, Active Customers, Total Number of Transactions and Total Dollar Volume) are useful in allowing management and readers to evaluate our strategy of driving growth in devices and transactions.

### Active Devices

Active Devices are devices that have communicated with us or have had a transaction in the last twelve months. Included in the number of Active Devices are devices that communicate through other devices that communicate or transact with us. A self-service retail location that utilizes an ePort cashless payment device as well as Seed management services constitutes only one device.

### Active Customers

The Company defines Active Customers as all customers with at least one active device.

### Total Number of Transactions and Total Dollar Volume of Transactions

Transactions are defined as electronic payment transactions that are processed by our technology-enabled solutions. Management uses Total Number and Dollar Volume of transactions to monitor recovery from the COVID-19 pandemic and to evaluate the effectiveness of our new customer strategy and our ability to leverage existing customers and partners.

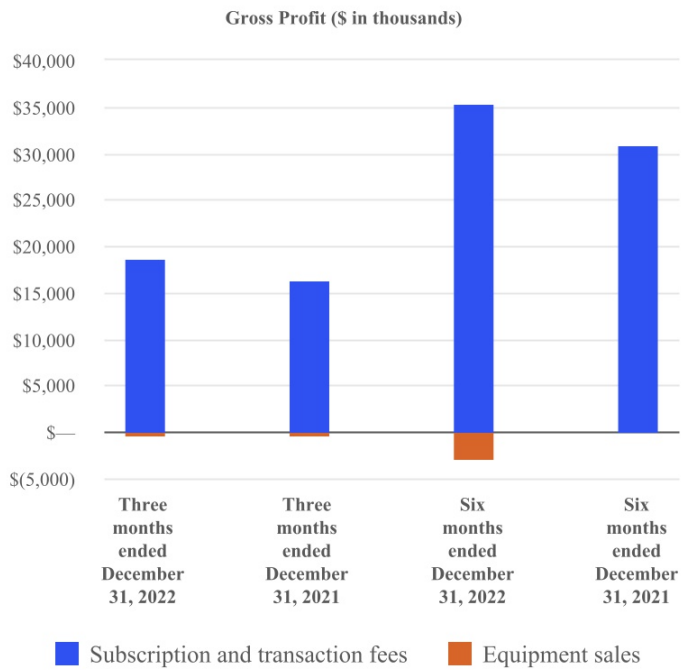
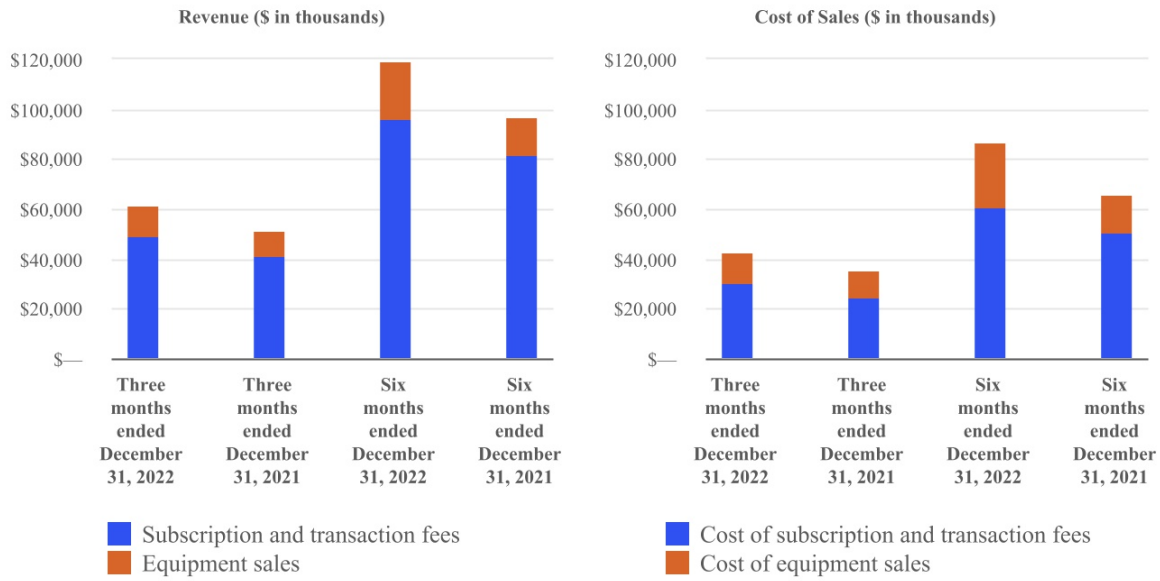
	As of and for the three months ended				
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
<b>Devices:</b>					
Active Devices (thousands)	1,150	1,151	1,137	1,125	1,123
<b>Customers:</b>					
Active Customers	26,335	25,019	23,991	22,818	21,315
<b>Volumes:</b>					
Total Number of Transactions (millions)	273.7	276.3	274.6	258.6	261.7
Total Dollar Volume of Transactions (millions)	\$ 649.4	\$ 639.5	\$ 616.1	\$ 562.0	\$ 555.3

