
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 **June 30, 2025**

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
Commission File Number **0-10843**

CSP Inc.

(Exact name of Registrant as specified in its charter)

Massachusetts
(State or other jurisdiction of incorporation or organization)

04-2441294
(I.R.S. Employer Identification No.)

175 Cabot Street - Suite 210, Lowell, MA
(Address of principle executive offices)

01854
(Zip Code)

(978)-954-5038

(Registrant's telephone number, including area code)

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

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

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

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

Emerging growth company ☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

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

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	CSPI	Nasdaq Global Market

As of August 13, 2025, the registrant had 9,861,327 shares of common stock issued and outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CSP INC. AND SUBSIDIARIES **CONDENSED CONSOLIDATED BALANCE SHEETS** (Amounts in thousands, except par value)

	June 30, 2025 (unaudited)	September 30, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 26,308	\$ 30,585
Accounts receivable, net of allowances of \$173 and \$147	13,453	14,494
Financing receivables, net of allowances of \$32 and \$12	3,869	4,384
Inventories	3,532	2,293
Refundable income taxes	67	—
Other current assets	2,275	3,093
Total current assets	49,504	54,849
Property, equipment and improvements, net	367	429
Operating lease right-of-use assets	402	489
Intangibles, net	45	50
Financing receivables due after one year, net of allowances of \$51 and \$25	3,069	2,922
Deferred income taxes, net	4,455	2,734
Cash surrender value of life insurance	5,806	5,589
Pension benefits assets	2,948	2,201
Other assets	188	173
Total assets	\$ 66,784	\$ 69,436
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 12,568	\$ 12,084
Line of credit	1,141	4,169
Deferred revenue and contract liabilities	1,581	2,171
Pension and retirement plans	76	76
Income taxes payable	—	182
Total current liabilities	15,366	18,682
Pension and retirement plans	1,259	1,306
Operating lease liabilities - noncurrent portion	153	117
Income taxes payable	423	447
Other noncurrent liabilities	2,099	1,614
Total liabilities	19,300	22,166
Shareholders' equity:		
Common stock, \$.01 par value per share; authorized, 20,000 shares; issued and outstanding 9,842 and 9,776 shares, respectively	98	98
Additional paid-in capital	24,146	22,689
Retained earnings	28,423	29,848
Accumulated other comprehensive loss	(5,183)	(5,365)
Total shareholders' equity	47,484	47,270
Total liabilities and shareholders' equity	\$ 66,784	\$ 69,436

See accompanying notes to unaudited condensed consolidated financial statements.

CSP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except for per share data)
(Unaudited)

	Three months ended		Nine Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Sales:				
Product	\$ 10,150	\$ 7,845	\$ 29,717	\$ 27,710
Services	5,298	5,260	14,548	14,476
Total sales	15,448	13,105	44,265	42,186
Cost of sales:				
Product	8,553	6,523	24,551	21,167
Services	2,442	2,000	6,490	5,864
Total cost of sales	10,995	8,523	31,041	27,031
Gross profit	4,453	4,582	13,224	15,155
Operating expenses:				
Engineering and development	791	737	2,340	2,163
Selling, general and administrative	4,885	4,565	13,455	12,821
Total operating expenses	5,676	5,302	15,795	14,984
Operating (loss) income	(1,223)	(720)	(2,571)	171
Other income (expense):				
Foreign exchange loss	(200)	(10)	(37)	(152)
Interest expense	(105)	(55)	(259)	(150)
Interest income	440	523	1,343	1,497
Other income, net	73	2	75	37
Total other income, net	208	460	1,122	1,232
(Loss) income before income taxes	(1,015)	(260)	(1,449)	1,403
Income tax (benefit) expense	(751)	(75)	(1,549)	73
Net (loss) income	\$ (264)	\$ (185)	\$ 100	\$ 1,330
Net (loss) income attributable to common shareholders	\$ (264)	\$ (185)	\$ 94	\$ 1,244
Net (loss) income per common share - basic	\$ (0.03)	\$ (0.02)	\$ 0.01	\$ 0.14
Weighted average common shares outstanding - basic	9,362	9,110	9,275	9,014
Net (loss) income per common share - diluted	\$ (0.03)	\$ (0.02)	\$ 0.01	\$ 0.13
Weighted average common shares outstanding - diluted	9,362	9,110	9,611	9,410

See accompanying notes to unaudited condensed consolidated financial statements.

CSP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in thousands)
(Unaudited)

	Three months ended		Nine Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Net (loss) income	\$ (264)	\$ (185)	\$ 100	\$ 1,330
Foreign currency translation gain adjustments, net of tax effect	440	10	182	250
Total comprehensive (loss) income	<u>\$ 176</u>	<u>\$ (175)</u>	<u>\$ 282</u>	<u>\$ 1,580</u>

See accompanying notes to unaudited condensed consolidated financial statements.

CSP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
For the three months ended June 30, 2025 and 2024
(Amounts in thousands, except per share data)
(Unaudited)

	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated other comprehensive loss	Total Shareholders' Equity
Three months ended June 30, 2025:						
Balance as of March 31, 2025	9,863	\$ 98	\$ 23,743	\$ 29,235	\$ (5,623)	\$ 47,453
Net loss	—	—	—	(264)	—	(264)
Other comprehensive income	—	—	—	—	440	440
Stock-based compensation	—	—	403	—	—	403
Restricted stock cancellation	(2)	—	—	—	—	—
Purchase of common stock	(19)	—	—	(251)	—	(251)
Cash dividends paid on common stock (\$0.03 per share)	—	—	—	(297)	—	(297)
Balance as of June 30, 2025	<u>9,842</u>	<u>\$ 98</u>	<u>\$ 24,146</u>	<u>\$ 28,423</u>	<u>\$ (5,183)</u>	<u>\$ 47,484</u>
Three months ended June 30, 2024:						
Balance as of March 31, 2024	9,754	\$ 98	\$ 21,625	\$ 32,378	\$ (5,854)	\$ 48,247
Net loss	—	—	—	(185)	—	(185)
Other comprehensive income	—	—	—	—	10	10
Stock-based compensation	—	—	429	—	—	429
Restricted stock cancellation	(6)	—	—	—	—	—
Purchase of common stock	(5)	—	—	(70)	—	(70)
Cash dividends paid on common stock (\$0.03 per share)	—	—	—	(291)	—	(291)
Balance as of June 30, 2024	<u>9,743</u>	<u>\$ 98</u>	<u>\$ 22,054</u>	<u>\$ 31,832</u>	<u>\$ (5,844)</u>	<u>\$ 48,140</u>

See accompanying notes to unaudited condensed consolidated financial statements.

CSP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
For the nine months ended June 30, 2025 and 2024
(Amounts in thousands, except per share data)
(Unaudited)

	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated other comprehensive loss	Total Shareholders' Equity
Nine months ended June 30, 2025:						
Balance as of September 30, 2024	9,776	\$ 98	\$ 22,689	\$ 29,848	\$ (5,365)	\$ 47,270
Net income	—	—	—	100	—	100
Other comprehensive income	—	—	—	—	182	182
Stock-based compensation	—	—	1,358	—	—	1,358
Restricted stock cancellation	(2)	—	—	—	—	—
Restricted stock issuance	105	1	—	—	—	1
Issuance of shares under employee stock purchase plan	6	—	99	—	—	99
Purchase of common stock	(43)	(1)	—	(635)	—	(636)
Cash dividends paid on common stock (\$0.09 per share)	—	—	—	(890)	—	(890)
Balance as of June 30, 2025	<u>9,842</u>	<u>\$ 98</u>	<u>\$ 24,146</u>	<u>\$ 28,423</u>	<u>\$ (5,183)</u>	<u>\$ 47,484</u>
Nine months ended June 30, 2024:						
Balance as of September 30, 2023	9,456	\$ 94	\$ 20,837	\$ 31,311	\$ (6,094)	\$ 46,148
Adoption of Accounting Standards Update 2016-13	—	—	—	(15)	—	(15)
Net income	—	—	—	1,330	—	1,330
Other comprehensive income	—	—	—	—	250	250
Stock-based compensation	—	—	1,134	—	—	1,134
Restricted stock cancellation	(6)	—	—	—	—	—
Restricted stock issuance	285	3	—	—	—	3
Issuance of shares under employee stock purchase plan	13	1	83	—	—	84
Purchase of common stock	(5)	—	—	(70)	—	(70)
Cash dividends paid on common stock (\$0.075 per share)	—	—	—	(724)	—	(724)
Balance as of June 30, 2024	<u>9,743</u>	<u>\$ 98</u>	<u>\$ 22,054</u>	<u>\$ 31,832</u>	<u>\$ (5,844)</u>	<u>\$ 48,140</u>

See accompanying notes to unaudited condensed consolidated financial statements.

CSP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

	Nine Months Ended	
	June 30, 2025	June 30, 2024
Operating activities		
Net income	\$ 100	\$ 1,330
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	182	223
Amortization of intangibles	5	5
Loss on disposal of fixed assets, net	1	—
Foreign exchange loss	37	152
Provision (benefit) for credit losses - financing receivables	46	(13)
Provision for credit losses - accounts receivable	26	30
Provision for obsolete inventory	101	165
Amortization of lease right-of-use assets	362	370
Stock-based compensation expense on restricted stock awards	1,358	1,134
Deferred income taxes	(1,721)	(237)
Increase in cash surrender value of life insurance	(163)	(136)
Changes in operating assets and liabilities:		
Accounts receivable	1,071	3,558
Financing receivables	322	(1,095)
Inventories	(1,318)	(91)
Refundable income taxes	(67)	—
Other assets	805	309
Accounts payable and accrued expenses	490	1,136
Operating lease liabilities	(255)	(475)
Deferred revenue and contract liabilities	(590)	(327)
Pension and retirement plans liabilities	(701)	(94)
Income taxes payable	(206)	(741)
Other noncurrent liabilities	485	518
Net cash provided by operating activities	370	5,721
Investing activities		
Life insurance premiums paid	(54)	(53)
Additions of intangible assets	—	(6)
Purchases of property, equipment and improvements	(120)	(179)
Net cash used in investing activities	(174)	(238)
Financing activities		
Dividends paid	(890)	(724)
Net repayments under line-of-credit agreement	(3,028)	(686)
Repayments on note payable	—	(427)
Repurchases of common stock	(635)	(70)
Proceeds from issuance of shares under equity compensation plans	99	83
Net cash used in financing activities	(4,454)	(1,824)
Effects of exchange rate on cash, net	(19)	15
Net (decrease) increase in Cash and cash equivalents	(4,277)	3,674
Cash and cash equivalents beginning of period	30,585	25,217
Cash and cash equivalents end of period	\$ 26,308	\$ 28,891
Supplementary cash flow information:		

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Cash paid for income taxes	\$ 446	\$ 1,091
Cash paid for interest	\$ 137	\$ 159

Supplementary non-cash financing activities:

Obtaining a right-of-use asset in exchange for a lease liability	\$ 275	\$ 19
Customer financing for inventory sold (see <i>Note 5 Financing receivables, net</i> for details)	\$ 3,734	\$ 4,901
Vendor financing for inventory purchased (see <i>Note 8 Accounts payable and accrued expenses, and Other noncurrent liabilities</i> for details)	\$ 2,351	\$ 2,723

See accompanying notes to unaudited condensed consolidated financial statements.

CSP INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Organization and Business

CSP Inc. ("CSPi" or "CSPI" or "the Company" or "we" or "our") was incorporated in 1968 and is based in Lowell, Massachusetts. CSPi and its subsidiaries develop and market IT integration solutions, advanced security products, managed IT services, purpose built network adapters, and high-performance cluster computer systems to meet the diverse requirements of its commercial and defense customers worldwide. The Company operates in two segments, its Technology Solutions ("TS") segment and High Performance Products ("HPP") segment.

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying interim condensed consolidated financial statements have been prepared by the Company and reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results of the interim periods presented. All adjustments were of a normal recurring nature. Certain information and footnote disclosures normally included in the annual consolidated financial statements, which are prepared in accordance with accounting principles generally accepted in the United States, have been omitted.

