
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2025

OR

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

Commission File Number: 001-38937

Aterian, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

83-1739858
(I.R.S. Employer
Identification Number)

350 Springfield Avenue, Suite 200
Summit, NJ
(Address of principal executive offices)

07901
(Zip Code)

(347) 676-1681

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value per share	ATER	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer
Non-accelerated filer
Emerging growth company

Accelerated filer
Smaller reporting company

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

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

As of May 13, 2025, the registrant had 8,750,741 shares of common stock, \$0.0001 par value per share, outstanding.

Table of Contents

	Page
PART I.	
	FINANCIAL INFORMATION
Item 1.	Financial Statements (Unaudited) 3
	Condensed Consolidated Balance Sheets 3
	Condensed Consolidated Statements of Operations 4
	Condensed Consolidated Statements of Comprehensive Loss 5
	Condensed Consolidated Statements of Stockholder's Equity 6
	Condensed Consolidated Statements of Cash Flows 7
	Notes to Unaudited Condensed Consolidated Financial Statements 8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations 20
Item 3.	Quantitative and Qualitative Disclosures About Market Risk 29
Item 4.	Controls and Procedures 29
PART II.	
	OTHER INFORMATION
Item 1.	Legal Proceedings 30
Item 1A.	Risk Factors 30
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds 32
Item 3.	Defaults Upon Senior Securities 32
Item 4.	Mine Safety Disclosures 32
Item 5.	Other Information 32
Item 6.	Exhibits 33
	Signatures 34

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”). Many of these statements can be identified by the use of terminology such as “believes,” “expects,” “intends,” “anticipates,” “plans,” “may,” “will,” “could,” “would,” “projects,” “continues,” “estimates,” “potential,” “opportunity” or the negative versions of these terms and other similar expressions. Our actual results or experience could differ significantly from the forward-looking statements. Factors that could cause or contribute to these differences include those discussed in “Risk Factors,” in Part II, Item 1A of this Quarterly Report on Form 10-Q as well as information provided elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2024, which was filed with the Securities and Exchange Commission (the SEC) on March 25, 2025. You should carefully consider that information before you make an investment decision.

You should not place undue reliance on these types of forward-looking statements, which speak only as of the date that they were made. These forward-looking statements are based on the beliefs and assumptions of the Company’s management based on information currently available to management and should be considered in connection with any written or oral forward-looking statements that the Company may issue in the future as well as other cautionary statements the Company has made and may make. Except as required by law, the Company does not undertake any obligation to release publicly any revisions to these forward-looking statements after completion of the filing of this Quarterly Report on Form 10-Q to reflect later events or circumstances or the occurrence of unanticipated events.

The discussion of the Company’s financial condition and results of operations should be read in conjunction with the Company’s Condensed Consolidated Financial Statements and the related Notes thereto included in this Quarterly Report on Form 10-Q.

PART I—FINANCIAL INFORMATION**Item 1. Financial Statements.**

ATERIAN, INC.
Condensed Consolidated Balance Sheets
(Unaudited)
(in thousands, except share and per share data)

	<u>December 31, 2024</u>	<u>March 31, 2025</u>
ASSETS		
Current assets:		
Cash	\$ 17,998	\$ 14,337
Accounts receivable, net	3,782	3,391
Inventory	13,749	18,144
Prepaid and other current assets	3,190	3,512
Total current assets	<u>38,719</u>	<u>39,384</u>
Property and equipment, net	685	689
Intangibles, net	9,757	9,366
Other non-current assets	381	379
Total assets	<u>\$ 49,542</u>	<u>\$ 49,818</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Credit facility	\$ 6,948	\$ 7,511
Accounts payable	3,080	6,164
Seller notes	466	471
Accrued and other current liabilities	8,804	8,404
Total current liabilities	<u>19,298</u>	<u>22,550</u>
Other liabilities	227	229
Total liabilities	<u>19,525</u>	<u>22,779</u>
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Common stock, \$0.0001 par value, 500,000,000 shares authorized and 8,750,741 and 8,748,741 shares outstanding at December 31, 2024 and March 31, 2025, respectively	9	9
Additional paid-in capital	742,591	743,374
Accumulated deficit	(711,677)	(715,573)
Accumulated other comprehensive loss	(906)	(771)
Total stockholders' equity	<u>30,017</u>	<u>27,039</u>
Total liabilities and stockholders' equity	<u>\$ 49,542</u>	<u>\$ 49,818</u>

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

ATERIAN, INC.
Condensed Consolidated Statements of Operations
(Unaudited)
(in thousands, except share and per share data)

	Three Months Ended March 31,	
	2024	2025
Net revenue	\$ 20,214	\$ 15,360
Cost of goods sold	7,046	5,936
Gross profit	13,168	9,424
Operating expenses:		
Sales and distribution	13,214	9,661
General and administrative	5,232	3,459
Total operating expenses	18,446	13,120
Operating loss	(5,278)	(3,696)
Interest expense, net	323	175
Change in fair value of warrant liabilities	(517)	(55)
Other expense, net	7	60
Loss before provision for income taxes	(5,091)	(3,876)
Provision for income taxes	71	20
Net loss	\$ (5,162)	\$ (3,896)
Net loss per share, basic and diluted	\$ (0.76)	\$ (0.52)
Weighted-average number of shares outstanding, basic and diluted	6,789,955	7,452,957

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

ATERIAN, INC.
Condensed Consolidated Statements of Comprehensive Loss
(Unaudited)
(in thousands)

	Three Months Ended March 31,	
	2024	2025
Net loss	\$ (5,162)	\$ (3,896)
Other comprehensive loss:		
Foreign currency translation adjustments	(49)	135
Other comprehensive (loss) income	(49)	135
Comprehensive loss	<u>\$ (5,211)</u>	<u>\$ (3,761)</u>

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

ATERIAN, INC.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
(in thousands, except share and per share data)

Three Months Ended March 31, 2024

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
BALANCE—January 1, 2024	7,508,246	\$ 9	\$ 736,675	\$ (699,815)	\$ (838)	\$ 36,031
Net loss	—	—	—	(5,162)	—	(5,162)
Issuance of shares of restricted common stock	11,668	—	—	—	—	—
Forfeiture of shares of restricted common stock	(42,650)	—	—	—	—	—
Issuance of common stock	178,780	—	670	—	—	670
Stock-based compensation expense	—	—	1,460	—	—	1,460
Other comprehensive loss	—	—	—	—	(49)	(49)
BALANCE—March 31, 2024	<u>7,656,044</u>	<u>\$ 9</u>	<u>\$ 738,805</u>	<u>\$ (704,977)</u>	<u>\$ (887)</u>	<u>\$ 32,950</u>

Three Months Ended March 31, 2025

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
BALANCE—January 1, 2025	8,750,741	\$ 9	\$ 742,591	\$ (711,677)	\$ (906)	\$ 30,017
Net loss	—	—	—	(3,896)	—	(3,896)
Forfeiture of shares of restricted common stock	(2,000)	—	—	—	—	—
Stock-based compensation expense	—	—	783	—	—	783
Other comprehensive income	—	—	—	—	135	135
BALANCE—March 31, 2025	<u>8,748,741</u>	<u>\$ 9</u>	<u>\$ 743,374</u>	<u>\$ (715,573)</u>	<u>\$ (771)</u>	<u>\$ 27,039</u>

ATERIAN, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Three Months Ended March 31,	
	2024	2025
OPERATING ACTIVITIES:		
Net loss	\$ (5,162)	\$ (3,896)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	428	408
Provision for sales returns	64	(72)
Amortization of deferred financing cost and debt discounts	83	37
Stock-based compensation	1,667	783
Change in deferred tax expense	(5)	—
Change in inventory provisions	(976)	86
Change in fair value of warrant liabilities	(517)	(55)
Allowance for credit losses	—	(147)
Changes in assets and liabilities:		
Accounts receivable	1,843	538
Inventory	2,846	(4,481)
Prepaid and other current assets	249	33
Accounts payable, accrued and other liabilities	(526)	2,898
Cash used in operating activities	(6)	(3,868)
INVESTING ACTIVITIES:		
Purchase of fixed assets	(36)	—
Purchase of minority equity investment	(200)	—
Cash used in investing activities	(236)	—
FINANCING ACTIVITIES:		
Repayments on seller notes	(153)	—
Borrowings from MidCap credit facilities	11,453	10,296
Repayments for MidCap credit facilities	(13,244)	(9,777)
Insurance obligation payments	(254)	(235)
Insurance financing proceeds	—	156
Cash provided by (used in) financing activities	(2,198)	440
Foreign currency effect on cash and restricted cash	(49)	123
Net change in cash and restricted cash for the year	(2,489)	(3,305)
Cash and restricted cash at beginning of year	22,195	19,143
Cash and restricted cash at end of year	<u>\$ 19,706</u>	<u>\$ 15,838</u>
RECONCILIATION OF CASH AND RESTRICTED CASH:		
Cash	17,545	14,337
Restricted Cash—Prepaid and other current assets	2,032	1,372
Restricted cash—Other non-current assets	129	129
TOTAL CASH AND RESTRICTED CASH	<u>\$ 19,706</u>	<u>\$ 15,838</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 402	\$ 200
Cash paid for taxes	\$ 3	\$ 5
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Non-cash consideration paid to contractors	\$ 620	\$ —
Non-cash minority equity investment	\$ 50	\$ —

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

Aterian, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2024 and 2025 (Unaudited)

1. COMPANY OVERVIEW

Aterian, Inc. (the "Company") is a consumer products company that predominantly operates through online retail channels such as Amazon, Walmart, and Target and its own direct to consumer websites. The Company operates its owned brands, which were either incubated or purchased, selling products in multiple categories, including home and kitchen appliances, kitchenware, air quality appliances, health and beauty products and essential oils.

Our primary brands include Squatty Potty, HomeLabs, Mueller Living, PurSteam, Healing Solutions, and Photo Paper Direct ("PPD").

Headquartered in New Jersey, the Company also maintains offices in China, the Philippines, and the United Kingdom.

Liquidity and Going Concern

We are subject to inherent risks and uncertainties associated with the development of our enterprise. In this regard, substantially all of our efforts to date have been devoted to the development and sale of our products in the marketplace, which includes our investment in organic growth at the expense of short-term profitability, our investment in incremental growth through mergers & acquisitions, our recruitment of management and technical staff, and raising capital to fund the development of our enterprise. As a result of these efforts, we have incurred significant losses and negative cash flows from operations since our inception and expect to continue to incur such losses, at a reduced level, and negative cash flows in the near term. However, we anticipate improvements over time as we work toward achieving a sustainable scale of profitability. We have also experienced declining revenues due to macroeconomic factors, including increased interest rates and reduced consumer discretionary spending, and other factors, and we are focusing our efforts on a more limited number of products. In addition, our recent financial performance has been adversely impacted by inflationary pressures and reduced consumer spending.

In addition, our future results could be materially impacted by recent changes to U.S. trade policy, including the imposition and expansion of tariffs on imports, specifically from China. A substantial portion of our products are sourced from China, and as such, the increased tariff rates will materially raise our cost of goods sold and will place pressure on our margins. While we are actively pursuing mitigation strategies—including supplier negotiations, selective price adjustments, potential geographic diversification of sourcing and fixed cost reductions—there is significant uncertainty regarding the effectiveness of these mitigation efforts. Moreover, any future changes in tariff policy or implementation of additional trade barriers could further impact our business. These trade-related uncertainties, in conjunction with our existing financial condition, raise concern about our ability to remain in compliance with financial covenants under our credit agreements and may adversely impact our liquidity position.

