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, 2026

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐
Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 12, 2026, the registrant had 10,818,910 shares of common stock, $0.0001 par value per share, outstanding.

Table of Contents

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, 2025, which was filed with the Securities and Exchange Commission (the SEC) on March 20, 2026. 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)

	March 31, 2026	December 31, 2025
ASSETS		
Current assets:		
Cash	$ 2,324	$ 4,857
Accounts receivable	1	6
Inventory, net	52	52
Prepaid and other current assets	1,886	2,110
Assets held for sale (Note 3)	16,910	21,490
Total current assets	21,173	28,515
Property and equipment, net	646	661
Intangibles, net	—	—
Other non-current assets	379	389
Total assets	$ 22,198	$ 29,565
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Credit facility	$ 2,533	$ 4,259
Accounts payable	944	355
Seller notes	368	368
Accrued and other current liabilities	4,920	5,336
Liabilities held for sale (Note 3)	3,692	3,812
Total current liabilities	12,457	14,130
Other liabilities	216	225
Total liabilities	12,673	14,355
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Common stock, $0.0001 par value, 500,000,000 shares authorized and 10,818,910 and 10,027,046 shares outstanding at March 31, 2026 and December 31, 2025, respectively	9	9
Additional paid-in capital	746,930	746,414
Accumulated deficit	(736,793)	(730,661)
Accumulated other comprehensive loss	(621)	(552)
Total stockholders' equity	9,525	15,210
Total liabilities and stockholders' equity	$ 22,198	$ 29,565

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,	
	2026	**2025**
Net revenue	$ 18	$ 63
Cost of goods sold	8	13
Gross profit	10	50
Operating expenses:		
Sales and distribution	300	37
General and administrative	2,919	3,354
Total operating expenses	3,219	3,391
Operating loss	(3,209)	(3,341)
Interest expense, net	226	175
Change in fair value of warrant liabilities	—	(55)
Other (income), net	—	(42)
Loss from continuing operations before income taxes	(3,435)	(3,419)
Income taxes	—	—
Loss from continuing operations, net of income taxes	(3,435)	(3,419)
Loss from discontinued operations, net of income taxes	(2,697)	(477)
Net loss	$ (6,132)	$ (3,896)
Net loss from continuing operations per share, basic and diluted	$ (0.39)	$ (0.46)
Net loss from discontinued operations per share, basic and diluted	$ (0.30)	$ (0.06)
Weighted-average number of shares outstanding, basic and diluted	8,844,573	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,	
	2026	**2025**
Net loss[1]	$ (6,132)	$ (3,896)
Other comprehensive (loss) income:		
Foreign currency translation adjustments[1]	(69)	135
Other comprehensive (loss) income	(69)	135
Comprehensive loss	$ (6,201)	$ (3,761)

(1) Includes amounts from discontinued operations, please see Note 3, *Held for Sale Classification and Discontinued Operations Presentation* for additional details.

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, 2026						
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
BALANCE—January 1, 2026	10,027,046	$ 9	$ 746,414	$ (730,661)	$ (552)	$ 15,210
Net loss(1)	—	—	—	(6,132)	—	(6,132)
Issuance of shares of restricted common stock	823,180	—	—	—	—	—
Forfeiture of shares of restricted common stock	(31,316)	—	—	—	—	—
Stock-based compensation expense(1)	—	—	516	—	—	516
Other comprehensive loss	—	—	—	—	(69)	(69)
BALANCE—March 31, 2026	10,818,910	$ 9	$ 746,930	$ (736,793)	$ (621)	$ 9,525

(1) Includes amounts from discontinued operations, please see Note 3, *Held for Sale Classification and Discontinued Operations Presentation* for additional details.

	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(1)	—	—	—	(3,896)	—	(3,896)
Forfeiture of shares of restricted common stock	(2,000)	—	—	—	—	—
Stock-based compensation expense(1)	—	—	783	—	—	783
Other comprehensive income	—	—	—	—	135	135
BALANCE—March 31, 2025	8,748,741	$ 9	$ 743,374	$ (715,573)	$ (771)	$ 27,039

(1) Includes amounts from discontinued operations, please see Note 3, *Held for Sale Classification and Discontinued Operations Presentation* for additional details.

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

	Three Months Ended March 31, 2026	2025
OPERATING ACTIVITIES:		
Net loss	$ (6,132)	$ (3,896)
Loss from discontinued operations	(2,697)	(477)
Loss from continuing operations	(3,435)	(3,419)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	10	5
Amortization of deferred financing cost and debt discounts	47	37
Stock-based compensation	442	591
Change in fair value of warrant liabilities	—	(55)
Changes in assets and liabilities:		
Accounts receivable	5	—
Inventory	—	(3)
Prepaid and other current assets	226	5
Accounts payable, accrued and other liabilities	508	(70)
Cash used in operating activities in continuing operations	(2,197)	(2,909)
Cash provided by (used in) operating activities in discontinued operations	1,834	(959)
Cash used in operating activities	(363)	(3,868)
INVESTING ACTIVITIES:		
Purchase of fixed assets	(4)	—
Cash used in investing activities in continuing operations	(4)	—
Cash used in investing activities in discontinued operations	—	—
Cash used in investing activities	(4)	—
FINANCING ACTIVITIES:		
Borrowings from MidCap credit facilities	5,870	10,296
Repayments for MidCap credit facilities	(7,651)	(9,777)
Insurance obligation payments	(328)	(235)
Insurance financing proceeds	—	156
Cash (used in) provided by financing activities in continuing operations	(2,109)	440
Cash used in financing activities in discontinued operations	—	—
Cash (used in) provided by financing activities	(2,109)	440
Foreign currency effect on cash and restricted cash	(63)	123
Net change in cash and restricted cash for the period	(2,539)	(3,305)
Cash and restricted cash at beginning of year	6,002	19,143
Cash and restricted cash at end of period	$ 3,463	$ 15,838
RECONCILIATION OF CASH AND RESTRICTED CASH:		
Cash	2,324	14,337
Restricted cash—Prepaid and other current assets	1,009	1,372
Restricted cash—Other non-current assets	130	129
TOTAL CASH AND RESTRICTED CASH	$ 3,463	$ 15,838
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	$ 275	$ 200
Cash paid for taxes	$ 3	$ 5

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, 2026 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.

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

Asset Purchase Agreement

On April 27, 2026, Aterian, Inc. (the "Company" or "Aterian") and Trademark Global, LLC ("Trademark Global") entered into an Asset Purchase Agreement (the "Asset Purchase Agreement"), pursuant to which Trademark Global has agreed to acquire certain specified assets and liabilities of the Company, including, among other things, assets associated with the Company's marquee brands: Mueller Living, PurSteam, hOmeLabs, Squatty Potty, Healing Solutions, and Photo Paper Direct for $18 million in cash, subject to certain purchase price adjustments (the "Asset Sale"). Certain assets and liabilities of the Company are expressly excluded from the Asset Sale, including, among other things, the following: (i) assets: all cash, any equity interests held by the Company, contracts that are not considered acquired assets, certain Amazon accounts, certain intellectual property, corporate books and records, benefit plans, and certain tax assets and (ii) liabilities: liabilities related to any excluded assets, certain employee liabilities, liabilities under benefit plans of the Company, pre-closing liabilities under purchased contracts, certain taxes and indebtedness.

The closing of the Asset Sale (the "APA Closing") is subject to various conditions, including, among others, (i) the absence of any law or order prohibiting the consummation of the APA Closing, (ii) the parties' compliance in all material respects with the covenants and agreements in the Asset Purchase Agreement, (iii) the accuracy of the parties' representations and warranties contained in the Asset Purchase Agreement (subject to certain materiality qualifications), (iv) the Company's stockholders having approved the Asset Sale in accordance with applicable law and the Company's organizational documents, and (v) the Company having achieved contribution margins (in U.S. dollars) not lower than 87.5% of such margins projected for the Company's business for certain measurement periods, as provided in the Asset Purchase Agreement. The APA Closing is not subject to any financing-related condition.

The Asset Purchase Agreement contains customary representations, warranties and covenants, including covenants obligating the Company to continue to conduct its business in the ordinary course, provide reasonable access to the Company's books and records and convene and hold a meeting of its stockholders as promptly as reasonably practicable to obtain the approval of its stockholders for the Asset Sale. The Asset Purchase Agreement also contains a customary "no solicitation" provision pursuant to which, prior to the completion of the Asset Sale, the Company may not solicit or engage in discussions with any third party regarding another acquisition proposal unless, subject to the applicable terms and conditions of the Asset Purchase Agreement, it has received a written acquisition proposal for another acquisition that the Company's board of directors (the "Board") determines in good faith constitutes or would result in a "Superior Proposal" (as defined in the Asset Purchase Agreement). The Company is obligated to duly call and hold a special meeting of its stockholders to obtain the necessary stockholder approval for the Asset Sale.

The Asset Purchase Agreement contains certain termination rights in favor of each of the Company and Trademark Global. In addition, the Asset Purchase Agreement provides that, in connection with certain terminations of the Asset Purchase Agreement, depending upon the circumstances surrounding the termination, one party may be required to pay the other party a termination fee of $1.1 million. Additionally, the Asset Purchase Agreement provides that, in connection with certain terminations of the Asset Purchase Agreement, the Company may be required to pay Trademark Global's transaction expenses up to a maximum of $0.6 million.

Aterian expects to continue to operate its smaller remaining legacy brands such as Vremi and Xtava.

Securities Purchase Agreement

On April 27, 2026, the Company and David E. Lazar ("Lazar") entered into a Securities Purchase Agreement (the "Securities Purchase Agreement"), pursuant to which Lazar agreed to purchase from the Company 1,750,000 shares of SeriesAA Convertible Non-Redeemable Preferred Stock, par value $0.0001 per share, of the Company (the "Series AA Preferred Stock" and such purchased shares, the "Series AA Preferred Shares") and 1,750,000 shares of SeriesAAA Convertible Non-Redeemable Preferred Stock, par value $0.0001 per share, of the Company (the "Series AAA Preferred Stock," and together with the Series AA Preferred Stock, the "Preferred Stock" and such purchased shares, the "Series AAA Preferred Shares" and together with the Series AA Preferred Shares, the "Purchased Shares"), in each case at a purchase price of $2.00 per share of Preferred Stock for aggregate gross proceeds of $7.0 million, subject to the terms and conditions of the Securities Purchase Agreement (the "Stock Sale," and collectively with the Asset Sale, the "Aterian Transactions").

The closing on the sale of the Series AA Preferred Shares was completed on April 27, 2026 (the "Initial SPA Closing"). The closing on the sale of the SeriesAAA Preferred Shares is expected to occur following the receipt of stockholder approval of the issuance of shares of common stock, par value $0.0001 per share, of the Company ("Common Stock") upon conversion of the Purchased Shares (the "Second SPA Closing").

