

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2024**

or

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

For the transition period from ___ to ___

Commission File Number **001-13449**



Quantum Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

94-2665054

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

224 Airport Parkway Suite 550
San Jose CA

(Address of Principal Executive Offices)

95110

(Zip Code)

(408) 944-4000

Registrant's telephone number, including area code

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	QMCO	Nasdaq Global Market

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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 the close of business on November 10, 2024 there were 4,848,482 shares of Quantum Corporation's common stock issued and outstanding.

QUANTUM CORPORATION
QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended September 30, 2024

Table of Contents

	Page
PART I	
Item 1. Financial Statements (unaudited):	
Condensed Consolidated Balance Sheets	1
Condensed Consolidated Statements of Operations and Comprehensive Loss	2
Condensed Consolidated Statements of Cash Flows	3
Condensed Consolidated Statements of Changes in Stockholders' Deficit	4
Index to Notes to Condensed Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3. Quantitative and Qualitative Disclosures About Market Risk	28
Item 4. Controls and Procedures	28
PART II	
Item 1. Legal Proceedings	29
Item 1A. Risk Factors	29
Item 5. Other Information	29
Item 6. Exhibits	30
Signatures	32

As used in this Quarterly Report on Form 10-Q, the terms "Quantum," "we," "us," and "our" refer to Quantum Corporation and its subsidiaries taken as a whole, unless otherwise noted or unless the context indicates otherwise.

Note Regarding Forward-Looking Statements

This report contains forward-looking statements. All statements contained in this report other than statements of historical fact, including, but not limited to, statements regarding our future operating results and financial position; our business strategy, focus and plans; our market growth and trends; our products, services and expected benefits thereof; and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "could," "would," "project," "plan," "potentially," "preliminary," "likely," and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including the competitive pressures that we face; risks associated with executing our strategy; the impact of macroeconomic and geopolitical trends and events; the need to manage third-party suppliers and the distribution of our products and the delivery of our services effectively; the protection of our intellectual property assets, including intellectual property licensed from third parties; risks associated with our international operations; the development and transition of new products and services and the enhancement of existing products and services to meet customer needs; our response to emerging technological trends; the execution and performance of contracts by us and our suppliers, customers, clients and partners; the hiring and retention of key employees; risks associated with business combination and investment transactions; the execution, timing and results of any transformation or restructuring plans, including estimates and assumptions related to the cost and the anticipated benefits of the transformation and restructuring plans; the outcome of any claims and disputes; and those risks described under Part II, Item 1A. Risk Factors. Moreover, we operate in a competitive and changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the effect of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Accordingly, you should not rely on forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur. We undertake no obligation to update any of these forward-looking statements for any reason after the date of this report or to conform these statements to actual results or revised expectations.

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

QUANTUM CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts, unaudited)

	September 30, 2024	March 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 16,719	\$ 25,692
Restricted cash	241	168
Accounts receivable, net of allowance for credit losses of \$99 and \$22, respectively	51,073	67,788
Manufacturing inventories	18,965	17,753
Service parts inventories	9,028	9,783
Prepaid expenses	3,632	2,186
Other current assets	9,195	8,414
Total current assets	108,853	131,784
Property and equipment, net	11,334	12,028
Goodwill	12,969	12,969
Intangible assets, net	742	1,669
Right-of-use assets	9,164	9,425
Other long-term assets	20,084	19,740
Total assets	\$ 163,146	\$ 187,615
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	\$ 30,789	\$ 26,087
Accrued compensation	13,864	18,214
Deferred revenue, current portion	69,369	78,511
Term debt, current portion	1,579	82,496
Revolving credit facility	—	26,604
Warrant liabilities	2,499	4,046
Other accrued liabilities	16,501	13,986
Total current liabilities	134,601	249,944
Deferred revenue, net of current portion	37,164	38,176
Revolving credit facility	28,300	—
Term debt, net of current portion	94,746	—
Operating lease liabilities	9,366	9,621
Other long-term liabilities	12,372	11,372
Total liabilities	316,549	309,113
Commitments and contingencies (Note 11)		
Stockholders' deficit		
Preferred stock, 20,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.01 par value; 225,000 shares authorized; 4,793 and 4,793 shares issued and outstanding	49	49
Additional paid-in capital	709,667	708,026
Accumulated deficit	(861,727)	(827,380)
Accumulated other comprehensive loss	(1,392)	(2,193)
Total stockholders' deficit	(153,403)	(121,498)
Total liabilities and stockholders' deficit	\$ 163,146	\$ 187,615

See accompanying Notes to Condensed Consolidated Financial Statements.

QUANTUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except per share amounts, unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2024	2023	2024	2023
Revenue:				
Product	\$ 36,785	\$ 42,947	\$ 77,779	\$ 101,522
Service and subscription	31,321	30,505	58,768	61,458
Royalty	2,363	2,228	5,265	5,194
Total revenue	70,469	75,680	141,812	168,174
Cost of revenue:				
Product	29,774	30,719	62,330	75,170
Service and subscription	11,427	12,225	24,080	24,628
Total cost of revenue	41,201	42,944	86,410	99,798
Gross profit	29,268	32,736	55,402	68,376
Operating expenses:				
Sales and marketing	13,578	15,717	26,872	31,557
General and administrative	13,977	10,241	35,043	22,940
Research and development	8,264	9,152	16,572	20,065
Restructuring charges	383	1,338	1,574	2,667
Total operating expenses	36,202	36,448	80,061	77,229
Loss from operations	(6,934)	(3,712)	(24,659)	(8,853)
Other income (expense), net	(1,334)	367	(1,375)	(630)
Interest expense	(6,131)	(3,855)	(9,921)	(7,055)
Change in fair value of warrant liabilities	3,550	4,402	5,216	5,128
Loss on debt extinguishment	(2,308)	—	(3,003)	—
Net loss before income taxes	(13,157)	(2,798)	(33,742)	(11,410)
Income tax provision	370	533	605	1,063
Net loss	\$ (13,527)	\$ (3,331)	\$ (34,347)	\$ (12,473)
Net loss per share attributable to common stockholders - basic	\$ (2.82)	\$ (0.70)	\$ (7.17)	\$ (2.64)
Net loss per share attributable to common stockholders - diluted	\$ (2.82)	\$ (0.70)	\$ (7.17)	\$ (2.64)
Weighted average shares - basic	4,793	4,751	4,793	4,717
Weighted average shares - diluted	4,793	4,751	4,793	4,717
Net loss	\$ (13,527)	\$ (3,331)	\$ (34,347)	\$ (12,473)
Foreign currency translation adjustments, net	659	(720)	801	(471)
Total comprehensive loss	\$ (12,868)	\$ (4,051)	\$ (33,546)	\$ (12,944)

See accompanying Notes to Condensed Consolidated Financial Statements.

QUANTUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, unaudited)

	Six Months Ended September 30,	
	2024	2023
Operating activities		
Net loss	\$ (34,347)	\$ (12,473)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	3,347	5,295
Amortization of debt issuance costs	2,081	1,234
Loss on debt extinguishment	3,003	—
Provision for product and service inventories	1,167	892
Stock-based compensation	1,641	2,831
Paid in kind interest	1,844	777
Change in fair value of warrant liabilities	(5,216)	(5,127)
Other non-cash	851	49
Changes in assets and liabilities:		
Accounts receivable, net	16,638	21,109
Manufacturing inventories	(2,168)	(2,070)
Service parts inventories	543	(1,505)
Prepaid expenses	(1,446)	8
Accounts payable	5,253	(9,073)
Accrued compensation	(4,350)	(1,946)
Deferred revenue	(10,153)	(9,269)
Other current assets	(780)	115
Other non-current assets	1,280	(2,354)
Other current liabilities	2,556	(1,602)
Other non-current liabilities	1,062	1,764
Net cash used in operating activities	(17,194)	(11,345)
Investing activities		
Purchases of property and equipment	(3,228)	(3,925)
Net cash used in investing activities	(3,228)	(3,925)
Financing activities		
Borrowings of long-term debt, net of debt issuance costs	24,655	14,083
Repayments of long-term debt	(13,537)	(3,247)
Borrowings of credit facility	209,852	217,084
Repayments of credit facility	(209,445)	(213,082)
Net cash provided by financing activities	11,525	14,838
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3)	11
Net change in cash, cash equivalents and restricted cash	(8,900)	(421)
Cash, cash equivalents, and restricted cash at beginning of period	25,860	26,175
Cash, cash equivalents, and restricted cash at end of period	\$ 16,960	\$ 25,754
The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 16,719	\$ 25,574
Restricted cash, current	241	180
Cash and cash equivalents at the end of period	\$ 16,960	\$ 25,754
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 5,539	\$ 6,079
Cash paid for income taxes, net	\$ 1,304	\$ 831
Non-cash transactions		
Purchases of property and equipment included in accounts payable	\$ 312	\$ 689
Paid-in-kind interest	\$ 1,844	\$ 777

See accompanying Notes to Condensed Consolidated Financial Statements.

QUANTUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
(in thousands, unaudited)

Three Months Ended	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount				
Balance, June 30, 2023	4,685	\$ 47	\$ 705,200	\$ (795,236)	\$ (1,332)	\$ (91,321)
Net loss	—	—	—	(3,331)	—	(3,331)
Foreign currency translation adjustments, net	—	—	—	—	(720)	(720)
Shares issued under employee incentive plans, net	91	1	(1)	—	—	—
Stock-based compensation	—	—	939	—	—	939
Balance, September 30, 2023	<u>4,776</u>	<u>\$ 48</u>	<u>\$ 706,138</u>	<u>\$ (798,567)</u>	<u>\$ (2,052)</u>	<u>\$ (94,433)</u>
Balance, June 30, 2024	4,793	\$ 49	\$ 708,951	\$ (848,200)	\$ (2,051)	\$ (141,251)
Net loss	—	—	—	(13,527)	—	(13,527)
Foreign currency translation adjustments, net	—	—	—	—	659	659
Stock-based compensation	—	—	716	—	—	716
Balance, September 30, 2024	<u>4,793</u>	<u>\$ 49</u>	<u>\$ 709,667</u>	<u>\$ (861,727)</u>	<u>\$ (1,392)</u>	<u>\$ (153,403)</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

Six Months Ended	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount				
Balance, March 31, 2023	4,679	\$ 47	\$ 703,259	\$ (786,094)	\$ (1,581)	\$ (84,369)
Net loss	—	—	—	(12,473)	—	(12,473)
Foreign currency translation adjustments, net	—	—	—	—	(471)	(471)
Shares issued under employee incentive plans, net	97	1	(1)	—	—	—
Warrants issued in connection with debt refinancing	—	—	49	—	—	49
Stock-based compensation	—	—	2,831	—	—	2,831
Balance, September 30, 2023	4,776	\$ 48	\$ 706,138	\$ (798,567)	\$ (2,052)	\$ (94,433)
Balance, March 31, 2024	4,793	\$ 49	\$ 708,026	\$ (827,380)	\$ (2,193)	\$ (121,498)
Net loss	—	—	—	(34,347)	—	(34,347)
Foreign currency translation adjustments, net	—	—	—	—	801	801
Stock-based compensation	—	—	1,641	—	—	1,641
Balance, September 30, 2024	4,793	\$ 49	\$ 709,667	\$ (861,727)	\$ (1,392)	\$ (153,403)

See accompanying Notes to Condensed Consolidated Financial Statements.

INDEX TO NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Page
Note 1: Description of Business and Summary of Significant Accounting Policies	7
Note 2: Revenue	8
Note 3: Balance Sheet Information	10
Note 4: Debt	11
Note 5: Fair Value of Financial Instruments	14
Note 6: Leases	14
Note 7: Restructuring Charges	15
Note 8: Common Stock	16
Note 9: Net Loss Per Share	18
Note 10: Income Taxes	18
Note 11: Commitments and Contingencies	18

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1: DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Quantum Corporation, together with its consolidated subsidiaries (“Quantum” or the “Company”), stores and manages digital video and other forms of unstructured data, providing streaming performance for video and rich media applications, along with low-cost, long-term storage systems for data protection and archiving. The Company helps customers around the world capture, create and share digital data and preserve and protect it for decades. The Company’s software-defined, hyperconverged storage solutions span from non-volatile memory express (“NVMe”), to solid state drives (“SSD”), hard disk drives, (“HDD”), tape and the cloud and are tied together leveraging a single namespace view of the entire data environment. The Company works closely with a broad network of distributors, value-added resellers (“VARs”), direct marketing resellers (“DMRs”), original equipment manufacturers (“OEMs”) and other suppliers to meet customers’ evolving needs.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. All intercompany balances and transactions have been eliminated. Certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted. The Company believes the disclosures made are adequate to prevent the information presented from being misleading. However, the accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included within the Annual Report.