In order to execute our growth strategy, we have historically relied on outside capital through the issuance of equity, debt, and borrowings under financing arrangements (collectively "outside capital") to fund our cost structure, and we expect to continue to rely on outside capital for the foreseeable future, specifically if we pursue material M&A opportunities. While we believe we will eventually reach a level of profitability to sustain our operations, there can be no assurance we will be able to achieve such profitability or do so in a manner that does not require our continued reliance on outside capital. Moreover, while we have historically been successful in raising outside capital, there can be no assurance we will be able to continue to obtain outside capital in the future or do so on terms that are acceptable to us.

As of the date the accompanying Condensed Consolidated Financial Statements were issued (the "issuance date"), we evaluated the significance of the following adverse financial conditions in accordance with Accounting Standard Codification 205-40, Going Concern:

- Since our inception, we have incurred significant losses and used cash flows from operations to fund our enterprise. In this regard, during the three months ended March 31, 2025, we incurred a net loss of \$3.9 million and used net cash flows from operations of \$3.9 million. In addition, as of March 31, 2025, we had unrestricted cash of \$14.3 million available to fund our operations and an accumulated deficit of \$715.6 million.
- We are required to remain in compliance with certain financial covenants required by the MidCap Credit facility (See Note 7, *Credit Facility and Warrants*). We were in compliance with these financial covenants as of March 31, 2025, and expect to remain in compliance through at least June 30, 2026. However, if our mitigation strategies to address the impact of tariffs are unsuccessful, we can provide no assurances that we will remain in compliance with our financial covenants. During February 2024, the Company amended its terms with Midcap Credit Facility extending the term until December 2026 and amending certain financial covenants with favorable terms. Further, absent of our ability to generate cash inflows from our operations or secure additional outside capital, we will be unable to remain in compliance with these financial covenants. In the event we are unable to remain in compliance with these financial covenants (or other non-financial covenants required by the MidCap Credit Facility), and we are unable to secure a waiver or forbearance, MidCap may, at its discretion, exercise any and all of its existing rights and remedies, which may include, among others, accelerating repayment of the outstanding borrowings and/or asserting its rights in the assets securing the loan.
- As of the issuance date, we have no firm commitments to secure additional outside capital from lenders or investors. While we expect to continue to explore raising additional outside capital, specifically if we pursue material M&A opportunities, there can be no assurance we will be able to obtain capital or do so on terms that are acceptable to us. Accordingly, absent our ability to generate cash inflows from our operations and/or secure additional outside capital in the near term, we may be unable to meet our obligations as they become due over the next twelve months beyond the issuance date.
- The Company's plan is to continue to closely monitor our operating forecast, to pursue additional sources of outside capital on terms that are acceptable to us, and to secure a waiver or forbearance from MidCap if we are unable to remain in compliance with one or more of the covenants required by the MidCap Credit Facility. If some or all of our plans prove unsuccessful, we may need to implement short-term changes to our operating plan, including but not limited to delaying expenditures, reducing investments in new products, or reducing our sale and distribution infrastructure. We may also need to seek long-term strategic alternatives, such as a significant curtailment of our operations, a sale of certain of our assets, a divestiture of certain product lines, a sale of the entire enterprise to strategic or financial investors, and/or allow our enterprise to become insolvent.

On May 14, 2025, the Company announced a fixed cost reduction plan, which includes a workforce reduction affecting approximately 20 employees. The Company expects to substantially complete this reduction by the end of the third quarter of 2025. In connection with this plan, the Company anticipates

recognizing restructuring charges of approximately \$2.3 million, primarily related to severance, during the second quarter of 2025. Severance payments are expected to be made through the second quarter of 2026. Combined with other vendor-related cost reductions, the plan is expected to generate annualized savings of approximately \$5 to \$6 million.

Although significant strides have been made in reducing our operating losses and strengthening our balance sheet, uncertainties persist in our business operations and the forecasting of our business. These uncertainties raise substantial doubt about our ability to continue as a going concern. The accompanying Condensed Consolidated Financial Statements have been prepared on the basis that we will continue to operate as a going concern, which contemplates that we will be able to realize assets and settle liabilities and commitments in the normal course of business for the foreseeable future. Accordingly, the accompanying Condensed Consolidated Financial Statements do not include any adjustments that may result from the outcome of these uncertainties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The Condensed Consolidated Financial Statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Unaudited Interim Financial Information—The accompanying interim Condensed Consolidated Financial Statements are unaudited and have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, reflect all adjustments necessary for the fair presentation of the Company's financial position as of March 31, 2025 and the results of its operations and its cash flows for the periods ended March 31, 2025 and 2024. The financial data and other information disclosed in these notes related to the three months ended March 31, 2025 and 2024 are also unaudited. The results for the three months ended March 31, 2025 are not necessarily indicative of results to be expected for the year ending December 31, 2025, any other interim periods or any future year or period.

The Condensed Consolidated Balance Sheet as of December 31, 2024, presented herein, has been derived from the Company's audited Consolidated Financial Statements for the fiscal year then ended. These unaudited Condensed Consolidated Interim Financial Statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2024 as filed with the SEC on March 25, 2025 (“Annual Report”) and have been prepared on a consistent basis with the accounting policies described in Note 2 of the Notes to Consolidated Financial Statements included in our Annual Report. Our accounting policies did not change during the three months ended March 31, 2025, other than with respect to the new accounting pronouncements adopted as described in Note 2, Recent Accounting Pronouncements.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for complete financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the condensed consolidated financial statements of the Company as of March 31, 2025 and for the three months then ended.

Use of Estimates—Preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period covered by the condensed consolidated financial statements and accompanying notes. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ from those estimates.

Principles of Consolidation—The Condensed Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Restricted Cash—As of December 31, 2024, the Company has classified the following as restricted cash: \$0.1 million related to its Chinese subsidiary within “Other Non-current Assets” on the Condensed Consolidated Balance Sheets and \$1.0 million related to a letter of credit within “Prepaid and Other Current Assets” on the Condensed Consolidated Balance Sheets.

As of March 31, 2025, the Company has classified the following as restricted cash: \$0.1 million related to its Chinese subsidiary within “Other Noncurrent Assets” on the Condensed Consolidated Balance Sheets, \$1.0 million related to a letter of credit and \$0.4 million for cash sweeps account related to the Midcap Credit Facility within “Prepaid and Other Current Assets” on the Condensed Consolidated Balance Sheets.

Inventory and Cost of Goods Sold—The Company's inventory consists almost entirely of finished goods. The Company currently records inventory on its balance sheet on a first-in-first-out basis, or net realizable value, if it is below the Company's recorded cost. The Company's costs include the amounts it pays manufacturers for product, tariffs and duties associated with transporting product across national borders, and freight costs associated with transporting the product from its manufacturers to its warehouses, as applicable. The valuation of our inventory requires us to make judgments, based on available information such as historical data, about the likely method of disposition, such as through sales to individual customers or liquidations, and expected recoverable values of each disposition category. Changes to the relevant assumptions and projections would impact our consolidated financial results in periods subsequent to recording these estimates. If we anticipate a change in assumptions such as future demand or market conditions to be less favorable than our previous estimates, additional inventory write-downs may be required. Conversely, if we are able to sell inventories that had been written down to a level below the ultimate realized selling price in a previous period, sales would be recorded with a lower or no offsetting charge to cost of sales.

The “Cost of goods sold” line item in the Condensed consolidated statements of operations consists of the book value of inventory sold to customers during the reporting period. When circumstances dictate that the Company use net realizable value as the basis for recording inventory, it bases its estimates on expected future selling prices less expected disposal costs.

Accounts Receivable—Accounts receivable are stated at historical cost less allowance for credit losses. On a periodic basis, management evaluates its accounts receivable and determines whether to provide an allowance or if any accounts should be written off based on a past history of write-offs, collections and current credit conditions. A receivable is considered past due if the Company has not received payments based on agreed-upon terms. The Company generally does not require any security or collateral to support its receivables. The Company performs ongoing evaluations of its customers and maintains an allowance for credit losses. As of December 31, 2024, the Company had an allowance for credit losses of \$0.1 million. As of March 31, 2025, the Company did not have an allowance for credit losses.

Revenue Recognition—The Company accounts for revenue in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) Topic 606, Revenue from Contracts with Customers (“ASC Topic 606”). The Company derives its revenue from the sale of consumer products. The Company sells its products directly to consumers through online retail channels and through wholesale channels.

For direct-to-consumer sales, the Company considers customer order confirmations to be a contract with the customer. Customer confirmations are executed at the time an order is placed through third-party online channels. For wholesale sales, the Company considers the customer purchase order to be the contract.

For all of the Company's sales and distribution channels, revenue is recognized when control of the product is transferred to the customer (i.e., when the Company's performance obligation is satisfied), which typically occurs at shipment date. As a result, the Company has a present and unconditional right to payment and record the amount due from the customer in accounts receivable.

Revenue from consumer product sales is recorded at the net sales price (transaction price), which includes an estimate of future returns based on historical return rates. There is judgment in utilizing historical trends for estimating future returns. The Company's refund liability for sales returns was \$0.3 million at December 31, 2024 and \$0.2 million at March 31, 2025, which is included in accrued and other current liabilities on the Condensed Consolidated Balance Sheets and represents the expected value of the refund that will be due to its customers.

The Company evaluated principal versus agent considerations to determine whether it is appropriate to record platform fees paid to Amazon as an expense or as a reduction of revenue. Platform fees are recorded as sales and distribution expenses and are not recorded as a reduction of revenue because the Company owns and controls all the goods before they are transferred to the customer. The Company can, at any time, direct Amazon, or similarly direct other third-party logistics providers ("Logistics Providers"), to return the Company's inventory to any location specified by the Company. It is the Company's responsibility to make customers whole following any returns made by customers directly to Logistic Providers and the Company retains the back-end inventory risk. Further, the Company is subject to credit risk (i.e., credit card charge backs), establishes prices of its products, can determine who fulfills the goods to the customer (Amazon or the Company) and can limit quantities or stop selling the goods at any time. Based on these considerations, the Company is the principal in this arrangement.

Net Revenue by Category. The following tables set forth the Company's net revenue disaggregated by sales channel and geographic region based on the billing addresses of its customers:

	Three Months Ended March 31, 2024		
	(in thousands)		
	Direct	Wholesale/Other	Total
North America	\$ 18,720	\$ 145	\$ 18,865
Other	1,349	—	1,349
Total net revenue	\$ 20,069	\$ 145	\$ 20,214

	Three Months Ended March 31, 2025		
	(in thousands)		
	Direct	Wholesale/Other	Total
North America	\$ 13,587	\$ 406	\$ 13,993
Other	1,367	—	1,367
Total net revenue	\$ 14,954	\$ 406	\$ 15,360

Net Revenue by Product Categories. The following tables set forth the Company's net revenue disaggregated by product categories for the three months ended March 31, 2025 and 2024:

	Three Months Ended March 31,	
	2024	2025
	(in thousands)	
Heating, cooling and air quality	\$ 3,204	\$ 1,339
Kitchen appliances	1,920	1,792
Health and beauty	3,313	3,054
Cookware, kitchen tools and gadgets	1,395	901
Home office	2,031	1,584
Housewares	4,885	3,955
Essential oils and related accessories	3,208	2,733
Other	258	2
Total net revenue	\$ 20,214	\$ 15,360

Intangibles—We review long-lived assets for impairment when performance expectations, events, or changes in circumstances indicate that the asset's carrying value may not be recoverable. The evaluation is performed at the lowest level of identifiable cash flows by comparing the carrying value of the asset group to the undiscounted cash flows. If the evaluation indicates that the carrying amount of the assets may not be recoverable, any potential impairment is measured based upon the fair value of the related asset or asset group as determined by an appropriate market appraisal or other valuation technique.

These fair value measurements require significant judgements using Level 3 inputs, such as discounted projected future cash flows, which are not observable from the market, directly or indirectly. There is uncertainty in the projected future cash flows used in the Company's impairment analysis, which requires the use of estimates and assumptions. If actual performance does not achieve the projections, or if the assumptions used in the analysis change in the future, the Company may be required to recognize additional impairment charges in future periods. Key assumptions in the impairment models included a discount and royalty rate. The Company believes our procedures for determining fair value are reasonable and consistent with current market conditions as of March 31, 2025.