Following receipt of stockholder approval, each Series AA Preferred Share will be convertible into 7.7 shares of Common Stock, and each Series AAA Preferred Share will be convertible into a minimum of 117.63 and maximum of 135.10 shares of Common Stock, depending on the fully-diluted capitalization of the Company immediately prior to the closing on the sale of the Series AAA Preferred Shares as determined in accordance with the terms of the Securities Purchase Agreement (as described more fully below). Following the Second SPA Closing, Lazar and the Company's existing equityholders will hold approximately 95.13% and 4.87%, respectively, of the Company's fully-diluted share capitalization.

The Company and Lazar agreed to customary representations, warranties and covenants in the Securities Purchase Agreement.

The Second SPA Closing is subject to customary conditions, including, among others, (i) the parties' compliance in all material respects with the covenants and agreements in the Securities Purchase Agreement, (ii) the accuracy of the parties' representations and warranties contained in the Securities Purchase Agreement (subject to certain materiality qualifications) and (iii) the receipt of approval by the Company's stockholders of the proposals required pursuant to the Securities Purchase Agreement, as described further below.

Pursuant to the Securities Purchase Agreement, the Company agreed to use commercially reasonable efforts to hold a special meeting of stockholders no later than July 20, 2026, and include, among other things, proposals for (i) the issuance of Common Stock to Lazar in compliance with the rules and regulations of the Nasdaq Stock Market LLC ("Nasdaq") upon conversion of the Purchased Shares, (ii) an amendment to the Company's amended and restated certificate of incorporation that increases the authorized shares of Common Stock from 500,000,000 up to 1,000,000,000, (iii) the election of four (4) additional designees of Lazar to the Board and (iv) a reverse stock split of the Common Stock in the range of 1-for-2 to 1-for-99.

Under the Securities Purchase Agreement, the Company will indemnify Lazar against damages arising from, among other things, breaches of the Company's representations, warranties or covenants under the Securities Purchase Agreement.

Liquidity and Going Concern

On April 27, 2026, the Company entered into a series of definitive agreements (collectively, the "Aterian Transactions") to fundamentally restructure its operations and capital position. Under the terms of an Asset Purchase Agreement with Trademark Global, LLC, the Company agreed to sell its marquee brands, including Mueller Living, PurSteam, hOmeLabs, Squatty Potty, Healing Solutions, and Photo Paper Direct, for $18 million in cash less transaction related costs. Simultaneously, the Company entered into a Securities Purchase Agreement with David E. Lazar for the issuance of Series AA and Series AAA Preferred Stock for aggregate gross proceeds of $7.0 million.

Upon the closing of these transactions, Mr. Lazar will hold approximately 95.13% of the Company's fully diluted share capitalization. Management intends to utilize the proceeds from these transactions to satisfy existing debt obligations and provide working capital for our core ongoing business segments, which include the Vremi and Xtava brands. Following the change in control, the Company intends to leverage its retained assets and operational infrastructure to pursue a streamlined growth strategy.

In accordance with Accounting Standards Codification ("ASC") 205-40, Going Concern, management evaluated whether there are conditions and events that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date these Condensed Consolidated Financial Statements are issued.

- Since inception, we have incurred significant losses and used cash flows from operations to fund our enterprise. To preserve liquidity, we implemented fixed cost reduction plans in May 2025 and January 2026, resulting in a significant reduction in operating expenses. While these actions reduced our operating footprint, they were insufficient to offset macroeconomic pressures, such as tariffs and reduced consumer spending, necessitating the Aterian Transactions.
- The closing of the Aterian Transactions is subject to significant conditions, most notably the receipt of stockholder approval for the Asset Sale and the issuance of common stock upon conversion of the Preferred Stock. Furthermore, the Asset Sale is contingent upon the Company achieving specific contribution margin targets. We intend to hold a special meeting of stockholders no later than July 20, 2026, to seek these approvals.
- Ongoing global political instabilities, specifically the Iran conflict, are expected to result in higher costs for raw materials, energy, and transportation in the near term. These disruptions are anticipated to increase our cost of goods sold and have already contributed to higher marketplace fees due to rising oil prices. Such external pressures continue to negatively impact our operating results and cash flows, further underscoring the necessity of the Aterian Transactions to stabilize our capital position.
- The Company is subject to a Credit and Security Agreement with MidCap Funding IV Trust. On March 13, 2026 (the "Fifth Amendment Effective Date"), the Company and its subsidiaries entered into Amendment No. 5 to its Credit and Security Agreement with MidCap Funding IV Trust. Under the terms of the amendment, the Company's minimum liquidity covenant was reduced from $5.0 million to $3.5 million during the Minimum Liquidity Covenant Reduction Period. This reduction period commenced on the Fifth Amendment Effective Date and is subject to extension at the Company's option on a weekly basis through May 9, 2026, provided it remains in compliance with certain fee payment obligations. While we were in compliance with our financial covenants as of March 31, 2026, our ability to maintain compliance beyond the current waiver period and meet future obligations is significantly dependent upon the successful closing of the Asset Sale and the Stock Sale.

Management's plan to alleviate substantial doubt is centered on the consummation of the Aterian Transactions. If the Company is unable to obtain stockholder approval, or if the transactions otherwise fail to close, management may be required to implement alternative strategies. These may include seeking other strategic buyers, attempting to secure alternative high-cost financing, or a further drastic reduction in our operating footprint.

Furthermore, if the transactions are terminated under certain circumstances, the Company may be required to pay a termination fee of $1.1 million and reimburse expenses up to $0.6 million, which would further adversely impact our liquidity.

As the closing of the Aterian Transactions is subject to factors outside of the Company's direct control, such as stockholder approval, management has concluded that these uncertainties raise substantial doubt about the Company's ability to continue as a going concern. The accompanying Condensed Consolidated Financial Statements do not include any adjustments that might result from the outcome of this uncertainty.

Nasdaq Listing—On December 9, 2025, the Company received a letter from the Listing Qualifications Staff of The Nasdaq Stock Market LLC ("Nasdaq") indicating that, based upon the closing bid price of the Company's common stock, par value $0.0001 per share ("Common Stock"), for the last 30 consecutive business days, the Company is not currently in compliance with the requirement to maintain a minimum bid price of $1.00 per share for continued listing on The Nasdaq Capital Market, as set forth in Nasdaq Listing Rule 5550(a)(2) (the "Bid Price Notice").

The Bid Price Notice has no immediate effect on the continued listing status of the Common Stock on The Nasdaq Capital Market, and, therefore, the Company's listing remains fully effective.

The Company is provided a compliance period of 180 calendar days from the date of the Bid Price Notice, or until June 8, 2026, to regain compliance with the minimum closing bid requirement, pursuant to Nasdaq Listing Rule 5810(c)(3)(A). If at any time before June 8, 2026, the closing bid price of the Common Stock closes at or above $1.00 per share for a minimum of 10 consecutive business days, subject to Nasdaq's discretion to extend this period pursuant to Nasdaq Listing Rule 5810(c)(3)(H) to 20 consecutive business days, Nasdaq will provide written notification that the Company has achieved compliance with the minimum bid price requirement, and the matter would be resolved. If the Company does not regain compliance during the compliance period ending June 8, 2026, then Nasdaq may grant the Company a second 180 calendar day period to regain compliance, provided the Company meets the continued listing requirement for market value of publicly-held shares and all other initial listing standards for The Nasdaq Capital Market, other than the minimum closing bid price requirement, and notifies Nasdaq of its intent to cure the deficiency during the second compliance period.

The Company will continue to monitor the closing bid price of its Common Stock and seek to regain compliance with all applicable Nasdaq requirements within the allotted compliance periods. If the Company does not regain compliance within the allotted compliance periods, including any extensions that may be granted by Nasdaq, Nasdaq will provide notice that the Common Stock will be subject to delisting. The Company would then be entitled to appeal that determination to a Nasdaq hearings panel. There can be no assurance that the Company will regain compliance with the minimum bid price requirement during the 180-day compliance period, secure a second period of 180 days to regain compliance or maintain compliance with the other Nasdaq listing requirements.

As of the date of this filing, the Company has not yet received formal written confirmation from Nasdaq that it has regained compliance, as the closing bid price of the Company’s common stock has been at or above $1.00 per share for 10 consecutive business days, ending on May 14, 2026.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The Condensed Consolidated Financial Statements and accompanying notes have been prepared in accordance with generally accepted accounting principles 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, 2026 and the results of its operations and its cash flows for the periods ended March 31, 2026 and 2025. The financial data and other information disclosed in these notes related to the three months ended March 31, 2026 and 2025 are also unaudited. The results for the three months ended March 31, 2026 are not necessarily indicative of results to be expected for the year ending December 31, 2026, any other interim periods, or any future year or period.

The Condensed Consolidated Balance Sheet as of December 31, 2025, presented herein, has been derived from the Company's audited Consolidated Financial Statements for the fiscal year then ended. These unaudited Interim Condensed Consolidated Financial Statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2025 as filed with the SEC on March 20, 2026 ("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, 2026, 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 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, 2026 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.

Held for sale classification—We report and classify a business or a component of an entity as held-for-sale (Held-For-Sale Business) when management has approved the sale or received approval to sell the business and is committed to a formal plan, the business is available for immediate sale, the business is being actively marketed, the sale is anticipated to occur during the next 12 months and certain other specified criteria are met. A Held-For-Sale Business is recorded at the lower of its carrying amount or estimated fair value less cost to sell. If the carrying amount of the business exceeds its estimated fair value, a loss is recognized. As of March 31, 2026, assets and liabilities related to a Held-For-Sale Business are reported in Assets held for sale and Liabilities held for sale, respectively, in our Condensed Consolidated Balance Sheets. Refer to Note 3, *Held for Sale Classification and Discontinued Operations Presentation* for additional details.

Discontinued operations presentation—We present a business, or a component of an entity, as discontinued operations if a) it meets the held-for-sale criteria, or is disposed of by sale, or is disposed of other than by sale, and b) the disposal of the business, or component of an entity, represents a strategic shift that has (or will have) a major effect on the Company's financial results. As of March 31, 2026, we have retrospectively adjusted our Condensed Consolidated Statement of Operations to reflect the classification of continuing and discontinued operations. Refer to Note 3, *Held for Sale Classification and Discontinued Operations Presentation* for additional details.

Restricted Cash—As of March 31, 2026 and December 31, 2025, 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.

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 goods sold.

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 March 31, 2026 and December 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 $0.2 million at March 31, 2026 and December 31, 2025, which is included in liabilities held-for-sale on the Condensed Consolidated Balance Sheets as of March 31, 2026 and accrued and other current liabilities on the Condensed Consolidated Balance Sheets as of December 31, 2025, 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.

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.

On April 27, 2026, the Company entered into a definitive Asset Purchase Agreement with Trademark Global, LLC, to sell certain marquee brands for $18 million in cash. Based on the definitive deal terms, specifically the $18.0 million base purchase price and the estimated purchase price adjustments, the Company evaluated the carrying value of its brand intangible assets. The Company determined that the estimated allocated proceeds from the Asset Purchase Agreement were lower than the carrying values for certain definite-lived brand assets. Accordingly, the Company recorded an non-cash impairment charge of $3.4 million during the first quarter of 2026. This charge, recorded within Net Loss from Discontinued Operations on the Condensed Consolidated Statement of Operations, adjusts the carrying amount of the disposal group to its fair value less costs to sell, based on the $18.0 million cash consideration and estimated purchase price adjustments.