The unaudited condensed consolidated interim financial statements reflect all adjustments, consisting only of normal and recurring items, necessary to present fairly our financial position as of September 30, 2024, the results of operations and comprehensive loss, statements of cash flows, and changes in stockholders’ deficit for the three and six months ended September 30, 2024 and 2023. Interim results are not necessarily indicative of full year performance because of the impact of seasonal and short-term variations.

Reverse Stock Split

On August 15, 2024, the Company’s shareholders approved an amendment to the Company’s Amended and Restated Certificate of Incorporation to effect a reverse stock split of the issued shares of the Company’s common stock, par value \$.01 per share (“Common Stock”), at a ratio ranging from 1 share-for-5 shares up to a ratio of to 1-for-20 shares, with the exact ratio, if any, to be selected by the board of directors (the “Board”) and set forth in a public announcement. On August 15, 2024, the Board approved a 1-for-20 reverse stock split (the “Reverse Stock Split”) of the Common Stock. The Reverse Stock Split became effective as of August 26, 2024 at 4:01 p.m., Eastern Time (the “Effective Time”). At the Effective Time, every twenty issued shares of Common Stock were automatically reclassified into one issued share of Common Stock, with any fractional shares resulting from the Reverse Stock Split rounded up to the nearest whole share. The number of outstanding shares of common stock was reduced from approximately 95.9 million shares to approximately 4.8 million shares.

All share and per share amounts for Common Stock in these condensed consolidated financial statements and notes thereto have been retroactively adjusted for all periods presented to give effect to the Reverse Stock Split.

Going Concern

These consolidated financial statements have been prepared in accordance with GAAP assuming the Company will continue as a going concern. In the Annual Report, it was stated that the Company believed it was probable that it would be in violation of the net leverage covenant at the next testing date which was July 2024. With the signing of the August 2024 Amendments, this testing requirement has been waived and the Company is currently in compliance with all covenants. Further, the August 2024 Amendments provide the Company with revised covenants and additional liquidity such that the Company believes that it will continue as a going concern and the substantial doubt no longer exists. See *Note 4: Debt* for further details.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and accompanying notes. Actual results could differ from these estimates and assumptions due to risks and uncertainties. Such estimates include, but are not limited to, the determination of standalone selling price for revenue arrangements with multiple performance obligations, inventory adjustments, useful lives of intangible assets and property and equipment, stock-based compensation, fair value of warrants, and provision for income taxes including related reserves. Management bases its estimates on historical experience and on various other assumptions which management believes to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

Restricted Cash

Restricted cash is comprised of bank guarantees and similar required minimum balances that serve as cash collateral in connection with various items including insurance requirements, value added taxes, ongoing tax audits and leases in certain countries.

NOTE 2: REVENUE

Based on how the Company manages its business, the Company has determined that it currently operates in one reportable segment. The Company operates in three geographic regions: (a) Americas; (b) Europe, Middle East and Africa ("EMEA"); and (c) Asia Pacific ("APAC"). Revenue by geography is based on the location of the customer from which the revenue is earned.

In the following table, revenue is disaggregated by major product offerings and geographies (in thousands):

	Three Months Ended September 30,				Six Months Ended September 30,			
	2024	2023			2024	2023		
Americas¹								
Product revenue	20,487	25,493			44,117	62,128		
Service and subscription	17,298	17,635			32,412	35,589		
Total revenue	37,785	43,128	54 %	57 %	76,529	97,717	54 %	58 %
EMEA								
Product revenue	11,682	11,975			24,656	27,823		
Service and subscription	11,731	10,846			21,394	21,952		
Total revenue	23,413	22,821	33 %	30 %	46,050	49,775	32 %	30 %
APAC								
Product revenue	4,616	5,479			9,006	11,571		
Service and subscription	2,292	2,024			4,962	3,917		
Total revenue	6,908	7,503	10 %	10 %	13,968	15,488	10 %	9 %
Consolidated								
Product revenue	36,785	42,947			77,779	101,522		
Service and subscription	31,321	30,505			58,768	61,458		
Royalty ²	2,363	2,228	3 %	3 %	5,265	5,194	4 %	3 %
Total revenue	\$ 70,469	\$ 75,680	100 %	100 %	\$ 141,812	\$ 168,174	100 %	100 %

¹ Revenue for the Americas geographic region outside of the United States is not significant.

² Royalty revenue is not allocatable to geographic regions.

Revenue by Solution

	Three Months Ended September 30,				Six Months Ended September 30,			
	2024	%	2023	%	2024	%	2023	%
Primary storage systems	\$ 11,760	17 %	\$ 17,058	23 %	\$ 28,630	20 %	\$ 28,507	17 %
Secondary storage systems	21,742	30 %	20,340	27 %	37,511	26 %	61,912	36 %
Device and media	7,430	11 %	7,893	10 %	16,679	12 %	16,085	10 %
Service	27,174	39 %	28,161	37 %	53,727	38 %	56,476	34 %
Royalty	2,363	3 %	2,228	3 %	5,265	4 %	5,194	3 %
Total revenue ¹	<u>\$ 70,469</u>	100 %	<u>\$ 75,680</u>	100 %	<u>\$ 141,812</u>	100 %	<u>\$ 168,174</u>	100 %

¹ Subscription revenue of \$4.1 million and \$1.0 million was allocated to Primary and Secondary storage systems for the three months ended September 30, 2024 and 2023, respectively. Subscription revenue of \$5.0 million and \$2.5 million was allocated to Primary and Secondary storage systems for the six months ended September 30, 2024 and 2023, respectively.