There were no triggering events to test intangibles for impairment loss during the three months ended March 31, 2024.

During the three months ended March 31, 2025, the implementation of new tariffs raised concerns about potential negative effects on the Company's revenue and profitability. As a result, the Company identified a triggering event and performed a recoverability test for the relevant asset groups. Based on this assessment, the Company concluded that the undiscounted future cash flows expected to be generated from these asset groups exceeded their carrying amounts. Accordingly, no impairment was recognized as of March 31, 2025.

We will continue to closely monitor actual results versus expectations as well as whether and to what extent any significant changes in current events or conditions result in corresponding changes to our expectations about future estimated cash flows. If our adjusted expectations of the operating results do not materialize, we may be required to record intangible impairment charges, which may be material.

Fair Value of Financial Instruments—The Company's financial instruments, including net accounts receivable, accounts payable, and accrued and other current liabilities are carried at historical cost. At March 31, 2025, the carrying amounts of these instruments approximated their fair values because of their short-term nature. The Company's credit facility is carried at amortized cost at December 31, 2024 and March 31, 2025 and the carrying amount approximates fair value as the stated interest rate approximates market rates currently available to the Company.

The fair value of the stock purchase warrants issued in connection with the Company's common stock offering on March 1, 2022 were measured using the Black-Scholes model. Inputs used to determine the estimated fair value of the warrant liabilities include the fair value of the underlying stock at the valuation date, the term of the warrants, and the expected volatility of the underlying stock. The significant unobservable input used in the fair value measurement of the warrant liabilities is the estimated term of the warrants. Upon the issuance of the stock purchase warrants, the Company evaluated the terms of each warrant to determine the appropriate accounting and classification pursuant to FASB ASC Topic 480, *Distinguishing Liabilities from Equity* ("ASC 480"), and FASB Accounting Standards Codification Topic 815, *Derivatives and Hedging* ("ASC 815"). Based on the Company's evaluation and due to certain terms in the warrant agreements, it concluded the stock purchase warrants should be classified as liability with subsequent remeasurement as long as such warrants continue to be classified as liabilities.

Assets and liabilities recorded at fair value on a recurring basis in the Condensed Consolidated Balance Sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Fair value is defined as the exchange price that would be received for an asset or an exit price that would be paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The authoritative guidance on fair value measurements establishes a three-tier fair value hierarchy for disclosure of fair value measurements as follows:

Level 1—Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2—Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and

Level 3—Unobservable inputs that are supported by little or no market data for the related assets or liabilities.

The following tables summarize the fair value of the Company's financial assets that are measured at fair value as of December 31, 2024 and March 31, 2025 (in thousands):

	December 31, 2024		
	Fair Value Measurement Category		
	Level 1	Level 2	Level 3
Liabilities:			
Fair value of warrant liabilities	—	—	109
	March 31, 2025		
	Fair Value Measurement Category		
	Level 1	Level 2	Level 3
Liabilities:			
Fair value of warrant liabilities	—	—	54

A summary of the activity of the Level 3 liabilities carried at fair value on a recurring basis for the three months ended March 31, 2024 and March 31, 2025 is as follows (in thousands):

	March 31, 2024
Warrants liabilities as of January 1, 2024	\$ 1,033
Change in fair value of warrants	(517)
Warrants liabilities as of March 31, 2024	<u>\$ 516</u>
	March 31, 2025
Warrants liabilities as of January 1, 2025	\$ 109
Change in fair value of warrants	(55)
Warrants liabilities as of March 31, 2025	<u>\$ 54</u>

Recent Accounting Pronouncements

In August 2023, the FASB finalized ASU 2023-09, Income Taxes (Topic 740). This ASU provides for certain updates to enhance the transparency about companies' exposure to changes in tax legislation and the global tax risk they may face. Under the guidance, companies will be required to provide a breakout of amounts paid for taxes between federal, state, and foreign taxing jurisdictions, rather than a lump sum amount. Further, the rate reconciliation will require disaggregation into eight specific categories, with these categories further disaggregated by jurisdiction and for amounts exceeding 5 percent of their domestic tax rate. The rate reconciliation will need to also disclose both dollar amounts and percentages. This standard is effective for fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of adopting ASU 2023-09.

In November 2024, the FASB issued ASU 2024-03, Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses, requiring public entities to disclose additional information about specific expense categories in the notes to the financial statements on an interim and annual basis. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026, and for interim periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2024-03.

We have reviewed all other recently issued accounting pronouncements and concluded that they were either not applicable or not expected to have a significant impact to the condensed consolidated financial statements.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of December 31, 2024 and March 31, 2025 (in thousands):

	December 31, 2024	March 31, 2025
Trade accounts receivable	\$ 3,929	\$ 3,391
Allowance for credit losses	(147)	-
Accounts receivable, net	<u>\$ 3,782</u>	<u>\$ 3,391</u>

4. INVENTORY

Inventory consisted of the following as of December 31, 2024 and March 31, 2025 (in thousands):

	December 31, 2024	March 31, 2025
Inventory on-hand	\$ 12,484	\$ 15,752
Inventory in-transit	1,265	2,392
Inventory	<u>\$ 13,749</u>	<u>\$ 18,144</u>

The Company's inventory on-hand is held either with Amazon or the Company's other third-party warehouses. The Company does not have any contractual right of returns with its contract manufacturers. The Company's inventory on-hand held by Amazon was approximately \$3.5 million as of December 31, 2024 and March 31, 2025, respectively.

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid and other current assets consisted of the following as of December 31, 2024 and March 31, 2025 (in thousands):

	December 31, 2024	March 31, 2025
Prepaid inventory	\$ 904	\$ 819
Restricted cash	1,015	1,372
Prepaid software	456	328
Prepaid insurance	528	694
Prepaid freight forwarder	145	78
Other	142	221
	<u>\$ 3,190</u>	<u>\$ 3,512</u>

6. ACCRUED AND OTHER CURRENT LIABILITIES

Accrued and other current liabilities consisted of the following as of December 31, 2024 and March 31, 2025 (in thousands):

	December 31, 2024	March 31, 2025
Accrued compensation costs	\$ 2,500	\$ 2,513
Accrued professional fees and consultants	235	212
Accrued logistics costs	98	430
Product related accruals	312	294
Sales tax payable	989	853
Sales return reserve	290	218
Accrued fulfillment expense	499	509
Accrued insurance	36	—
Accrued insurance premium financing	305	226
Federal payroll taxes payable	1,063	1,063
Accrued interest payable	81	108
Warrant liabilities	109	54
All other accruals	2,287	1,923
Accrued and current liabilities	<u>\$ 8,804</u>	<u>\$ 8,404</u>

The Company sponsors, through its professional employer organization provider, a 401(k) defined contribution plan covering all eligible US employees. Contributions to the 401(k) plan are discretionary. Currently, the Company does not match or make any contributions to the 401(k) plan.

7. CREDIT FACILITY AND WARRANTS

MidCap Credit Facility

On December 22, 2021, the Company entered into a Credit and Security Agreement (the “Credit Agreement”) together with certain of its subsidiaries party thereto as borrowers, the entities party thereto as lenders, and Midcap Funding IV Trust, as administrative agent, pursuant to which, among other things, (i) the Lenders agreed to provide a three year revolving credit facility in a principal amount of up to \$40.0 million subject to a borrowing base consisting of, among other things, inventory and sales receivables (subject to certain reserves), and (ii) the Company agreed to issue to MidCap Funding XXVII Trust a warrant (the “Midcap Warrant”) to purchase up to an aggregate of 16,667 shares of common stock of the Company, par value \$0.0001 per share, in exchange for the Lenders extending loans and other extensions of credit to the Company under the Credit Agreement.

The obligations under the Credit Agreement are a senior secured obligation of the Company and rank senior to all indebtedness of the Company. Borrowings under the Credit Agreement bear interest at a rate of Term Secured Overnight Financing Rate (“Term SOFR”), which is defined as SOFR plus 0.10%, plus 5.50%. The Company will also be required to pay a commitment fee of 0.50% in respect of the undrawn portion of the commitments, which is generally based on average daily usage of the facility during the immediately preceding fiscal quarter. The Credit Agreement does not require any amortization payments.

The Credit Agreement minimum liquidity covenant, which includes the Company’s unrestricted U.S. cash plus the revolving loan availability, requires that Midcap shall not permit the credit party liquidity at any time to be less than (a) during the period commencing on February 1st through and including May 31st of each calendar year, \$12.5 million and (b) at all other times, \$15.0 million. The Credit Agreement includes events of default that are customary for these types of credit facilities, including the occurrence of a change of control.

The Midcap Warrant has an exercise price of \$56.40 per share, subject to adjustment for stock splits, reverse stock splits, stock dividends and similar transactions, is immediately exercisable, has a term of ten years from the date of issuance and is exercisable on a cash or cashless basis.

On February 23, 2024, the Company amended its asset backed credit facility with MidCap Financial Trust. The Credit Facility term was extended to December 2026 and gives the Company access to \$17 million in current commitments which can be increased, subject to certain conditions, to \$30.0 million. The Credit Facility extension reduced the minimum liquidity financial covenant from a peak of \$15.0 million to \$6.8 million of U.S. cash on hand and/or availability in the Credit Facility. The extension fee was less than \$0.1 million.

On March 25, 2025 (the “Third Amendment Effective Date”) the Company entered into Amendment No. 3 (the “Amendment”) to that certain Credit and Security Agreement, dated as of December 22, 2021 (as amended from time to time, the “Credit Agreement”) by and among the Company, certain of its subsidiaries thereto, the lenders thereto (the “Lenders”) and Midcap Funding IV Trust, as administrative agent. Capitalized terms used in this section and not otherwise defined shall have the meanings assigned in the Credit Agreement. Material changes contained in the Amendment include, among other things, adding repurchase of the Company’s common stock of up to \$1.5 million per year, consisting of up to \$1.5 million in repurchases allowed during the period from March 25, 2025 through December 22, 2025, and up to an additional \$1.5 million allowed during the period from December 23, 2025 through the maturity date, subject to certain liquidity and compliance conditions.

The Company is in compliance with the financial covenants contained within the Credit Agreement as of March 31, 2025. During the three months ended March 31, 2025 and through May 1, 2025, the Company did not repurchase any shares under its authorized share repurchase program. On May 2, 2025, the Company temporarily suspended its share repurchase program.

The Company’s credit facility consisted of the following as of December 31, 2024 and March 31, 2025 (in thousands):

	<u>December 31, 2024</u>	<u>March 31, 2025</u>
MidCap Credit Facility	\$ 7,252	\$ 7,778
Less: deferred debt issuance costs	(192)	(169)
Less: discount associated with issuance of warrants	(112)	(98)
Total MidCap Credit Facility	<u>\$ 6,948</u>	<u>\$ 7,511</u>

Interest Expense, Net

Interest expense, net consisted of the following for the three months ended March 31, 2024 and 2025 (in thousands):

	<u>Three Months Ended March 31,</u>	
	<u>2024</u>	<u>2025</u>
Interest expense	\$ 393	\$ 221
Interest income	(70)	(46)
Total interest expense, net	<u>\$ 323</u>	<u>\$ 175</u>

Securities Purchase Agreement and Warrants

In March 2022, the Company raised approximately \$27.5 million through a private placement involving common stock and accompanying stock purchase warrants. The 590,637 common stock warrants issued in the transaction were classified as liabilities with subsequent remeasurement each quarter. As of March 31, 2025, these warrants remain outstanding and are recorded as a \$0.1 million liability on the Company’s balance sheet.