We 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, future operating efficiencies, and strategic alternative processes.

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. As of March 31, 2026 and December 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 March 31, 2026 and December 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 a 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.

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, 2026 and March 31, 2025 is as follows (in thousands):

	March 31, 2026
Warrants liabilities as of January 1, 2026	$ —
Change in fair value of warrants	—
Warrants liabilities as of March 31, 2026	$ —

	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	$ (54)

Recent Accounting Pronouncements

Since the issuance of the Company's Annual Report on Form 10-K for the year ended December 31, 2025, there have been no material updates to the recent accounting pronouncement previously disclosed.

3. HELD FOR SALE CLASSIFICATION AND DISCONTINUED OPERATIONS PRESENTATION

Held for sale classification—We report and classify a business or a component of an entity as held-for-sale (Held-For-Sale Business) when management has approved the sale or received approval to sell the business and is committed to a formal plan, the business is available for immediate sale, the business is being actively marketed, the sale is anticipated to occur during the next 12 months and certain other specified criteria are met. A Held-For-Sale Business is recorded at the lower of its carrying amount or estimated fair value less cost to sell. If the carrying amount of the business exceeds its estimated fair value, a loss is recognized. As of March 31, 2026, assets and liabilities related to a Held-For-Sale Business are reported in Assets held for sale and Liabilities held for sale, respectively, in our Condensed Consolidated Balance Sheets.

The following table summarizes the components of assets and liabilities held-for-sale on the Condensed Consolidated Balance Sheets at March 31, 2026 (in thousands):

	March 31, 2026	December 31, 2025
ASSETS		
Accounts receivable	2,352	2,455
Inventory, net	12,956	13,724
Prepaid and other current assets	801	871
Property and equipment, net	66	69
Intangibles, net	735	4,371
Total assets held for sale	$ 16,910	$ 21,490
LIABILITIES		
Accounts payable	2,573	2,765
Accrued and other current liabilities	1,119	1,047
Total liabilities held for sale	$ 3,692	$ 3,812

Discontinued operations presentation—We present a business, or a component of an entity, as discontinued operations if a) it meets the held-for-sale criteria, or is disposed of by sale, or is disposed of other than by sale, and b) the disposal of the business, or component of an entity, represents a strategic shift that has (or will have) a major effect on the Company's financial results. As of March 31, 2026, we have retrospectively adjusted our Condensed Consolidated Statement of Operations to reflect the classification of continuing and discontinued operations.

The following table presents the amounts related to the operations of the Company that have been reflected in net loss from discontinued operations (in thousands):

	Three Months Ended March 31,	
	2026	2025
Net revenue	$ 12,414	$ 15,297
Cost of goods sold	4,434	5,923
Gross profit	7,980	9,374
Operating expenses:		
Sales and distribution	7,187	9,624
General and administrative	65	105
Impairment loss on intangibles(1)	3,427	—
Total operating expenses from discontinued operations	10,679	9,729
Operating loss from discontinued operations	(2,699)	(355)
Other (income) expense, net	(14)	102
Loss from discontinued operations before income taxes	(2,685)	(457)
Provision for income taxes	(13)	(20)
Net loss from discontinued operations	$ (2,698)	$ (477)

(1) On April 27, 2026, the Company entered into a definitive Asset Purchase Agreement with Trademark Global, LLC, to sell certain marquee brands for $18 million in cash. Based on the definitive deal terms, specifically the $18.0 million base purchase price and the estimated purchase price adjustments, the Company evaluated the carrying value of its brand intangible assets. The Company determined that the estimated allocated proceeds from the Asset Purchase Agreement were lower than the carrying values for certain definite-lived brand assets. Accordingly, the Company recorded a non-cash impairment charge of $3.4 million during the first quarter of 2026. This charge, recorded within Loss from Discontinued Operations on the Condensed Consolidated Statement of Operations, adjusts the carrying amount of the disposal group to its fair value less costs to sell, based on the $18.0 million cash consideration and estimated purchase price adjustments.

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of March 31, 2026 and December 31, 2025 (in thousands):

	March 31, 2026	December 31, 2025
Trade accounts receivable	$ 1	$ 6
Allowance for credit losses	—	—
Accounts receivable	$ 1	$ 6

5. INVENTORY, NET

Inventory consisted of the following as of March 31, 2026 and December 31, 2025 (in thousands):

	March 31, 2026	December 31, 2025
Inventory on-hand	$ 52	$ 52
Inventory in-transit	—	—
Inventory, net	$ 52	$ 52

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid and other current assets consisted of the following as of March 31, 2026 and December 31, 2025 (in thousands):

	March 31, 2026	December 31, 2025
Prepaid inventory	$ —	$ —
Restricted cash	1,009	1,065
Prepaid insurance	594	916
Prepaid freight forwarder	—	—
Other	283	129
Prepaid and current assets	$ 1,886	$ 2,110

7. ACCRUED AND OTHER CURRENT LIABILITIES

Accrued and other current liabilities consisted of the following as of March 31, 2026 and December 31, 2025 (in thousands):

	March 31, 2026	December 31, 2025
Accrued compensation costs	$ 187	$ 55
Accrued restructuring costs	137	532
Accrued accounting and consulting fees	230	310
Product related accruals	—	-
Sales tax payable	875	863
Accrued fulfillment expense	—	-
Accrued insurance premium financing	412	695
Federal payroll taxes payable	453	453
Accrued interest payable	31	44
Accrued legal fees	1,385	1,125
Accrued marketing fees	—	-
All other accruals	1,210	1,259
Accrued and current liabilities	$ 4,920	$ 5,336

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.

8. 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 "3rd Amendment") to the Credit Agreement. Material changes contained in the 3rd 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.

On August 29, 2025 (the "Fourth Amendment Effective Date") the Company entered into Amendment No. 4 to the Credit Agreement. Material changes contained in Amendment No. 4 include a reduction to the Minimum Credit Party Liquidity covenant to $5.0 million, upon the Company's delivery of a Liquidity Certificate evidencing liquidity of at least $6.8 million, the Minimum Liquidity Covenant Reduction Period will terminate and the covenant will increase to $6.8 million thereafter, and an Availability Reserve of $2.8 million during the Minimum Liquidity Covenant Reduction Period and $1.0 million thereafter.

On March 13, 2026 (the "Fifth Amendment Effective Date"), the Company and its subsidiaries entered into Amendment No. 5 to its Credit and Security Agreement with MidCap Funding IV Trust. Under the terms of the amendment, the Company's minimum liquidity covenant was reduced from $5.0 million to $3.5 million during the Minimum Liquidity Covenant Reduction Period. This reduction period commenced on the Fifth Amendment Effective Date and is subject to extension at the Company's option on a weekly basis through May 9, 2026, provided it remains in compliance with certain fee payment obligations.

The Company is in compliance with the financial covenants contained within the Credit Agreement as of March 31, 2026. As of May 2, 2025, the Company had temporarily suspended its share repurchase program.

The Company's credit facility consisted of the following as of March 31, 2026 and December 31, 2025 (in thousands):

	March 31, 2026	December 31, 2025
MidCap Credit Facility	$ 2,676	$ 4,449
Less: deferred debt issuance costs	(101)	(134)
Less: discount associated with issuance of warrants	(42)	(56)
Total MidCap Credit Facility	$ 2,533	$ 4,259

Interest Expense, Net

Interest expense, net consisted of the following for the three months ended March 31, 2026 and 2025 (in thousands):

	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
Interest expense	$ 234	$ 221
Interest income	(8)	(46)
Total interest expense, net	$ 226	$ 175

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, 2026, these warrants remain outstanding and have no associated liability recorded on the Company's Condensed Consolidated Balance Sheet due to the decline in the Company's share price.

9. STOCK-BASED COMPENSATION

The Company has three equity plans:

2014 Amended and Restated Equity Incentive Plan

The board of directors of Aterian Group, Inc., (the "Board") 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, 2026, there were no shares reserved for future issuance under the Aterian 2014 Plan.

2018 Equity Incentive Plan

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, 2026, 38,216 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 pro-rata 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, 2026, 193,473 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, 2026:

	Options Outstanding		
	Number of Options	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Life (years)**
Balance—January 1, 2026	13,051	$ 109.62	2.55
Options granted	—	$ —	—
Options exercised	—	$ —	—
Options canceled	(1,764)	$ 120.00	1.65
Balance—March 31, 2026	11,287	$ 108.00	2.69
Exercisable as of March 31, 2026	11,287	$ 108.00	2.69
Vested and expected to vest as of March 31, 2026	11,287	$ 108.00	2.69

As of March 31, 2026, 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, 2026 is as follows:

Restricted Stock Awards	Shares	Weighted Average Grant- Date Fair Value
Nonvested at January 1, 2026	1,338,100	$ 1.80
Granted	823,180	$ 0.75
Vested	(426,286)	$ 1.64
Forfeited	(31,316)	$ 2.19
Nonvested at March 31, 2026	1,703,678	$ 1.33

As of March 31, 2026, the total unrecognized compensation expense related to unvested shares of restricted common stock was $1.8 million, which the Company expects to recognize over an estimated weighted-average period of 2.1 years.

Stock-based compensation expense is allocated based on the cost center to which the award holder belongs. During the three months ended March 31, 2026 and 2025, $0.4 million and $0.6 million of stock-based compensation were included in general and administrative expenses on the Condensed Consolidated Statement of Operations and $0.1 million and $0.2 million of stock-based compensation were included within discontinued operations.

10. 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,	
	2026	2025
Net loss from continuing operations	$ (3,435)	$ (3,419)
Net loss from discontinued operations	(2,697)	(477)
Net loss	$ (6,132)	$ (3,896)
Weighted-average number of shares used in computing net loss per share, basic and diluted	8,844,573	7,452,957
Net loss from continuing operations per share, basic and diluted	$ (0.39)	$ (0.46)
Net loss from discontinued operations per share, basic and diluted	$ (0.30)	$ (0.06)
Net loss per share, basic and diluted	$ (0.69)	$ (0.52)
Anti-dilutive shares excluded from computation of net loss per share (in shares)	2,962,592	1,933,242

11. 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 March 31, 2026 and December 31, 2025, the Company estimates that the potential liability, including current sales tax payable is approximately $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.

Product Remediation Costs—During the year ended December 31, 2025, the Company accrued approximately $0.4 million for estimated costs associated with addressing a product performance matter involving certain houseware appliances that the Company ceased selling during the year ended December 31, 2024. These costs were included in cost of goods sold on the Consolidated Statement of Operations. As of March 31, 2026, the Company had a liability of $0.4 million for product remediation costs, which are included in accrued and other current liabilities on the Condensed Consolidated Balance Sheet.