Highlights for the quarter ended December 31, 2022 include:

- 1.15 million Active Devices compared to the same quarter last year of 1.12 million, an increase of approximately 27 thousand Active Devices, or 2.5%;
- 26,335 Active Customers on our service compared to the same quarter last year of 21,315, an increase of 5,020 Active Customers, or 23.6%; and
- \$649.4 million in Total Dollar Volume of Transactions for the quarter ended December 31, 2022 compared to \$555.3 million for the quarter ended December 31, 2021, an increase of \$94.1 million, or 17%. See "Revenues and Gross Profit" in Management's Discussion and Analysis of Financial Condition and Results of Operations below for additional information.

**FINANCIAL PERFORMANCE**

The following tables summarize our results of operations and significant changes in our financial performance for the periods presented:



**Three Months Ended December 31, 2022 Compared to Three Months Ended December 31, 2021**
**Revenues and Gross Profit**

(\$ in thousands)	Three months ended December 31,		Percent Change
	2022	2021	
<b>Revenues:</b>			
Subscription and transaction fees	\$ 48,932	\$ 41,188	18.8 %
Equipment sales	12,398	9,903	25.2 %
Total revenues	61,330	51,091	20.0 %
<b>Costs of sales:</b>			
Cost of subscription and transaction fees	30,202	24,919	21.2 %
Cost of equipment sales	12,687	10,182	24.6 %
Total costs of sales	42,889	35,101	22.2 %
<b>Gross profit:</b>			
Subscription and transaction fees	18,730	16,269	15.1 %
Equipment sales	(289)	(279)	(3.6)%
Total gross profit	\$ 18,441	\$ 15,990	15.3 %
<b>Gross margin:</b>			
Subscription and transaction fees	38.3 %	39.5 %	
Equipment sales	(2.3)%	(2.8)%	
Total gross margin	30.1 %	31.3 %	

*Revenues.* Total revenues increased by \$10.2 million for the three months ended December 31, 2022 compared to the same period in 2021. The increase in revenues is attributed to a \$7.7 million and \$2.5 million increase in subscription and transaction fees and equipment sales, respectively.

The increase in subscription and transaction fees is primarily driven by increased processing volumes, with an approximately 17% increase in total dollar volumes of transactions for the current fiscal year quarter relative to the prior year quarter. We continue to benefit as businesses, schools and other organizations across the country continue to maintain normal levels of operations and due to an increase in the average price per transaction and total number of transactions relative to the same period in the prior year. Our subscription fees have increased 15% for the three months ended December 31, 2022 compared to the same period in 2021 which is attributed to a continued focus of management to grow our recurring subscription services and the successful expansion of the Cantaloupe One program to our customer base.

The increase in equipment sales relates to more equipment shipments in the current quarter compared to the same period last year driven primarily by continued upgrades by our customers from 3G to 4G network compatible devices which was substantially completed as of December 31, 2022 and customers upgrading their hardware devices to the latest payment technology security standards.

*Cost of sales.* Cost of sales increased \$7.8 million for the three months ended December 31, 2022 compared to the same period in 2021. The increase in cost of sales is attributed to a \$5.3 million and \$2.5 million increase in subscription and transaction costs and equipment costs respectively. The increase in subscription and transaction costs was primarily driven by an increase in transaction processing fees corresponding with an increase in processing volumes. The increase in cost of sales for equipment was primarily driven by corresponding increase in equipment sales due to our customers upgrading their payment devices in anticipation of the 3G network discontinuation events described above (See 3G Network discontinuation and upgrade cycle section).

*Gross margin.* Total gross margin decreased from 31.3% for the three months ended December 31, 2021 to 30.1% for the three months ended December 31, 2022. The decrease in gross margin was primarily a result of lower transaction fee margins due to increased transaction processing costs, partially offset by improved margins on equipment sales.

**Operating Expenses**

Category (\$ in thousands)	Three months ended December 31,		Percent Change
	2022	2021	
Sales and marketing	\$ 3,210	\$ 1,745	84.0 %
Technology and product development	5,299	5,780	(8.3)%
General and administrative expenses	6,559	7,672	(14.5)%
Investigation, proxy solicitation and restatement expenses	150	—	100.0 %
Integration and acquisition expenses	2,787	—	100.0 %
Depreciation and amortization	1,350	1,113	21.3 %
Total operating expenses	\$ 19,355	\$ 16,310	18.7 %

*Total operating expenses.* Operating expenses increased by \$3.0 million for the three months ended December 31, 2022 compared to the same period in 2021. This change is attributed primarily to a \$2.8 million increase in integration and acquisition expenses, an increase of \$1.5 million in sales and marketing expenses partially offset by a decrease of \$1.1 million in general and administrative expenses. See further details on individual categories below.