8. STOCK-BASED COMPENSATION

The Company has three equity plans:

2014 Amended and Restated Equity Incentive Plan

The board of directors of Aterian Group, Inc., a subsidiary of the Company (“AGI”), adopted, and AGI’s stockholders approved, the Aterian Group, Inc. 2014 Equity Incentive Plan on June 11, 2014. On March 1, 2017, AGI’s board of directors adopted, and AGI’s stockholders approved, an amendment and restatement of the 2014 Equity Incentive Plan (as amended, the “Aterian 2014 Plan”). As of March 31, 2025, there were no shares reserved for future issuance under the Aterian 2014 Plan.

2018 Equity Incentive Plan

The Company’s board of directors (the “Board”) adopted the Aterian, Inc. 2018 Equity Incentive Plan (the “2018 Plan”) on October 11, 2018. The 2018 Plan was approved by its stockholders on May 24, 2019. As of March 31, 2025, 2,106,621 shares were reserved for awards available for future issuance under the 2018 Plan.

Options granted to date under the Aterian 2014 Plan and the 2018 Plan generally vest either: (i) over a four-year period with 25% of the shares underlying the options vesting on the first anniversary of the vesting commencement date with the remaining 75% of the shares vesting on a pro-rata basis over the succeeding thirty-six months, subject to continued service with the Company through each vesting date, or (ii) over a three-year period with 33 1/3% of the shares underlying the options vesting on the first anniversary of the vesting commencement date with the remaining 66 2/3% of the shares vesting on a prorate basis over the succeeding twenty-four months, subject to continued service with the Company through each vesting date. Options granted are generally exercisable for up to 10 years subject to continued service with the Company.

Inducement Equity Incentive Plan

On May 27, 2022, the Compensation Committee of the Board (the “Compensation Committee”) adopted the Aterian, Inc. 2022 Inducement Equity Incentive Plan (the “Inducement Plan”). The Inducement Plan will serve to advance the interests of the Company by providing a material inducement for the best available individuals to join the Company as employees by affording such individuals an opportunity to acquire a proprietary interest in the Company.

The Inducement Plan provides for the grant of equity-based awards in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, performance units and performance shares solely to prospective employees of the Company or an affiliate of the Company provided that certain criteria are met. Awards under the Inducement Plan may only be granted to an individual, as a material inducement to such individual to enter into employment with the Company or an affiliate of the Company, who (i) has not previously been an employee or director of the Company or (ii) is rehired following a bona fide period of non-employment with the Company. The maximum number of shares available for grant under the Inducement Plan is 225,000 shares of the Company’s common stock (subject to adjustment for recapitalizations, stock splits, reorganizations and similar transactions). The Inducement Plan is administered by the Compensation Committee and expires ten years from the date of effectiveness. As of March 31, 2025, 193,476 shares were reserved for future issuance under the Inducement Plan.

The Inducement Plan has not been and will not be approved by the Company’s stockholders. Awards under the Inducement Plan will be made pursuant to the exemption from Nasdaq stockholder approval requirements for equity compensation provided by Nasdaq Listing Rule 5635(c)(4), which permits Nasdaq listed companies to make inducement equity awards to new employees without first obtaining stockholder approval of the award.

The following is a summary of stock option activity during the three months ended March 31, 2025:

	Options Outstanding		
	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (years)
Balance—January 1, 2025	13,051	\$ 109.62	4.00
Options granted	—	\$ —	—
Options exercised	—	\$ —	—
Options canceled	—	\$ —	—
Balance—March 31, 2025	13,051	\$ 109.62	3.76
Exercisable as of March 31, 2025	13,051	\$ 109.62	3.76
Vested and expected to vest as of March 31, 2025	13,051	\$ 109.62	3.76

As of March 31, 2025, all options have been fully expensed.

A summary of restricted stock award activity within the Company's equity plans and changes for the three months ended March 31, 2025 is as follows:

Restricted Stock Awards	Shares	Weighted Average Grant- Date Fair Value
Nonvested at January 1, 2025	1,310,989	\$ 3.43
Granted	—	\$ —
Vested	(51,488)	\$ 6.01
Forfeited	(2,000)	\$ 2.99
Nonvested at March 31, 2025	<u>1,257,501</u>	<u>\$ 3.33</u>

As of March 31, 2025, the total unrecognized compensation expense related to unvested shares of restricted common stock was \$3.1 million, which the Company expects to recognize over an estimated weighted-average period of 1.9 years.

Stock-based compensation expense is allocated based on the cost center to which the award holder belongs. The following table summarizes the total stock-based compensation expense by function, including expense related to consultants, for the three months ended March 31, 2024 and 2025 (in thousands):

	Three Months Ended March 31,	
	2024	2025
	(in thousands)	
Sales and distribution expenses	\$ 299	\$ 192
General and administrative expenses	1,368	591
Total stock-based compensation expense	<u>\$ 1,667</u>	<u>\$ 783</u>

9. NET LOSS PER SHARE

Basic net loss per share is determined by dividing net loss by the weighted-average shares of common stock outstanding during the period. Diluted net loss per share is determined by dividing net loss by diluted weighted-average shares outstanding. Diluted weighted-average shares reflect the dilutive effect, if any, of potentially dilutive shares of common stock, such as options to purchase common stock calculated using the treasury stock method and convertible notes using the “if-converted” method. In periods with reported net operating losses, all options to purchase common stock are deemed anti-dilutive such that basic net loss per share and diluted net loss per share are equal.

The Company’s shares of restricted common stock are entitled to receive dividends and hold voting rights applicable to the Company’s common stock, irrespective of any vesting requirement. Accordingly, although the vesting commences upon the elimination of the contingency, the shares of restricted common stock are considered a participating security and the Company is required to apply the two-class method to consider the impact of the shares of restricted common stock on the calculation of basic and diluted earnings per share. The Company is currently in a net loss position and is therefore not required to present the two-class method; however, in the event the Company is in a net income position, the two-class method must be applied by allocating all earnings during the period to shares of common stock and shares of restricted common stock.

The following table sets forth the computation of basic and diluted net loss per share (in thousands, except share and per share data):

	Three Months Ended March 31,	
	2024	2025
Net loss	\$ (5,162)	\$ (3,896)
Weighted-average number of shares used in computing net loss per share, basic and diluted	6,789,955	7,452,957
Net loss per share, basic and diluted	<u>\$ (0.76)</u>	<u>\$ (0.52)</u>
Anti-dilutive shares excluded from computation of net loss per share (in shares)	2,074,627	1,933,242

10. COMMITMENTS AND CONTINGENCIES

Sales or Other Similar Taxes—Based on the location of the Company’s current operations, the majority of sales tax is collected and remitted either by the Company or on its behalf by e-commerce marketplaces in most states within the U.S. To date, the Company has had no actual or threatened sales and use tax claims from any state where it does not already claim nexus or any state where it sold products prior to claiming nexus. However, the Company believes that the likelihood of incurring a liability as a result of sales tax nexus being asserted by certain states where it sold products prior to claiming nexus is probable. As of December 31, 2024 and March 31, 2025, the Company estimates that the potential liability, including current sales tax payable is approximately \$1.0 million and \$0.9 million, which has been recorded in accrued and other current liabilities on the Condensed Consolidated Balance Sheets. The Company believes this is the best estimate of an amount due to taxing agencies, given that such a potential loss is an unasserted liability that would be contested and subject to negotiation between the Company and the state, or decided by a court.

Legal Proceedings—From time to time, the Company is party to various actions and claims arising in the normal course of business. The Company does not believe that the final outcome of these matters will have a material adverse effect on the Company’s financial position or results of operations. In addition, the Company maintains what it believes is adequate insurance coverage to further mitigate risk. However, no assurance can be given that the final outcome of such proceedings will not materially impact the Company’s financial condition or results of operations. Further, no assurance can be given that the amount or scope of existing insurance coverage will be sufficient to cover losses arising from such matters.

11. INTANGIBLES

The following tables summarize the changes in the Company's intangible assets as of December 31, 2024 and March 31, 2025 (in thousands):

	January 1, 2024	Year-Ended December 31, 2024		December 31, 2024	December 31, 2024
	Gross Carrying Amount	Additions	Impairments	Accumulated Amortization	Net Book Value
Trademarks	\$ 21,285	\$ —	\$ —	\$ (15,166)	\$ 6,119
Non-competition agreement	11	—	—	(11)	—
Transition services agreement	12	—	—	(12)	—
Customer relationships	5,700	—	—	(2,090)	3,610
Software	—	38	—	(10)	28
Other	700	—	—	(700)	—
Total intangibles	\$ 27,708	\$ 38	\$ —	\$ (17,989)	\$ 9,757

	January 1, 2025	Three Months Ended March 31, 2025		March 31, 2025	March 31, 2025
	Gross Carrying Amount	Additions	Impairments	Accumulated Amortization	Net Book Value
Trademarks	\$ 21,285	\$ —	\$ —	\$ (15,414)	\$ 5,871
Non-competition agreement	11	—	—	(9)	2
Transition services agreement	12	—	—	(11)	1
Customer relationships	5,700	—	—	(2,233)	3,467
Software	38	—	—	(13)	25
Other	700	—	—	(700)	—
Total intangibles	\$ 27,746	\$ —	\$ —	\$ (18,380)	\$ 9,366

The following table sets forth the estimated aggregate amortization of the Company's intangible assets for the next five years and thereafter (amounts in thousands):

Remainder of 2025	\$ 1,173
2026	1,564
2027	1,554
2028	1,551
2029	1,551
2030	1,529
Thereafter	444
Total	\$ 9,366

12. RESTRUCTURING

On February 8, 2024, the Company committed to a fixed cost-cutting plan, including a reduction in workforce which resulted in the termination of approximately 17 employees and 26 contractors globally. The Company incurred \$0.6 million of restructuring charges during the year ended December 31, 2024.

The accounting for the restructuring costs follows the provisions of ASC 420, "Accounting for Costs Associated with Exit or Disposal Activities," which requires the recognition of a liability once the restructuring plan is communicated to affected employees and meets the criteria of being probable and reasonably estimable. The Company recognizes a liability for employee severance, other benefits, and involuntary terminations on the communication date.

The following tables provide a summary of the restructuring costs incurred:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2025
	<i>(in thousands)</i>	<i>(in thousands)</i>
Employee severance	\$ 551	\$ —
Other restructuring costs	7	—
Total restructuring costs	\$ 558	\$ —

As of December 31, 2024 and March 31, 2025, the Company did not have a liability for restructuring costs.

The Company will continue to assess the restructuring plan's progress and provide updates as required in future financial statements if there are material changes to the initial estimates or additional significant restructuring activities.

13. SEGMENT INFORMATION

Aterian, Inc. is a consumer products company that predominantly operates through online retail channels such as Amazon, Walmart, and Target and its own direct to consumer websites. The Company operates its owned brands, which were either incubated or purchased, selling products in multiple categories, including home and kitchen appliances, kitchenware, air quality appliances, health and beauty products and essential oils. The Company has determined that it has one operating segment. The Company's chief operating decision maker ("CODM") is its chief executive officer, who reviews financial information presented on a consolidated basis. The CODM uses consolidated operating margin and net income to assess financial performance and allocate resources. These financial metrics are used by the CODM to make key operating decisions, such as the determination of the rate at which the Company seeks to grow operating margin and the allocation of budget between cost of sales, variable sales costs, and other vendor and payroll expenses.

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2025
Net revenue	\$ 20,214	\$ 15,360
Less:		
Cost of Sales	7,046	5,936
Variable sales costs (1)	10,320	7,373
Other vendor and payroll expenses	6,031	4,556
Depreciation and amortization	428	408
Stock-based compensation expense	1,667	783
Other segment items(2)	(116)	200
Net loss	\$ (5,162)	\$ (3,896)

(1) Variable sales costs primarily include e-commerce platform commissions, online advertising, and selling and logistics expenses.

(2) Other segment items primarily include incomes taxes, interest expense, and the change in fair value of warrant liabilities.