Contract Balances

The following table presents the Company's contract liabilities and certain information related to this balance as of March 31, 2024 and September 30, 2024 (in thousands):

	March 31, 2024	
Deferred revenue	\$	116,687
Revenue recognized in the period from amounts included in contract liabilities at the beginning of the period	\$	76,304
	September 30, 2024	
Deferred revenue	\$	106,533
Revenue recognized in the period from amounts included in contract liabilities at the beginning of the period	\$	48,132

Remaining Performance Obligations

Total remaining performance obligations ("RPO") representing contracted but not recognized revenue was \$ 122.4 million as of September 30, 2024. RPO consists of both deferred revenue and uninvoiced, non-cancelable contracts that are expected to be invoiced and recognized as revenue in future periods and excludes variable consideration related to sales-based royalties. Of the \$122.4 million RPO at the end of the second quarter of fiscal 2025, \$ 106.5 million was for invoiced deferred revenue and \$15.9 million was for uninvoiced, non-cancelable contracts. The non-current portion of the RPO will be recognized over the next 13 to 60 months.

RPO consisted of the following (in thousands):

	Current	Non-Current	Total
As of September 30, 2024	\$ 82,813	\$ 39,617	\$ 122,430

Deferred revenue consists of amounts that have been invoiced but have not yet been recognized as revenue including performance obligations pertaining to subscription services. The table below reflects the Company's deferred revenue as of September 30, 2024 (in thousands):

	Deferred revenue by period			
	Total	1 year or less	1 – 3 Years	3 year or greater
Service revenue	89,667	61,629	22,809	5,229
Subscription revenue	\$ 16,866	\$ 7,740	\$ 7,382	\$ 1,744
Total at September 30, 2024	<u>\$ 106,533</u>	<u>\$ 69,369</u>	<u>\$ 30,191</u>	<u>\$ 6,973</u>

NOTE 3: BALANCE SHEET INFORMATION

Certain significant amounts included in the Company's condensed consolidated balance sheets consist of the following (in thousands):

Manufacturing inventories

	September 30, 2024		March 31, 2024	
Finished goods	\$	9,349	\$	7,074
Work in progress		668		770
Raw materials		8,948		9,909
Total manufacturing inventories	\$	18,965	\$	17,753

Service parts inventories

	September 30, 2024		March 31, 2024	
Finished goods	\$	6,300	\$	3,660
Component parts		2,728		6,123
Total service parts inventories	\$	9,028	\$	9,783

Intangibles, net

	September 30, 2024			March 31, 2024		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Developed technology	\$ 9,013	\$ (9,013)	\$ —	\$ 9,013	\$ (8,550)	\$ 463
Customer lists	4,398	(3,656)	742	4,398	(3,192)	1,206
Intangible assets, net	\$ 13,411	\$ (12,669)	\$ 742	\$ 13,411	\$ (11,742)	\$ 1,669

Intangible assets amortization expense was \$0.5 million and \$1.0 million and \$0.9 million and \$2.1 million for the three and six months ended September 30, 2024 and 2023, respectively. As of September 30, 2024, the remaining weighted-average amortization period for definite-lived intangible assets was approximately 0.8 years. The Company recorded amortization of developed technology in cost of product revenue, and customer lists in sales and marketing expenses in the condensed consolidated statements of operations.

As of September 30, 2024, the future expected amortization expense for intangible assets is as follows (in thousands):

Fiscal year ending	Estimated future amortization expense	
Remainder of 2025	\$	461
2026		281
Total	\$	742

Goodwill

As of September 30, 2024 and March 31, 2024, goodwill was \$ 13.0 million. There were no impairments to goodwill as of September 30, 2024 and March 31, 2024.

Other long-term assets

	September 30, 2024	March 31, 2024
Capitalized SaaS implementation costs for internal use	\$ 14,880	\$ 15,349
Capitalized debt costs	2,664	1,923
Contract asset	1,357	1,477
Deferred taxes	759	734
Other	424	257
Total other long-term assets	<u>\$ 20,084</u>	<u>\$ 19,740</u>

Other accrued liabilities

	September 30, 2024	March 31, 2024
Accrued expenses	\$ 6,646	\$ 4,251
Asset retirement obligation	2,769	2,069
Accrued warranty	1,353	1,545
Accrued interest	458	524
Lease liability	1,375	1,256
Accrued income taxes	365	1,044
Other	3,535	3,297
Total other accrued liabilities	<u>\$ 16,501</u>	<u>\$ 13,986</u>

The following table details the change in the accrued warranty balance (in thousands):

	September 30, 2024	March 31, 2024
Beginning balance	\$ 1,545	\$ 2,094
Current period accruals	1,172	2,563
Adjustments to prior estimates	52	(141)
Charges incurred	(1,416)	(2,971)
Ending balance	<u>\$ 1,353</u>	<u>\$ 1,545</u>

NOTE 4: DEBT

The Company's debt consisted of the following (in thousands):

	September 30, 2024	March 31, 2024
Term Loan	\$ 104,747	\$ 87,942
PNC Credit Facility	28,300	26,604
Less: current portion	(1,579)	(109,100)
Less: unamortized debt issuance costs ⁽¹⁾	(8,422)	(5,446)
Long-term debt, net	<u>\$ 123,046</u>	<u>\$ —</u>

⁽¹⁾ The unamortized debt issuance costs related to the Term Loan are presented as a reduction of the carrying amount of the corresponding debt balance on the accompanying condensed consolidated balance sheets. Unamortized debt issuance costs related to the PNC Credit Facility are presented within other assets on the accompanying condensed consolidated balance sheets.

On August 5, 2021, the Company entered into a senior secured term loan, as amended (the "2021 Term Loan") maturing on August 5, 2026. The Company also has a revolving credit facility agreement with PNC Bank (the "PNC Credit Facility" and collectively with the Term Loan, the "Credit Agreements") maturing on August 5, 2026 and providing for borrowings up to a maximum principal amount of the lesser of: (a) \$40.0 million or (b) the amount of the borrowing base, as defined in the PNC Credit Facility agreement.