*Sales and marketing.* Sales and marketing expenses increased approximately \$1.5 million for the three months ended December 31, 2022 compared to the same period in 2021 and relates primarily to higher sales and marketing employee headcount in the current quarter to support our expanding business and service offerings in the United States and internationally. Additionally we experienced an increase in trade show costs due to our participation in industry conventions and the hosting of Cantaloupe University in November 2022 for our customers and partners to showcase latest innovations, upcoming product releases, and to receive an in-depth training on Seed, ePort, and micro markets.

*Technology and product development.* Technology and product development expenses were consistent for the three months ended December 31, 2022 and December 31, 2021.

*General and administrative expenses.* General and administrative expenses decreased approximately \$1.1 million for the three months ended December 31, 2022, as compared to the same period in 2021. The biggest driver of the change in general and administrative expenses was an approximately \$0.8 million change in bad debt expense relative to the same period in the prior year. We also had an increase in salary and bonuses expenses which were offset by a decrease in our stock based compensation expense due to a combination of forfeitures of equity awards due to recent changes in our executive team and the decrease in the fair value of equity awards due to a decline in our stock price relative to the same period in the prior year.

*Investigation, proxy solicitation, and restatement expenses.* We did not incur any material investigation, proxy solicitation and restatement expenses for the three months ended December 31, 2021. For the three months ended December 31, 2022, the Company and former officers incurred additional legal expenses primarily relating to responding to inquiries from the Securities and Exchange Commission (“SEC”) in regards to the 2019 Investigation as disclosed in the section “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended June 30, 2022.

*Integration and acquisition expenses.* On December 1, 2022, the Company acquired all of the equity interests of Three Square Market, Inc., a Wisconsin corporation, and Three Square Market Limited, a UK private limited company (collectively “32M”) pursuant to an Equity Purchase Agreement. For the three months ended December 31, 2022, the Company incurred professional services fees of \$2.8 million from accounting, legal and investing banking advisors leading up to and for the successful completion of the 32M acquisition. The Company did not incur any material integration and acquisition expenses for the three months ended December 31, 2021.

*Depreciation and amortization.* Depreciation and amortization expenses were consistent for the three months ended December 31, 2022 and December 31, 2021.

**Other Income (Expense), Net**

(\$ in thousands)	Three months ended December 31,		Percent Change
	2022	2021	
Other income (expense):			
Interest income	\$ 878	\$ 445	97.3 %
Interest expense	(518)	(475)	9.1 %
Other income (expense)	23	(16)	NM
Total other income (expense), net	\$ 383	\$ (46)	NM

NM — not meaningful

*Other income (expense), net.* Other income (expense), net increased \$0.4 million for the three months ended December 31, 2022 as compared to the same period in 2021 primarily driven by an increase in interest income of approximately \$0.4 million. The increase in interest income is due to a larger finance receivables amount on our balance sheet as of December 31, 2022 compared to December 31, 2021.

**Six Months Ended December 31, 2022 Compared to Six Months Ended December 31, 2021**
**Revenues and Gross Profit**

(\$ in thousands)	Six months ended December 31,		Percent Change
	2022	2021	
<b>Revenues:</b>			
Subscription and transaction fees	\$ 96,007	\$ 81,812	17.4 %
Equipment sales	23,105	15,059	53.4 %
Total revenues	119,112	96,871	23.0 %
<b>Costs of sales:</b>			
Cost of subscription and transaction fees	60,572	50,944	18.9 %
Cost of equipment sales	25,937	15,062	72.2 %
Total costs of sales	86,509	66,006	31.1 %
<b>Gross profit:</b>			
Subscription and transaction fees	35,435	30,868	14.8 %
Equipment sales	(2,832)	(3)	(100.0)%
Total gross profit	\$ 32,603	\$ 30,865	5.6 %
<b>Gross margin:</b>			
Subscription and transaction fees	36.9 %	37.7 %	
Equipment sales	(12.3)%	(0.02)%	
Total gross margin	27.4 %	31.9 %	

*Revenues.* Total revenues increased by \$22.2 million for the six months ended December 31, 2022 compared to the same period in 2021. The increase in revenues is attributed to a \$14.2 million and \$8.0 million increase in subscription and transaction fees and equipment sales, respectively.

The increase in subscription and transaction fees is primarily driven by increased processing volumes, with an approximately 16% increase in total dollar volumes for the six months ended December 31, 2022 compared to the same period in 2021. We continue to benefit as businesses, schools and other organizations across the country continue to maintain normal levels of operations and due to an increase in the average price per transaction and total number of transactions relative to the same period in the prior year. Our subscription fees have increased approximately 13% for the six months ended December 31, 2022 compared to the same period in 2021 which is attributed to a continued focus of management to grow our recurring subscription services and the successful expansion of the Cantaloupe One program to our customer base.