The CODM does not use total assets as a financial metric when making key operating decisions.

14. SUBSEQUENT EVENTS

On May 14, 2025, the Company announced a fixed cost reduction plan, which includes a workforce reduction affecting approximately 20 employees. The Company expects to substantially complete this reduction by the end of the third quarter of 2025. In connection with this plan, the Company anticipates recognizing restructuring charges of approximately \$2.3 million, primarily related to severance, during the second quarter of 2025. Severance payments are expected to be made through the second quarter of 2026.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Condensed Consolidated Financial Statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and with our audited financial statements and related notes thereto for the year ended December 31, 2024 included in our Annual Report on Form 10-K for the year ended December 31, 2024 as filed with the Securities and Exchange Commission (the “SEC”) on March 25, 2025. As discussed in the section titled “Special Note Regarding Forward-Looking Statements”, the following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those identified in the section titled “Special Note Regarding Forward Looking Statements” and those discussed in the section titled “Risk Factors” under Part II, Item 1A in this Quarterly Report on Form 10-Q.

Unless the context otherwise requires, the terms “Aterian,” the “Company,” “we,” “us” and “our” in this Quarterly Report on Form 10-Q refer to Aterian, Inc. and our consolidated subsidiaries, including Aterian Group, Inc.

Overview

We are a consumer products company that predominantly operates through online retail channels such as Amazon, Walmart, and Target and its own direct to consumer websites. The Company operates its owned brands, which were either incubated or purchased, selling products in multiple categories, including home and kitchen appliances, kitchenware, air quality appliances, health and beauty products and essential oils.

Our primary brands include Squatty Potty, HomeLabs, Mueller Living, PurSteam, Healing Solutions, and Photo Paper Direct (“PPD”). We generate revenue primarily through the online sales of our various consumer products with the large majority of our sales being made through the Amazon U.S. marketplace.

Seasonality of Business and Product Mix

Our individual product categories are typically affected by seasonal sales trends primarily resulting from the timing of the summer season for certain of our environmental appliance products and the fall and holiday season for our small kitchen appliances and accessories. With our current mix of environmental appliances, the sales of those products tend to be significantly higher in the summer season. Further, our essential oils, small kitchen appliances and accessories tend to have higher sales during the fourth quarter, which includes Thanksgiving and the December holiday season. As a result, our operational results, cash flows, cash and inventory positions may fluctuate materially in any quarterly period depending on, among other things, adverse weather conditions, shifts in the timing of certain holidays and changes in our product mix.

Product mix can affect our gross profit and the variable portion of our sales and distribution expenses. We rely heavily on a global supply chain in which the cost, lead times, and delays, as well as global and geopolitical events can ultimately have a direct impact to our margins. Further, impacts on our supply chain may force us to hold more inventory, which not only affects working capital but also requires us to increase our storage capacity, through our warehouse network, which of itself has a capital impact.

Financial Operations Overview

Net Revenue—We derive our revenue from the sale of consumer products, primarily in the U.S. We sell products directly to consumers through online retail channels and through wholesale channels. Direct-to-consumer sales (i.e., direct net revenue), which is currently the majority of our revenue, is done through various online retail channels. We sell on Amazon.com, Walmart.com, Target.com and our own websites, with the large majority of our sales being made through Amazon.com. For all of our sales and distribution channels, revenue is recognized when control of the product is transferred to the customer (i.e., when our performance obligation is satisfied), which typically occurs at the shipment date.

Cost of Goods Sold—Cost of goods sold consists of the book value of inventory sold to customers during the reporting period. Book value of inventory includes the amounts we pay manufacturers for product, tariffs and duties associated with transporting product across national borders, and freight costs associated with transporting the product from our manufacturers to our warehouses, as applicable. Shrinkage costs are also recognized within the cost of goods sold. When circumstances dictate that we use net realizable value as the basis for recording inventory, we base our estimates on expected future selling prices, less expected disposal costs.

In the first quarter of 2025, the U.S. government announced a series of new tariff policies affecting imports from several countries, including China. While these actions impact a range of global trade flows, the new tariffs targeting imports from China are the most significant for our business. While the ultimate implications of the tariffs remain unclear, they could materially increase our import costs and potentially lead to higher prices that reduce consumer demand. We are monitoring the situation closely and are proactively evaluating strategies to mitigate the impact on our supply chain and margins. These efforts include exploring alternative sourcing outside of China, working with our suppliers to manage cost increases, and implementing price increases. These actions that we take may not fully offset the impact of tariffs and, as a result, our revenues, gross margins and overall financial performance may be materially impacted.

Expenses:

Sales and Distribution Expenses—Sales and distribution expenses consist of online advertising costs, marketing and promotional costs, sales and ecommerce platform commissions, fulfillment, including shipping and handling, and warehouse costs (i.e., sales and distribution variable expenses). Sales and distribution expenses also include employee cash and stock compensation and benefits and other related fixed costs. Shipping and handling expenses are included in our consolidated statements of operations in sales and distribution expenses. This includes inbound, pick and pack costs and outbound transportation costs to ship goods to customers performed by e-commerce platforms or incurred directly by us, through our own direct fulfillment platform, which leverages our technology platform and third-party logistics partners. Our sales and distribution expenses, specifically our logistics expenses and online advertising, will vary quarter to quarter as they are dependent on our sales volume, our product mix and whether we fulfill products ourselves, i.e., fulfillment by merchant (“FBM”), or through e-commerce platform service providers, i.e., fulfillment by Amazon (“FBA”) or fulfilled by Walmart (“WFS”). Products with less expensive fulfillment costs as a percentage of net revenue may allow for a lower gross margin, while still maintaining their targeted profitability level. Conversely, products with higher fulfillment costs will need to achieve a higher gross margin to maintain their targeted level of profitability. We are FBM One Day and Two Day Prime certified, allowing us to deliver our sales through Amazon to most customers within one or two

days. We periodically review the locations and capacity of our third-party warehouses to ensure we have the appropriate geographic reach, which helps to reduce the average last mile shipping zones to the end customer and as such our speed of delivery improves while our shipping costs to customers decrease, prior to the impacts on shipping providers' rates.

General and Administrative Expenses—General and administrative expenses include cash and stock compensation and employee benefits for executive management, finance administration, legal, and human resources, facility costs, insurance, travel, professional service fees, and other general overhead costs, including the costs of being a public company.

Interest Expense, Net—Interest expense, net includes the interest cost from our credit facility, and includes amortization of deferred finance costs and debt discounts from our credit facility (the "Credit Facility") with MidCap Funding IV Trust ("MidCap").

Results of Operations

Comparison of the Three Months Ended March 31, 2024 and 2025

The following table sets forth the components of our results of operations as a percentage of net revenue:

	Three Months Ended March 31,		Change	
	2024(1)	2025(1)	Amount	%
	(in thousands, except percentages)			
Net revenue	\$ 20,214	\$ 15,360	\$ (4,854)	(24.0)%
Cost of good sold	7,046	5,936	(1,110)	(15.8)%
Gross profit	13,168	9,424	(3,744)	(28.4)%
Operating expenses:				
Sales and distribution	13,214	9,661	(3,553)	(26.9)%
General and administrative	5,232	3,459	(1,773)	(33.9)%
Total operating expenses	18,446	13,120	(5,326)	(28.9)%
Operating loss	(5,278)	(3,696)	1,582	30.0%
Interest expense, net	323	175	(148)	(45.8)%
Change in fair value of warrant liabilities	(517)	(55)	462	89.4%
Other income, net	7	60	53	757.1%
Loss before provision for income taxes	(5,091)	(3,876)	1,215	23.9%
Provision for income taxes	71	20	(51)	(71.8)%
Net loss	\$ (5,162)	\$ (3,896)	\$ 1,266	24.5%

(1) Amounts include stock-based compensation expense as follows:

	Three Months Ended March 31,		Change	
	2024	2025	Amount	%
	(in thousands, except percentages)			
Sales and distribution expenses	\$ 299	\$ 192	\$ (107)	(35.8)%
General and administrative expenses	1,368	591	(777)	(56.8)%
Total stock-based compensation expense	\$ 1,667	\$ 783	\$ (884)	(53.0)%

The following table sets forth the components of our results of operations as a percentage of net revenue:

	Three Months Ended March 31,	
	2024	2025
Net revenue	100.0%	100.0%
Cost of good sold	34.9	38.6
Gross profit	65.1	61.4
Operating expenses:		
Sales and distribution	65.4	62.9
General and administrative	25.9	22.5
Total operating expenses	91.3	85.4
Operating loss	(26.1)	(24.1)
Interest expense, net	1.6	1.1
Change in fair value of warrant liabilities	(2.6)	(0.4)
Other income, net	—	0.4
Loss before provision for income taxes	(25.1)	(25.2)
Provision for income taxes	0.4	0.1
Net loss	(25.5)%	(25.3)%

Net Revenue

Revenue by Product Categories:

The following tables sets forth our net revenue disaggregated by product categories:

	Three Months Ended March 31,		Change	
	2024	2025	Amount	%
	(in thousands, except percentages)			
Direct	\$ 20,069	\$ 14,954	\$ (5,115)	(25.5)%
Wholesale	145	406	261	180.0%
Net revenue	\$ 20,214	\$ 15,360	\$ (4,854)	(24.0)%

Net revenue decreased \$4.9 million, or 24.0%, during the three months ended March 31, 2025 to \$15.4 million, compared to \$20.2 million for the three months ended March 31, 2024. The decrease in net revenue was primarily attributable to a decrease in direct net revenue of \$5.1 million, or 25.5%, which was primarily relating to a reduction in our product offering due to our SKU rationalization and changes to Amazon's marketing affiliate program, which reduced traffic and conversions on certain products.

	Three Months Ended March 31,	
	2024	2025
	(in thousands)	
Heating, cooling and air quality	\$ 3,204	\$ 1,339
Kitchen appliances	1,920	1,792
Health and beauty	3,313	3,054
Cookware, kitchen tools and gadgets	1,395	901
Home office	2,031	1,584
Housewares	4,885	3,955
Essential oils and related accessories	3,208	2,733
Other	258	2
Total net revenue	\$ 20,214	\$ 15,360

Every category of business had a reduction in sales compared to the prior year primarily relating to the SKU rationalization that was initiated during the year ended December 31, 2023 and softness in consumer demand due to the macroeconomic environment. The reduction in sales from our Heating, cooling and air quality products was primarily due to changes in Amazon's marketing affiliate program.

Cost of Goods Sold and Gross Profit

	Three Months Ended March 31,		Change	
	2024	2025	Amount	%
	(in thousands, except percentages)			
Cost of goods sold	\$ 7,046	\$ 5,936	\$ (1,110)	(15.8)%
Gross profit	\$ 13,168	\$ 9,424	\$ (3,744)	(28.4)%

Cost of goods sold decreased by \$1.1 million, from \$7.0 million for the three months ended March 31, 2024 to \$5.9 million for the three months ended March 31, 2025 primarily from reduced sales volumes. The decrease in cost of goods sold was primarily attributable to a decrease of \$1.3 million in cost of goods sold from our direct businesses, partially offset by an increase of \$0.2 million in cost of goods sold from our wholesale businesses.

Gross profit decreased from 65.1% for the three months ended March 31, 2024 to 61.4% for the three months ended March 31, 2025. The decrease in gross profit was due primarily to product mix.

Sales and Distribution Expenses

	Three Months Ended March 31,		Change	
	2024	2025	Amount	%
	(in thousands, except percentages)			
Sales and distribution expenses	\$ 13,214	\$ 9,661	\$ (3,553)	(26.9)%

Sales and distribution expenses, which included e-commerce platform commissions, online advertising and logistics expenses (i.e., variable sales and distribution expense), decreased to \$9.7 million for the three months ended March 31, 2025, from \$13.2 million for the three months ended March 31, 2024. This decrease is primarily attributable to the decrease in the volume of products sold in the three months ended March 31, 2025, as our e-commerce platform commissions, online advertising, selling and logistics expenses decreased to \$7.4 million in the three months ended March 31, 2025 as compared to \$10.3 million in the prior year period.