In February 2026, we announced a voluntary recall in coordination with the U.S. Consumer Product Safety Commission (the "CPSC") for approximately 195,000 units of our PurSteam Mighty Lil Steamers and Elite Travel Steamers due to reports of hot water expelling from the nozzle. We have incurred, and expect to continue to incur, costs related to this recall, including refund payments and legal expenses. As a result of this recall, a putative class action complaint, Sarah Brannon v. Aterian, Inc., was filed against us on March 6, 2026, in the U.S. District Court for the District of New Jersey. The complaint alleges various violations, including breach of implied warranty, unjust enrichment, and violations of the New Jersey Products Liability Act. While the Company ceased selling these steamers in 2024, the defense of this existing litigation, and the potential for additional product liability or class action lawsuits, could result in significant legal expenses, settlements, or judgments.

On May 13, 2026, the company entered into a settlement agreement and general release to resolve this litigation. Under the terms of the agreement, the company agreed to pay a total settlement sum of $100,000 in exchange for a full release of all claims related to the purchase and use of the products. The agreement stipulates a voluntary dismissal of the claims with prejudice and includes customary provisions regarding confidentiality, non-disparagement, and a denial of any wrongdoing or liability by the company.

12. RESTRUCTURING

On May 14, 2025, the Company announced a fixed cost reduction plan, which included a workforce reduction affecting approximately 20 employees. The Company had substantially completed this reduction as of the year ended December 31, 2025. In connection with this plan, the Company recognized restructuring charges of approximately $1.9 million, of which $1.1 million is recorded in Sales and Distribution expenses and $0.8 million is recorded in General and Administrative expenses, primarily related to severance, during the year ended December 31, 2025. Severance payments are expected to be made through the second quarter of 2026.

In January 2026, the Company implemented a fixed cost reduction plan that included a workforce reduction affecting approximately 16 employees and independent contractors. The Company has substantially completed this reduction as of March 31, 2026. In connection with this plan, the Company recognized restructuring charges of approximately $0.3 million, which is recorded in Sales and Distribution expenses, primarily related to severance, during the three months ended March 31, 2026. Severance payments are expected to be made through the second quarter of 2026.

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 table provides a summary of the Company's total restructuring reserve (in thousands):

	Employee Severance
Balance – December 31, 2025	$ 532
Charges	24
Usage-cash	(419)
Balance – March 31, 2026	$ 137

As of March 31, 2026 and December 31, 2025, the Company had a liability of $0.1 million and $0.5 million for restructuring costs, respectively, which are included in accrued and other current liabilities on the Condensed Consolidated Balance Sheet.

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 goods sold, variable sales costs, and other vendor and payroll expenses.

	Three Months Ended March 31,	
	2026	2025
Net revenue	$ 18	$ 63
Less:		
Cost of Sales	8	13
Other vendor and payroll expenses	2,723	2,703
Depreciation and amortization	54	98
Stock-based compensation expense	442	591
Other segment items(1)	226	78
Net loss from continuing operations	$ (3,435)	$ (3,419)

(1) Other segment items primarily include income taxes, interest expense, other income, 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

The Company sources a considerable amount of its consumer products from China and has historically been subject to significant Section 301 customs duties. On May 11, 2026, the Company received $1.2 million in cash proceeds related to the formal claims filed on April 20, 2026, for the recovery of Section 301 customs duties previously paid on consumer products sourced from China. While the Company has successfully realized this initial portion of its claims, the remaining balance of the recovery is still subject to government audit and administrative approval. Although the Company continues to expect the receipt of additional funds by the third quarter of 2026, there is no guarantee as to the final timing or the total amount that will be realized. Since the full realization of the remaining claims is not yet considered certain, the Company has not recorded the outstanding potential recovery as a receivable on the Condensed Consolidated Balance Sheet as of March 31, 2026, but will recognize the $1.2 million as a gain in the second quarter of 2026.

In February 2026, we announced a voluntary recall in coordination with the CPSC for approximately 195,000 units of our PurSteam Mighty Lil Steamers and Elite Travel Steamers due to reports of hot water expelling from the nozzle. We have incurred, and expect to continue to incur, costs related to this recall, including refund payments and legal expenses. On March 6, 2026, a class action complaint was filed alleging that certain steamer products suffered from malfunctions that caused the units to propel scalding water during normal use. On May 13, 2026, the company entered into a settlement agreement and general release to resolve this litigation. Under the terms of the agreement, the company agreed to pay a total settlement sum of $100,000 in exchange for a full release of all claims related to the purchase and use of the products. The agreement stipulates a voluntary dismissal of the claims with prejudice and includes customary provisions regarding confidentiality, non-disparagement, and a denial of any wrongdoing or liability by the company.

On December 9, 2025, the Company received a notice from Nasdaq stating that it was not in compliance with the $1.00 minimum bid price requirement. As of the date of this filing, the Company has not yet received formal written confirmation from Nasdaq that it has regained compliance, as the closing bid price of the Company's common stock has been at or above $1.00 per share for 10 consecutive business days, ending on May 14, 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 consolidated financial statements and related notes thereto for the year ended December 31, 2025 included in our Annual Report on Form 10-K for the year ended December 31, 2025 as filed with the Securities and Exchange Commission (the "SEC") on March 20, 2026. As discussed in the section titled "Cautionary 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 "Cautionary 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.

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.

During 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. As a result of these tariffs, we experienced an increase in our cost of goods sold during the year ended December 31, 2025 and the quarter ended March 31, 2026. In response, we implemented targeted price increases across affected product categories to partially offset the higher input costs. These pricing actions, however, contributed to a decline in unit volumes as consumer demand responded to the higher retail prices. We have implemented a range of mitigation strategies to address the impact of these tariffs on our supply chain and margins. These efforts include diversifying sourcing outside of China, renegotiating supplier terms, redesigning certain products to reduce tariff exposure, and implementing selective price increases where appropriate. We continue to evaluate additional structural and operational measures to further reduce tariff-related exposure.

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").

Discontinued Operations

On April 27, 2026, the Company entered into a series of definitive agreements (collectively, the "Aterian Transactions") to fundamentally restructure its operations and capital position. The Company entered into a definitive Asset Purchase Agreement (the "Asset Purchase Agreement") with Trademark Global, LLC ("Trademark Global"), marking a significant strategic shift in our business model. Pursuant to this agreement, Trademark Global will acquire substantially all assets and certain liabilities associated with our marquee brands—Mueller Living, PurSteam, hOmeLabs, Squatty Potty, Healing Solutions, and Photo Paper Direct—for $18 million in cash, subject to customary adjustments (the "Asset Sale").

As these marquee brands represent a major portion of the Company's historical operations and strategic direction, the results of these brands have been classified as discontinued operations in the consolidated financial statements for all periods presented. Following the closing of the Asset Sale, the Company expects to continue operating its remaining legacy brands, including Vremi and Xtava.

In conjunction with the Asset Sale, the Company also entered into a Securities Purchase Agreement with David E. Lazar for the issuance of Series AA and Series AAA Preferred Stock for aggregate gross proceeds of $7.0 million. This capital infusion, combined with the proceeds from the Asset Sale, is intended to restructure the Company's balance sheet.

To provide a meaningful comparison of our ongoing business performance, the following discussion separately analyzes the results of our continuing operations and the impact of the discontinued operations for the periods presented.

Results of Continuing Operations

Comparison of the Three Months Ended March 31, 2026 and 2025

The following table sets forth the components of our results of continuing operations:

	Three Months Ended March 31,		Change	
	2026	2025	Amount	%
	(in thousands, except percentages)			
Net revenue	$ 18	$ 63	$ (45)	(72.0)%
Cost of good sold	8	13	(5)	(40.2)%
Gross profit	10	50	(40)	(79.9)%
Operating expenses:				
Sales and distribution	300	37	263	707.2%
General and administrative(1)	2,919	3,354	(435)	(13.0)%
Total operating expenses	3,219	3,391	(172)	(5.1)%
Operating loss	(3,209)	(3,341)	132	4.0%
Interest expense, net	226	175	51	29.1%
Change in fair value of warrant liabilities	—	(55)	55	100.0%
Other (income), net	—	(42)	(42)	(100.0)%
Loss from continuing operations	(3,435)	(3,419)	68	2.0%
Income taxes	—	—	—	—%
Loss from continuing operations, net of income taxes	(3,435)	(3,419)	68	2.0%

(1) During the three months ended March 31, 2026 and 2025, $0.4 million and $0.6 million of stock-based compensation were included in general and administrative expenses on the Condensed Consolidated Statement of Operations.

Net Revenue

Net revenue decreased $45 thousand, or 72%, during the three months ended March 31, 2026 to $18 thousand, compared to $63 thousand for the three months ended March 31, 2025. The decrease in net revenue was primarily attributable to reduction in consumer demand due to the macroeconomic environment.

Cost of Goods Sold and Gross Profit

	Three Months Ended March 31,		Change	
	2026	2025	Amount	%
	(in thousands, except percentages)			
Cost of goods sold	$ 8	$ 13	$ (5)	(40.2)%
Gross profit	$ 10	$ 50	$ (40)	(79.9)%

Cost of goods sold decreased $5 thousand, or 40.2%, during the three months ended March 31, 2026 to $8 thousand, compared to $13 thousand for the three months ended March 31, 2025, primarily from reduced sales volumes.

Gross profit decreased to 56.7% for the three months ended March 31, 2026 from 79.9% 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	
	2026	2025	Amount	%
	(in thousands, except percentages)			
Sales and distribution expenses	$ 300	$ 37	$ 263	707.2%

Sales and distribution expenses increased to $0.3 million for the three months ended March 31, 2026, from $37 thousand for the three months ended March 31, 2025. This increase is primarily attributable to severance relating to our January 2026 workforce reduction of $0.3 million.

General and Administrative Expenses

	Three Months Ended March 31,		Change	
	2026	2025	Amount	%
	(in thousands, except percentages)			
General and administrative expenses	$ 2,919	$ 3,354	$ (435)	(13.0)%

The decrease in general and administrative expenses was primarily the result of a decrease of $0.3 million in headcount expense, a decrease of $0.3 million in miscellaneous expenses, and a decrease of $0.2 million in stock-compensation expense, partially offset by an increase of $0.4 million in professional fees.

Interest expense, net

	Three Months Ended March 31,		Change	
	2026	2025	Amount	%
	(in thousands, except percentages)			
Interest expense, net	$ 226	$ 175	$ 51	29.1%

The increase in interest expense, net of $0.1 million is primarily relating to amortized fees of $69 thousand associated with the March 2026 amendment to lower the liquidity covenant and a decrease in interest income of $38 thousand partially offset by lower borrowings in the current period.

Change in fair market value of warrant liabilities

	Three Months Ended March 31,		Change	
	2026	2025	Amount	%
	(in thousands, except percentages)			
Change in fair market value of warrant liabilities	$ —	$ (55)	$ 55	100.0%

The 2026 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, 2026 primarily relates to the reduced share price compared to the prior period.