The increase in equipment sales relates to more equipment shipments in the current fiscal year compared to the same period last year driven primarily by continued upgrades by our customers from 3G to 4G network compatible devices which was substantially completed as of December 31, 2022 and customers upgrading their hardware devices to the latest payment technology security standards.

*Cost of sales.* Cost of sales increased \$20.5 million for the six months ended December 31, 2022 compared to the same period in 2021. The increase in cost of sales is attributed to a \$10.9 million and \$9.6 million increase in equipment costs and subscription and transaction costs, respectively.

The increase in cost of sales for equipment was primarily driven by an approximately \$2.5 million of increased cost experienced within our supply chain due to inflation and unfavorable prices paid to secure certain key component parts to meet production and delivery timelines caused by a greater than anticipated surge in the demand for our ePort hardware products. The increased demand related to our customers upgrading their payment devices in anticipation of the 3G network discontinuation events described above (See 3G Network discontinuation and upgrade cycle section). We have taken steps to mitigate the impact of the materials shortages on our business, including increasing the amount of inventory we have on hand and negotiating fixed pricing with suppliers which has resulted in significant margin improvements in the second quarter of our fiscal year.



The increase in subscription and transaction costs was primarily driven by an increase in transaction processing fees corresponding with an increase in processing volumes and an one-time costs of approximately \$0.8 million incurred during the current fiscal year due to additional transaction processing fees that were related to implementing and stabilizing our platform as part of the AWS migration.

*Gross margin.* Total gross margin decreased from 31.9% for the six months ended December 31, 2021 to 27.4% for the six months ended December 31, 2022. The decrease in gross margin was primarily a result of lower equipment sales margins due to increased supply chain costs compared to same period in the prior year.

Subscription and transaction fees gross margin was relatively consistent for the six months ended December 31, 2022 compared to the same period in 2021. However, we incurred one-time processing costs of approximately \$0.8 million during the current fiscal year as a result of additional transaction processing fees to implement and stabilize our platform as we migrated our cloud hosting services to the Amazon Web Services (AWS) platform. The increase in transaction fees costs were offset with lower costs for our payment processor and payment networks which were a result of migrating payment processors and negotiating favorable rates with the card network providers. Additionally, we have seen an increase in average price per transaction relative to the same period in the prior year, which is additive to our gross margin.

## Operating Expenses

Category (\$ in thousands)	Six months ended December 31,		Percent Change
	2022	2021	
Sales and marketing	\$ 5,735	\$ 4,084	40.4 %
Technology and product development	12,164	11,169	8.9 %
General and administrative expenses	18,137	14,936	21.4 %
Investigation, proxy solicitation and restatement expenses	547	—	100.0 %
Integration and acquisition expenses	2,787	—	100.0 %
Depreciation and amortization	2,666	2,135	24.9 %
Total operating expenses	\$ 42,036	\$ 32,324	30.0 %

*Total operating expenses.* Operating expenses increased approximately \$9.7 million for the six months ended December 31, 2022 compared to the same period in 2021. The increase is attributed to an increase of \$3.2 million in general and administrative expenses, an increase of \$2.8 million for integration and acquisition expenses, and a \$1.7 million increase in sales and marketing costs. See further details on individual categories below.

*Sales and marketing.* Sales and marketing expenses increased approximately \$1.7 million for the six months ended December 31, 2022, as compared to the same period in 2021 relates primarily to higher sales and marketing employee headcount in the current quarter to support our expanding business and service offerings in the United States and internationally. Additionally, we experienced an increase in trade show costs due to our participation in industry conventions and the hosting of Cantaloupe University in November 2022 for our customers and partners to showcase latest innovations, upcoming product releases, and to receive an in-depth training on Seed, ePort, and micro markets.

*Technology and product development.* Technology and product development expenses increased approximately \$1.0 million for the six months ended December 31, 2022, as compared to the same period in 2021. We have continued to execute on our key objectives of investing in innovative technologies to further strengthen our network environment and platform. The primary increase in technology and product development expenses for the six months ended December 31, 2022 related to increase in professional services relating to the AWS migration, developing a payment gateway for international expansion initiatives and implementing tools to monitor our network and infrastructure.

*General and administrative expenses.* General and administrative expenses increased approximately \$3.2 million for the six months ended December 31, 2022, as compared to the same period in 2021. The increase in general and administrative expenses was primarily driven by a \$1.4 million increase in professional services fees relating to additional compliance costs incurred as a result of our delayed annual report filing, \$0.3 million impairment of rental equipment as part of a contract extension with a large customer of the Company, and a one-time insurance recovery of \$0.7 million in the prior year which was recorded as a reduction of general and administrative expenses.