Accordingly, the Company believes that although the disclosures are adequate to make the information presented not misleading, the unaudited condensed consolidated financial statements should be read in conjunction with the notes contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2024. The significant accounting policies and estimates used in preparing these Condensed Consolidated Financial Statements were applied on a basis consistent with those reflected in the September 30, 2024 Consolidated Financial Statements.

Significant Accounting Policies

There have been no significant changes to the Company's significant accounting policies described in PART II, Item 8, *Note 1 Summary of Significant Accounting Policies*, of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2024.

Accounting Pronouncement Not Yet Adopted as of June 30, 2025

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires disclosure of incremental segment information on an annual and interim basis. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, on a retrospective basis. Early adoption is permitted. The Company is currently evaluating the effect of this pronouncement on its disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This ASU expands existing income tax disclosures primarily through standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. The ASU is effective for all public entities for annual periods beginning after December 15, 2024, with early adoption permitted. Entities should apply the amendments on a prospective basis, but retrospective application is permitted. The Company is currently evaluating the impact this ASU will have on its disclosures.

In November 2024, the FASB issued ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40), which requires expanded disclosures in the notes to the financial statements about certain costs and expenses. This ASU is effective for fiscal years beginning after December 15, 2026,

and interim periods within fiscal years beginning after December 15, 2027, on a retrospective basis. Early adoption is permitted. The Company is currently evaluating the effect of this pronouncement on its disclosures.

2. Revenue

We derive revenue from the sale of integrated hardware and software, third-party service contracts, professional services, managed services, financing of hardware and software, and other services.

We recognize revenue from hardware upon transfer of control, which is at a point in time typically upon shipment when title transfers. Revenue from software is recognized at a point in time when the license is granted with the exception of the Company's own software ARIA Advanced Threat Detection and Response ("ADR"), which is recognized evenly over time that includes the contract term.

Professional services generally include implementation, installation, and training services. Professional services are considered a series of distinct services that form one performance obligation and revenue is recognized over time as services are performed.

Revenue generated from managed services is recognized over the term of the contract. Certain managed services contracts include financing of hardware and software. Revenues from arrangements which include financing are allocated considering relative standalone selling prices of lease and non-lease components within the agreement. The lease component includes hardware, which is subject to *ASC 842 Leases*. The non-lease components are subject to *ASC 606 Revenue from Contracts with Customers*.

Other services generally include revenue generated through our royalty, extended warranty, multicomputer repair, and maintenance contracts. Royalty revenue is sales-based and recognized on the date of subsequent sale of the product, which occurs on the date of customer shipment. Revenue from extended warranty contracts is recognized ratably over the warranty period. Multicomputer repair services revenue is recognized upon control transfer when the customer takes possession of the computer at time of shipping. Revenue generated from maintenance services is recognized evenly over the term of the contract.

The right of return risk lies with the original manufacturer of the product. Any products with a standard warranty are treated as a warranty obligation under *ASC 460 Guarantees*.

The following policies are applicable to our major categories of segment revenue transactions:

TS Segment Revenue

TS Segment revenue is derived from the sale of hardware, software, professional services, third-party service contracts, maintenance contracts, managed services, and financing of hardware and software.

Third-party service contracts are evaluated to determine whether such service revenue should be recorded as gross or net sales and whether over time or at point in time.

HPP Segment Revenue

HPP segment revenue is derived from the sale of ARIA product lines, integrated hardware and software, maintenance, and other products and services from Myricom and Multicomputer.

ARIA ADR revenue is derived from sale of software and hardware. There is one performance obligation in an ARIA ADR sale as the software and hardware are combined because they are inputs in the contract to deliver an output of threat protection. This combined performance obligation is recognized evenly over the contract term. The transaction price is fixed consideration.

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ARIA Zero Trust Gateway (“AZT”) revenue contains two performance obligations: a perpetual or term software license and post-contract customer support (“PCS”). The transaction price is fixed consideration and allocated based on relative stand-alone selling price. The software license has a large majority of transaction price allocated to it. Software license revenue is recognized at a point in time, generally when the license is made available to the customer. PCS revenue is recognized ratably over the contractual period of generally one year. The PCS can be renewed and is sold on a standalone basis after the initial contract term expires.

Myricom revenue is derived from the sale of products, which are comprised of both hardware and embedded software which is essential to the products’ functionality, and PCS. PCS is considered immaterial in the context of the contract and therefore is not a separate performance obligation. Multicomputer revenue is derived from the sale of hardware, software, extended warranties, royalties, and repair services. See disaggregated revenues below by products/services and divisions/segments.

See details of timing of revenue recognition, whether CSPi acted as the principal or agent, and geography below. Geographic areas are based on where the products were shipped or services rendered.

Three months ended June 30,	High Performance Products Segment	Technology Solutions Segment			Consolidated Total
		United Kingdom	U.S.	Total	
		(Amounts in thousands)			
2025					
Timing of Revenue Recognition					
Transferred at a point in time where CSPi is principal	\$ 9	\$ 78	\$ 10,666	\$ 10,744	\$ 10,753
Transferred at a point in time where CSPi is agent	—	—	1,673	1,673	1,673
Transferred over time where CSPi is principal	375	83	2,564	2,647	3,022
Total Revenue	<u>\$ 384</u>	<u>\$ 161</u>	<u>\$ 14,903</u>	<u>\$ 15,064</u>	<u>\$ 15,448</u>
Geography					
United States	\$ 368	\$ 21	\$ 11,373	\$ 11,394	\$ 11,762
Americas (excluding United States)	—	—	3,523	3,523	3,523
Europe	—	140	—	140	140
APAC and Africa	16	—	7	7	23
Total Revenue	<u>\$ 384</u>	<u>\$ 161</u>	<u>\$ 14,903</u>	<u>\$ 15,064</u>	<u>\$ 15,448</u>
2024					
Timing of Revenue Recognition					
Transferred at a point in time where CSPi is principal	\$ 279	\$ 118	\$ 7,741	\$ 7,859	\$ 8,138
Transferred at a point in time where CSPi is agent	—	10	2,122	2,132	2,132
Transferred over time where CSPi is principal	300	51	2,484	2,535	2,835
Total Revenue	<u>\$ 579</u>	<u>\$ 179</u>	<u>\$ 12,347</u>	<u>\$ 12,526</u>	<u>\$ 13,105</u>
Geography					
United States	\$ 286	\$ 16	\$ 10,263	\$ 10,279	\$ 10,565
Americas (excluding United States)	—	—	1,878	1,878	1,878
Europe	—	163	199	362	362
APAC and Africa	293	—	7	7	300
Total Revenue	<u>\$ 579</u>	<u>\$ 179</u>	<u>\$ 12,347</u>	<u>\$ 12,526</u>	<u>\$ 13,105</u>

		Technology Solutions Segment			
	High Performance Products Segment	United Kingdom	U.S.	Total	Consolidated Total
Nine months ended June 30,					
(Amounts in thousands)					
2025					
Timing of Revenue Recognition					
Transferred at a point in time where CSPi is principal	\$ 367	\$ 628	\$ 29,426	\$ 30,054	\$ 30,421
Transferred at a point in time where CSPi is agent	—	24	4,921	4,945	4,945
Transferred over time where CSPi is principal	1,094	168	7,637	7,805	8,899
Total Revenue	<u>\$ 1,461</u>	<u>\$ 820</u>	<u>\$ 41,984</u>	<u>\$ 42,804</u>	<u>\$ 44,265</u>
Geography					
United States	\$ 1,287	\$ 114	\$ 37,568	\$ 37,682	\$ 38,969
Americas (excluding United States)	4	—	4,139	4,139	4,143
Europe	—	706	270	976	976
Asia-Pacific	170	—	7	7	177
Total Revenue	<u>\$ 1,461</u>	<u>\$ 820</u>	<u>\$ 41,984</u>	<u>\$ 42,804</u>	<u>\$ 44,265</u>
2024					
Timing of Revenue Recognition					
Transferred at a point in time where CSPi is principal	\$ 3,036	\$ 500	\$ 24,949	\$ 25,449	\$ 28,485
Transferred at a point in time where CSPi is agent	—	14	5,637	5,651	5,651
Transferred over time where CSPi is principal	757	167	7,126	7,293	8,050
Total Revenue	<u>\$ 3,793</u>	<u>\$ 681</u>	<u>\$ 37,712</u>	<u>\$ 38,393</u>	<u>\$ 42,186</u>
Geography					
United States	\$ 3,457	\$ 60	\$ 33,444	\$ 33,504	\$ 36,961
Americas (excluding United States)	3	—	3,561	3,561	3,564
Europe	4	617	346	963	967
Asia-Pacific	329	4	361	365	694
Total Revenue	<u>\$ 3,793</u>	<u>\$ 681</u>	<u>\$ 37,712</u>	<u>\$ 38,393</u>	<u>\$ 42,186</u>

In the TS US division, financing of goods and services is offered to certain customers. This involves amounts due reflecting sales whose payment terms exceed one year. See *Note 5 Financing Receivables, net* for more details. Revenue from these agreements in the three months ended June 30, 2025 was \$879 thousand, which consisted of \$543 thousand with the Company acting as the principal and \$336 thousand with the Company acting as the agent. Revenue from these agreements in the three months ended June 30, 2024 was \$446 thousand consisting of \$435 thousand with the Company acting as the agent and \$11 thousand with the Company acting as principal.

Revenue from these agreements in the nine months ended June 30, 2025 was \$901 thousand, consisting of \$543 thousand with the Company acting as the principal and \$358 thousand with the Company acting as an agent. Revenue from these agreements in the nine months ended June 30, 2024 was \$1,872 thousand consisting of \$1,388 thousand with the Company acting as the principal and \$484 thousand with CSPi acting as agent.

Contract Assets and Liabilities

When we have performed work but do not have an unconditional right to payment, a contract asset is recorded. When we have the right to bill a customer, accounts receivable is recorded as an unconditional right exists. Current contract assets were \$0.9 million and \$1.7 million as of June 30, 2025 and September 30, 2024, respectively. Current contract assets were \$0.9 million as of September 30, 2023. The current portion is recorded in Other current assets on the condensed consolidated balance sheets. There were no noncurrent contract assets as of June 30, 2025 and September 30, 2024. There

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were no noncurrent contract assets as of September 30, 2023. The difference in the balances is due to regular timing differences between when work is performed and having an unconditional right to payment.

Contract liabilities arise when payment is received before we transfer a good or service to the customer. Current contract liabilities were \$1.6 million and \$2.2 million as of June 30, 2025 and September 30, 2024, respectively. Current contract liabilities were \$1.9 million as of September 30, 2023. The current portion of contract liabilities is recorded in Deferred revenue and contract liabilities on the condensed consolidated balance sheets. There were immaterial long-term contract liabilities as of June 30, 2025 and none as of September 30, 2024, respectively. There were no long-term contract liabilities as of September 30, 2023. Revenue recognized for the nine months ended June 30, 2025 that was included in contract liabilities as of September 30, 2024 was \$1.6 million.

Contract Costs

Incremental costs of obtaining a contract involving customer transactions where the revenue and the related transfer of goods and services are equal to or less than a one year period, are expensed as incurred, utilizing the practical expedient in *ASC 340-40-25-4*. For a period greater than one year, incremental contract costs are capitalized if we expect to recover these costs. The costs are amortized over the contract term and expected renewal periods. The period of amortization is generally three years. Incremental costs are related to commissions in the TS portion of the business. Current capitalized contract costs are within the Other current assets on the condensed consolidated balance sheets as of June 30, 2025 and September 30, 2024. The portion of current capitalized costs were \$1 thousand and \$177 thousand as of June 30, 2025 and September 30, 2024, respectively. There are no noncurrent capitalized costs on the condensed consolidated balance sheets. The amount of incremental costs amortized for the three months ended June 30, 2025 and 2024 were \$22 thousand and \$122 thousand, respectively. The amount of incremental costs amortized for the nine months ended June 30, 2025 and 2024 were \$176 thousand and \$351 thousand, respectively and is recorded in selling, general, and administrative expenses. There was no impairment related to incremental costs capitalized during the nine months ended June 30, 2025 and 2024.