Results of Discontinued Operations

The following table sets forth the components of our results of discontinued operations:

	Three Months Ended March 31,		Change	
	2026	2025	Amount	%
	(in thousands, except percentages)			
Net revenue	$ 12,414	$ 15,297	$ (2,883)	(18.8)%
Cost of good sold	4,434	5,923	(1,489)	(25.1)%
Gross profit	7,980	9,374	(1,395)	(14.9)%
Operating expenses:				
Sales and distribution(1)	7,187	9,624	(2,437)	(25.3)%
General and administrative	65	105	(40)	(37.9)%
Impairment loss on intangibles (2)	3,427	—	3,427	100.0%
Total operating expenses	10,679	9,729	950	9.8%
Operating loss	(2,699)	(355)	(2,344)	(660.4)%
Other (income) expense, net	(14)	102	116	(114.0)%
Loss before income taxes	(2,685)	(457)	(2,228)	(487.8)%
Provision for income taxes	(13)	(20)	7	(35.6)%
Loss from discontinued operations, net of income taxes	$ (2,698)	$ (477)	$ (2,221)	(465.6)%

(1) During the three months ended March 31, 2026 and 2025, $0.1 million and $0.2 million of stock-based compensation were included within Loss from Discontinued Operations on the Condensed Consolidated Statement of Operations.

(2) On April 27, 2026, the Company entered into a definitive Asset Purchase Agreement with Trademark Global, LLC, to sell certain marquee brands for $18 million in cash. Based on the definitive deal terms, specifically the $18.0 million base purchase price and the estimated purchase price adjustments, the Company evaluated the carrying value of its brand intangible assets. The Company determined that the estimated allocated proceeds from the Asset Purchase Agreement were lower than the carrying values for certain definite-lived brand assets. Accordingly, the Company recorded a non-cash impairment charge of $3.4 million during the first quarter of 2026. This charge, recorded within Loss from Discontinued Operations on the Condensed Consolidated Statement of Operations, adjusts the carrying amount of the disposal group to its fair value less costs to sell, based on the $18.0 million cash consideration and estimated purchase price adjustments.

Net Revenue

	Three Months Ended March 31,		Change	
	2026	2025	Amount	%
	(in thousands, except percentages)			
Direct	$ 12,368	$ 14,891	$ (2,523)	(16.9)%
Wholesale	46	406	(360)	(88.7)%
Net revenue	$ 12,414	$ 15,297	$ (2,883)	(18.8)%

Net revenue decreased $2.9 million, or 18.8%, during the three months ended March 31, 2026 to $12.4 million, compared to $15.3 million for the three months ended March 31, 2025. The decrease in net revenue was primarily attributable to the newly implemented tariffs which increased our cost of goods sold, prompting us to raise prices to mitigate the impact. These pricing actions, combined with the broader challenging macroeconomic environment, led to a reduction in unit volume as consumer demand softened at elevated price levels.

Cost of Goods Sold and Gross Profit

	Three Months Ended March 31,		Change	
	2026	2025	Amount	%
	(in thousands, except percentages)			
Cost of goods sold	$ 4,434	$ 5,923	$ (1,489)	(25.1)%
Gross profit	$ 7,980	$ 9,374	$ (1,394)	(14.9)%

Cost of goods sold decreased $1.5 million, or 25.1%, during the three months ended March 31, 2026 to $4.4 million, compared to $5.9 million for the three months ended March 31, 2025, primarily from reduced sales volumes.

Gross profit increased to 64.3% for the three months ended March 31, 2026 from 60.9% for the three months ended March 31, 2025. The increase in gross profit was due primarily to product mix and higher average sales prices on certain products.

Sales and Distribution Expenses

	Three Months Ended March 31,		Change	
	2026	2025	Amount	%
	(in thousands, except percentages)			
Sales and distribution expenses	$ 7,187	$ 9,624	$ (2,437)	(25.3)%

Sales and distribution expenses, which included e-commerce platform commissions, online advertising and logistics expenses (i.e., variable sales and distribution expense), decreased to $7.2 million for the three months ended March 31, 2026, from $9.7 million for the three months ended March 31, 2025. This decrease is primarily attributable to the decrease in the volume of products sold in the three months ended March 31, 2026, as our e-commerce platform commissions, online advertising, selling and logistics expenses decreased to $6.0 million in the three months ended March 31, 2026 as compared to $7.3 million in the prior year period.

Our sales and distribution fixed costs (e.g., salary and office expenses) including stock-based compensation decreased to $1.2 million for the three months ended March 31, 2026, from $2.3 million for the three months ended March 31, 2025. This decrease is primarily attributable to lower headcount expense of $0.6 million, lower miscellaneous expenses of $0.4 million, and lower stock-compensation expense of $0.1 million.

As a percentage of net revenue, sales and distribution expenses decreased to 58% for the three months ended March 31, 2026, from 63% for the three months ended March 31, 2025. E-commerce platform commissions, online advertising, selling and logistics expenses included within sales and distribution expenses, as a percentage of net revenue, stayed consistent at 48% for the three months ended March 31, 2026 and March 31, 2025.

General and Administrative Expenses

	Three Months Ended March 31,		Change	
	2026	2025	Amount	%
	(in thousands, except percentages)			
General and administrative expenses	$ 65	$ 105	$ (40)	(37.9)%

The decrease in general and administrative expenses was primarily the result of a decrease of $40 thousand in logistics software expenses.

Impairment loss on intangibles

	Three Months Ended March 31,		Change	
	2025	2026	Amount	%
	(in thousands, except percentages)			
Impairment loss on intangibles	$ 3,427	$ —	$ 3,427	100.0%

On April 27, 2026, the Company entered into a definitive Asset Purchase Agreement with Trademark Global, LLC, to sell certain marquee brands for $18 million in cash. Based on the definitive deal terms, specifically the $18.0 million base purchase price and the estimated purchase price adjustments, the Company evaluated the carrying value of its brand intangible assets. The Company determined that the estimated allocated proceeds from the Asset Purchase Agreement were lower than the carrying values for certain definite-lived brand assets. Accordingly, the Company recorded a non-cash impairment charge of $3.4 million during the first quarter of 2026. This charge, recorded within Loss from Discontinued Operations on the Condensed Consolidated Statement of Operations, adjusts the carrying amount of the disposal group to its fair value less costs to sell, based on the $18.0 million cash consideration and estimated purchase price adjustments.

Liquidity and Capital Resources

Cash Flows for the Three Months Ended March 31, 2026 and 2025

The following table provides information regarding our cash flows for the three months ended March 31, 2026 and 2025:

	Three Months Ended March 31,	
	2026(1)	2025(1)
	(in thousands)	
Cash used in operating activities	$ (363)	$ (3,868)
Cash used in investing activities	(4)	—
Cash used in (provided by) financing activities	(2,109)	440
Effect of exchange rate on cash	(63)	123
Net change in cash and restricted cash for the period	$ (2,539)	$ (3,305)

(1) Includes amounts from discontinued operations, please see Note 3, *Held for Sale Classification and Discontinued Operations Presentation* for additional details.

Net Cash Used in Operating Activities

Net cash used in operating activities was $0.4 million for the three months ended March 31, 2026, primarily driven by net cash losses from operations of $2.0 million and a $1.6 million inflow from changes in working capital, mainly related to changes in accounts receivable, purchases of inventory, and payments of accounts payable.

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, 2026, net cash used in investing activities was $4 thousand, primarily related to the purchase of fixed assets during the three months ended March 31, 2026.

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

Net Cash (Used in) Provided by Financing Activities

For the three months ended March 31, 2026, cash used in financing activities of $2.1 million primarily from the net repayments for our MidCap credit facility of $1.8 million and payment of insurance obligations of $0.3 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

On April 27, 2026, the Company entered into a series of definitive agreements (collectively, the "Aterian Transactions") to fundamentally restructure its operations and capital position. Under the terms of an Asset Purchase Agreement with Trademark Global, LLC, the Company agreed to sell its marquee brands, including Mueller Living, PurSteam, hOmeLabs, Squatty Potty, Healing Solutions, and Photo Paper Direct, for $18 million in cash less transaction related costs. Simultaneously, the Company entered into a Securities Purchase Agreement with David E. Lazar for the issuance of Series AA and Series AAA Preferred Stock for aggregate gross proceeds of $7.0 million.

Upon the closing of these transactions, Mr. Lazar will hold approximately 95.13% of the Company's fully diluted share capitalization. Management intends to utilize the proceeds from these transactions to satisfy existing debt obligations and provide working capital for our core ongoing business segments, which include the Vremi and Xtava brands. Following the change in control, the Company intends to leverage its retained assets and operational infrastructure to pursue a streamlined growth strategy.

In accordance with ASC 205-40, Going Concern, management evaluated whether there are conditions and events that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date these Condensed Consolidated Financial Statements are issued.

- Since inception, we have incurred significant losses and used cash flows from operations to fund our enterprise. To preserve liquidity, we implemented fixed cost reduction plans in May 2025 and January 2026, resulting in a significant reduction in operating expenses. While these actions reduced our operating footprint, they were insufficient to offset macroeconomic pressures, such as tariffs and reduced consumer spending, necessitating the Aterian Transactions.
- The closing of the Aterian Transactions is subject to significant conditions, most notably the receipt of stockholder approval for the Asset Sale and the issuance of common stock upon conversion of the Preferred Stock. Furthermore, the Asset Sale is contingent upon the Company achieving specific contribution margin targets. We intend to hold a special meeting of stockholders no later than July 20, 2026, to seek these approvals.
- Ongoing global political instabilities, specifically the Iran conflict, are expected to result in higher costs for raw materials, energy, and transportation in the near term. These disruptions are anticipated to increase our cost of goods sold and have already contributed to higher marketplace fees due to rising oil prices. Such external pressures continue to negatively impact our operating results and cash flows, further underscoring the necessity of the Aterian Transactions to stabilize our capital position.
- The Company is subject to a Credit and Security Agreement with MidCap Funding IV Trust. On March 13, 2026 (the "Fifth Amendment Effective Date"), the Company and its subsidiaries entered into Amendment No. 5 to its Credit and Security Agreement with MidCap Funding IV Trust. Under the terms of the amendment, the Company's minimum liquidity covenant was reduced from $5.0 million to $3.5 million during the Minimum Liquidity Covenant Reduction Period. This reduction period commenced on the Fifth Amendment Effective Date and is subject to extension at the Company's option on a weekly basis through May 9, 2026, provided it remains in compliance with certain fee payment obligations. While we were in compliance with our financial covenants as of March 31, 2026, our ability to maintain compliance beyond the current waiver period and meet future obligations is significantly dependent upon the successful closing of the Asset Sale and the Stock Sale.

Management's plan to alleviate substantial doubt is centered on the consummation of the Aterian Transactions. If the Company is unable to obtain stockholder approval, or if the transactions otherwise fail to close, management may be required to implement alternative strategies. These may include seeking other strategic buyers, attempting to secure alternative high-cost financing, or a further drastic reduction in our operating footprint.

Furthermore, if the transactions are terminated under certain circumstances, the Company may be required to pay a termination fee of $1.1 million and reimburse expenses up to $0.6 million, which would further adversely impact our liquidity.

As the closing of the Aterian Transactions is subject to factors outside of the Company's direct control, such as stockholder approval, management has concluded that these uncertainties raise substantial doubt about the Company's ability to continue as a going concern. The accompanying Condensed Consolidated Financial Statements do not include any adjustments that might result from the outcome of this uncertainty.