*Investigation, proxy solicitation, and restatement expenses.* We did not incur any material investigation, proxy solicitation and restatement expenses for the six months ended December 31, 2021. For the six months ended December 31, 2022, the Company and former officers incurred additional legal expenses primarily relating to responding to inquiries from the Securities and

Exchange Commission (“SEC”) in regards to the 2019 Investigation as disclosed in the section “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended June 30, 2022.

*Integration and acquisition.* On December 1, 2022, the Company acquired all of the equity interests of Three Square Market, Inc., a Wisconsin corporation, and Three Square Market Limited, a UK private limited company (collectively “32M”) pursuant to an Equity Purchase Agreement. For the six months ended December 31, 2022, the Company incurred professional services fees of \$2.8 million from accounting, legal and investing banking advisors leading up to and for the successful completion of the 32M acquisition. The Company did not incur any material integration and acquisition expenses for the six months ended December 31, 2021.

*Depreciation and amortization.* During the six months ended December 31, 2022, the Company had an increase in depreciation and amortization costs of \$0.5 million compared to the same period in the prior year due to increased depreciation for our increased Internal-use software as various projects and initiatives get implemented. Our increase in internal-use software is attributable to management’s focus on developing innovative technologies to further strengthen our network environment and platform.

#### Other Income (Expense), Net

(\$ in thousands)	Six months ended December 31,		Percent Change
	2022	2021	
Other income (expense):			
Interest income	\$ 1,445	\$ 918	57.4 %
Interest expense	(995)	(953)	4.4 %
Other income (expense)	(97)	(75)	29.3 %
Total other income (expense), net	<u>\$ 353</u>	<u>\$ (110)</u>	<u>420.9 %</u>

*Other income (expense), net.* Other income (expense), net increased \$0.5 million for the six months ended December 31, 2022 as compared to the same period in 2021 primarily driven by an increase in interest income of approximately \$0.5 million. The increase in interest income is due to a larger finance receivables amount on our balance sheet during the current fiscal year compared to the same period in the prior year.

***Non-GAAP Financial Measures - Adjusted EBITDA***

Adjusted earnings before income taxes, depreciation, and amortization (“Adjusted EBITDA”) is a non-GAAP financial measure which is not required by or defined under GAAP. We use this non-GAAP financial measure for financial and operational decision-making purposes and as a means to evaluate period-to-period comparisons. We believe that this non-GAAP financial measure provides useful information about our operating results, enhances the overall understanding of past financial performance and future prospects and allows for greater transparency with respect to metrics used by our management in its financial and operational decision making. The presentation of this financial measure is not intended to be considered in isolation or as a substitute for the financial measures prepared and presented in accordance with GAAP, including our net income or net loss or net cash used in operating activities. Management recognizes that non-GAAP financial measures have limitations in that they do not reflect all of the items associated with our net income or net loss as determined in accordance with GAAP, and are not a substitute for or a measure of our profitability or net earnings. Adjusted EBITDA is presented because we believe it is useful to investors as a measure of comparative operating performance. Additionally, we utilize Adjusted EBITDA as a metric in our executive officer and management incentive compensation plans.

We define Adjusted EBITDA as U.S. GAAP net loss before (i) interest income, (ii) interest expense on debt and reserves, (iii) income tax provision, (iv) depreciation, (v) amortization, (vi) stock-based compensation expense, (vii) fees and charges that were incurred in connection with the 2019 Investigation and financial statement restatement activities as well as proxy solicitation costs that are not indicative of our core operations and (viii) certain other significant infrequent or unusual losses and gains that are not indicative of our core operations such as integration and acquisition expenses.

Below is a reconciliation of U.S. GAAP net loss to Adjusted EBITDA:

(\$ in thousands)	Three months ended December 31,	
	2022	2021
U.S. GAAP net loss	\$ (573)	\$ (468)
Less: interest income	(878)	(445)
Plus: interest expense	518	475
Plus: income tax provision	42	102
Plus: depreciation expense included in costs of sales for rentals	312	254
Plus: depreciation and amortization expense in operating expenses	1,350	1,113
EBITDA	771	1,031
Plus: stock-based compensation <sup>(a)</sup>	160	1,368
Plus: investigation, proxy solicitation and restatement expenses <sup>(b)</sup>	150	—
Plus: integration and acquisition expenses <sup>(c)</sup>	2,787	—
Adjustments to EBITDA	3,097	1,368
Adjusted EBITDA	\$ 3,868	\$ 2,399

(a) As an adjustment to EBITDA, we have excluded stock-based compensation, as it does not reflect our cash-based operations.

(b) As an adjustment to EBITDA, we have excluded the fees incurred in connection with the costs and expenses related to the 2019 Investigation, financial statement restatement activities, and proxy solicitation costs because we believe that they represent charges that are not related to our core operations.

(c) As an adjustment to EBITDA, we have excluded expenses incurred in connection with business acquisitions as it does not represent recurring costs or charges related to our core operations.