On June 1, 2023, the Company entered into amendments to the Credit Agreements (the "June 2023 Amendment") which, among other things, provided an advance of \$15.0 million in additional Term Loan borrowings (the "2023 Term Loan" and, collectively with the 2021 Term Loan, the "Term Loan") and incurred \$0.9 million in original issuance discount and origination fees which have been recorded as a reduction to the carrying amount of the 2023 Term Loan and amortized to interest expense over the loan term. The terms of the 2023 Term Loan are substantially

similar to the terms of the 2021 Term Loan, including in relation to maturity and security, except that, among other things, (a) the Applicable Margin (i) for any 2023 Term Loan designated an “ABR Loan” is 9.00% per annum and (ii) for any 2023 Term Loan designated as a “SOFR Loan” is 10.00% per annum, (b) accrued interest on the 2023 Term Loan is payable in kind (“PIK”), and is capitalized and added to the principal amount of the 2023 Term Loan at the end of each interest period applicable thereto, (c) the 2023 Term Loan does not amortize prior to the maturity date thereof, and (d) the 2023 Term Loan may not be prepaid prior to the payment in full of the existing term loans. In connection with the 2023 Term Loan, the Company issued warrants to purchase an aggregate of 0.06 million shares (the “June 2023 Warrants”) of the Company’s common stock, at an exercise price of \$ 20.00 per share. See *Note 8: Common Stock* for additional discussion related to the June 2023 Warrants.

The June 2023 Amendment to the 2021 Term Loan was accounted for as a modification. The value of the June 2023 Warrants in addition to \$ 0.7 million of fees paid to the lenders have been reflected as a reduction to the carrying amount of the Term Loan and amortized to interest expense over the remaining loan term. The Company incurred \$0.9 million of legal and financial advisory fees which were included in general and administrated expenses in the condensed consolidated statement of operations and comprehensive loss. The June 2023 Amendment to the PNC Credit Facility was accounted for as a modification and \$0.7 million in related fees and expenses were recorded to other assets and are amortized to interest expense over the remaining term of the agreement.

On February 14, 2024, the Company entered into amendments to the Credit Agreements (“February 2024 Amendments”) which waived testing of the total net leverage ratio financial covenant for the fiscal quarter ended December 31, 2023. In connection with the amendment, the Company incurred fees related to the Term Loan that was paid-in-kind of \$1.2 million and an amendment fee of \$0.1 million that was paid in cash. As the February 2024 Amendments were accounted for as a modification, the fees were reflected as a reduction to the carrying amount of the Term Loan and are amortized to interest expense over the remaining loan term. In connection with the related PNC Credit Facility amendment, the Company incurred \$0.2 million in fees and expenses.

On March 22, 2024, the Company entered into amendments to the Credit Agreements. The amendments, among other things, (i) permits the sale of certain assets by the Company and (ii) requires that certain proceeds from the sale of such assets be applied to partially prepay the outstanding term loans under the Term Loan credit facility. The Company did not incur any amendment fees related to the March 2024 amendments and the financial terms of the Credit Agreements were not impacted.

During the quarter ended June 30, 2024, the Company prepaid \$ 12.3 million of the Term Loan. In connection with this prepayment, the Company recorded a loss on debt extinguishment of \$0.7 million related to the write-off of a portion of unamortized debt issuance costs.

On May 24, 2024, the Company entered into amendments to the Credit Agreements (the “May 2024 Amendments”) which, among other things, (i) waived compliance with the Company’s net leverage covenant as of March 31, 2024; and (ii), reduced the daily minimum liquidity covenant below \$15.0 million until June 16, 2023 and waived any default that might arise as a result of the restatement of certain of the Company’s historical financial statements. In connection with the May 2024 Amendments, the Company issued to the Term Loan lenders warrants to purchase an aggregate of 100,000 shares of the Company’s common stock at a purchase price of \$9.20 (the “May 2024 Warrants”). See *Note 8: Common Stock* for additional discussion related to the May 2024 Warrants. Additionally, in connection with the May 2024 Amendment to the Term Loan, the Company incurred an amendment fee that was paid-in-kind of \$0.8 million and issued the 2024 Term Loan Warrants with a fair market value of \$0.8 million. In connection with the May 2024 Amendment to the PNC Credit Facility Amendment, the Company incurred \$ 0.5 million of fees and expenses paid to the lender.

The May 2024 Amendment to the Term Loan was accounted for as a modification. The value of the May 2024 Warrants, in addition to \$ 0.8 million of amendment fees paid to the lenders, have been reflected as a reduction to the carrying amount of the Term Loan and amortized to interest expense over the remaining loan term. The May 2024 Amendment to the PNC Credit Facility was accounted for as a modification and the \$0.5 million in related fees and expenses were recorded to other assets and are amortized to interest expense over the remaining term of the agreement.

On July 11, 2024, the Company entered into amendments to the Credit Agreements (the “July 2024 Amendments”) which, among other things, delayed the testing of the Company’s June 30, 2024 net leverage ratio financial covenant until July 31, 2024. In connection with the amendments, the Company issued the Term Loan lenders (the

“July 2024 Warrants”) to purchase an aggregate of 50,000 shares of the Company’s common stock at a purchase price of \$ 8.20. See *Note 8: Common Stock* for additional discussion related to the July 2024 Warrants.

The July 2024 Amendments to the 2021 Term Loan were accounted for as a modification. The fair value of the July 2024 Warrants of \$ 0.4 million is reflected as a reduction to the carrying amount of the Term Loan and amortized to interest expense over the remaining loan term. The July 2024 Amendment to the PNC Credit Facility was accounted for as a modification and the \$0.1 million in related fees and expenses were recorded to other assets and are amortized to interest expense over the remaining term of the agreement.

On August 13, 2024, the Company entered into amendments to the Credit Agreements (the “August 2024 Amendments”) which, among other things, (i) waived compliance with the June 30, 2024 net leverage ratio financial covenant; (ii) waived any non-compliance with the minimum liquidity financial covenant through the date of the amendments; (iii) removed the fixed charges coverage ratio financial covenant until the fiscal quarter ending September 30, 2025; (iv) waived the testing requirement for the net leverage financial covenant for the fiscal quarter ending September 30, 2024; (v) replaced the net leverage financial covenant with a minimum EBITDA financial covenant for the fiscal quarters ending December 31, 2024 and March 31, 2025; (vi) reset the net leverage financial covenant requirements for the fiscal quarters ending June 30, 2025 and September 30, 2025; reduced the minimum liquidity covenant to \$10 million through September 30, 2025; (vii) adjusted the applicable interest rates on the Term Loan and PNC Credit Facility; (viii) removed required 2021 Term Loan principal amortization until the fiscal quarter ending September 30, 2025 ; and (xi) repriced certain Lender Warrants.