Other

Projects are typically billed upon completion or at certain milestones. Products and services are typically billed when shipped or as services are being performed. Payment terms are typically 30 days to pay in full except in Europe where it could be up to 90 days. Most of our contracts are less than one year. There are certain contracts that contain a financing component. See *Note 5 Financing receivables, net* to the condensed consolidated financial statements for additional information. We elected to use the optional exemption to not disclose the aggregate amount of the transaction price allocated to performance obligations that have an original expected duration of one year or less. This is due to a low number of performance obligations, which are less than one year from being unsatisfied at each period end. Most of these contracts are related to product sales.

We have certain contracts that have an original term of more than one year. The royalty agreement is longer than one year, but not included in the table below as the royalties are sales-based. Managed service contracts are generally longer than one year and revenue is recognized ratably over the contract term. For these contracts the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially unsatisfied as of June 30, 2025 is set forth in the table below:

Fiscal Year	(Amounts in thousands)
2025 (remaining 3 months)	\$ 338
2026	1,120
2027	1,009
2028	922
2029	222
	<u>\$ 3,611</u>

3. *Earnings Per Share of Common Stock*

Basic net income (loss) per common share is computed by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding for the period. Diluted net income per share includes the dilutive effect of restricted stock, if any, calculated using the treasury stock method. For unvested restricted stock, assumed proceeds under the treasury stock method would include unamortized compensation cost.

We are required to present earnings per share (“EPS”), utilizing the two-class method because we had outstanding, non-vested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents, which are considered participating securities. Net losses are not allocated to these participating securities as there are no contractual obligations that require participation in the Company’s losses.

Basic and diluted EPS share computations for the Company’s reported net income attributable to common stockholders are as follows:

	Three months ended		Nine Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
	(Amounts in thousands except per share data)			
Net (loss) income	\$ (264)	\$ (185)	\$ 100	\$ 1,330
Less: net income attributable to nonvested common stock	—	—	(6)	(86)
Net (loss) income attributable to common shareholders	\$ (264)	\$ (185)	\$ 94	\$ 1,244
Weighted average total shares outstanding - basic	9,362	9,110	9,853	9,641
Less: weighted average non-vested shares outstanding	—	—	(578)	(627)
Weighted average number of common shares outstanding - basic	9,362	9,110	9,275	9,014
Add: potential common shares from non-vested restricted stock awards	—	—	336	396
Weighted average common shares outstanding - diluted	9,362	9,110	9,611	9,410
Net (loss) income per common share - basic	\$ (0.03)	\$ (0.02)	\$ 0.01	\$ 0.14
Net (loss) income per common share - diluted	\$ (0.03)	\$ (0.02)	\$ 0.01	\$ 0.13

Anti-dilutive securities include restricted stock, which are excluded from the diluted income per share computation. Non-vested restricted stock awards of 82 thousand shares and 193 thousand shares were excluded from net loss per share for the three months ended June 30, 2025 and 2024 because their inclusion would have been anti-dilutive as there was a net loss for the period.

4. *Accounts receivable, net*

The Company recognizes an allowance for losses on accounts receivable in an amount equal to the current expected credit losses. The estimation of the allowance is based on an analysis of historical loss experience, management’s assessment of current conditions and reasonable and supportable expectation of future conditions as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible including reviewing the current receivables aging. This results in a general reserve and a specific reserve. The Company assesses collectability by pooling receivables where similar characteristics exist and evaluates receivables individually when specific customer balances no longer share those risk characteristics and are considered at risk or uncollectible. The expense associated with the allowance for expected credit losses is recognized in Selling, general, and administrative expenses in the Consolidated Statements of Operations.

The following tables present the changes in the allowance for accounts receivable for the periods indicated.

	Three months ended	
	June 30, 2025	June 30, 2024
	(Amounts in thousands)	
<i>Allowance for credit losses for accounts receivable:</i>		
Balances at beginning of the period	\$ 131	\$ 73
Provision (benefit) for credit losses	42	(10)
Balances at end of the period	<u>\$ 173</u>	<u>\$ 63</u>

	Nine months ended	
	June 30, 2025	June 30, 2024
	(Amounts in thousands)	
<i>Allowance for credit losses for accounts receivable:</i>		
Balances at beginning of the period	\$ 147	\$ 100
Adjustment for adoption of new CECL standard	-	(67)
Provision (benefit) for credit losses	26	30
Balances at end of the period	<u>\$ 173</u>	<u>\$ 63</u>

5. *Financing receivables, net*

In the TS U.S. division, financing of goods and services is offered to certain customers. This involves amounts due reflecting sales whose payment terms exceed one year. This financing is separate from agreements with a leasing component, see *Note 7 Leases* for financing through leases. Determining whether to offer financing involves looking at the customer's payment history, economic conditions, and capacity to pay.

The Company assigns an internal risk rating to each customer at inception, which groups customers into a portfolio based off this risk rating. A risk rating is assigned by analyzing a customer's financial statements and the latest Fitch rating if publicly available as well as recent payment activity. The credit quality of customers is continually monitored by these items. Accounts rated low risk have the equivalent of a Fitch rating of BBB– or higher, moderate risk accounts have the equivalent of BB, and high risk accounts have the equivalent of B.

The risk characteristics of each customer are consistent with the Fitch rating or equivalent, which are defined by Fitch as the following:

'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

'BB' ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the servicing of financial commitments.

'B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

Financing receivables, net, carry an average weighted interest rate of 9.5%, which reflects the approximate interest rate consistent with a separate financing transaction with the customer at the inception of the agreement.

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The amount of interest income earned from sales whose payment terms exceed one year for the three months ended June 30, 2025 and 2024 was \$152 thousand and \$177 thousand, respectively. The amount of interest income earned from sales whose payment terms exceed one year for the nine months ended June 30, 2025 and 2024 was \$406 thousand and \$528 thousand, respectively. Interest income from these agreements is recorded in Other (expense) income, net on the Condensed Consolidated Statements of Operations.

The following table presents the components of the Company's Financing receivables, net segregated by portfolio (risk rating) for the periods indicated:

	As of June 30, 2025				As of September 30, 2024			
	Risk Rating			Total	Risk Rating			Total
	Low	Moderate	High		Low	Moderate	High	
	(Amounts in thousands)							
Financing receivables, net:								
Financing receivables, gross	\$ 4,591	\$ 1,767	\$ 1,290	\$ 7,648	\$ 7,153	\$ 874	\$ -	\$ 8,027
Unearned interest income	(364)	(147)	(116)	(627)	(599)	(85)	-	(684)
Allowance for credit losses	(18)	(16)	(49)	(83)	(27)	(10)	-	(37)
Financing receivables, net	\$ 4,209	\$ 1,604	\$ 1,125	\$ 6,938	\$ 6,527	\$ 779	\$ -	\$ 7,306
Short-term	\$ 2,102	\$ 1,019	\$ 748	\$ 3,869	\$ 4,013	\$ 371	\$ -	\$ 4,384
Long-term	\$ 2,107	\$ 585	\$ 377	\$ 3,069	\$ 2,514	\$ 408	\$ -	\$ 2,922

The following table presents the changes in Allowance for credit losses for Financing receivables, net for the periods indicated:

	Three months ended							
	June 30, 2025				June 30, 2024			
	Risk Rating			Total	Risk Rating			Total
	Low	Moderate	High		Low	Moderate	High	
	(Amounts in thousands)				(Amounts in thousands)			
Allowance for credit losses for financing receivables:								
Balances at beginning of the period	\$ 24	\$ 6	\$ 59	\$ 89	\$ 16	\$ 54	\$ -	\$ 70
(Benefit) provision charged to Consolidated Statements of Operations	(6)	10	(10)	(6)	14	(15)	-	(1)
Balances at end of the period	\$ 18	\$ 16	\$ 49	\$ 83	\$ 30	\$ 39	\$ -	\$ 69

	Nine months ended							
	June 30, 2025				June 30, 2024			
	Risk Rating				Risk Rating			
	Low	Moderate	High	Total	Low	Moderate	High	Total
(Amounts in thousands)								
<i>Allowance for credit losses for financing receivables:</i>								
Balances at beginning of the period	\$ 27	\$ 10	\$ -	\$ 37	\$ -	\$ -	\$ -	\$ -
Adjustment for adoption of new accounting standard	-	-	-	-	27	55	-	82
(Benefit) provision charged to Consolidated Statements of Operations	(9)	6	49	46	3	(16)	-	(13)
Balances at end of the period	<u>\$ 18</u>	<u>\$ 16</u>	<u>\$ 49</u>	<u>\$ 83</u>	<u>\$ 30</u>	<u>\$ 39</u>	<u>\$ -</u>	<u>\$ 69</u>

The Company recognizes an allowance for credit losses for financing receivables in an amount equal to the probable losses net of recoveries. A probability method for calculating credit losses is used based on historical data of defaults of Fitch ratings and length of time. Various factors are also assessed in the allowance for credit losses including internal historical data as well as macroeconomic forecast assumptions and management judgments applicable to and through the expected life of the portfolios. Macroeconomic conditions include the level of gross domestic product (“GDP”) growth and unemployment rates, which directly correlate with our historical credit losses. The expense associated with the allowance for expected credit losses is recognized in Selling, general, and administrative expenses in the Consolidated Statements of Operations.

Financing receivables whose payment terms exceed one year are placed on non-accrual status, meaning interest income stops being recorded, when the customer has a past due amount in excess of 30 days or reasonable doubt exists in collecting all interest and principal. A payment due in excess of 30 days is considered delinquent. If a payment is received for a receivable on non-accrual status the payment is first applied to interest and then principal. Recording interest income resumes once no reasonable doubt exists regarding collecting all interest and principal. There were no financing receivables placed on non-accrual status as of June 30, 2025 or September 30, 2024.

The following table presents Financing receivables, gross, including accrued interest and excluding any allowance, by credit quality indicator segregated by risk rating and year of origination as of June 30, 2025:

Risk Rating	June 30, 2025			
	Fiscal year of origination			Total
	2025	2024	2023	
High	\$ 1,290	\$ —	\$ —	\$ 1,290
Moderate	1,201	395	171	1,767
Low	765	2,570	1,256	4,591
Total	<u>\$ 3,256</u>	<u>\$ 2,965</u>	<u>\$ 1,427</u>	<u>\$ 7,648</u>

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Contractual maturities of outstanding financing receivables are as follows:

Fiscal year ending September 30:	(Amounts in thousands)
2025 (remaining 3 months)	\$ 1,968
2026	3,576
2027	2,046
2028	58
Total payments	\$ 7,648
Less: unearned interest income	(627)
Less: allowance for credit losses	(83)
Total, net of unearned interest income and allowance for credit losses	\$ 6,938

6. **Inventories**

Inventories consist of the following:

	June 30, 2025	September 30, 2024
	(Amounts in thousands)	
Raw materials	\$ 59	\$ 77
Work-in-process	64	315
Finished goods	3,409	1,901
Total	\$ 3,532	\$ 2,293

7. **Leases**

Information related to both lessee and lessor

The components of lease costs for the three months ended June 30, 2025 and 2024 are as follows:

Consolidated Statements of Operations Location		Three months ended	
		June 30, 2025	June 30, 2024
(Amounts in thousands)			
Operating Lease:			
Operating lease cost	Selling, general, and administrative	\$ 134	\$ 134
Short-term lease cost	Selling, general, and administrative	8	9
Total lease costs		\$ 142	\$ 143
Less sublease interest income	Revenue	(3)	(1)
Total lease costs, net of sublease interest income		\$ 139	\$ 142

The components of lease costs for the nine months ended June 30, 2025 and 2024 are as follows:

Consolidated Statements of Operations Location		Nine months ended	
		June 30, 2025	June 30, 2024
(Amounts in thousands)			
Finance Lease:			
Operating Lease:			
Operating lease cost	Selling, general, and administrative	\$ 400	\$ 398
Short-term lease cost	Selling, general, and administrative	24	26
Total lease costs		<u>\$ 424</u>	<u>\$ 424</u>
Less sublease interest income	Revenue	(7)	(2)
Total lease costs, net of sublease interest income		<u>\$ 417</u>	<u>\$ 422</u>

Supplemental cash flow information related to leases for the nine months ended June 30, 2025 and 2024 is below:

		Nine months ended	
		June 30, 2025	June 30, 2024
(Amounts in thousands)			
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows paid for operating leases	\$	408	\$ 403
Operating cash flows paid for short-term leases		24	26
Operating cash flows paid for finance leases		—	1
Cash received from subleases		(34)	(11)
Lease assets obtained in exchange for new lease liabilities			
Operating leases		275	19

In April 2025, a lease agreement for a new office space for the TS U.S. division was executed, which commenced in August of 2025 and has a term for 80 months with total rent payments of around \$1.2 million. The division's office in Deerfield Beach, Florida moved to Boca Raton, Florida.