(\$ in thousands)	Six months ended December 31,	
	2022	2021
U.S. GAAP net loss	\$ (9,147)	\$ (1,760)
Less: interest income	(1,445)	(918)
Plus: interest expense	995	953
Plus: income tax provision	67	191
Plus: depreciation expense included in costs of sales for rentals	554	518
Plus: depreciation and amortization expense in operating expenses	2,666	2,135
EBITDA	(6,310)	1,119
Plus: stock-based compensation <sup>(a)</sup>	1,477	3,129
Plus: investigation, proxy solicitation and restatement expenses <sup>(b)</sup>	547	—
Plus: integration and acquisition expenses <sup>(c)</sup>	2,787	—
Adjustments to EBITDA	4,811	3,129
Adjusted EBITDA	\$ (1,499)	\$ 4,248

(a) As an adjustment to EBITDA, we have excluded stock-based compensation, as it does not reflect our cash-based operations.

(b) As an adjustment to EBITDA, we have excluded the fees incurred in connection with the costs and expenses related to the 2019 Investigation, financial statement restatement activities, and proxy solicitation costs because we believe that they represent charges that are not related to our core operations.

(c) As an adjustment to EBITDA, we have excluded expenses incurred in connection with business acquisitions as it does not represent recurring costs or charges related to our core operations.

## LIQUIDITY AND CAPITAL RESOURCES

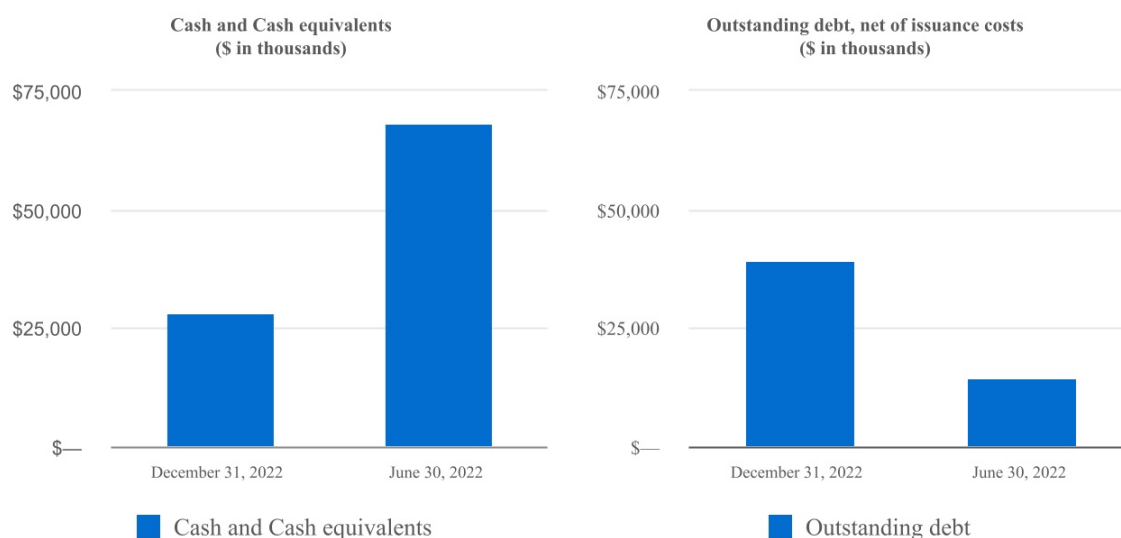
### Sources and Uses of Cash

Historically, we have financed our operations primarily through cash from operating activities, debt financings, and equity issuances. The Company's primary sources of capital available are cash and cash equivalents on hand of \$28.1 million as of December 31, 2022 and the cash that we expect to be provided by operating activities by the Company, including those that we expect to generate from the acquisition of 32M.

The Company also has estimated and recorded for potential sales tax and related interest and penalty liabilities of \$16.9 million in the aggregate as of December 31, 2022. The Company continues to evaluate these liabilities and the amount and timing of any such payments.

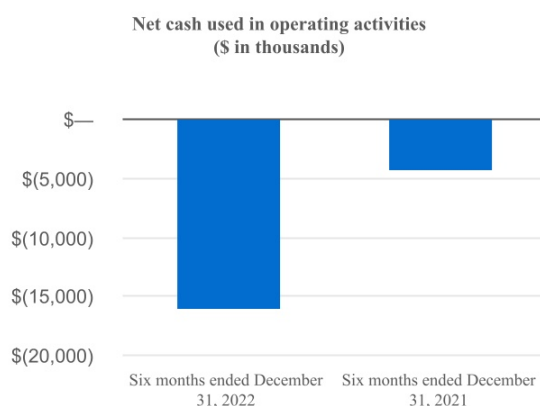
The Company believes that its current financial resources will be sufficient to fund its current twelve-month operating budget from the date of issuance of these condensed consolidated financial statements. Our primary focus as part of our core operations to increase cash flow from operating activities is to prioritize collection efforts to reduce outstanding accounts receivable, utilize existing inventory to support equipment sales over the next year, focusing on various operational efficiencies to improve overall profitability of the business and continued to grow our business both domestically and internationally.