Nasdaq Listing—On December 9, 2025, the Company received a letter from the Listing Qualifications Staff of The Nasdaq Stock Market LLC ("Nasdaq") indicating that, based upon the closing bid price of the Company's common stock, par value $0.0001 per share ("Common Stock"), for the last 30 consecutive business days, the Company is not currently in compliance with the requirement to maintain a minimum bid price of $1.00 per share for continued listing on The Nasdaq Capital Market, as set forth in Nasdaq Listing Rule 5550(a)(2) (the "Bid Price Notice").

The Bid Price Notice has no immediate effect on the continued listing status of the Common Stock on The Nasdaq Capital Market, and, therefore, the Company's listing remains fully effective.

The Company is provided a compliance period of 180 calendar days from the date of the Bid Price Notice, or until June 8, 2026, to regain compliance with the minimum closing bid requirement, pursuant to Nasdaq Listing Rule 5810(c)(3)(A). If at any time before June 8, 2026, the closing bid price of the Common Stock closes at or above $1.00 per share for a minimum of 10 consecutive business days, subject to Nasdaq's discretion to extend this period pursuant to Nasdaq Listing Rule 5810(c)(3)(H) to 20 consecutive business days, Nasdaq will provide written notification that the Company has achieved compliance with the minimum bid price requirement, and the matter would be resolved. If the Company does not regain compliance during the compliance period ending June 8, 2026, then Nasdaq may grant the Company a second 180 calendar day period to regain compliance, provided the Company meets the continued listing requirement for market value of publicly-held shares and all other initial listing standards for The Nasdaq Capital Market, other than the minimum closing bid price requirement, and notifies Nasdaq of its intent to cure the deficiency during the second compliance period.

The Company will continue to monitor the closing bid price of its Common Stock and seek to regain compliance with all applicable Nasdaq requirements within the allotted compliance periods. If the Company does not regain compliance within the allotted compliance periods, including any extensions that may be granted by Nasdaq, Nasdaq will provide notice that the Common Stock will be subject to delisting. The Company would then be entitled to appeal that determination to a Nasdaq hearings panel. There can be no assurance that the Company will regain compliance with the minimum bid price requirement during the 180-day compliance period, secure a second period of 180 days to regain compliance or maintain compliance with the other Nasdaq listing requirements.

As of the date of this filing, the Company has not yet received formal written confirmation from Nasdaq that it has regained compliance, as the closing bid price of the Company's common stock has been at or above $1.00 per share for 10 consecutive business days, ending on May 14, 2026.

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 Consolidated Financial Statements were issued.

On March 25, 2025 (the “Third Amendment Effective Date”) the Company entered into Amendment No. 3 (the “3rd Amendment”) to the Credit Agreement. Material changes contained in the 3rd 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. On August 29, 2025 (the “Fourth Amendment Effective Date”) the Company entered into Amendment No. 4 to the Credit Agreement. Material changes contained in Amendment No. 4 include a reduction to the Minimum Credit Party Liquidity covenant to $5.0 million, upon the Company’s delivery of a Liquidity Certificate evidencing liquidity of at least $6.8 million, the Minimum Liquidity Covenant Reduction Period will terminate and the covenant will increase to $6.8 million thereafter, and an Availability Reserve of $2.8 million during the Minimum Liquidity Covenant Reduction Period and $1.0 million thereafter.

On March 13, 2026 (the "Fifth Amendment Effective Date"), the Company and its subsidiaries entered into Amendment No. 5 to its Credit and Security Agreement with MidCap Funding IV Trust. Under the terms of the amendment, the Company’s minimum liquidity covenant was reduced from $5.0 million to $3.5 million during the Minimum Liquidity Covenant Reduction Period. This reduction period commenced on the Fifth Amendment Effective Date and is subject to extension at the Company's option on a weekly basis through May 9, 2026, provided it remains in compliance with certain fee payment obligations.

The outstanding balance on the MidCap credit facility as of March 31, 2026 and December 31, 2025 was $2.5 million and $4.3 million, respectively. The Company had $1.1 million availability on the Midcap credit facility as of March 31, 2026. We are in compliance with the financial covenants contained within the Credit Agreement as of March 31, 2026.

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. As of May 2, 2025, the Company had temporarily suspended its share repurchase program.

Trade Policy—During 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. As a result of these tariffs, we experienced an increase in our cost of goods sold during the quarter ended March 31, 2026. In response, we implemented targeted price increases across affected product categories to partially offset the higher input costs. These pricing actions, however, contributed to a decline in unit volumes as consumer demand responded to the higher retail prices. We have implemented a range of mitigation strategies to address the impact of these tariffs on our supply chain and margins. These efforts include diversifying sourcing outside of China, renegotiating supplier terms, redesigning certain products to reduce tariff exposure, and implementing selective price increases where appropriate. We have implemented a range of mitigation strategies to address the impact of these tariffs on our supply chain and margins. These efforts include diversifying sourcing outside of China, renegotiating supplier terms, redesigning certain products to reduce tariff exposure, and implementing selective price increases where appropriate. We continue to evaluate additional structural and operational measures to further reduce tariff-related exposure.

Non-GAAP Financial Measures

On April 27, 2026, the Company entered into an Asset Purchase Agreement with Trademark Global, LLC, to sell the assets and liabilities associated with our marquee brands, including Mueller Living, PurSteam, hOmeLabs, Squatty Potty, Healing Solutions, and Photo Paper Direct. As these brands represented the substantial majority of our historical consolidated operations, their results are now classified as discontinued operations for all periods presented.

Consequently, management believes that historical Non-GAAP financial measures previously disclosed, including Adjusted EBITDA and Contribution Margin, no longer provide a meaningful basis for evaluating the Company’s ongoing performance or future prospects. Our remaining continuing operations consist primarily of smaller legacy brands, such as Vremi and Xtava, and residual corporate activities. Given this fundamental shift in our business profile and the ongoing transition of our leadership and capital structure, we have elected to omit the presentation of these Non-GAAP measures for the current period.

We intend to re-evaluate our performance metrics as our remaining operations evolve and will provide updated disclosures if management determines that such measures provide useful information to investors.

Critical Accounting Policies and Use of Estimates

As discussed in our Form 10-K for the fiscal year ended December 31, 2025, 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 generally accepted accounting principles 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, 2025.

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.

On April 27, 2026, the Company entered into a definitive Asset Purchase Agreement with Trademark Global, LLC, to sell certain marquee brands for $18 million in cash. Based on the definitive deal terms, specifically the $18.0 million base purchase price and the estimated purchase price adjustments, the Company evaluated the carrying value of its brand intangible assets. The Company determined that the estimated allocated proceeds from the Asset Purchase Agreement were lower than the carrying values for certain definite-lived brand assets. Accordingly, the Company recorded a non-cash impairment charge of $3.4 million during the first quarter of 2026. This charge, recorded within Loss from Discontinued Operations on the Condensed Consolidated Statement of Operations, adjusts the carrying amount of the disposal group to its fair value less costs to sell, based on the $18.0 million cash consideration and estimated purchase price adjustments.

We 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, future operating efficiencies, and strategic alternative processes.

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, 2026, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2026.

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, 2026, 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 may be involved in various claims and legal proceedings relating to claims arising out of our operations, primarily with respect to the sale of our consumer products. We believe that there are no pending lawsuits or claims that, individually or in the aggregate, may have a material effect on our business, financial condition or operating results.

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

The Aterian Transactions are subject to significant conditions, including stockholder approval; failure to complete these transactions could materially harm our business and our ability to continue as a going concern.

On April 27, 2026, we entered into an Asset Purchase Agreement with Trademark Global, LLC and a Securities Purchase Agreement with David E. Lazar (collectively, the "Aterian Transactions"); however, there can be no assurance that we will obtain the necessary stockholder approvals or that other closing conditions will be satisfied. These transactions are subject to significant conditions, including the receipt of stockholder approval for the Asset Sale and the issuance of Common Stock upon conversion of the Preferred Stock, as well as our ability to achieve specific contribution margin targets. If the Aterian Transactions are not consummated, we will have incurred substantial legal, accounting, and advisory fees without the benefit of the $25 million in total anticipated gross proceeds, and we may be required to pay a termination fee of $1.1 million and reimburse up to $0.6 million of expenses under certain circumstances. Furthermore, our current liquidity position and our ability to remain in compliance with the covenants of our MidCap Credit Facility are significantly dependent on the closing of these transactions. A failure to close would likely impair our ability to continue as a going concern, and during the pendency of these transactions, we face ongoing operational risks including potential disruptions to business relationships with customers such as Amazon, Walmart, and Target, as well as broader macroeconomic hurdles.

The strategic investment made by David E. Lazar will result in a change in control and significant dilution of existing stockholders, giving a single investor outsized influence over our corporate strategy.

Existing stockholders will experience immediate and substantial dilution and a change in control as a result of the Aterian Transactions. Upon the Second SPA Closing and the subsequent conversion of the Series AA and Series AAA Preferred Stock, Mr. Lazar is expected to hold approximately 95.13% of our fully diluted share capitalization. This extreme concentration of ownership will give Mr. Lazar significantly outsized influence over our corporate strategy and all matters requiring stockholder approval, including the election of directors and the approval of significant corporate transactions. The interests of Mr. Lazar may differ from the interests of our other stockholders, and his ability to control the Company may have the effect of delaying or preventing a future change in control or other mergers that other stockholders might consider favorable.

The Company will dispose of substantially all of its revenue-generating assets upon the closing of the Asset Sale, and our future viability is subject to the successful execution of an unproven strategic pivot.

The Company will not have any material business assets following the consummation of the Asset Sale, as the sale to Trademark Global constitutes a sale of substantially all of our assets and revenue-generating operations, including our marquee brands. Consequently, our future viability will depend entirely on our ability to identify and consummate a "Post-Investment Transaction" or strategic "Pivot," which involves combining with a target company to create future growth opportunities. We may not be able to identify a suitable target company before our capital resources are depleted, and even if we do, there is no assurance that such a transaction will be successful or achieve anticipated benefits. Additionally, the final amount of net proceeds we receive from the Asset Sale remains subject to substantial uncertainty due to potential adjustments for net working capital, the satisfaction of unforeseen liabilities, and ongoing operational costs. There is also no guarantee that the Contingent Value Rights (CVRs) issued in connection with potential tariff refunds will result in any future cash payments to stockholders.

Our ability to retain key personnel may be adversely affected by the pending Asset Sale and our transition to new executive leadership.

The consummation of the Asset Sale and the strategic investment is subject to several conditions that may not be satisfied, including the receipt of stockholder approval. The uncertainty regarding the successful completion of these transactions, as well as the transition of leadership following the Second SPA Closing, may create significant anxiety regarding our future direction and ownership. This uncertainty could lead to increased employee attrition and further hinder our ability to attract and motivate key personnel. Additionally, the Asset Purchase Agreement requires the Company to maintain certain contribution margins, and any failure to meet these financial thresholds could jeopardize the closing of the sale, potentially impacting our ability to retain well-qualified employees.