8. *Accounts payable and accrued expenses, and Other noncurrent liabilities*

The TS US division enters into certain multi-year agreements with vendors when also entering into some of the multi-year financing contracts the Company enters into with customers. See *Note 5 Financing receivables, net* for further information related to the multi-year agreements with customers.

There was not an interest rate stated in the agreements and therefore interest was imputed under *ASC 835 Interest* as the payments in the exchange represented two elements: principal and interest. The average imputed interest rate for the agreements was determined to be 9.4% as of June 30, 2025. The rate was determined primarily based on the rate the Company could obtain by financing from other sources at the date of the transaction.

Interest expense related to these agreements for the three months ended June 30, 2025 and 2024 was \$101 thousand and \$52 thousand, respectively. Interest expense related to these agreements for the nine months ended June 30, 2025 and 2024 was \$251 thousand and \$139 thousand, respectively.

The amounts owed for these agreements are in Accounts payable and accrued expenses and Other noncurrent liabilities because they are owed to vendors rather than banks or financial institutions for borrowings. See *Note 9 Line of Credit* for amounts due to financial institutions for borrowings.

Below are details of the agreements with the vendors that contain imputed interest:

	June 30, 2025	September 30, 2024
	(Amounts in thousands)	
Current	\$ 2,129	\$ 2,553
Less: discount	(265)	(244)
Accounts payable and accrued expenses	<u>\$ 1,864</u>	<u>\$ 2,309</u>
Noncurrent	\$ 2,159	\$ 1,677
Less: discount	(101)	(146)
Other noncurrent liabilities	<u>\$ 2,058</u>	<u>\$ 1,531</u>

The TS segment has many vendors it transacts with and does not have any specific agreement with these vendors that it must purchase certain products from the vendor. Management believes other suppliers could provide similar products on comparable terms.

9. *Line of Credit*

As of June 30, 2025 and September 30, 2024, the Company maintained an inventory line of credit with a borrowing capacity of \$15.0 million. It may be used by the TS and HPP segments in the US to purchase inventory from approved vendors with payment terms which exceed those offered by the vendors. No interest accrues under the inventory line of credit when advances are paid within terms, however, late payments are subject to an interest charge of Prime plus 5%. The credit agreement for the inventory line of credit contains financial covenants which require the Company to maintain the following TS segment-specific financial ratios: (1) a minimum current ratio of 1.2, (2) tangible net worth of no less than \$4.0 million, and (3) a maximum ratio of total liabilities to total net worth of less than 5.0:1. As of June 30, 2025 and September 30, 2024, Company borrowings, all from the TS segment, under the inventory line of credit were \$1.1 million and \$4.2 million, respectively, and the Company was in compliance with all financial covenants. As of June 30, 2025 and September 30, 2024, this line of credit also includes availability of a limited cash withdrawal of up to \$1.0 million. As of June 30, 2025 and September 30, 2024 there were no cash withdrawals outstanding.

10. *Pension and Retirement Plans*

The Company's operations have defined benefit and defined contribution plans in the U.K. and in the U.S. In the U.K., the Company provides defined benefit pension plans and defined contribution plans for some of its employees. In the U.S., the Company provides benefits through supplemental retirement plans to certain former employees. The U.S. supplemental retirement plans have life insurance policies which are not plan assets but were purchased by the Company as a vehicle to fund the costs of the plan. The Company also provides for officer death benefits through post-retirement plans to certain current officers of the Company in the U.S. All the Company's defined benefit plans are closed to newly hired employees and have been since September 2009.

The Company funds its pension plans in amounts sufficient to meet the requirements set forth in applicable employee benefits laws and local tax laws. Liabilities for amounts in excess of these funding levels are accrued and reported in the condensed consolidated balance sheets.

The Company's pension plan in the U.K. is the only pension plan with plan assets. In October 2024 the company contributed approximately 0.6 million Great British Pounds to the U.K. pension plan and all of the plan assets were converted to cash. Also in October 2024, in connection with the planned termination of our defined benefit pension plan in the U.K., we paid 8.5 million Great British Pounds to enter into a buy-in contract. This payment is subject to adjustment as a result of subsequent data cleansing activities. Under the terms of this buy-in contract, the insurer is liable to pay the benefits of the plan, but the Company still retains full legal responsibility to pay the benefits to members using the insurance payments. In accordance with US GAAP, specifically *ASC 715-30 Defined Benefit Plans – Pension*, the buy-in

contract does not qualify as a significant event and therefore remeasurement is not required. The buy-in contract will be treated as a plan asset. When the buy-in contract transitions to a buy-out contract the Company will no longer have legal responsibility to pay the benefits to the members. This transition is a significant event and the pension assets and liabilities will be remeasured at this time. If the transition does not occur before September 30, 2025, the pension assets and liabilities will be remeasured as of this date in accordance with our Pension and Retirement Plans accounting policy.

The components of net periodic benefit costs related to the US and UK plans are as follows:

	Three Months Ended June 30,					
	2025			2024		
	U.K.	U.S.	Total	U.K.	U.S.	Total
	(Amounts in thousands)					
Pension:						
Interest cost	\$ 135	\$ 2	\$ 137	\$ 112	\$ 2	\$ 114
Expected return on plan assets	(156)	—	(156)	(149)	—	(149)
Amortization of past service costs	2	—	2	2	—	2
Amortization of net gain	—	(2)	(2)	—	(1)	(1)
Net periodic (benefit) cost	<u>\$ (19)</u>	<u>\$ —</u>	<u>\$ (19)</u>	<u>\$ (35)</u>	<u>\$ 1</u>	<u>\$ (34)</u>
Post Retirement:						
Service cost	\$ —	\$ 7	\$ 7	\$ —	\$ 5	\$ 5
Interest cost	—	14	14	—	16	16
Amortization of net gain	—	(29)	(29)	—	(43)	(43)
Net periodic benefit	<u>\$ —</u>	<u>\$ (8)</u>	<u>\$ (8)</u>	<u>\$ —</u>	<u>\$ (22)</u>	<u>\$ (22)</u>
	Nine Months Ended June 30,					
	2025			2024		
	U.K.	U.S.	Total	U.K.	U.S.	Total
	(Amounts in thousands)					
Pension:						
Interest cost	\$ 344	\$ 6	\$ 350	\$ 333	\$ 8	\$ 341
Expected return on plan assets	(400)	—	(400)	(445)	—	(445)
Amortization of past service costs	6	—	6	6	—	6
Amortization of net gain	—	(5)	(5)	—	(4)	(4)
Net periodic (benefit) cost	<u>\$ (50)</u>	<u>\$ 1</u>	<u>\$ (49)</u>	<u>\$ (106)</u>	<u>\$ 4</u>	<u>\$ (102)</u>
Post Retirement:						
Service cost	\$ —	\$ 20	\$ 20	\$ —	\$ 17	\$ 17
Interest cost	—	44	44	—	48	48
Amortization of net gain	—	(89)	(89)	—	(129)	(129)
Net periodic benefit	<u>\$ —</u>	<u>\$ (25)</u>	<u>\$ (25)</u>	<u>\$ —</u>	<u>\$ (64)</u>	<u>\$ (64)</u>

The fair value of the assets held by the UK pension plan by asset category are as follows:

Asset Category	Fair Values as of							
	June 30, 2025				September 30, 2024			
	Fair Value Measurements Using Inputs Considered as				Fair Value Measurements Using Inputs Considered as			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
	(Amounts in thousands)							
Cash on deposit	\$ 183	\$ 183	\$ —	\$ —	\$ 65	\$ 65	\$ —	\$ —
Fixed income	—	—	—	—	10,388	8,714	1,674	—
Buy-in contract*	8,845	—	—	8,845	—	—	—	—
Equity	—	—	—	—	913	263	650	—
Total plan assets	<u>\$ 9,028</u>	<u>\$ 183</u>	<u>\$ —</u>	<u>\$ 8,845</u>	<u>\$ 11,366</u>	<u>\$ 9,042</u>	<u>\$ 2,324</u>	<u>\$ —</u>

*This fair value is as of March 31, 2025 and is based on the latest information available. The buy-in contract is valued on an insurer pricing basis, which reflects the purchase price adjusted for changes in discount rates and other actuarial assumptions, which approximates fair value. Due to this, the buy-in contract is classified as a Level 3. The fair value of the buy-in contract can vary significantly based on the 20-year U.K. gilt yield, which was around 4.5% as of September 30, 2024 and 5.2% as of March 31, 2025 leading to a decrease in fair value. Additionally, the profit realized by the insurance company is not considered in the fair value and a decrease will occur from payments made to the pensioners.

11. *Income Taxes*

The Company recorded an income tax benefit of \$751 thousand and \$75 thousand for the three months ended June 30, 2025 and 2024, respectively. The Company recorded an income tax benefit of \$1.5 million and income tax expense of \$73 thousand for the nine months ended June 30, 2025 and 2024, respectively. The income tax benefit for the three and nine months ended June 30, 2025 was primarily driven by the impact of the Company's pre-tax loss, the excess tax benefits on restricted stock awards vested during the period, and an income tax refund related to an amended fiscal year 2019 tax return for the Employee Retention Credit wages claimed in which the statute had expired. No receivable had been recorded for this item, and as such, the Company recorded a discrete tax benefit during the quarter. The income tax benefit for the three months ended June 30, 2024 was driven by a decrease in pre-tax earnings and the expense for nine months ended June 30, 2024 was primarily driven by income earned in the United States.

On July 4, 2025, President Donald Trump signed the One Big Beautiful Bill Act ("OBBBA") into law. Key corporate tax provisions include the restoration of 100% bonus depreciation, immediate expensing for domestic research and experimental expenditures, changes to Section 163(j) interest limitations, and expanded Section 162(m) aggregation requirements. In accordance with ASC 740, the effects of the new tax law will be recognized in the period of enactment. The Company is currently evaluating the impact of the OBBBA, and an estimate of the financial effect cannot be determined at this time.

12. *Accumulated Other Comprehensive Loss*

The components of accumulated other comprehensive loss are as follows:

	June 30, 2025	September 30, 2024
	(Amounts in thousands)	
Cumulative effect of foreign currency translation, net	\$ (3,924)	\$ (4,106)
Cumulative unrealized loss on pension liability	(1,259)	(1,259)
Accumulated other comprehensive loss, net	<u>\$ (5,183)</u>	<u>\$ (5,365)</u>

13. *Fair Value of Financial Assets and Liabilities*

Under the fair value standards fair value is based on the exit price and defined as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement should reflect all the assumptions that market participants would use in pricing an asset or liability. A fair value hierarchy is established in the authoritative guidance outlined in three levels ranking from Level 1 to Level 3 with Level 1 being the highest priority.

Level 1: observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly

Level 3: unobservable inputs (e.g., a reporting entity's or other entity's own data)

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The Company had no assets or liabilities measured at fair value on a recurring basis (except our pension plan assets and whole life insurance policies, see *Note 10 Pension and Retirement Plans* for pension plan assets) or non-recurring basis as of June 30, 2025 or September 30, 2024.

To estimate fair value of the financial instruments below, quoted market prices are used when available and classified within Level 1. If this data is not available, we use observable market-based inputs to estimate fair value, which are classified within Level 2. If the preceding information is unavailable, we use internally generated data to estimate fair value which is classified within Level 3.