Below are charts that reflect our cash liquidity and outstanding debt as of December 31, 2022 and June 30, 2022:



## Cash Flows

See Condensed Consolidated Statement of Cash Flows in Part I, Item 1 of this Quarterly Report for details on the changes in cash and cash equivalents classified by operating, investing and financing activities during our respective reporting periods.



### *Net cash used in operating activities*

For the six months ended December 31, 2022, net cash used by operating activities was \$16.1 million which reflects our net loss of \$9.1 million, \$14.3 million of cash utilized by working capital accounts, partially offset by non-cash operating charges of \$7.4 million. The change in working capital accounts is primarily driven by cash used of \$5.4 million to increase our inventory on hand and an increase of accounts receivable of \$6.7 million in the period. Increase in inventory is driven by increased equipment sales as well as strategic planning to mitigate potential supply chain disruptions. Increase in cash utilized by accounts receivable was a result of increased sales during fiscal year 2023 compared to levels at fiscal year-end 2022 and an increase in the aging profile of our accounts receivable balances.

For the six months ended December 31, 2021, net cash used by operating activities was \$4.2 million which reflects our net loss of \$1.8 million, \$10.1 million of cash utilized by working capital accounts, partially offset by non-cash operating charges of \$7.6 million. Cash utilized by working capital accounts was primarily driven by cash used of \$6.8 million to increase inventory on hand to meet continued growth in equipment sales as a result of the upcoming 3G network sunset and \$4.6 million used in the reduction of trade accounts payable.

Non-cash operating charges primarily consisted of stock-based compensation, depreciation of property and equipment, amortization of our intangible assets, and provisions for expected losses for the six months ended December 31, 2022 and 2021.

### *Net cash used in investing activities*

Net cash used in investing activities was \$45.3 million for the six months ended December 31, 2022. Increase in cash used is due to the cash paid for the 32M acquisition of \$35.9 million and \$9.4 million for increased property and equipment balances driven primarily by the Company's continued focus on investing in innovative technologies and products and increasing rental devices enrolled in the Company's Cantaloupe One program.

Net cash used in investing activities was \$7.3 million for the six months ended December 31, 2021 which was a result of \$2.9 million paid for the Yoke acquisition and the remaining \$4.4 million used to increase property and equipment.

### *Net cash used in financing activities*

Net cash provided by financing activities was \$21.5 million for the six months ended December 31, 2022 which was primarily due to the borrowing \$25 million from our Credit Facility to fund a portion of the cash consideration for the 32M acquisition offset by \$2.2 million to repurchase our Series A Convertible Stock and a \$1 million payment for contingent consideration relating to the Yoke acquisition.

Net cash used in financing activities was \$0.3 million for the six months ended December 31, 2021 which is primarily driven by debt repayments on the JPMorgan Credit Facility.

## CONTRACTUAL OBLIGATIONS

During the six months ended December 31, 2022, the Company borrowed an additional \$25 million from its credit facility with JPMorgan Chase Bank, N.A. to fund the acquisition of Three Square Markets. See *Note 10 - Debt and Other Financing Arrangements* and *Note 5 - Acquisition* to the condensed consolidated financial statements for additional details on the transaction.

There were no other significant changes to our contractual obligations from those disclosed in the section “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended June 30, 2022.

## CRITICAL ACCOUNTING POLICIES

During the six months ended December 31, 2022, there were no significant changes to our critical accounting policies from those disclosed in the section “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended June 30, 2022.

### Recent Accounting Pronouncements

See *Note 2 - Summary of Significant Accounting Policies* to the condensed consolidated financial statements for a description of recent accounting pronouncements.

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

For quantitative and qualitative disclosures about market risk, see Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of our Annual Report on Form 10-K for the fiscal year ended June 30, 2022. Our exposures to market risk have not changed materially since June 30, 2022.

### Item 4. Controls and Procedures.

#### (a) Disclosure Controls and Procedures

We maintain disclosure controls and procedures to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), 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, to allow timely decisions regarding required disclosure.

Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness as of the end of the period covered by this Form 10-Q of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act. Based on this evaluation, our management, including our chief executive officer and chief financial officer, has concluded that our disclosure controls and procedures were not effective as of December 31, 2022, as a result of the material weaknesses in our internal control over financial reporting, which are described in Item 9A. of our 2022 Form 10-K.