Following the Second SPA Closing, David Lazar is expected to be appointed as the sole Chief Executive Officer, succeeding Arturo Rodriguez, which represents a significant shift in our senior management team. The loss of one or more of our key personnel during this transition period, or our inability to promptly identify suitable successors, could have an adverse effect on our business. Each of our executive officers and other employees could terminate their employment relationship with us at any time.

We have historically operated at a loss and we may never achieve or sustain continuous profitability or positive cash flows. Management has determined that there is substantial doubt about the Company's ability to continue as a going concern.

We have experienced significant after-tax losses for the three months ended March 31, 2026 and 2025. 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, 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 to sustain our business. Even though 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, 2025, 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 sales 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.

Increased costs of raw materials, energy, labor, transportation and platform fees charged by marketplaces may adversely affect our business, operating results, financial condition, and cash flows.

Significant increases in the cost and/or reductions in the availability of raw materials, energy, labor, transportation, and increases in tariffs and platform fees charged by marketplaces have negatively impacted our business, operating results, financial condition, and cash flows and may continue to negatively impact such items in the future. Our contract manufacturers purchase significant amounts of metals, plastics and other materials to manufacture our products. In addition, they also purchase significant amounts of electricity to supply the energy required in their production processes. Global political instabilities, including the Iran conflict, are expected to result in higher metal, plastic, electric, transportation and product costs, and may increase our cost of goods sold in the near term or impair our ability to obtain products at marketable rates or at all. We are heavily dependent on inbound sea, rail and truck freight. Disruptions in the global supply chain and freight networks, has, and may continue to limit inbound and outbound shipment capacity and increase our cost of goods sold and certain operating expenses. Further, the marketplaces on which we sell our products charge fees for selling, storage, advertising and fulfillment, all of which have historically increased, and we expect will continue to increase. Specifically, recent increases in oil prices have contributed to higher marketplace fees. The cost of raw materials, energy, labor, and transportation represents a significant portion of our cost of goods sold, while platform fees charged by marketplaces represent a significant portion of our operating expenses; these costs are not within our control and we have had limited success passing these on to customers. Our business, operating results, financial condition, and cash flows could be adversely affected by future increases in any of these costs. Additionally, the loss or disruption of essential manufacturing and supply elements such as raw materials or other finished product components, restricted transportation or increased freight costs, reduced workforce, or other manufacturing and distribution disruption could adversely impact our ability to meet our customers' needs. Furthermore, it is not practical for us to mitigate our exposure to, nor are we able to accurately project the possible effect of foreign currency exchange rate fluctuations on our operating results due to our constantly changing exposure to various foreign currencies and the difficulty in predicting fluctuations in foreign currency exchange rates relative to the U.S. Dollar.

Recent escalations in geopolitical tensions in Iran, including significant combat operations and retaliatory strikes involving the United States and regional powers, have created substantial volatility in global energy and shipping markets. This conflict has led to disruptions in critical maritime routes and increased the risk of spiked freight insurance premiums and fuel surcharges for inbound shipments from our Asian suppliers. These macroeconomic pressures pose a direct threat to our operating results and could specifically impair our ability to achieve the contribution margin targets required as a condition to the closing of the Asset Purchase Agreement with Trademark Global. Furthermore, any sustained increase in shipping costs or delays in product availability would exacerbate the liquidity constraints that have historically affected our business and could interfere with our ability to maintain compliance with our existing credit facility prior to the anticipated influx of capital from the Aterian Transactions. If we are unable to successfully navigate these disruptions, the failure to close the pending Asset Sale and Stock Sale would have a material adverse effect on our financial condition and our ability to continue as a going concern.

We depend on third-party suppliers for all of our products, most of which are located in Asia, and any inability or delay in obtaining products from such suppliers could have a material adverse effect on our business, operating results, financial condition, and cash flow.

We are dependent on third-party suppliers such as contract manufacturers and third-party logistics providers and carriers for the manufacturing and distribution of our products and any disruption to our supply chain, even for a relatively short period of time, could cause a loss of revenue, which could adversely affect our business, operating results, financial condition, and cash flows. Our ability to select reliable suppliers that provide timely deliveries of quality products will impact our success in meeting customer demand. Further, for a number of our significant products, we only have a single-source of supply (such as for certain dehumidifiers) and in general we do not have contracts with our contract manufacturers covering costs and production that we believe we can enforce without undue effort or cost. Any supplier's inability or unwillingness to timely deliver products that meet desired specifications or any unanticipated changes in suppliers could be disruptive and costly and it is unlikely that we will be able to effect alternative arrangements on a timely basis, or in the case of manufacturing certain of our significant products, at all. Any significant failure by us to obtain quality products, in sufficient quantities, on a timely basis, and at an affordable cost or any significant delays or interruptions of supply would have a material adverse effect on our business, operating results, financial condition, and cash flows.

As most of our product suppliers are based in China, our business is subject to additional risks including, among others: currency fluctuations; labor unrest; potential political, economic and social instability; restrictions on transfers of funds; import duties and quotas; changes in domestic and international customs and tariffs, including embargoes and customs restrictions; uncertainties involving the costs to transport and warehouse products due to the dynamic nature of the global supply chain; unexpected changes in regulatory environments; regulatory issues involved in dealing with foreign suppliers and in exporting and importing products. The foregoing factors could have a material adverse effect on our business, operating results, financial condition, and cash flows.

If our products experience any recalls, product liability claims, or government, customer or consumer concerns about product safety, our reputation and operating results could be harmed.

Our products are subject to regulation by the U.S. Consumer Product Safety Commission (the "CPSC") and similar state and international regulatory authorities, and these products sold on our platform could be subject to involuntary recalls and other actions by these authorities. Concerns about product safety including concerns about the safety of products manufactured in developing countries, could lead us to recall selected products. Recalls and government, customer or consumer concerns about product safety could harm our reputation and reduce sales, either of which could have a material adverse effect on our business, results of operations, financial condition and prospects.

In February 2026, we announced a voluntary recall in coordination with the CPSC for approximately 195,000 units of our PurSteam Mighty Lil Steamers and Elite Travel Steamers due to reports of hot water expelling from the nozzle. We have incurred, and expect to continue to incur, costs related to this recall, including refund payments and legal expenses. As a result of this recall, a putative class action complaint, Sarah Brannon v. Aterian, Inc., was filed against us on March 6, 2026, in the U.S. District Court for the District of New Jersey. The complaint alleges various violations, including breach of implied warranty, unjust enrichment, and violations of the New Jersey Products Liability Act. While the Company ceased selling these steamers in 2024, the defense of this existing litigation, and the potential for additional product liability or class action lawsuits, could result in significant legal expenses, settlements, or judgments. Furthermore, these developments could damage the reputation of the PurSteam brand, leading to a loss of consumer trust and a permanent decline in revenue for this product line.

On May 13, 2026, the company entered into a settlement agreement and general release to resolve this litigation. Under the terms of the agreement, the company agreed to pay a total settlement sum of $100,000 in exchange for a full release of all claims related to the purchase and use of the products. The agreement stipulates a voluntary dismissal of the claims with prejudice and includes customary provisions regarding confidentiality, non-disparagement, and a denial of any wrongdoing or liability by the company.

We may be subject to product liability claims if people or property are harmed by the products we sell. Some of the products we sell may expose us to product liability claims and litigation (including class actions) or regulatory action relating to safety, personal injury, and death or environmental or property damage.

Although we maintain liability insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all. In general, our agreements with members of our supply chain do not indemnify us from product liability for a particular product, and some members of our supply chain may not have sufficient resources or insurance to satisfy their indemnity and defense obligations.

Any failure by us or our vendors to comply with product safety, consumer protection or other laws, or our standard vendor terms and conditions, or to provide safe factory conditions for our or their workers may damage our reputation and brand and harm our business.

The products we sell to our clients are subject to regulation by the CPSC, the Federal Trade Commission ("FTC") and similar state and international regulatory authorities. As a result, such products could be in the future subject to recalls and other remedial actions, including the manner in which we market our products. Product safety or labeling concerns may require us to voluntarily remove selected merchandise from our inventory. Such recalls or voluntary removal of merchandise can result in, among other things, suspension of our seller accounts on Amazon and other online marketplaces, lost sales, diverted resources, potential harm to our reputation and increased client service costs and legal expenses, which could have a material adverse effect on our operating results.

Some of the products we sell may expose us to product liability claims and litigation or regulatory action relating to personal injury or environmental or property damage. Although we maintain liability insurance and have implemented a quality assurance program that includes obtaining necessary certifications, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms or at all. In addition, our agreements with our vendors in general do not indemnify us from product liability for a particular vendor's products or our vendors may not have sufficient resources or insurance to satisfy their indemnity and defense obligations.

Our Credit Facility contains various restrictions and covenants that could limit our operating flexibility, and we may be unable to refinance or repay our Credit Facility. We also rely on credit export insurance for our vendors in China, the unavailability of which could have a material adverse impact on our business, operating results, financial condition, and cash flows.

On December 22, 2021, we obtained a revolving credit facility from Midcap Funding IV Trust (the "Credit Facility"). Our Credit Facility contains covenants and other restrictions that, among other things, requires us to satisfy certain liquidity and borrowing availability tests, restricts our ability to execute M&A transactions and to incur additional indebtedness. These restrictions and covenants, and those in other future financing arrangements, may limit our ability to respond to market conditions, to provide for capital investment needs or to take advantage of business opportunities.

On February 23, 2024, the Company amended the Credit Facility to extend the term to December 2026 and provide us with access to $17 million in current commitments which can be increased, subject to certain conditions, to $30.0 million. On March 25, 2025, the Company amended the Credit Facility to add repurchases 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.

On August 29, 2025, the Company amended the Credit Facility to include a reduction to the Minimum Credit Party Liquidity covenant to $5.0 million. Upon the Company's delivery of a Liquidity Certificate evidencing liquidity of at least $6.8 million, the Minimum Liquidity Covenant Reduction Period will terminate and the covenant will increase to $6.8 million thereafter, and an Availability Reserve of $2.8 million during the Minimum Liquidity Covenant Reduction Period and $1.0 million thereafter.

On March 13, 2026, the Company and its subsidiaries entered into Amendment No. 5 to its Credit and Security Agreement with MidCap Funding IV Trust. Under the terms of the amendment, the Company's minimum liquidity covenant was reduced from $5.0 million to $3.5 million during the Minimum Liquidity Covenant Reduction Period. This reduction period commenced on the Fifth Amendment Effective Date and is subject to extension at the Company's option on a weekly basis through May 9, 2026, provided it remains in compliance with certain fee payment obligations.

There is no guarantee that we will be available to repay or refinance our Credit Facility. Further, at any time, if we violate the terms of the Credit Facility, we may not be able to obtain a waiver from our lender under satisfactory terms, or at all, which would limit our operating flexibility and/or liquidity and which could have a material adverse effect on our business, operating results, financial condition, and cash flows.

We also rely on the availability of export credit insurance from the China Export & Credit Insurance Corporation ("Sinosure"), a Chinese state-owned enterprise, that provides export credit insurance to our contract manufacturers. From time to time, our contract manufacturers have experienced reductions in the availability of such credit from Sinosure as a result of our failure to timely pay them. While we currently believe our contract manufacturers have insurance at levels that we believe are sufficient to fund our operations, there can be no assurance that such insurance will be available at levels we require for our business, or at all, whether or not we make timely payments to our vendors, which would have a material adverse effect on our business, operating results, financial condition, and cash flows.