In connection with the August 2024 Amendments, the Company received a new senior secured delayed draw term loan facility with a borrowing capacity of up to \$26.3 million (\$25.0 million after original issuance discount) and a commitment period expiring on October 31, 2024 (each draw an “August 2024 Term Loan”). The Company borrowed \$10.5 million at closing (“Initial August 2024 Term Loan”). Borrowings under the August 2024 Term Loan have an August 5, 2026 maturity date which aligns with the Term Debt. The principal is payable quarterly beginning September 30, 2025, at a rate per annum equal to 5% of the original principal balance. The August 2024 Term Loan’s interest rate margin is (a) until March 31, 2025 (i) for any August 2024 Term Loan designated as a ‘SOFR Loan’ is 12.00% per annum and (ii) for any August 2024 Term Loan designated an ‘ABR Loan’ is 11.00% per annum, in each case, with 6.00% of such interest rate margin paid-in-kind, and (b) from April 1, 2025, (i) for any August 2024 Term Loan designated as a ‘SOFR Loan’ is 14.00% per annum and (ii) for any August 2024 Term Loan designated an ‘ABR Loan’ is 13.00% per annum, in each case, with 8.00% of such interest rate margin paid-in-kind. The August 2024 Term Loan also includes a multiple on invested capital (“MOIC”) payable to the August 2024 Term Loan lenders. Subsequently, the Company borrowed the remaining \$15.8 million of the August 2024 Term Loan’s borrowing capacity before September 30, 2024.

Subsequent to the August 2024 Amendments, the 2021 Term Loan amortizes at 5.00% per annum commencing on September 30, 2025. Subsequent to the August 2024 Amendments and (A) until March 31, 2025, loans under the 2021 Term Loan designated as (x) ABR Loans bear interest at a rate per annum equal to the “ABR Rate” (calculated as the greatest of (i) 1.75%; (ii) the Federal funds rate plus 0.50%; (iii) a secured overnight financing rate based rate (the “SOFR Rate”) based upon an interest period of one month plus 1.0%; and (iv) the “Prime Rate” last quoted by the Wall Street Journal), plus an applicable margin of 8.75%, and (y) SOFR Rate Loans bear interest at a rate per annum equal to the SOFR Rate plus an applicable margin of 9.75%, in each case, with 3.75% of such interest rate margin paid-in-kind, with two specified step-downs in such applicable margin upon the receipt by the Company of cash proceeds from certain specified capital raises, and (B) from and after April 1, 2025, loans under the 2021 Term Loan designated as (x) ABR Loans bear interest at a rate per annum equal to the ABR Rate, plus an applicable margin of 8.75%, and (y) SOFR Rate Loans bear interest at a rate per annum equal to the SOFR Rate plus an applicable margin of 9.75%, in each case, with 3.75% of such applicable margin paid-in-kind, with a step-up of 1.00% per annum (which shall be paid-in-kind) if the Company’s total net leverage ratio is greater than 4.00x, and a step-down of 1.00% per annum if the Company’s total net leverage ratio is less than 3.50x (which shall reduce the paid-in-kind component of the applicable margin). The SOFR Rate is subject to a floor of 2.00%. The Company can designate a loan as an ABR Rate Loan or SOFR Rate Loan in its discretion.

Subsequent to the August 2024 Amendments, PNC Credit Facility loans designated as (x) PNC SOFR Loans bear interest at a rate per annum equal to a SOFR based rate (subject to a 0.0% floor), plus an applicable margin of 4.75% and (y) PNC Domestic Rate Loans and Swing Loans bear interest at a rate per annum equal to the greatest of (i) the base commercial lending rate of PNC Bank; (ii) the Overnight Bank Funding Rate plus 0.5%; and (iii) the daily SOFR rate plus 1.0%, plus an applicable margin of 3.75%. The Company can designate a loan as a PNC SOFR Loan or PNC Domestic Rate Loan in its discretion.

In connection with the August 2024 Amendments, the Company issued warrants to purchase an aggregate of 380,510 shares of the Company's common stock, at an exercise price of \$6.20 per share ("August 2024 Warrants") and had a fair value of \$ 2.0 million. See *Note 8: Common Stock* for additional discussion related to the August 2024 Warrants.

The August 2024 Amendments to the 2021 Term Loan held by one lender was accounted for as a modification. The \$ 1.2 million fair value of the August 2024 Warrants issued to this lender and the \$0.5 million of PIK fees paid to this lender are reflected as a reduction to the carrying amount of their Term Loan and their Initial Delayed Draw Term Loan and amortized to interest expense over the remaining loan terms. The August 2024 Amendments to the 2021 Term Loan held by another lender was accounted for as a debt extinguishment. The Company recorded a loss on debt extinguishment of \$3.0 million related to the write-off of a portion of unamortized debt issuance costs and fees and expenses incurred with the August 2024 Amendments.

The August 2024 Amendments to the PNC Credit Facility were accounted for as a modification, and the \$ 0.7 million in related fees and expenses were recorded to other assets and amortized to interest expense over the remaining term of the agreement.

As of September 30, 2024, the interest rate on the 2021 Term Loan, 2023 Term Loan, and 2024 Term Loans were 14.9%, 15.6%, and 17.1%, respectively. As of September 30, 2024, the interest rate on the PNC Credit Facility for Domestic Rate Loans and Swing Loans was 11.8% and for PNC SOFR loans was 9.96%.

The Term Loan amendments and certain warrants issued to term lenders during fiscal 2023 and fiscal 2024 were entered into with certain entities managed by Pacific Investment Management Company, LLC ("PIMCO") which is considered a related party due to the fact that Christopher D. Neumeyer is a member of the Company's Board of Directors and also an executive vice president and portfolio manager at PIMCO. The principal and PIK interest related to the June 2023 Term Loan which totaled \$18.9 million as of September 30, 2024, are payable at maturity.

Also, as of September 30, 2024, the PNC Credit Facility had an available borrowing base of \$ 28.4 million, of which \$0.1 million was available to borrow at that date.

NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's assets, measured and recorded at fair value on a recurring basis, may consist of money market funds which are included in cash and cash equivalents in the Condensed Consolidated Balance Sheets and are valued using quoted market prices (level 1 fair value measurements) at the respective balance sheet dates.

No impairment charges were recognized for non-financial assets in the six months ended September 30, 2024 and 2023. The Company has no non-financial liabilities measured and recorded at fair value on a non-recurring basis.