	As of June 30, 2025		As of September 30, 2024		Fair Value Level	Reference
	Carrying Amount	Fair Value	Carrying Amount	Fair Value		
	(Amounts in thousands)					
Assets:						
Cash and cash equivalents	\$ 26,308	\$ 26,308	\$ 30,585	\$ 30,585	1	Consolidated Balance Sheets
Accounts receivable, net	13,453	13,453	14,494	14,494	2	Note 4
Financing receivables, net*	6,938	6,938	7,306	7,306	3	Note 5
Liabilities:						
Accounts payable and accrued expenses and other long-term liabilities**	3,922	3,922	3,840	3,840	3	Note 8
Line of Credit	1,141	1,141	4,169	4,169	2	Note 9

*Original maturity over one year

**Vendor financing agreements with original maturity over one year within these two financial statement line items

Cash and cash equivalents

Carrying amount approximated fair value.

Accounts receivable and Accounts payable and accrued expenses with original maturity of less than one year

Fair value was not materially different from their carrying values as of June 30, 2025, and September 30, 2024

Financing receivables, net

Fair value was estimated by discounting future cash flows based on the current rate with similar terms.

Vendor financing agreements within Accounts payable and accrued expenses and other long-term liabilities with original maturity over one year

Fair value was estimated by discounting future cash flows based on the current rate with similar terms.

Line of credit

The fair value of our line of credit is based on borrowing rates currently available to a market participant for loans with similar terms or maturity. The carrying amount of our outstanding revolving line of credit approximates fair value because the base interest rate charged varies with market conditions and the credit spread is commensurate with current market spreads for issuers of similar risk. No interest accrues under the inventory line of credit when advances are paid within terms.

14. Segment Information

Our reporting segments are aligned to how Victor Dellovo, CEO, who is the Chief Operating Decision Maker, allocates resources and assesses performance against the Company's strategies and budgets. It is also consistent with how we manage the business and view the markets we serve.

The following tables present certain operating segment information for the three and nine months ended June 30, 2025 and 2024.

Three months ended June 30,	High Performance Products Segment	Technology Solutions Segment			Consolidated Total
		United Kingdom	U.S.	Total	
		(Amounts in thousands)			
2025					
Sales:					
Product	\$ 12	\$ 50	\$ 10,088	\$ 10,138	\$ 10,150
Service	372	111	4,815	4,926	5,298
Total sales	<u>\$ 384</u>	<u>\$ 161</u>	<u>\$ 14,903</u>	<u>\$ 15,064</u>	<u>\$ 15,448</u>
Operating (loss) income	<u>\$ (1,829)</u>	<u>\$ (72)</u>	<u>\$ 678</u>	<u>\$ 606</u>	<u>\$ (1,223)</u>
Interest expense	<u>\$ (3)</u>	<u>\$ —</u>	<u>\$ (102)</u>	<u>\$ (102)</u>	<u>\$ (105)</u>
Interest income	\$ 10	\$ 42	\$ 388	\$ 430	\$ 440
Total assets	\$ 11,488	\$ 8,302	\$ 46,994	\$ 55,296	\$ 66,784
Capital expenditures	\$ (10)	\$ —	\$ (56)	\$ (56)	\$ (66)
Depreciation and amortization	\$ (18)	\$ —	\$ (47)	\$ (47)	\$ (65)
2024					
Sales:					
Product	\$ 20	\$ 124	\$ 7,701	\$ 7,825	\$ 7,845
Service	559	55	4,646	4,701	5,260
Total sales	<u>\$ 579</u>	<u>\$ 179</u>	<u>\$ 12,347</u>	<u>\$ 12,526</u>	<u>\$ 13,105</u>
Operating (loss) income	<u>\$ (1,628)</u>	<u>\$ (48)</u>	<u>\$ 956</u>	<u>\$ 908</u>	<u>\$ (720)</u>
Interest expense	<u>\$ (4)</u>	<u>\$ —</u>	<u>\$ (51)</u>	<u>\$ (51)</u>	<u>\$ (55)</u>
Interest income	\$ 15	\$ 55	\$ 453	\$ 508	\$ 523
Total assets	\$ 10,574	\$ 7,620	\$ 48,610	\$ 56,230	\$ 66,804
Capital expenditures	\$ (7)	\$ —	\$ (38)	\$ (38)	\$ (45)
Depreciation and amortization	\$ (24)	\$ —	\$ (50)	\$ (50)	\$ (74)

Nine months ended June 30,	High Performance Products Segment	Technology Solutions Segment			Consolidated Total
		United Kingdom	U.S.	Total	
		(Amounts in thousands)			
2025					
Sales:					
Product	\$ 367	\$ 600	\$ 28,750	\$ 29,350	\$ 29,717
Service	1,094	220	13,234	13,454	14,548
Total sales	<u>\$ 1,461</u>	<u>\$ 820</u>	<u>\$ 41,984</u>	<u>\$ 42,804</u>	<u>\$ 44,265</u>
Operating (loss) income	\$ (5,068)	\$ (187)	\$ 2,684	\$ 2,497	\$ (2,571)
Interest expense	\$ (8)	\$ —	\$ (251)	\$ (251)	\$ (259)
Interest income	\$ 12	\$ 134	\$ 1,197	\$ 1,331	\$ 1,343
Total assets	\$ 11,488	\$ 8,302	\$ 46,994	\$ 55,296	\$ 66,784
Capital expenditures	\$ (13)	\$ —	\$ (107)	\$ (107)	\$ (120)
Depreciation and amortization	\$ (56)	\$ —	\$ (131)	\$ (131)	\$ (187)
2024					
Sales:					
Product	\$ 2,535	\$ 497	\$ 24,678	\$ 25,175	\$ 27,710
Service	1,258	184	13,034	13,218	14,476
Total sales	<u>\$ 3,793</u>	<u>\$ 681</u>	<u>\$ 37,712</u>	<u>\$ 38,393</u>	<u>\$ 42,186</u>
Operating (loss) income	\$ (2,707)	\$ (101)	\$ 2,979	\$ 2,878	\$ 171
Interest expense	\$ (11)	\$ —	\$ (139)	\$ (139)	\$ (150)
Interest income	\$ 27	\$ 163	\$ 1,307	\$ 1,470	\$ 1,497
Total assets	\$ 10,574	\$ 7,620	\$ 48,610	\$ 56,230	\$ 66,804
Capital expenditures	\$ (125)	\$ —	\$ (54)	\$ (54)	\$ (179)
Depreciation and amortization	\$ (77)	\$ —	\$ (151)	\$ (151)	\$ (228)

Operating (loss) income consists of sales less cost of sales, engineering and development expenses, and selling, general and administrative expenses but is not affected by either other income (expense) or by income tax expense (benefit). Non-operating expenses/income consists principally of interest income from transactions with payment terms exceeding one year (see *Note 5 Financing receivables, net* for details) and interest income from money market accounts, and interest expense primarily from multi-year agreements with vendors (see *Note 8 Accounts payable and accrued expenses, and Other noncurrent liabilities*). All intercompany transactions have been eliminated.

Concentrations of Credit Risk

All customers below are in the U.S. division of our TS segment. Each customer's letter (e.g. "Customer A") does not change meaning if Customer A is in multiple tables, it is the same customer.

There were no customers with 10% or more of accounts receivable as of June 30, 2025 or September 30, 2024.

Below are customers with 10% or more of financing receivables as of June 30, 2025 or September 30, 2024.

	As of June 30, 2025		As of September 30, 2024	
	(Amounts in millions)			
	Financing Receivables	% of Total Financing Receivables	Financing Receivables	% of Total Financing Receivables
Customer A	\$ 1.5	22 %	\$ 3.0	41 %
Customer B	\$ 1.6	23 %	\$ 1.9	25 %
Customer C	\$ 1.1	16 %	\$ —	- %
Customer D	\$ 0.7	10 %	\$ —	- %
Customer E	\$ 0.3	4 %	\$ 1.3	18 %

The following table lists customers from which the Company derived revenues of 10% or more of total revenues for the three and nine months ended June 30, 2025 and 2024.

	Three months ended June 30,				Nine months ended June 30,			
	2025		2024		2025		2024	
	(Amounts in millions)				(Amounts in millions)			
	Customer Revenues	% of Total Revenues	Customer Revenues	% of Total Revenues	Customer Revenues	% of Total Revenues	Customer Revenues	% of Total Revenues
	(Amounts in millions)							
Customer F	\$ 2.3	15 %	\$ 0.4	3 %	\$ 3.4	8 %	\$ 1.0	2 %

15. Dividend

On December 20, 2024, the Company's board of directors declared a dividend of \$0.03 per share payable January 15, 2025, to shareholders of record on the close of business on December 27, 2024.

On February 10, 2025, the Company's board of directors declared a dividend of \$0.03 per share payable March 10, 2025, to shareholders of record on the close of business on February 24, 2025.

On May 14, 2025, the Company's board of directors declared a dividend of \$0.03 per share payable June 11, 2025, to shareholders of record on the close of business on May 28, 2025.

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

Forward-Looking Statements

The discussion below contains certain forward-looking statements including, but not limited to, among others, statements concerning future revenues and future business plans. Forward-looking statements include statements in which we use words such as “expect”, “believe”, “anticipate”, “intend”, “project”, “estimate”, “should”, “could”, “may”, “plan”, “potential”, “predict”, “project”, “will”, “would” and similar expressions. Although we believe the expectations reflected in such forward-looking statements are based on reasonable assumptions, the forward-looking statements are subject to significant risks and uncertainties, and thus we cannot assure you that these expectations will prove to have been correct, and actual results may vary from those contained in such forward-looking statements. We discuss many of these risks and uncertainties in Item 1A under the heading “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended September 30, 2024. An additional risk factor can be found within this Form 10-Q under Item 1A under the heading “Risk Factors.” Factors that may cause such variances include, but are not limited to, our dependence on a small number of customers for a significant portion of our revenue, intense competition in the market segments in which we operate, changes in the U.S. Tax laws, the impact of the Ukrainian-Russian military and Israeli-Hamas conflict on global trade and financial markets, and the impact of pandemics on our business, tariffs, results of operations and financial condition. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our estimates and assumptions only as of the date of this document. Except as required by law, we do not undertake any obligation to publicly update or revise any forward-looking statements contained in this report, whether as a result of new information, future events or otherwise. This management’s discussion and analysis of financial condition and results of operations should be read in conjunction with our financial statements and the related notes included elsewhere in this filing and in our Annual Report on Form 10-K for the fiscal year ended September 30, 2024.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate our estimates, including those related to the allowance for credit losses for accounts receivable and financing receivables, inventory valuation, income taxes, deferred compensation and retirement plans, as well as estimated selling prices used for revenue recognition and contingencies. We base our estimates on historical performance and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. A description of our critical accounting policies is contained in our Annual Report on Form 10-K for the fiscal year ended September 30, 2024 in the “Critical Accounting Policies” section contained in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations. Management believes there have been no significant changes for the nine months ended June 30, 2025 to the items that we disclosed as our critical accounting estimates in the Management’s Discussion and Analysis of Financial Condition and Results of Operations section of our Annual Report on Form 10-K for the fiscal year ended September 30, 2024.

Recent trends affecting our financial performance

As of June 30, 2025, the Russian/Ukrainian military conflict and the Israeli-Hamas conflict have not had a direct or significant impact on revenue as we do not have any significant recurring customers in either region. However, we do have customers and suppliers in surrounding regions which may be affected and further escalation of both conflicts and geopolitical tensions related to such conflicts could adversely affect our business, financial condition and results of operations, by among other things, cyberattacks, supply disruptions, lower consumer demand, and changes to foreign exchange rates and financial markets. It is not possible at this time to predict the size of the impact or consequences of the conflicts on the Company and our customers or suppliers.