In addition, the Company has cash deposits at financial institutions in excess of the insured amount of $0.3 million by the Federal Deposit Insurance Corporation.

Our business is sensitive to the strength of the United States consumer market to a meaningful extent, and changes in consumer spending and economic conditions could adversely affect our business.

The strength of the U.S. economy has a significant impact on our performance. We are dependent on discretionary spending, which is affected by, among other things, unemployment rates, economic and political conditions worldwide, consumer confidence, energy and gasoline prices, interest and mortgage rates, the level of consumer debt and taxation, and financial markets, all of which are outside of our control. In particular, the ongoing conflict in Iran has contributed to increased gasoline and energy prices and heightened geopolitical uncertainty, which has negatively impacted discretionary spending at least in the short term, though these effects could be prolonged if the conflict continues or escalates. A continuing softening of demand, whether caused by changes in customer preferences, a weakening of the U.S. or global economies, or regional instability, may result in decreased revenue. We believe we have sustained a decline in the sales of our products in part due to the factors mentioned above, and any continued economic downturn or uncertainties in the U.S. or in other parts of the world could materially and adversely affect our business, operating results, financial condition, and cash flows.

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.

Throughout 2025, the U.S. trade environment underwent a period of unprecedented volatility characterized by the implementation of a broad “reciprocal” tariff regime. Utilizing the International Emergency Economic Powers Act (IEEPA), the administration imposed steep duties on nearly all imported goods, including a baseline 10% global tariff and targeted rates on major trading partners like China that reached historic highs before a late-year temporary truce. These actions were compounded by expanded Section 232 duties on industrial metals and the elimination of “de minimis” exemptions for low-value imports, significantly increasing our landed costs and requiring frequent adjustments to our pricing and sourcing strategies. While these measures were the primary drivers of trade policy for much of the year, their legal foundation remained a point of intense litigation until early 2026.

On February 20, 2026, the U.S. Supreme Court ruled in Learning Resources Inc. v. Trump that the International Emergency Economic Powers Act does not authorize the President to impose sweeping revenue-raising tariffs, invalidating previous broad reciprocal duties. In response, the administration immediately transitioned to a 10% baseline tariff under Section 122 of the Trade Act of 1974, effective February 24, 2026. These tariffs are subject to a 150-day statutory limit (expiring July 24, 2026) unless extended by Congress.

On May 7, 2026, the U.S. Court of International Trade (CIT) ruled in Burlap and Barrel, Inc. v. Trump that these Section 122 tariffs are unlawful, finding the administration exceeded its statutory authority. However, because the CIT limited its permanent injunction only to the specific plaintiffs in that case, the federal government continues to collect the 10% duty from all other importers, including the Company. We expect the administration to appeal this decision, and there is significant uncertainty regarding whether the tariffs will be stayed, if Congress will provide a legislative extension, or if the administration will pivot to alternative authorities, such as Section 301 investigations, to maintain or increase duty levels. Any prolonged collection of these duties, or the imposition of higher replacement tariffs, could materially increase our cost of goods sold and adversely affect our operating results.

These tariff actions, along with the potential for retaliatory measures, create uncertainty and may increase our product costs, disrupt our supply chain, and adversely affect our competitive position. In particular, continued or escalated trade and political tensions with China or other key trading partners could result in retaliatory restrictions that impair our ability to source products and components from contract manufacturers or service providers operating in those countries. Any sustained increase in tariffs, or the imposition of additional trade barriers, could materially and adversely affect our business, financial condition, and results of operations.

In addition to the tariff measures described above, changes in U.S. or foreign trade policy may create ongoing uncertainty in international trade relations. Future actions by the United States or other governments — including the imposition, increase, or extension of tariffs, quotas, or other trade restrictions, or changes to existing trade agreements or policies — could occur at any time and without notice. Any such actions, whether unilateral or in response to geopolitical or economic developments, could reduce demand for our products, increase our costs, disrupt our supply chain, reduce our profitability, or otherwise have a material adverse effect on our business, financial condition, 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

There is no guarantee of a continuing public market for you to resell our common stock.

There is no guarantee that we will continue to meet all requirements for continued listing on the Nasdaq Capital Market. We must continue to satisfy Nasdaq's continued listing requirements, including, among other things, a minimum closing bid price requirement of $1.00 per share.

On April 24, 2023,the Company received a notice from The Nasdaq Stock Market LLC ("Nasdaq") indicating that, based upon the closing bid price of the Company's common stock, par value $0.0001 per share ("Common Stock"), for the last 30 consecutive business days, the Company was not currently in compliance with the requirement to maintain a minimum bid price of $1.00 per share for continued listing on The Nasdaq Capital Market, as set forth in Nasdaq Listing Rule 5550(a)(2) (the "Bid Price Notice"). In response to the potential risk of delisting, the Company's stockholders approved granting the Board discretionary authority to implement a reverse stock split, and on March 20, 2024, the Company effected a 1-for-12 reverse stock split of its common stock. The Company subsequently regained compliance with Nasdaq's minimum bid price requirement in April 2024, and the matter was closed.

On December 9, 2025, the Company received a notice from Nasdaq indicating that, based upon the closing bid price of the Company's common stock, par value $0.0001 per share, for the last 30 consecutive business days, the Company is not currently in compliance with the requirement to maintain a minimum bid price of $1.00 per share for continued listing on The Nasdaq Capital Market, as set forth in Nasdaq Listing Rule 5550(a)(2).

The Bid Price Notice has no immediate effect on the continued listing status of the Common Stock on The Nasdaq Capital Market, and, therefore, the Company's listing remains fully effective.

The Company is provided a compliance period of 180 calendar days from the date of the Bid Price Notice, or until June 8, 2026, to regain compliance with the minimum closing bid requirement, pursuant to Nasdaq Listing Rule 5810(c)(3)(A). If at any time before June 8, 2026, the closing bid price of the Common Stock closes at or above $1.00 per share for a minimum of 10 consecutive business days, subject to Nasdaq's discretion to extend this period pursuant to Nasdaq Listing Rule 5810(c)(3)(H) to 20 consecutive business days, Nasdaq will provide written notification that the Company has achieved compliance with the minimum bid price requirement, and the matter would be resolved. If the Company does not regain compliance during the compliance period ending June 8, 2026, then Nasdaq may grant the Company a second 180 calendar day period to regain compliance, provided the Company meets the continued listing requirement for market value of publicly-held shares and all other initial listing standards for The Nasdaq Capital Market, other than the minimum closing bid price requirement, and notifies Nasdaq of its intent to cure the deficiency during the second compliance period.

The Company will continue to monitor the closing bid price of its Common Stock and seek to regain compliance with all applicable Nasdaq requirements within the allotted compliance periods. If the Company does not regain compliance within the allotted compliance periods, including any extensions that may be granted by Nasdaq, Nasdaq will provide notice that the Common Stock will be subject to delisting. The Company would then be entitled to appeal that determination to a Nasdaq hearings panel. There can be no assurance that the Company will regain compliance with the minimum bid price requirement during the 180-day compliance period, secure a second period of 180 days to regain compliance or maintain compliance with the other Nasdaq listing requirements.

In the future, if our Common Stock falls below the continued listing standard of $1.00 per share or otherwise fails to satisfy any of the Nasdaq continued listing requirements, and if we are unable to cure such deficiency during any subsequent cure period, our Common Stock could be delisted from the Nasdaq. If our Common Stock ultimately were to be delisted for any reason, we could face significant material adverse consequences, including:

- limited availability of market quotations for our Common Stock;
- a limited amount of news and analyst coverage for us;
- a decreased ability for us to issue additional securities or obtain additional financing in the future;
- limited liquidity for our stockholders due to thin trading; and
- the potential loss of confidence by investors and employees.

As of the date of this filing, the Company has not yet received formal written confirmation from Nasdaq that it has regained compliance, as the closing bid price of the Company's common stock has been at or above $1.00 per share for 10 consecutive business days, ending on May 14, 2026.

The proposed Nasdaq minimum market value rule could result in the immediate suspension and delisting of our common stock without a cure period.

On January 13, 2026, Nasdaq filed a proposed rule change with the SEC (File No. SR-NASDAQ-2026-004) that would establish a new continued listing requirement. Under the proposal, companies listed on the Nasdaq Global and Capital Markets would be required to maintain a minimum Market Value of Listed Securities ("MVLS") of at least $5 million.

If this rule is approved and we fail to maintain a $5 million MVLS for a period of 30 consecutive business days, our common stock would be subject to immediate suspension and delisting. Unlike other Nasdaq listing deficiencies, such as the $1.00 minimum bid price requirement, which typically allows for a 180-day compliance period, the proposed rule does not provide for a cure or compliance period. Furthermore, the proposal specifies that any appeal of a delisting determination under this rule would not stay the suspension of trading.

If our common stock is delisted from Nasdaq, it would likely trade on the over-the-counter ("OTC") market. Such a move could:

- significantly reduce the liquidity and market price of our common stock;
- limit our ability to raise additional capital through the issuance of equity;
- result in a loss of confidence by investors, suppliers, and employees; and
- make our stock subject to "penny stock" rules, which impose additional burdens on broker-dealers and further restrict secondary market

There can be no assurance that the SEC will not approve this rule or that we will be able to maintain a market capitalization sufficient to comply with these new requirements. Any such delisting would have a material adverse effect on our financial condition and the value of your investment.

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 10b5-1 Trading Plans. During the three months ended March 31, 2026, 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
10.1+	Asset Purchase Agreement, dated as of April 27, 2026, by and between Aterian, Inc. and Trademark Global, LLC	8-K	001-38937	4/29/2026	10.1
10.2+	Securities Purchase Agreement, dated as of April 27, 2026, by and between Aterian, Inc. and David Lazar	8-K	001-38937	4/29/2026	10.2
10.3+	Amendment No. 5 to that certain Credit and Security Agreement, dated as March 13, 2026, by and Aterian, Inc. and its subsidiaries party thereto as "Credit Parties," the lenders party thereto from time to time and Midcap Funding IV Trust, as administrative agent.	8-K	001-38937	3/17/2026	10.1
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.
+ Non-material schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company hereby undertakes to furnish supplemental copies of any of the omitted schedules and exhibits upon request by the Securities and Exchange Commission.

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, 2026	By:	/s/ Arturo Rodriguez Arturo Rodriguez Chief Executive Office*r* *(Principal Executive Officer)*
Date: May 15, 2026	By:	/s/ Joshua Feldman Joshua Feldman Chief Financial Officer *(Principal Financial Officer)*

EXHIBIT 31.1

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, 2026

/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, 2026

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

EXHIBIT 32.1

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, 2026 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	/s/ Joshua Feldman
Arturo Rodriguez	Joshua Feldman
Chief Executive Officer	*Chief Financial Officer*
(Principal Executive Officer)	*(Principal Financial Officer)*
May 15, 2026	May 15, 2026

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.