Long-term Debt

The Company's financial liabilities were comprised primarily of long-term debt as of September 30, 2024. The Company uses significant other observable market data or assumptions (Level 2 inputs as defined in the accounting guidance) that it believes market participants would use in pricing debt.

The carrying value and fair value of the Company's financial liabilities were primarily comprised of the following (in thousands):

	September 30, 2024		March 31, 2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Term Loan	\$ 104,747	\$ 96,336	\$ 87,942	\$ 75,143
PNC Credit Facility	28,300	26,190	26,604	24,743

NOTE 6: LEASES

Supplemental balance sheet information related to leases is as follows (in thousands):

Operating Leases	September 30, 2024		March 31, 2024	
Operating lease right-of-use asset	\$	9,164	\$	9,425
Operating lease liability with other accrued liabilities		1,375		1,256
Operating lease liability, net		9,366		9,621
Total operating lease liabilities	\$	10,741	\$	10,877

Components of lease cost were as follows (in thousands):

Lease Cost	Three Months Ended September 30,		Six Months Ended September 30,	
	2024	2023	2024	2023
Operating lease cost	\$ 779	\$ 731	\$ 1,491	\$ 1,606
Variable lease cost	82	60	152	182
Total lease cost	\$ 861	\$ 791	\$ 1,643	\$ 1,788

Maturity of Lease Liabilities	Operating Leases	
Remainder of fiscal year 2025	\$	1,389
2026		2,317
2027		1,797
2028		1,568
2029		1,220
Thereafter		12,089
Total lease payments	\$	20,380
Less: imputed interest		(9,639)
Present value of lease liabilities	\$	10,741

Lease Term and Discount Rate	September 30, 2024		March 31, 2024	
Weighted average remaining operating lease term (years)		10.15		10.85
Weighted average discount rate for operating leases		12.6 %		12.7 %

Operating cash outflows related to operating leases totaled \$ 1.4 million and \$1.6 million for the six months ended September 30, 2024 and 2023, respectively.

NOTE 7: RESTRUCTURING CHARGES

During the quarters ending September 30, 2024 and 2023, the Company approved certain restructuring plans to improve operational efficiencies and rationalize its cost structure.

The following tables show the activity and the estimated timing of future payouts for accrued restructuring (in thousands) included in other current liabilities:

	Severance and Benefits
Balance as of March 31, 2023	\$ —
Restructuring charges	2,667
Cash payments	(2,667)
Balance as of September 30, 2023	\$ —
Balance as of March 31, 2024	\$ —
Restructuring charges	1,571
Cash payments	(1,511)
Other non-cash	(2)
Balance as of September 30, 2024	\$ 58

NOTE 8: COMMON STOCK

Long-Term Incentive Plan

On September 12, 2023 the stockholders of the Company approved the Quantum Corporation 2023 Long-Term incentive plan ("2023 LTIP"). The 2023 LTIP serves as the successor to the Company's 2012 Long-Term Incentive Plan and provides for grants of performance share units, restricted stock units and stock options.

Reverse Stock Split

On August 26, 2024, the Company effected the Reverse Stock Split of the Company's our issued and outstanding Common Stock. The Common Stock began to trade on a post-split basis on August 27, 2024. The par value of the Common Stock was unchanged as a result of the Reverse Stock Split, remaining at \$0.01 per share, which resulted in the reclassification of capital from par value to capital in excess of par value. All share and per share data for comparative periods included within the Company's Condensed Consolidated Financial Statements and related footnotes have been adjusted to account for the effect of the Reverse Stock Split.

Warrants

In connection with debt refinancing and amendment activities, the Company issued warrants to purchase shares of the Common Stock in December 2018 which are exercisable until December 27, 2028 (the "December 2018 Warrants", in June 2020 which are exercisable until June 16, 2030 (the "June 2020 Warrants") and issued the June 2023 Warrants and May 2024 Warrants are until June 1, 2033 and May 24, 2034, respectively (collectively, the "Lender Warrants"). In July 2024, the Company issued warrants which are exercisable until July 11, 2034 and additional warrants were issued in August 2024 which are exercisable until August 13, 2034 (the "August 2024 Warrants").

As part of the August 2024 Warrants, the Company agreed to lower the exercise price of certain outstanding warrants to purchase an aggregate of 430,711 shares of Common Stock held by the Term Loan lenders or their affiliates to \$6.20 per share (the "Amended and Restated Warrants"). Other than lowering the exercise price and inserting certain restrictions on adjustments in the event of dilutive issuances at a price lower than the amended exercise price, the terms of the Amended and Restated Warrants are substantially similar to those contained in the original warrants.

The following summarizes the Company's outstanding Lender Warrants (in thousands, except exercise price):

	December 2018 Warrants	June 2020 Warrants	June 2023 Warrants	May 2024 Warrants	July 2024 Warrants	August 2024 Warrants	Total
March 31, 2024::							
Exercise price	\$26.60	\$55.40	\$20.00	n/a	n/a	n/a	
Number shares under warrant(s)	357	184	63	n/a	n/a	n/a	604
Fair value	\$ 2,320	\$ 1,135	\$ 591	n/a	n/a	n/a	\$ 4,046
September 30, 2024:							
Exercise price	\$6.20 - \$26.04	\$6.20 - \$54.19	\$6.20	\$6.20	\$6.20	\$6.20	
Number shares under warrant(s)	363	188	64	100	50	380	1,145
Fair value	\$ 516	\$ 324	\$ 174	\$ 280	\$ 140	\$ 1,065	\$ 2,499

The table below sets forth a summary of changes in the fair value of the Company's Level 2 warrant liabilities as of September 30, 2023 and 2024:

Balance at March 31, 2023	\$ 7,989
Issuance of warrants	1,195
Change in fair value of warrant liabilities	(5,128)
Balance at September 30, 2023	\$ 4,056
Balance at March 31, 2024	\$ 4,046
Issuance of warrants	3,157
Change in fair value of warrant liabilities	(5,216)
Repricing adjustment	512
Balance at September 30, 2024	\$ 2,499