Results of Operations

Overview of the three months ended June 30, 2025

Our sales increased by \$2.3 million, or 18%, to \$15.4 million for the three months ended June 30, 2025 compared to \$13.1 million for the three months ended June 30, 2024. Our gross margin percentage decreased to 29% for the three months ended June 30, 2025 compared to 35% for the three months ended June 30, 2024. For the three months ended June 30, 2025 there was an operating loss of \$1.2 million compared to an operating loss of \$0.7 million for the three months ended June 30, 2024. Other income, net decreased \$0.3 million to \$0.2 million for the three months ended June 30, 2025 compared to \$0.5 million for the same prior year period. An income tax benefit of \$0.8 million was recorded for the three months ended June 30, 2025 compared to an income tax benefit of \$0.1 million in the same period in the prior year.

The following table details our results of operations in dollars and as a percentage of sales for the three months ended June 30, 2025 and 2024:

	<u>June 30, 2025</u>	<u>% of sales</u>	<u>June 30, 2024</u>	<u>% of sales</u>
	<u>(Dollar amounts in thousands)</u>			
Sales	\$ 15,448	100 %	\$ 13,105	100 %
Costs and expenses:				
Cost of sales	10,995	71 %	8,523	65 %
Engineering and development	791	5 %	737	6 %
Selling, general and administrative	4,885	32 %	4,565	35 %
Total costs and expenses	16,671	108 %	13,825	106 %
Operating loss	(1,223)	(8)%	(720)	(5)%
Other income, net	208	1 %	460	4 %
(Loss) income before income taxes	(1,015)	(7)%	(260)	(1)%
Income tax (benefit) expense	(751)	5 %	(75)	— %
Net loss	<u>\$ (264)</u>	<u>(2)%</u>	<u>\$ (185)</u>	<u>(1)%</u>

Sales

TS segment sales change was as follows for the three months ended June 30, 2025 and 2024:

	<u>June 30,</u>	<u>June 30,</u>	<u>Increase</u>	
	<u>2025</u>	<u>2024</u>	<u>\$</u>	<u>%</u>
	<u>(Dollar amounts in thousands)</u>			
Products	\$ 10,138	\$ 7,825	\$ 2,313	30 %
Services	4,926	4,701	225	5 %
Total	<u>\$ 15,064</u>	<u>\$ 12,526</u>	<u>\$ 2,538</u>	<u>20 %</u>

The increase in TS segment product sales of \$2.3 million is primarily due to increased sales to several existing major customers in the US division of \$2.4 million, partially offset with decreased sales to an existing customer in the UK

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division of \$0.1 million. Service sales for the three months ended June 30, 2025 increased \$0.2 million from the same prior year period, which was attributable to the US division. The increase in service sales included increased internal and third-party services of \$0.4 million, partially offset by decreased third-party maintenance sales of \$0.2 million.

HPP segment sales change was as follows for the three months ended June 30, 2025 and 2024:

	June 30,		Decrease	
	2025	2024	\$	%
	(Dollar amounts in thousands)			
Products	\$ 12	\$ 20	\$ (8)	(40)%
Services	372	559	(187)	(33)%
Total	<u>\$ 384</u>	<u>\$ 579</u>	<u>\$ (195)</u>	<u>(34)%</u>

The HPP product sales were immaterial for the three months ended June 30, 2025 and the same prior year period. The HPP service sales decreased \$0.2 million due to decreased royalties of \$0.2 million and decreased Multicomputer repairs of \$0.2 million, partially offset by \$0.2 million of increased ARIA AZT customer support revenue.

Our sales by geographic area, which are based on the customer location to which the products were shipped or services rendered, were as follows for the three months ended June 30, 2025 and 2024:

	June 30,		Increase (decrease)	
	2025	%	2024	%
	(Dollar amounts in thousands)			
Americas	\$ 15,285	99 %	\$ 12,443	95 %
Europe	140	1 %	362	3 %
APAC and Africa	23	— %	300	2 %
Totals	<u>\$ 15,448</u>	<u>100 %</u>	<u>\$ 13,105</u>	<u>100 %</u>

The \$2.8 million increase in sales to the Americas was primarily the result of an increase in the TS-US division. The \$0.2 million decrease in sales to Europe was primarily the result of decreased sales by our TS segment's US division. The sales to APAC and Africa decreased \$0.3 million for the three months ended June 30, 2025 compared to the same prior year period due to decreased sales in the HPP segment.

Gross Margins

Our gross margin ("GM") decreased \$0.1 million for the three months ended June 30, 2025 as compared to the same prior year period. The GM as a percentage of sales decreased to 29% for the three months ended June 30, 2025 compared to the same prior year period of 35%.

	June 30,		Increase (decrease)	
	2025		2024	
	GMS	GM%	GMS	GM%
	(Dollar amounts in thousands)			
TS	\$ 4,329	29 %	\$ 4,319	34 %
HPP	124	32 %	263	45 %
Total	<u>\$ 4,453</u>	<u>29 %</u>	<u>\$ 4,582</u>	<u>35 %</u>

The impact of product mix within our TS segment on gross margin for the three months ended June 30, 2025 and 2024 was as follows:

	June 30,				Increase (decrease)	
	2025		2024		GMS	GM%
	GMS	GM%	GMS	GM%		
	(Dollar amounts in thousands)					
Products	\$ 1,629	16 %	\$ 1,396	18 %	\$ 233	(2)%
Services	2,700	55 %	2,923	62 %	(223)	(7)%
Total	<u>\$ 4,329</u>	<u>29 %</u>	<u>\$ 4,319</u>	<u>34 %</u>	<u>\$ 10</u>	<u>(5)%</u>

The overall TS segment GM as a percentage of sales decreased to 29% for the three month period ended June 30, 2025 compared to 34% for the same prior year period. Product GM as a percentage of revenue decreased 2% due to a different product mix without any significant changes from the prior year period. The service GM as a percentage of revenue decreased 7% from the prior year due to decreased third-party maintenance sales, which are recorded “net” which means that the revenue, net of the associated cost, is recorded in the Services revenue financial statement line item causing an increase in GM as a percentage of sales.

The impact of product mix within our HPP segment on gross margin for the three months ended June 30, 2025 and 2024 was as follows:

	June 30,				Increase (decrease)	
	2025		2024		GMS	GM%
	GMS	GM%	GMS	GM%		
	(Dollar amounts in thousands)					
Products	\$ (32)	(267)%	\$ (74)	(370)%	\$ 42	103 %
Services	156	42 %	337	60 %	(181)	(18)%
Total	<u>\$ 124</u>	<u>32 %</u>	<u>\$ 263</u>	<u>45 %</u>	<u>\$ (139)</u>	<u>(13)%</u>

The overall HPP segment GM as a percentage of sales decreased to 32% for the three months ended June 30, 2025 from 45% for the three months ended June 30, 2024. The 103% increase in product GM as a percentage of product revenue for the three months ended June 30, 2025 compared to the same prior year period is due to less allocated manufacturing overhead costs in the three months ended June 30, 2025 compared to the prior year period. The service GM as a percentage of services revenue from the same prior year period decreased 18% to 42% for the three months ended June 30, 2025 compared to 60% for the three months ended June 30, 2024 due to decreased Multicomputer repair sales, which are high GM as a percentage of revenue.

Engineering and Development Expenses

The engineering and development expenses incurred by our HPP segment increased approximately \$0.1 million for three months ended June 30, 2025 compared to the prior year period due to increased stock compensation, consulting, and recruiting. The current period expenses were primarily for product engineering expenses incurred in connection with the continued development of the ARIA Zero Trust Gateway cyber security products.

Selling, General and Administrative Expenses

The following table details our selling, general and administrative (“SG&A”) expense by operating segment for the three months ended June 30, 2025 and 2024:

	Three months ended June 30,				\$	%
	2025	% of Total	2024	% of Total	Increase	Increase
(Dollar amounts in thousands)						
By Operating Segment:						
TS segment	\$ 3,722	76 %	\$ 3,412	75 %	\$ 310	9 %
HPP segment	1,163	24 %	1,153	25 %	10	1 %
Total	\$ 4,885	100 %	\$ 4,565	100 %	\$ 320	7 %

SG&A expenses increased \$0.3 million to \$4.9 million for the three months ended June 30, 2025 compared to the same prior year period. The \$0.3 million increase in TS segment SG&A expenses compared to the same prior year period is primarily the result of increased variable compensation, salaries, stock compensation expense, and recruiting. The HPP segment SG&A expenses remained relatively flat at \$1.2 million for the three months ended June 30, 2025 as compared to the prior year period without any significant change in types of expenses.

Other Income/Expenses

The following table details other income, net for the three months ended June 30, 2025 and 2024:

	Three months ended		
	June 30, 2025	June 30, 2024	\$ Change
(Amounts in thousands)			
Foreign exchange loss	\$ (200)	\$ (10)	\$ (190)
Interest expense	(105)	(55)	(50)
Interest income	440	523	(83)
Other income, net	73	2	71
Total other income, net	<u>\$ 208</u>	<u>\$ 460</u>	<u>\$ (252)</u>

Total other income, net for the three months ended June 30, 2025 was \$0.2 million compared to \$0.5 million for the three months ended June 30, 2024.

The \$0.2 million increased foreign exchange loss for the three months ended June 30, 2025 was primarily due to the US Dollar weakening more than the same prior year period relative to the British Pound. In consolidation, US dollars are remeasured into the functional currency, British Pounds, of our UK subsidiary. This non-cash remeasurement is included in the Foreign exchange loss in the Consolidated Statements of Operations. The foreign exchange loss was primarily from the US Dollar bank account in our TS UK division.

Interest income decreased \$83 thousand for the three months ended June 30, 2025 compared to the same prior year period primarily due to decreased interest income from agreements that have payment terms in excess of one year (see *Note 5 Financing receivables, net* in Item 1 to this Quarterly Report on Form 10-Q for details) as well as a reduction in interest rates related to our Cash and cash equivalents. Although new agreements with higher interest rates have been entered into during fiscal 2024 and 2025, this was more than offset by lower interest income recognized from a larger number of prior agreements because interest income decreases from each agreement as time elapses due to principal payments being received. All of these agreements are in the TS-US division.

The interest expense increase of \$50 thousand for the three months ended June 30, 2025 compared to the same prior year period was related to the TS US division entering into additional multi-year vendor contracts related to sales agreements that have payment terms in excess of one year during fiscal years 2024 and 2025.

Income Taxes

The Company recorded an income tax benefit of \$751 thousand and \$75 thousand for the three months ended June 30, 2025 and 2024, respectively. The income tax benefit for the three months ended June 30, 2025 was primarily driven by the impact of the Company's pre-tax loss, the excess tax benefits on restricted stock awards vested during the period, and an income tax refund related to an amended fiscal year 2019 tax return for the Employee Retention Credit wages claimed in which the statute had expired. No receivable had been recorded for this item, and as such, the Company recorded a discrete P&L benefit during the quarter. The income tax benefit for the three months ended June 30, 2024 was driven by a decrease in pre-tax earnings.

On July 4, 2025, President Donald Trump signed the One Big Beautiful Bill Act ("OBBBA") into law. Key corporate tax provisions include the restoration of 100% bonus depreciation, immediate expensing for domestic research and experimental expenditures, changes to Section 163(j) interest limitations, and expanded Section 162(m) aggregation requirements. In accordance with ASC 740, the effects of the new tax law will be recognized in the period of enactment. The Company is currently evaluating the impact of the OBBBA, and an estimate of the financial effect cannot be determined at this time.

Overview of the nine months ended June 30, 2025

Our sales increased by \$2.1 million, or 5%, to \$44.3 million for the nine months ended June 30, 2025 as compared to \$42.2 million for the nine months ended June 30, 2024. The increase in sales is the result of an increase of \$4.4 million in the TS segment, partially offset by a decrease of approximately \$2.3 million in our HPP segment. Our gross margin percentage decreased 6% to 30% of sales for the nine months ended June 30, 2025 compared to 36% for the nine months ended June 30, 2024. For the nine months ended June 30, 2025 operating loss was \$2.6 million compared to operating income of \$0.2 million for the nine months ended June 30, 2024. Other income, net decreased \$0.1 million for the nine months ended June 30, 2025 compared to the nine months ended June 30, 2024. An income tax benefit of \$1.5 million was recorded for the nine months ended June 30, 2025 compared to an income tax expense of \$0.1 million in the same prior year period.