Our sales and distribution fixed costs (e.g., salary and office expenses) including stock-based compensation decreased to \$2.3 million for the three months ended March 31, 2025, from \$2.9 million for the three months ended March 31, 2024. This decrease is primarily attributable to lower restructuring costs of \$0.3 million, lower headcount expense of \$0.2 million and lower stock-compensation expense of \$0.1 million.

As a percentage of net revenue, sales and distribution expenses decreased to 62.9% for the three months ended March 31, 2025, from 65.4% for the three months ended March 31, 2024. E-commerce platform commissions, online advertising, selling and logistics expenses included within sales and distribution

expenses, as a percentage of net revenue, were 48.0% for the three months ended March 31, 2025 as compared to 51.1% for the three months ended March 31, 2024. This decrease in sales and distribution expenses as a percentage of revenue is primarily due to product mix and a decrease in warehousing costs.

General and Administrative Expenses

	Three Months Ended March		Change	
	31,			
	2024	2025	Amount	%
	(in thousands, except percentages)			
General and administrative expenses	\$ 5,232	\$ 3,459	\$ (1,773)	(33.9)%

The decrease in general and administrative expenses was primarily the result of a decrease of \$0.8 million in stock-compensation expense, a decrease of \$0.4 million in headcount expense, a decrease of \$0.2 million in restructuring costs, and a decrease of \$0.4 million in other miscellaneous costs.

Interest expense, net

	Three Months Ended March		Change	
	31,			
	2024	2025	Amount	%
	(in thousands, except percentages)			
Interest expense, net	\$ 323	\$ 175	\$ (148)	(45.8)%

The decrease in interest expense, net of \$0.1 million is primarily relating to a decrease in interest expense of \$0.2 million due to lower average borrowings and a decrease in interest income of \$0.1 million compared to the prior period.

Change in fair market value of warrant liabilities

	Three Months Ended March		Change	
	31,			
	2024	2025	Amount	%
	(in thousands, except percentages)			
Change in fair market value of warrant liabilities	\$ (517)	\$ (55)	\$ 462	(89.4)%

The 2024 and 2025 activity is related to the change in fair market value of the warrant liabilities from the common stock warrants from our March 2022 equity raise of capital. The change in fair value of warrant liabilities during the three months ending March 31, 2025 primarily relates to the reduced share price compared to the prior period.

Liquidity and Capital Resources**Cash Flows for the Three Months Ended March 31, 2024 and 2025**

The following table provides information regarding our cash flows for the three months ended March 31, 2024 and 2025:

	Three Months Ended March 31,	
	2024	2025
	(in thousands)	
Cash used in operating activities	\$ (6)	\$ (3,868)
Cash used in investing activities	(236)	—
Cash provided by (used in) financing activities	(2,198)	440
Effect of exchange rate on cash	(49)	123
Net change in cash and restricted cash for the period	<u>\$ (2,489)</u>	<u>\$ (3,305)</u>

Net Cash Used in Operating Activities

Net cash used in operating activities was \$6 thousand for the three months ended March 31, 2024, resulting primarily from our net cash losses from operations of \$4.4 million, inflow from working capital of \$4.4 million from changes in accounts receivable, purchases of inventory and payments of accounts payable. The reduction of gross inventory of \$3.0 million from December 31, 2023 to March 31, 2024 primarily relates to the liquidation of high priced excess inventory and a reduction of purchases for the period.

Net cash used in operating activities was \$3.9 million for the three months ended March 31, 2025, resulting primarily from our net cash losses from operations of \$2.9 million, outflow from working capital of \$1.0 million from changes in accounts receivable, purchases of inventory and payments of accounts payable. The working capital outflow primarily relates to purchases of our air quality products for the summer season.

Net Cash Used in Investing Activities

For the three months ended March 31, 2024, net cash used in investing activities was \$0.2 million primarily related to the purchase of a minority equity investment in 4th and Heart during the three months ending March 31, 2024.

For the three months ended March 31, 2025, no cash was used in investing activities.

Net Cash Provided by (Used in) Financing Activities

For the three months ended March 31, 2024, cash used by financing activities of \$2.2 million was primarily from the net repayments for our MidCap credit facility of \$1.8 million, repayment of note payable to Smash of \$0.2 million and payment of insurance obligations of \$0.2 million.

For the three months ended March 31, 2025, cash provided by financing activities of \$0.4 million was primarily from the net borrowings for our MidCap credit facility of \$0.5 million and payment of insurance obligations of \$0.1 million.

Liquidity and Going Concern

As a company in the early commercialization stage of its lifecycle, we are subject to inherent risks and uncertainties associated with the development of our enterprise. In this regard, substantially all of our efforts to date have been devoted to the development and sale of our products in the marketplace, which includes our investment in organic growth at the expense of short-term profitability, our investment in incremental growth through mergers & acquisitions (“M&A strategy”), our recruitment of management and technical staff, and raising capital to fund the development of our enterprise. As a result of these efforts, we have incurred significant losses and negative cash flows from operations since our inception and expect to continue to incur such losses, at a reduced level, and negative cash flows in the near term. However, we anticipate improvements over time as we work toward achieving a sustainable scale of profitability. We have also experienced declining revenues due to macroeconomic factors, including increased interest rates and reduced consumer discretionary spending, and other factors, and we intend to focus our efforts on a more limited number of products. In addition, our recent financial performance has been adversely impacted by inflationary pressures and reduced consumer spending.

In addition, our future results could be materially impacted by recent changes to U.S. trade policy, including the imposition and expansion of tariffs on imports, specifically from China. A substantial portion of our products are sourced from China, and as such, the increased tariff rates will materially raise our cost of goods sold and will place pressure on our margins. While we are actively pursuing mitigation strategies—including supplier negotiations, selective price adjustments, potential geographic diversification of sourcing and fixed cost reductions—there is significant uncertainty regarding the effectiveness of these mitigation efforts. Moreover, any future changes in tariff policy or implementation of additional trade barriers could further impact our business. These trade-related uncertainties, in conjunction with our existing financial condition, raise concern about our ability to remain in compliance with financial covenants under our credit agreements and may adversely impact our liquidity position.

In order to execute our growth strategy, we have historically relied on outside capital through the issuance of equity, debt, and borrowings under financing arrangements (collectively “outside capital”) to fund our cost structure, and we expect to continue to rely on outside capital for the foreseeable future, specifically if we pursue material M&A opportunities. While we believe we will eventually reach a level of profitability to sustain our operations, there can be no assurance we will be able to achieve such profitability or do so in a manner that does not require our continued reliance on outside capital. Moreover, while we have historically been successful in raising outside capital, there can be no assurance we will be able to continue to obtain outside capital in the future or do so on terms that are acceptable to us.

As of the date the accompanying Condensed Consolidated Financial Statements were issued (the “issuance date”), we evaluated the significance of the following adverse financial conditions in accordance with Accounting Standard Codification 205-40, Going Concern:

- Since our inception, we have incurred significant losses and used cash flows from operations to fund our enterprise. In this regard, during the three months ended March 31, 2025, we incurred a net loss of \$3.9 million and used net cash flows from operations of \$3.9 million. In addition, as of March 31, 2025, we had unrestricted cash of \$14.3 million available to fund our operations and an accumulated deficit of \$715.6 million.
- We are required to remain in compliance with certain financial covenants required by the MidCap Credit facility (See Note 7, *Credit Facility and Warrants*). We were in compliance with these financial covenants as of March 31, 2025, and expect to remain in compliance through at least June 30, 2026. However, if our mitigation strategies to address the impact of tariffs are unsuccessful, we can provide no assurances that we will remain in compliance with our financial covenants. During February 2024, the Company amended its terms with Midcap Credit Facility extending the term until December 2026 and amending certain financial covenants with favorable terms. Further, absent of our ability to generate cash inflows from our operations or secure additional outside capital, we will be unable to remain in compliance with these financial covenants. In the event we are unable to remain in compliance with these financial covenants (or other non-financial covenants required by the MidCap Credit Facility), and we are unable to secure a waiver or forbearance, MidCap may, at its discretion, exercise any and all of its existing rights and remedies, which may include, among others, accelerating repayment of the outstanding borrowings and/or asserting its rights in the assets securing the loan.
- As of the issuance date, we have no firm commitments to secure additional outside capital from lenders or investors. While we expect to continue to explore raising additional outside capital, specifically if we pursue material M&A opportunities, there can be no assurance we will be able to obtain capital or do so on terms that are acceptable to us. Accordingly, absent our ability to generate cash inflows from our operations and/or secure additional outside capital in the near term, we may be unable to meet our obligations as they become due over the next twelve months beyond the issuance date.
- The Company's plan is to continue to closely monitor our operating forecast, to pursue additional sources of outside capital on terms that are acceptable to us, and to secure a waiver or forbearance from MidCap if we are unable to remain in compliance with one or more of the covenants required by the MidCap Credit Facility. If some or all of our plans prove unsuccessful, we may need to implement short-term changes to our operating plan, including but not limited to delaying expenditures, reducing investments in new products, or reducing our sale and distribution infrastructure. We may also need to seek long-term strategic alternatives, such as a significant curtailment of our operations, a sale of certain of our assets, a divestiture of certain product lines, a sale of the entire enterprise to strategic or financial investors, and/or allow our enterprise to become insolvent.

On May 14, 2025, the Company announced a fixed cost reduction plan, which includes a workforce reduction affecting approximately 20 employees. The Company expects to substantially complete this reduction by the end of the third quarter of 2025. In connection with this plan, the Company anticipates recognizing restructuring charges of approximately \$2.3 million, primarily related to severance, during the second quarter of 2025. Severance payments are expected to be made through the second quarter of 2026. Combined with other vendor-related cost reductions, the plan is expected to generate annualized savings of approximately \$5 to \$6 million.

Although significant strides have been made in reducing our operating losses and strengthening our balance sheet, uncertainties persist in our business operations and the forecasting of our business. These uncertainties raise substantial doubt about our ability to continue as a going concern. The accompanying Condensed Consolidated Financial Statements have been prepared on the basis that we will continue to operate as a going concern, which contemplates that we will be able to realize assets and settle liabilities and commitments in the normal course of business for the foreseeable future. Accordingly, the accompanying Condensed Consolidated Financial Statements do not include any adjustments that may result from the outcome of these uncertainties.

MidCap Credit Facility—On December 22, 2021, we entered into a Credit Facility with MidCap, pursuant to which, among other things, (i) the lenders party thereto as lenders (the “Lenders”) agreed to provide a revolving credit facility in a principal amount of up to \$40.0 million subject to a borrowing base consisting of, among other things, inventory and sales receivables (subject to certain reserves), and (ii) we agreed to issue to MidCap Funding XXVII

Trust a warrant to purchase up to an aggregate of 16,667 shares of our common stock, in exchange for the Lenders extending loans and other extensions of credit to us under the Credit Facility.

Prior to the February 2024 amendment, The Credit Facility contained a financial covenant that required us to maintain a minimum unrestricted cash balance of (a) \$12.5 million during the period from February 1st through and including May 31st of each calendar year, and (b) \$15.0 million at all other times.

On February 23, 2024, the Company amended its asset backed credit facility with MidCap Financial Trust. The Credit Facility term has been extended to December 2026 and gives Aterian access to \$17 million in current commitments which can be increased, subject to certain conditions, to \$30.0 million. The Credit Facility extension reduces the minimum liquidity financial covenant from a peak of \$15.0 million to \$6.8 million of cash on hand and/or availability in the Credit Facility. The extension fee was less than \$0.1 million. At our election, we may elect to comply with an alternative financial covenant that would require us to maintain a minimum borrowing availability under the credit facility of \$5.0 million at all times. We currently do not anticipate electing the alternative financial covenant over the next twelve months and are in compliance with the minimum liquidity covenant as of the date these Condensed Consolidated Financial Statements were issued.