#### (b) Changes in Internal Control over Financial Reporting

Other than the remediation plan disclosed in Item 9A. of our 2022 Form 10-K, there have been no changes in the Company’s internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

As discussed in Item 9A. of our 2022 Form 10-K, we have begun remediation activities to alleviate the identified material weaknesses. The material weaknesses cannot be considered remediated until the related controls have operated for a sufficient period of time and until management has concluded, through testing, that the controls are operating effectively. Subject to execution of our planned approach, the Company anticipates the remediation of the identified material weaknesses related to revenue and associated accounts, information technology general controls and management’s design and monitoring activities of entity level controls to be completed by the end of fiscal year 2023.

**Part II - Other Information**

**Item 1. Legal Proceedings.**

The information required by this Item is incorporated herein by reference to the Notes to condensed consolidated financial statements, *Note 14 – Commitments and Contingencies* in Part I, Item 1, of this Quarterly Report on Form 10-Q.

**Item 1A. Risk Factors**

For a discussion of the Company's risk factors, see the information under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2022.

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

N/A

**Item 3. Defaults Upon Senior Securities.**

There were no defaults on any senior securities. The total liquidation preference including accrued and unpaid dividends on our Series A Convertible Preferred Stock as of December 31, 2022 was \$19.5 million. The dividend accrual dates for our Preferred Stock are February 1 and August 1. The annual cumulative dividend on our Preferred Stock is \$1.50 per share.

**Item 4. Mine Safety Disclosures.**

N/A.

**Item 5. Other Information.**

N/A.



**Item 6. Exhibits.**

<b>Exhibit Number</b>	<b>Description</b>
3.1	<a href="#">Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to Form 10-Q filed on February 4, 2022).</a>
3.2	<a href="#">Second Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to Form 8-K filed on August 10, 2021)</a>
31.1*	<a href="#">Certifications of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.</a>
31.2*	<a href="#">Certifications of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.</a>
32.1**	<a href="#">Certification of the Chief Executive Officer pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2**	<a href="#">Certification of the Chief Financial Officer pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
10.1†	<a href="#">Second Amendment to the Cantaloupe, Inc. 2018 Equity Incentive Plan (incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on form DEF14A filed on October 28, 2022).</a>
10.2	<a href="#">First Amendment to Amended and Restated Credit Agreement, by and among the Company, its subsidiaries, and JPMorgan Chase Bank, N.A., dated December 1, 2022 (incorporated by reference to Exhibit 10.1 to Form 8-K filed on December 5, 2022).</a>
101	The following financial information from our Quarterly Report on Form 10-Q for the quarter ended December 31, 2022, filed with the SEC on February 8, 2023, is formatted in Inline Extensible Business Reporting Language ("iXBRL"): (1) the Condensed Consolidated Balance Sheets as of December 31, 2022 and June 30, 2022, (2) the Condensed Consolidated Statements of Operations for the three-month and six-month periods ended December 31, 2022 and 2021, (3) the Condensed Consolidated Statements of Shareholders' Equity for the three-month and six-month periods ended December 31, 2022 and 2021, (4) the Condensed Consolidated Statements of Cash Flows for the six-month periods ended December 30, 2022 and 2021, and (5) the Notes to Condensed Consolidated Financial Statements.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase
104	The cover page from our Quarterly Report on Form 10-Q for the quarter ended December 31, 2022, filed with the SEC on February 8, 2023, is formatted as Inline iXBRL and contained in Exhibit 101.

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\* Filed herewith.

\*\* Furnished herewith.

† Management contract or compensatory plan or arrangement.

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.

Cantaloupe, Inc.

Date: February 8, 2023

/s/ Ravi Venkatesan  
Ravi Venkatesan  
Chief Executive Officer

Date: February 8, 2023

/s/ Scott Stewart  
Scott Stewart  
Chief Financial Officer

**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ravi Venkatesan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cantaloupe, 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 issuer as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the issuer's most recent fiscal quarter (the issuer's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the issuer'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 issuer's internal control over financial reporting.

Date: February 8, 2023

/s/ Ravi Venkatesan  
\_\_\_\_\_  
Ravi Venkatesan  
Chief Executive Officer

**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Scott Stewart, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cantaloupe, 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 issuer as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the issuer's most recent fiscal quarter (the issuer's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the issuer'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 issuer's internal control over financial reporting.

Date: February 8, 2023

/s/ Scott Stewart

Scott Stewart  
Chief Financial Officer

**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

In connection with the accompanying Quarterly Report of Cantaloupe, Inc., (the “Company”) on Form 10-Q for the period ended December 31, 2022 (the “Report”), I, Ravi Venkatesan, Chief Executive Officer of the Company, hereby certify that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 8, 2023

/s/ Ravi Venkatesan  
\_\_\_\_\_  
Ravi Venkatesan  
Chief Executive Officer

**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

In connection with the accompanying Quarterly Report of Cantaloupe, Inc., (the “Company”) on Form 10-Q for the period ended December 31, 2022 (the “Report”), I, Scott Stewart, Chief Financial Officer of the Company, hereby certify that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 8, 2023

/s/ Scott Stewart

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Scott Stewart  
Chief Financial Officer