The following table details our results of operations in dollars and as a percentage of sales for the nine months ended June 30, 2025 and 2024:

	<u>June 30, 2025</u>	<u>% of sales</u>	<u>June 30, 2024</u>	<u>% of sales</u>
	<u>(Dollar amounts in thousands)</u>			
Sales	\$ 44,265	100 %	\$ 42,186	100 %
Costs and expenses:				
Cost of sales	31,041	70 %	27,031	64 %
Engineering and development	2,340	5 %	2,163	5 %
Selling, general and administrative	13,455	30 %	12,821	30 %
Total costs and expenses	46,836	105 %	42,015	99 %
Operating (loss) income	(2,571)	(5)%	171	1 %
Other income, net	1,122	3 %	1,232	2 %
(Loss) income before income taxes	(1,449)	(2)%	1,403	3 %
Income tax (benefit) expense	(1,549)	2 %	73	— %
Net income	<u>\$ 100</u>	<u>— %</u>	<u>\$ 1,330</u>	<u>3 %</u>

Sales

TS segment sales change was as follows for the nine months ended June 30, 2025 and 2024:

	June 30,		Increase	
	2025	2024	\$	%
	(Dollar amounts in thousands)			
Products	\$ 29,350	\$ 25,175	\$ 4,175	17 %
Services	13,454	13,218	236	2 %
Total	\$ 42,804	\$ 38,393	\$ 4,411	11 %

The increase in TS segment product sales of \$4.2 million during the period as compared to the prior year period is primarily attributable to increased sales of \$4.1 million to existing major customers combined with an increase in sales of \$0.1 million in the UK division to an existing customer. Service sales for the nine months ended June 30, 2025 increased \$0.2 million from the prior year period due to an increase of \$0.6 million from internal and third-party services and an increase in managed services of \$0.1 million, partially offset by a decrease in third-party maintenance sales of \$0.5 million. All of these service sales changes occurred in the US division.

HPP segment sales change was as follows for the nine months ended June 30, 2025 and 2024:

	June 30,		Decrease	
	2025	2024	\$	%
	(Dollar amounts in thousands)			
Products	\$ 367	\$ 2,535	\$ (2,168)	(86)%
Services	1,094	1,258	(164)	(13)%
Total	\$ 1,461	\$ 3,793	\$ (2,332)	(61)%

The HPP product sales decreased by \$2.2 million for the nine months ended June 30, 2025 as compared to the prior year period primarily as a result of one large ARIA AZT order of \$2.0 million which occurred in the prior year period and did not recur in the current year combined with a \$0.4 million decrease in Myricom sales, which was partially offset by increased ARIA AZT revenue to new customers of \$0.2 million. The HPP service sales decreased \$0.2 million for the nine months ended June 30, 2025 compared to the prior year period due to decreased revenue from Multicomputer repair services of \$0.3 million combined with decreased royalties on high-speed processing boards related to the E2D program of \$0.2 million, partially offset by increased ARIA AZT customer support revenue of \$0.3 million.

Our sales by geographic area, which are based on the customer location to which the products were shipped or services rendered, were as follows for the nine months ended June 30, 2025 and 2024:

	June 30,		Increase (decrease)	
	2025	%	2024	%
	(Dollar amounts in thousands)			
Americas	\$ 43,112	98 %	\$ 40,525	96 %
Europe	976	2 %	967	2 %
APAC and Africa	177	— %	694	2 %
Totals	\$ 44,265	100 %	\$ 42,186	100 %

The \$2.6 million increase in sales to the Americas was the result of an increase in the TS-US division of \$4.7 million and TS-UK division of \$0.1 million, partially offset with a decrease in the HPP segment of \$2.2 million. The sales to Europe remained relatively flat from prior year with increased sales to Europe in the TS-US division of \$0.1 million, offset by a decrease of sales to Europe in the TS-UK division. The sales to APAC and Africa decreased \$0.5 million as a result of decreased sales in the TS segment's US division of \$0.4 million combined with decreased sales in the HPP segment of \$0.1 million.

Gross Margins

Our gross margin ("GM") decreased \$1.9 million for the nine months ended June 30, 2025 compared to the same prior year period. The GM as a percentage of total sales decreased to 30% for the nine months ended June 30, 2025 as compared to the same prior year period of 36%.

	June 30,					
	2025		2024		Increase (decrease)	
	GMS	GM%	GMS	GM%	GMS	GM%
	(Dollar amounts in thousands)					
TS	\$ 12,514	29 %	\$ 12,390	32 %	\$ 124	(3)%
HPP	710	49 %	2,765	73 %	(2,055)	(24)%
Total	\$ 13,224	30 %	\$ 15,155	36 %	\$ (1,931)	(6)%

The impact of product mix within our TS segment on gross margin for the nine months ended June 30, 2025 and 2024 was as follows:

	June 30,					
	2025		2024		Increase (decrease)	
	GMS	GM%	GMS	GM%	GMS	GM%
	(Dollar amounts in thousands)					
Products	\$ 4,965	17 %	\$ 4,503	18 %	\$ 462	(1)%
Services	7,549	56 %	7,887	60 %	(338)	(4)%
Total	\$ 12,514	29 %	\$ 12,390	32 %	\$ 124	(3)%

The overall TS segment GM as a percentage of total sales decreased to 29% for the nine month period ended June 30, 2025 compared to 32% from the prior year period. Product GM as a percentage of revenue for the nine months ended June 30, 2025 decreased 1% from the prior year period due to product mix. Service GM as a percentage of total sales decreased to 56% for the nine months ended June 30, 2025 compared to 60% from the prior year period. This was primarily due to decreased third-party maintenance sales, which are recorded "net" which means that the revenue, net of the associated cost, is recorded in the Services revenue financial statement line item causing an increase in GM as a percentage of sales.

The impact of product mix within our HPP segment on gross margin for the nine months ended June 30, 2025 and 2024 was as follows:

	June 30,					
	2025		2024		Decrease	
	GMS	GM%	GMS	GM%	GMS	GM%
	(Dollar amounts in thousands)					
Products	\$ 201	55 %	\$ 2,040	80 %	\$ (1,839)	(25)%
Services	509	47 %	725	58 %	(216)	(11)%
Total	\$ 710	49 %	\$ 2,765	73 %	\$ (2,055)	(24)%

The overall HPP segment GM as a percentage of sales decreased to 55% for the nine months ended June 30, 2025 from 80% for the nine months ended June 30, 2024. The 25% decrease in product GM as a percentage of product revenue compared to the same prior year period was primarily attributed to one large ARIA Zero Trust Gateway order in the prior year period, which was nearly all GM and did not recur in the current period. The 11% decrease in service GM as a percentage of service revenue for the nine months ended June 30, 2025 compared to the same prior year period was due to decreased royalty sales, which are nearly all GM.

Engineering and Development Expenses

The engineering and development expenses incurred by our HPP segment increased to \$2.3 million for the nine months ended June 30, 2025 compared to the same prior year period of \$2.2 million due to increased consulting. The current period expenses were primarily for product engineering expenses incurred in connection with the continued development of the ARIA Zero Trust Gateway cyber security products.

Selling, General and Administrative Expenses

The following table details our selling, general and administrative (“SG&A”) expense by operating segment for the nine months ended June 30, 2025 and 2024:

	Nine months ended June 30,				\$ Increase	% Increase
	2025	% of Total	2024	% of Total		
	(Dollar amounts in thousands)					
By Operating Segment:						
TS segment	\$ 10,016	74 %	\$ 9,512	74 %	\$ 504	5 %
HPP segment	3,439	26 %	3,309	26 %	130	4 %
Total	<u>\$ 13,455</u>	<u>100 %</u>	<u>\$ 12,821</u>	<u>100 %</u>	<u>\$ 634</u>	<u>5 %</u>

SG&A expenses increased \$0.6 million for the nine months ended June 30, 2025 compared to the same prior year period. The \$0.5 million increase in TS segment SG&A expenses compared to the same prior year period is primarily the result of increased stock compensation expense, salaries, variable compensation, and expenses incurred in connection with the planned termination of our defined benefit pension plan in the U.K. The HPP segment SG&A expenses increased \$0.1 million for the nine months ended June 30, 2025 as compared to the prior year period primarily due to increased stock compensation expense.

Other Income/Expenses

The following table details other income, net for the nine months ended June 30, 2025 and 2024:

	Nine months ended		
	June 30, 2025	June 30, 2024	\$ Change
	(Amounts in thousands)		
Foreign exchange loss	\$ (37)	\$ (152)	\$ 115
Interest expense	(259)	(150)	(109)
Interest income	1,343	1,497	(154)
Other income, net	75	37	38
Total other income, net	<u>\$ 1,122</u>	<u>\$ 1,232</u>	<u>\$ (110)</u>

Total other income, net for the nine months ended June 30, 2025 decreased \$0.1 million to income of \$1.1 million compared to income of \$1.2 million in the same prior year period.

The \$0.1 million decreased foreign exchange loss for the nine months ended June 30, 2025 was due to the US Dollar weakening less relative to the British Pound compared to the same prior year period. In consolidation, US dollars are remeasured into the functional currency, British Pounds, of our UK subsidiary. This non-cash remeasurement is included in the Foreign exchange loss in the Consolidated Statements of Operations. The foreign exchange loss in the current period was primarily from the US Dollar bank account in our TS UK division.

Interest income decreased \$154 thousand for the nine months ended June 30, 2025 compared to the same prior year period primarily due to decreased interest income from agreements that have payment terms in excess of one year (see *Note 5 Financing receivables, net* in Item 1 to this Quarterly Report on Form 10-Q for details) as well as a reduction in interest rates related to our Cash and cash equivalents. Although new agreements with higher interest rates have been

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entered into during fiscal years 2024 and 2025, this is more than offset by lower interest income recognized from a larger number of prior agreements because interest income decreases from each agreement as time elapses due to principal payments being received. All of these agreements are in the TS-US division.

The interest expense increase of \$109 thousand for the nine months ended June 30, 2025 compared to the same prior year period was primarily related to the TS US division entering into additional multi-year vendor contracts related to sales agreements in fiscal year 2025 and 2024 that have payment terms in excess of one year. Interest expense increased while interest income decreased because many of the Company's financing sales prior to fiscal year 2024 did not have vendor financing, but in fiscal years 2024 and 2025 vendor financing became more prevalent.

Income Taxes

The Company recorded an income tax benefit of \$1.5 million and income tax expense of \$73 thousand for the nine months ended June 30, 2025 and 2024, respectively. The income tax benefit for the nine months ended June 30, 2025 was primarily driven by the impact of the Company's pre-tax loss, the excess tax benefits on restricted stock awards vested during the period, and an income tax refund related to an amended fiscal year 2019 tax return for the Employee Retention Credit wages claimed in which the statute had expired. No receivable had been recorded for this item, and as such, the Company recorded a discrete P&L benefit during the current fiscal year. The income tax benefit for nine months ended June 30, 2024 was primarily driven by income earned in the United States.

See the Overview of the three months ended June 30, 2025 within this Item 2 for discussion of the One Big Beautiful Bill Act signed on July 4, 2025.

Liquidity and Capital Resources

Our primary source of liquidity is our Cash and cash equivalents and our line of credit.

Cash and cash equivalents decreased by \$4.3 million to \$26.3 million as of June 30, 2025 from \$30.6 million as of September 30, 2024.

The following is a summary of our cash flows for the nine months ended June 30, 2025 and 2024:

	Nine months ended June 30,	
	2025	2024
	(Dollar amounts in thousands)	
Net cash provided by (used in):		
Operating activities	\$ 370	\$ 5,721
Investing activities	(174)	(238)
Financing activities	(4,454)	(1,824)
Effect of exchange rate changes on cash	(19)	15
(Decrease) increase in Cash and cash equivalents	<u>\$ (4,277)</u>	<u>\$ 3,674</u>

Operating Activities

Cash provided by operating activities was \$0.4 million for the nine months ended June 30, 2025 compared to \$5.7 million provided by operating activities in the prior year. The significant changes from the prior period include decreased collections of Accounts receivable of \$2.5 million, increased payments in Inventories of \$1.2 million, increased payments in Accounts payable and accrued expenses of \$0.7 million, partially offset by increased collections of Financing receivables of \$1.4 million. The remaining differences are primarily related to timing differences in operating assets and liabilities. Inventory fluctuations are dependent on when orders are received and shipped. Accounts payable and accrued expenses fluctuations are dependent on when vendor invoices are received as well as the related timing of the payments.