On March 25, 2025 (the “Third Amendment Effective Date”) the Company entered into Amendment No. 3 (the “Amendment”) to that certain Credit and Security Agreement, dated as of December 22, 2021 (as amended from time to time, the “Credit Agreement”) by and among the Company, certain of its subsidiaries thereto, the lenders thereto (the “Lenders”) and Midcap Funding IV Trust, as administrative agent. Capitalized terms used in this section and not otherwise defined shall have the meanings assigned in the Credit Agreement. Material changes contained in the Amendment include, among other things, adding repurchase of the Company’s common stock of up to \$1.5 million per year, consisting of up to \$1.5 million in repurchases allowed during the period from March 25, 2025 through December 22, 2025, and up to an additional \$1.5 million allowed during the period from December 23, 2025 through the maturity date, subject to certain liquidity and compliance conditions.

The outstanding balance on the MidCap credit facility as of December 31, 2024 and March 31, 2025 was \$6.9 million and \$7.5 million, respectively. The Company had \$0.7 million available on the Midcap credit facility as of March 31, 2025. We are in compliance with the financial covenants contained within the Credit Agreement as of March 31, 2025.

Share Repurchase—On March 14, 2025, the Board of Directors authorized a share repurchase program to acquire up to \$3.0 million of the Company’s common stock. The Company may purchase common stock on the open market, through privately negotiated transactions, or by other means including through the use of trading plans intended to qualify under Rule 10b-18 under the Securities Exchange Act of 1934, as amended, in accordance with applicable securities laws and other restrictions. The timing and total amount of stock repurchases will depend upon business, economic and market conditions, corporate and regulatory requirements, prevailing stock prices, and other considerations. The share repurchase program will have a term of 24 months and may be suspended or discontinued at any time and does not obligate the company to acquire any amount of common stock. The objective of this program is to repurchase shares of common stock opportunistically when management believes that the Company’s stock is trading below the Company’s determination of long-term fair value. During the three months ended March 31, 2025 and through May 1, 2025, the Company did not repurchase any shares under its authorized share repurchase program. On May 2, 2025, the Company temporarily suspended its share repurchase program.

Trade Policy—In the first quarter of 2025, the U.S. government announced a series of new tariff policies affecting imports from several countries, including China. While these actions impact a range of global trade flows, the new tariffs targeting imports from China are the most significant for our business. While the ultimate implications of the tariffs remain unclear, they could materially increase our import costs and potentially lead to higher prices that reduce consumer demand. We are monitoring the situation closely and are proactively evaluating strategies to mitigate the impact on our supply chain and margins. These efforts include exploring alternative sourcing outside of China, working with our suppliers to manage cost increases, and implementing price increases. These actions that we take may not fully offset the impact of tariffs and, as a result, our revenues, gross margins and overall financial performance may be materially impacted.

Non-GAAP Financial Measures

We believe that our condensed consolidated financial statements and the other financial data included in this Quarterly Report have been prepared in a manner that complies, in all material respects, with generally accepted accounting principles in the U.S. (“GAAP”). However, for the reasons discussed below, we have presented certain non-GAAP measures herein.

We have presented the following non-GAAP measures to assist investors in understanding our core net operating results on an on-going basis: (i) Contribution margin; (ii) Contribution margin as a percentage of net revenue; (iii) EBITDA (iv) Adjusted EBITDA; and (v) Adjusted EBITDA as a percentage of net revenue. These non-GAAP financial measures may also assist investors in making comparisons of our core operating results with those of other companies.

As used herein, Contribution margin represents gross profit less e-commerce platform commissions, online advertising, selling and logistics expenses (included in sales and distribution expenses). As used herein, Contribution margin as a percentage of net revenue represents Contribution margin divided by net revenue. As used herein, EBITDA represents net loss plus depreciation and amortization, interest expense, net provision (benefit) for income taxes. As used herein, Adjusted EBITDA represents EBITDA plus stock-based compensation expense, changes in fair-market value of warrant liabilities, restructuring expenses, and other expenses, net. As used herein, Adjusted EBITDA as a percentage of net revenue represents Adjusted EBITDA divided by net revenue. Contribution margin, EBITDA and Adjusted EBITDA do not represent and should not be considered as alternatives to loss from operations or net loss, as determined under GAAP.

We present Contribution margin and Contribution margin as a percentage of net revenue, as we believe each of these measures provides an additional metric to evaluate our operations and, when considered with both our GAAP results and the reconciliation to gross profit, provides useful supplemental information for investors. Specifically, Contribution margin and Contribution margin as a Non-GAAP Financial Measure percentage of net revenue are two of our key metrics in running our business. All product decisions made by us, from the approval of launching a new product and to the liquidation of a product at the end of its life cycle, are measured primarily from Contribution margin and/or Contribution margin as a percentage of net revenue. Further, we believe these measures provide improved transparency to our stockholders to determine the performance of our products prior to fixed costs as opposed to referencing gross profit alone.

In the reconciliation to calculate contribution margin, we add e-commerce platform commissions, online advertising, selling and logistics expenses (“sales and distribution variable expense”) to gross profit to inform users of our financial statements of what our product profitability is at each period prior to fixed costs (such as sales and distribution expenses such as salaries as well as research and development expenses and general administrative expenses). By excluding these fixed costs, we believe this allows users of our financial statements to understand our products performance and allows them to measure our products performance over time.

We present EBITDA, Adjusted EBITDA and Adjusted EBITDA as a percentage of net revenue because we believe each of these measures provides an additional metric to evaluate our operations and, when considered with both our GAAP results and the reconciliation to net loss, provide useful supplemental information for investors. We use these measures with financial measures prepared in accordance with GAAP, such as sales and gross margins, to assess our historical and prospective operating performance, to provide meaningful comparisons of operating performance across periods, to enhance our understanding of our operating performance and to compare our performance to that of our peers and competitors. We believe EBITDA, Adjusted EBITDA and Adjusted EBITDA as a percentage of net revenue are useful to investors in assessing the operating performance of our business without the effect of non-cash items.

Contribution margin, Contribution margin as a percentage of net revenue, EBITDA, Adjusted EBITDA and Adjusted EBITDA as a percentage of net revenue should not be considered in isolation or as alternatives to net loss, loss from operations or any other measure of financial performance calculated and prescribed in accordance with GAAP. Neither EBITDA, Adjusted EBITDA or Adjusted EBITDA as a percentage of net revenue should be considered a measure of discretionary cash available to us to invest in the growth of our business. Our Contribution margin, Contribution margin as a percentage of net revenue, EBITDA, Adjusted EBITDA and Adjusted EBITDA as a percentage of net revenue may not be comparable to similar titled measures in other organizations because other organizations may not calculate Contribution margin, Contribution margin as a percentage of net revenue, EBITDA, Adjusted EBITDA or Adjusted EBITDA as a percentage of net revenue in the same manner as we do. Our presentation of Contribution margin and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by the expenses that are excluded from such terms or by unusual or non-recurring items.

We recognize that EBITDA, Adjusted EBITDA and Adjusted EBITDA as a percentage of net revenue, have limitations as analytical financial measures. For example, neither EBITDA nor Adjusted EBITDA reflects:

- our capital expenditures or future requirements for capital expenditures or mergers and acquisitions;
- the interest expense or the cash requirements necessary to service interest expense or principal payments, associated with indebtedness;
- depreciation and amortization, which are non-cash charges, although the assets being depreciated and amortized will likely have to be replaced in the future, or any cash requirements for the replacement of assets;
- changes in cash requirements for our working capital needs; or
- changes warrant liabilities

Additionally, Adjusted EBITDA excludes non-cash stock-based compensation expense, which is and is expected to remain a key element of our overall long-term incentive compensation package.

We also recognize that Contribution margin and Contribution margin as a percentage of net revenue have limitations as analytical financial measures. For example, Contribution margin does not reflect:

- general and administrative expense necessary to operate our business; research and development expenses necessary for the development, operation and support of our software platform;

- the fixed costs portion of our sales and distribution expenses including stock-based compensation expense; or
- warrant liabilities

Contribution Margin

The following table provides a reconciliation of Contribution margin to gross profit and Contribution margin as a percentage of net revenue to gross profit as a percentage of net revenue, which are the most directly comparable financial measures presented in accordance with GAAP:

	Three Months Ended March 31,	
	2024	2025
	(in thousands, except percentages)	
Gross Profit	\$ 13,168	\$ 9,424
Less:		
E-commerce platform commissions, online advertising, selling and logistics expenses	(10,320)	(7,373)
Contribution margin	\$ 2,848	\$ 2,051
Gross Profit as a percentage of net revenue	65.1%	61.4%
Contribution margin as a percentage of net revenue	14.1%	13.4%

Adjusted EBITDA

The following table provides a reconciliation of EBITDA and Adjusted EBITDA to net loss, which is the most directly comparable financial measure presented in accordance with GAAP:

	Three Months Ended March 31,	
	2024	2025
	(in thousands, except percentages)	
Net loss	\$ (5,162)	\$ (3,896)
Add:		
Provision for income taxes	71	20
Interest expense, net	323	175
Depreciation and amortization	428	408
EBITDA	(4,340)	(3,293)
Other expense, net	7	60
Change in fair market value of warrant liabilities	(517)	(55)
Restructuring expense ⁽¹⁾	558	—
Stock-based compensation expense	1,667	783
Adjusted EBITDA	\$ (2,625)	\$ (2,505)
Net loss as a percentage of net revenue	(25.5)%	(25.4)%
Adjusted EBITDA as a percentage of net revenue	(13.0)%	(16.3)%

- (1) Restructuring expenses include non-recurring employee severance costs relating to the Company reorganization executed during the three months ended March 31, 2024.

Critical Accounting Policies and Use of Estimates

As discussed in our Form 10-K for the fiscal year ended December 31, 2024, the discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America (“US GAAP”). The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in those consolidated financial statements. These judgments can be subjective and complex, and consequently, actual results could differ from those estimates. Our most critical accounting policies and estimates relate to revenue recognition; leases; impairment of intangible assets; impairment of long-lived assets; and income taxes (including uncertain tax positions). There have been no significant changes to the Company’s accounting policies subsequent to December 31, 2024.

Intangible asset valuation—We review long-lived assets for impairment when performance expectations, events, or changes in circumstances indicate that the asset's carrying value may not be recoverable. The evaluation is performed at the lowest level of identifiable cash flows by comparing the carrying value of the asset group to the undiscounted cash flows. If the evaluation indicates that the carrying amount of the assets may not be recoverable, any potential impairment is measured based upon the fair value of the related asset or asset group as determined by an appropriate market appraisal or other valuation technique.

There were no triggering events to test intangibles for impairment loss during the three months ended March 31, 2024.

During the three months ended March 31, 2025, the implementation of new tariffs raised concerns about potential negative effects on the Company’s revenue and profitability. As a result, the Company identified a triggering event and performed a recoverability test for the relevant asset groups. Based on this assessment, the Company concluded that the undiscounted future cash flows expected to be generated from these asset groups exceeded their carrying amounts. Accordingly, no impairment was recognized as of March 31, 2025.

We will continue to closely monitor actual results versus expectations as well as whether and to what extent any significant changes in current events or conditions result in corresponding changes to our expectations about future estimated cash flows. If our adjusted expectations of the operating results do not materialize, we may be required to record intangible impairment charges, which may be material.

While we believe our conclusions regarding the estimates of recoverability of our asset groupings are appropriate, these estimates are subject to uncertainty and by nature include judgments and estimates regarding various factors. These factors include the rate and extent of growth in the markets that our asset groups serve, the realization of future sales price and volume increases, fluctuations in exchange rates, fluctuations in price and availability of key raw materials, fluctuations in discount rate, and future operating efficiencies.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q.