Investing Activities

Cash used in investing activities was flat at \$0.2 million for the nine months ended June 30, 2025 and 2024.

Financing Activities

Cash used in financing activities increased approximately \$2.6 million from the prior year to \$4.5 million for the nine months ended June 30, 2025 compared to \$1.8 million for the prior year period. The increase from the prior year was primarily due to increased net repayments on our line-of-credit of approximately \$2.3 million from the prior year, repurchases of common stock of \$0.6 million, increased cash dividend payments of \$0.2 million, partially offset by a decrease of a note payable of \$0.4 million.

Other Liquidity and Capital Resources Items

Our cash held by our foreign subsidiary in the United Kingdom totaled approximately \$3.9 million as of June 30, 2025 and consisted of 0.2 million Euros, 0.1 million British Pounds, and 3.5 million US Dollars. This cash is included in our total Cash and cash equivalents reported on the Condensed Consolidated Balance Sheets.

As of June 30, 2025 and September 30, 2024, the Company maintained a line of credit with a capacity of up to \$15.0 million for inventory accessible to both the HPP and TS segments. This line of credit also includes availability of a limited cash withdrawal of up to \$1.0 million. An amount of \$13.9 million and \$10.8 million were available as of June 30, 2025 and September 30, 2024, respectively. As of June 30, 2025 and September 30, 2024 there were no cash withdrawals outstanding. For further discussion of the Company's line of credit, including its financial covenants, see Item 1, *Note 9 Line of Credit*.

If cash generated from operations is insufficient to satisfy working capital requirements, we may need to access funds through bank loans or other means. If we are unable to secure additional financing, we may not be able to complete development or enhancement of products, take advantage of future opportunities, respond to competition, retain key employees, or continue to effectively operate our business.

Based on our current plans and business conditions, management believes that the Company's available Cash and cash equivalents, the cash generated from operations, and availability on our line of credit will be sufficient to provide for the Company's working capital and capital expenditure requirements for at least 12 months from the date of this filing.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2025 based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission ("2013 Framework"). Our Chief Executive Officer, our Chief Financial Officer and other members of our senior management team supervised and participated in this evaluation. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2025, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were not effective, due to the fact that we are not

yet able to conclude that the material weaknesses described in this Item 4 have been remediated by the changes we made in response to these material weaknesses.

As previously disclosed in Item 9A of our Annual Report on Form 10-K for the period ended September 30, 2024, our management identified two material weaknesses as of such date. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be able to be prevented or detected on a timely basis.

Material weakness 1 – Corporate credit cards

In August 2024 during its fiscal year 2024 third quarter review the Company identified certain control deficiencies related to its business expense reimbursement and selected purchases policy and application of a legacy credit card program for Company credit cards. The control deficiencies arose out of a lack of adequate review and incomplete supporting documentation related to certain business expenses including those for reimbursement for Company credit card charges from a C level Company executive as well as an undocumented compensation agreement with regards to the use of credit card points which resulted in undisclosed compensation. The Audit Committee engaged a third party to investigate and analyze certain transactions made on the corporate credit card and it was not led by management. As of September 30, 2024, the C-level executive returned to the Company approximately \$20,000 in aggregate related to the portion of the undisclosed compensation in excess of the intended compensation agreement. There were no subsequent amounts of undisclosed compensation returned to the company.

In response to these control deficiencies, the Company performed additional analysis and reconciliation around all the credit card activity, including reimbursement, purchases and review of the credit card use policies, assessed various alternatives to remediate this material weakness and implemented changes to our internal controls including implementation of additional review and confirmation process by designated employees and the termination of the legacy benefit program identified above.

During the preparation of our annual financial statements, we determined that the controls over the credit card process were not operating effectively, and the resulting control gap amounted to a material weakness in our controls over financial reporting. As a result, we concluded that the Company's internal control over financial reporting was not effective as of September 30, 2024. The COSO principles of Exercises oversight responsibility and develops control activities were not properly followed in our internal controls. Although we have implemented changes to our internal controls over financial reporting as described herein, as of June 30, 2025 we cannot conclude that the material weakness has been remediated.

Material weakness 2 – Income taxes

Management identified another material weakness in our internal controls over financial reporting for income taxes relating to current/non-current taxes payable, certain deferred tax assets and liabilities, and current and deferred tax expenses. We use a third-party provider to prepare our tax provision and related disclosures on a quarterly basis. This third-party provider was changed in fiscal year 2025. The company reviews the provision and disclosures. We believe the material weakness occurred due to a lack of competency of the third-party provider and management needs to perform a more comprehensive review with the third-party preparer. Although we have implemented changes to our internal controls over financial reporting as described herein, as of June 30, 2025 we cannot conclude that the material weakness has been remediated.

Remediation of Material Weaknesses

We are committed to maintaining a strong internal control environment and implementing measures designed to help ensure that the material weaknesses are remediated as soon as possible. We believe we have made progress towards remediation and continue to implement our remediation plan for the material weakness, which includes the following steps.

Material weakness 1 – Corporate credit cards

- All points earned on the Company credit cards will accrue only to the benefit of the Company.
- The Company updated its Credit Card purchase and Reimbursement Policy and has taken steps to ensure the Expense Policy is followed with documentation and proper approvals.
- In fiscal year 2025, internal audit will test a reasonable number of selections from all corporate credit card expenses monthly and report findings directly to the Company's CFO. If there is an exception, this will be reported to the Audit Committee
- Quarterly a summary report of Credit card internal audit results will be reported to the Audit Committee.

Material weakness 2 – Income taxes

- We hired a new accounting firm with global expertise as our new third-party tax provider to prepare tax provisions and corporate income tax returns. We intend to use this firm to assist with enhancing internal controls over financial reporting for income taxes and developing and implementing a remediation plan.
- We hold quarterly meetings with our new third-party tax provider to discuss changes in tax law, key aspects of our quarterly/annual provisions and required updates to provisions, deciding a course of action and documenting such actions, review and approval of the tax data by senior members of our finance team and final discussion, review and approval of the third-party provider prepared provisions and returns.
- We will provide income tax accounting training to those involved in the review of the tax data from our third-party tax provider.

We will consider the material weaknesses remediated after the applicable controls operate for a sufficient period of time, and management has concluded, through testing, that the controls are operating effectively.

The process of designing and implementing an effective accounting and financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain an accounting and financial reporting system that is adequate to satisfy our reporting obligations. As we continue to evaluate and take actions to improve our internal control over financial reporting, we may determine to take additional actions to address control deficiencies or determine to modify certain of the remediation measures described above.

Changes in Internal Control over Financial Reporting

During the nine months ended June 30, 2025, with the exception of the changes described above within this Item 4 there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk factors

Except as set forth below, there have been no material changes to the risk factors set forth in Item 1A under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2024.

Significant political, trade, regulatory developments, and other circumstances beyond our control, could have a material adverse effect on our financial condition or results of operations.

Significant political, trade, or regulatory developments in the jurisdictions in which we sell or purchase our products, including country of origin of such products, are difficult to predict and may create periods of volatility in such markets which may have a material adverse effect on us. Recent changes in U.S. federal policy that affect the geopolitical landscape could give rise to circumstances outside our control that could have negative impacts on our business operations. Beginning in the second quarter of 2025, new U.S. Tariffs were announced, including additional tariffs on imports from China, India, Japan, South Korea, Taiwan, Vietnam and the EU, among others. In response, several countries have imposed, or threatened to impose, reciprocal tariffs on imports from the U.S. and other retaliatory measures. Various modifications and delays to the U.S. Tariffs have been announced and further changes are expected to be made in the future, which may include additional sector-based tariffs or other measures. For example, the U.S. Department of Commerce has initiated an investigation under Section 232 of the Trade Expansion Act of 1962, as amended, into, among other things, imports of semiconductors, semiconductor manufacturing equipment, and their derivative products, including downstream products that contain semiconductors. These tariffs do not currently include software, services, intangibles, and other digital services; however, we cannot predict future trade policy or tariffs, including the impact or timing thereof, or whether such services will be subject to any form of tariffs or other restrictions in the future. The ultimate impact remains uncertain and will depend on several factors, including whether additional or incremental U.S. Tariffs or other measures are announced or imposed, to what extent other countries implement tariffs or other retaliatory measures in response, and the overall magnitude and duration of these measures. If disputes and conflicts further escalate, actions by governments in response could be significantly more severe and restrictive. Any of the foregoing could materially adversely affect the Company's business, results of operations, financial condition and stock price.

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

On February 8, 2011, the Board of Directors authorized the Company to repurchase up to 500 thousand shares of the Company's outstanding common stock at market price. The plan does not expire. The stock repurchase program may be suspended, terminated, or modified at any time for any reason.

Common stock of CSP Inc. may be repurchased on the open market at the discretion of management. Open market repurchases are made in compliance with the Securities and Exchanges Commission's Rule 10b-18 in addition to complying with applicable legal and other considerations. Below are the purchases that have been made for the three months ended June 30, 2025.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans	Maximum number that may yet be purchased under the repurchase plan
April 1-30, 2025	—	\$ -	—	307,554
May 1-31, 2025	3,300	\$ 15.07	3,300	307,554
June 1-30, 2025	15,700	\$ 12.83	15,700	291,854
Total	19,000	\$ 13.95	19,000	291,854

Item 5. Other

During the three months ended June 30, 2025, no director or officer of the Company adopted, modified, or terminated any "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Number	Description
31.1*	Rule 13(a)-14(a) / 15d-14(a) Certification of Chief Executive Officer
31.2*	Rule 13(a)-14(a) / 15d-14(a) Certification of Chief Financial Officer

32.1* [Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer](#)

101* The following financial statements for the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2025 formatted in eXtensible Business Reporting Language (XBRL) (a) our Condensed Consolidated Balance Sheets as of June 30, 2025 and September 30, 2024, (b) our Condensed Consolidated Statements of Operations for the three and nine months ended June 30, 2025 and 2024, (c) our Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended June 30, 2025 and 2024, (d) our Condensed Consolidated Statement of Shareholders' Equity for the three and nine months ended June 30, 2025 and 2024, (e) our Condensed Consolidated Statements of Cash Flows for the nine months ended June 30, 2025 and 2024 and (f) the Notes to such Condensed Consolidated Financial Statements.

104* The cover page from this Quarterly Report on Form 10-Q for the quarter ended June 30, 2025, formatted in inline XBRL.

* Filed Herewith

SIGNATURES

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

CSP INC.

August 14, 2025

By: /s/ Victor Dellovo
Victor Dellovo
Chief Executive Officer,
President and Director

August 14, 2025

By: /s/ Gary W. Levine
Gary W. Levine
Chief Financial Officer

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

I, Victor Dellovo, certify that:

1.I have reviewed this quarterly report on Form 10-Q of CSP Inc.;

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

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

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

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

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

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

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

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

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

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

August 14, 2025

/s/ Victor Dellovo

Victor Dellovo

Chief Executive Officer;

President and Director

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

I, Gary W. Levine, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CSP Inc.;

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

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

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

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

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

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

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

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

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

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

August 14, 2025

/s/Gary W. Levine

Gary W. Levine

Chief Financial Officer

18 U.S.C. Section 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of CSP Inc. (the “Company”) for the quarter ended June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned Chief Executive Officer, President and Chairman and Chief Financial Officer of the Company, certifies, to the best knowledge and belief of the signatory, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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.

August 14, 2025

By: /s/ Victor Dellovo

Victor Dellovo
Chief Executive Officer;
President and Director

August 14, 2025

By: /s/ Gary W. Levine

Gary W. Levine
Chief Financial Officer