Based on the evaluation of our disclosure controls and procedures as of March 31, 2025, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2025.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2025, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we are party to various actions and claims arising in the normal course of business. We do not believe that the final outcome of these matters will have a material adverse effect on our financial position or results of operations. In addition, we maintain what we believe is adequate insurance coverage to further mitigate risk. However, no assurance can be given that the final outcome of such proceedings will not materially impact our financial condition or results of operations. Further, no assurance can be given that the amount or scope of existing insurance coverage will be sufficient to cover losses arising from such matters.

Item 1A. Risk Factors.

You should carefully consider the factors discussed in Part I, Item 1A. “Risk Factors” in our Annual Report and this Quarterly Report on Form 10-Q, which could materially affect our business, financial condition, cash flows or future results. The risks described in our Annual Report and this Quarterly Report on Form 10-Q are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results. Except as presented below, there have been no material changes from the risk factors associated with our business previously disclosed in our Annual Report.

Item 1A. Risk Factors.

Risks Relating to Our Business

We have historically operated at a loss and we may never achieve or sustain continuous profitability or positive cash flows. Further our independent registered public accounting firm included an explanatory paragraph in its report on our consolidated financial statements as of and for the year ended December 31, 2024, that raised substantial doubt about our ability to continue as a going concern.

We have experienced significant after-tax losses for the three months ended March 31, 2025 and 2024. In addition, our costs have increased historically and may increase further in future periods, which could negatively affect our future operating results and ability to achieve and sustain long-term ongoing profitability. For example, we may need to continue to expend substantial financial and other resources on the ideation, sourcing and development of products, our technology infrastructure, research and development, sales and marketing, international expansion and general administration, including expenses related to being a public company. We have had to rely on a combination of cash flow from operations and new capital in order to sustain our business. Despite the fact that we have raised significant capital, there can be no assurance that we will ever achieve long-term continuous profitability. Even if we do, there can be no assurance that we will be able to maintain or increase profitability on a quarterly or annual basis. Failure to achieve or sustain profitability could have a material adverse effect on our business.

Our growth strategy has resulted in operating losses and negative cash flows from operations that raise substantial doubt about our ability to continue as a going concern. Our independent registered public accounting firm included an explanatory paragraph in its report on our consolidated financial statements as of and for the year ended December 31, 2024, that raised substantial doubt about our ability to continue as a going concern. If we are unable to continue as a going concern or maintain our financial covenants with our lenders, we may have to make significant changes to our operating plan, such as delay expenditures, reduce investments in new products, reduce our sale and distribution infrastructure, or significantly reduce our business. Further, if we are unable to continue as a going concern, we may be forced to liquidate our assets and the values we receive for our assets in liquidation or dissolution could be significantly lower than the values reflected in our financial statements.

Our efforts to grow our business through new products, marketplace and geographic expansion may not be successful and may place a significant strain on our management and operational, financial and other resources.

Our long-term success depends on our ability to develop and commercialize a continuing stream of new products, to expand both to new marketplaces and geographies and to leverage new technologies we may incorporate into our business. We have entered and expect to continue to enter new product categories and both new marketplaces and geographies for which we have limited or no experience. In part we rely on Amazon’s global reviews program for success in our international expansion. If that program were to be limited, reduced or discontinued, our international expansion would be negatively affected. We also in part rely on our ability to include new products as variations to existing listings on Amazon. If that strategy were no longer possible for whatever reason, our ability to launch new products could be materially affected. That strategy could also have unanticipated or unexpected negative consequences. Our efforts to grow our business place significant strain on our management, personnel, operations, systems, financial resources, and internal financial control and reporting functions, among other things. We have limited personnel and resources and have reduced headcount significantly in recent years. In order to accomplish our growth goals, our team is required to focus on such growth ventures and reallocate their time and other resources, creating risk in all aspects of our business. We face the risk that we will be unable to disrupt incumbents and that our competitors will introduce new and better products that compete with us. There are numerous uncertainties inherent in successfully developing and commercializing new products on a continuing basis and new product launches may not deliver expected growth in sales or operating results. Any new product that we develop and market may not be introduced in a timely or cost-effective manner, may contain defects, errors, quality or other issues, or may not achieve the market acceptance necessary to generate sufficient revenue or may never become profitable. If we are unable to develop and introduce a continuing stream of competitive new products, it may have an adverse effect on our business, operating results, financial condition, and cash flows. Our failure to successfully execute on our growth initiatives can negatively impact our financial results, financial condition, and cash flows.

We may be unable to attract, retain or motivate key personnel, which could harm our business.

Our future success depends on our continuing ability to attract, motivate and retain well qualified employees. Competition for well-qualified employees in all aspects of our business is intense globally. The loss of one or more of our key personnel or our inability to promptly identify a suitable successor to a key role, including through a succession plan, could have an adverse effect on our business. Further, the Company recently announced a restructuring whereby a number of employees positions with the Company were terminated, which could have a negative effect on our ability to retain and motivate our personnel. Each of our executive officers, key personnel and other employees could terminate their employment relationship with us at any time. Moreover, we rely on stock-based compensation as a method to attract, retain and motivate our employees. If our common stock continues to be volatile or depressed, we may be unable to attract, retain and motivate employees, and if this occurs, it could have a material adverse effect on our business, operating results, financial condition, and cash flows. We do not currently maintain key person life insurance policies on any member of our senior management team or any other key employees.

Risks Relating to the Litigation and Government Regulation

Claims, litigation, government investigations, product liability and recalls, and other proceedings may adversely affect our business, operating results, financial condition, and cash flows.

We are, from time to time, involved in various claims, litigation matters and regulatory proceedings that could have a material adverse effect on us. These matters may include personal injury and other tort claims, deceptive trade practice disputes, intellectual property disputes, product recalls, contract disputes, employment and tax matters and other proceedings and litigation, including class actions lawsuits. It is not possible to predict the outcome of pending or future litigation and any such claims, with or without merit, could be time consuming and expensive, and may require the Company to incur substantial costs and divert the resources of management.

We face exposure to product liability and other claims in the event that one of our products is alleged to have resulted in property damage, bodily injury or other adverse effects. In addition, if we are required to, or voluntarily, repair, replace or refund one or more of our products, it could have a material impact on our business, operating results, financial condition and reputation.

Determining legal reserves or possible losses from claims against us involves judgment and may not reflect the full range of uncertainties and unpredictable outcomes. Until the final resolution of such matters, we may be exposed to losses in excess of the amount recorded, and such excess amounts could have a material effect on our business, results of operations, financial condition, and cash flows. In addition, it is possible that a resolution of any claim, including as a result of a settlement, could require us to make substantial future payments, prevent us from offering certain products or services, or require us to change our business practices each of which could have a material adverse effect on our business, operating results, financial condition, and cash flows.

U.S. government trade actions could have a material adverse effect on our business, financial position, and results of operation.

Over the past several years, the U.S. government has taken a number of trade actions that impact or could impact our operations, including imposing tariffs on certain goods imported into the United States.

The Trump administration has recently imposed a series of tariffs on U.S. trading partners. On April 2, 2025, the President issued an executive order announcing a “baseline” reciprocal tariff of 10% on all U.S. trading partners effective April 5, 2025, and higher individualized reciprocal tariffs on 57 countries (with certain product exemptions). Previously, the administration had imposed a 25% tariff on Canada and Mexico for goods not covered by the United States-Mexico-Canada Agreement, or USMCA, and tariffs equaling 20% on China. In response, several countries threatened retaliatory measures, including Canada and China, which then imposed retaliatory tariffs. Prior to when the country-specific reciprocal tariffs were scheduled to take effect, the administration delayed the effective date of such tariffs for all countries except China. The 10% baseline reciprocal tariff on all countries remains in effect, in addition to the tariffs on China (although on May 12, 2025 the Trump administration announced a reduction from the minimum of 145% to 30% as part of a 90 day negotiation period effective May 14, 2025) and Canada and Mexico (25% as of May 1, 2025) for goods that are not covered by the USMCA). Sustained uncertainty about, or the further escalation of, trade and political tensions between the United States and China could result in a disadvantageous environment in China, particularly for U.S. based companies, including retaliatory restrictions that hinder or potentially inhibit our ability to rely on contract development and manufacturing organizations and other service providers that operate in China.

Changes in U.S. trade policy have created ongoing uncertainties in international trade relations, and it is unclear what future actions governments will or will not take with respect to tariffs or other international trade agreements and policies.

Ongoing or new trade wars or other governmental action related to tariffs or international trade agreements or policies could reduce demand for our products and services, increase our costs, reduce our profitability, adversely impact our supply chain or otherwise have a material adverse effect on our business and results of operations.

We are continually evaluating the impact of the current and any possible new tariffs on our supply chain, costs and sales and are considering strategies to mitigate such impact, including reviewing sourcing options and working with our suppliers. We can provide no assurance that any strategies we implement to mitigate the impact of such tariffs or other trade actions will be successful or that any newly sourced products will be of the same quality of those previously sourced elsewhere. Given the uncertainty regarding the scope and duration of these trade actions by the U.S. government or other countries, as well as the potential for additional trade actions, the impact on our operations and results remains uncertain.

Risks Relating to the Ownership of our Common Stock

The market price and trading volume of our common stock may fluctuate significantly.

The market price and trading volume of our common stock has at times experienced substantial price volatility. There has been, and we expect will continue to be, significant volatility in the market price and trading volume of our common stock. In certain instances, these fluctuations have been unrelated or disproportionate to our operating performance, financial condition, and cash flows. In addition, the market price of our common stock may be, and we believe has been, significantly impacted by investors covering large short positions in our common stock. In addition, there are many other factors that have caused and may continue to cause the market price of our common stock to fluctuate, including: our announcement of our Board’s temporary suspension of our share repurchase program, actual or anticipated variations in our quarterly operating results, or the operating results, financial condition, and cash flows of companies perceived to be similar to us; deterioration and decline in general economic, industry and/or market conditions; changes in estimates of our financial results or recommendations by equity research analysts, including any decision by equity research analysts to initiate or discontinue coverage; announcements by us or our competitors of significant acquisitions, strategic alliances or joint ventures; and changes in our capital structure, such as future issuances of securities or the incurrence of additional debt.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Rule 10b-5(1) Trading Plans. During the three months ended March 31, 2025, no director or officer of the Company adopted or terminated a “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.

6. Exhibits.

Exhibit Number	Description	Incorporated by Reference			
		Form	File Number	Filing Date	Exhibit
31.1*	Certifications of the Principal Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.				
31.2*	Certifications of the Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.				
32.1**	Certifications of the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS	Inline XBRL Instance Document				
101.SCH	Inline XBRL Taxonomy Extension Schema Document				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (embedded within the Inline XBRL)				

* Filed herewith.

** Furnished herewith.

Indicates management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

ATERIAN, INC.

Date: May 15, 2025

By: /s/ Arturo Rodriguez
Arturo Rodriguez
Chief Executive Officer
(Principal Executive Officer)

Date: May 15, 2025

By: /s/ Joshua Feldman
Joshua Feldman
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Arturo Rodriguez, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Aterian, 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 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2025

/s/ Arturo Rodriguez

Arturo Rodriguez

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT
TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joshua Feldman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Aterian, 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 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2025

/s/ Joshua Feldman

Joshua Feldman

Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO
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 Aterian, Inc. (the "Company") for the period ended March 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to their knowledge that:

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

/s/ Arturo Rodriguez

Arturo Rodriguez
Chief Executive Officer
(Principal Executive Officer)
May 15, 2025

/s/ Joshua Feldman

Joshua Feldman
Chief Financial Officer
(Principal Financial Officer)
May 15, 2025

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

This certification accompanies the Report, is not deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.