Upon exercise, the aggregate exercise price of the Lender Warrants may be paid, at each warrant holder's election, in cash or on a net issuance basis, based upon the fair market value of the Common Stock at the time of exercise. The exercise price and the number of shares underlying the Lender Warrants are subject to adjustment in the event of specified events, including dilutive issuances of equity instruments at a price lower than the exercise price of the respective warrants (the "Down Round Feature"), repricing of existing equity-linked instruments at a price lower than the exercise price of the respective warrants (the "Warrant Repricing Feature"), a subdivision or combination of the Common Stock, a reclassification of the Common Stock or specified dividend payments. The Company's warrants also have a provision that determines the potential stock price used when applying the Black-Scholes valuation model to determine the settlement price of the warrants in Successor Major Transactions ("SMT"), as defined in the respective warrant agreements, which include a change in control or liquidation (the "Warrant Settlement Price Provision"). The Warrant Settlement Price Provision requires the use of the greater of the closing price of the Common Stock on the trading day immediately preceding the date on which an SMT is consummated, the closing market price of the Common Stock following the first public announcement of an SMT or the closing market of the Common Stock immediately preceding the announcement of an SMT. Due to these terms, equity classification was precluded, and these warrants are carried as liabilities at fair value.

The Company also issued 2,500 warrants to purchase the Common Stock in June 2020 and June 2023 to advisors of the Company at an exercise price of \$60.00 and \$20.00, respectively (collectively the "Other Warrants"). The Company has concluded that the Other Warrants do not contain provisions that would require liability classification under Topic 480 or Topic 718 and have been equity classified.

Registration Rights Agreements

The Lender Warrants grant the holders certain registration rights for the shares of Common Stock issuable upon the exercise of the applicable warrants, including (a) the ability of a holder to request that the Company file a Form S-1 registration statement with respect to at least 40% of the registrable securities held by such holder as of the issuance date of the applicable warrants; (b) the ability of a holder to request that the Company file a Form S-3 registration statement with respect to outstanding registrable securities if at any time the Company is eligible to use

a Form S-3 registration statement; and (c) certain piggyback registration rights related to potential future equity offerings of the Company, subject to certain limitations.

NOTE 9: NET LOSS PER SHARE

The Company has stock options, performance share units, restricted stock units and options to purchase shares under its Employee Stock Purchase Plan, as amended and restated on July 25, 2023 ("ESPP"), granted under various stock incentive plans that, upon exercise and vesting, would increase shares outstanding. The Company has also issued warrants to purchase shares of the Common Stock.

The dilutive impact related to Common Stock from restricted stock units and warrants is determined by applying the treasury stock method to the assumed vesting of outstanding restricted stock units and the exercise of outstanding warrants. The dilutive impact related to Common Stock from contingently issuable performance share units is determined by applying a two-step approach using both the contingently issuable share guidance and the treasury stock method.

The following weighted-average outstanding shares of Common Stock equivalents were excluded from the computation of diluted net income (loss) per share attributable to common stockholders for the periods presented because including them would have been anti-dilutive (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2024	2023	2024	2023
Stock Awards	11	12	24	25
Warrants	1,145	608	929	608

The Company had outstanding market based restricted stock units as of September 30, 2024 that were eligible to vest into shares of the Common Stock subject to the achievement of certain stock price targets in addition to a time-based vesting period. These contingently issuable shares are excluded from the computation of diluted earnings per share if, based on current period results, the shares would not be issuable if the end of the reporting period were the end of the contingency period. There were 45,084 shares of contingently issuable market-based restricted stock units that were excluded from the table above as the market conditions were not satisfied as of September 30, 2024.

NOTE 10: INCOME TAXES

The effective tax rate for the three and six months ended September 30, 2024 was (2.3)% and (1.6)%, respectively, as compared to (19.0)% and (9.3)%, for the three and six months ended September 30, 2023, respectively. The effective tax rates differed from the federal statutory tax rate of 21% during each of these periods due primarily to unbenefited losses experienced in jurisdictions with valuation allowances on deferred tax assets as well as the forecasted mix of earnings in domestic and international jurisdictions.

As of September 30, 2024, including interest and penalties, the Company had \$ 90.5 million of unrecognized tax benefits, \$ 78.0 million of which, if recognized, would favorably affect the effective tax rate without consideration of the valuation allowance. As of September 30, 2024, the Company had accrued interest and penalties related to these unrecognized tax benefits of \$1.3 million. The Company recognizes interest and penalties related to income tax matters in the income tax provision in the condensed consolidated statements of operations. As of September 30, 2024, \$83.0 million of unrecognized tax benefits were recorded as a contra deferred tax asset in other long-term assets in the condensed consolidated balance sheet and \$7.6 million (including interest and penalties) were recorded in other long-term liabilities in the condensed consolidated balance sheets. During the next 12 months, it is reasonably possible that approximately \$12.7 million of tax benefits, inclusive of interest and penalties, that are currently unrecognized could be recognized as a result of the expiration of applicable statutes of limitations. Upon recognition of the tax benefit related to the expiring statutes of limitation, \$11.8 million will be offset by the establishment of a related valuation allowance. The net tax benefit recognized in the statements of operation is estimated to be \$0.9 million.

NOTE 11: COMMITMENTS AND CONTINGENCIES

Commitments to Purchase Inventory

The Company uses contract manufacturers for its manufacturing operations. Under these arrangements, the contract manufacturer procures inventory to manufacture products based upon the Company's forecast of customer demand. The Company has similar arrangements with certain other suppliers. The Company is responsible for the financial impact on the supplier or contract manufacturer of any reduction or product mix shift in the forecast relative to materials that the third party had already purchased under a prior forecast. Such a variance in forecasted demand could require a cash payment for inventory in excess of current customer demand or for costs of excess or obsolete inventory. As of September 30, 2024, the Company had issued non-cancelable commitments for \$28.2 million to purchase inventory from its contract manufacturers and suppliers.

Legal Proceedings

Arrow Electronics Matter

On July 27, 2023, Arrow Electronics, Inc., an electronics component distributor filed a lawsuit in federal court in the Northern District of California against Quantum, alleging breach of contract and breach of the covenant of good faith and fair dealing. Arrow seeks, among other things just over \$4.2 million in damages. Quantum has filed a responsive pleading, which denies the allegation in the complaint. At this time, Quantum believes the probability that this lawsuit will have a material adverse effect on the Company's business, operating results, or financial condition is remote.

Other Commitments

Additionally, from time to time, the Company is party to various legal proceedings and claims arising from the normal course of business activities. Based on current available information, the Company does not expect that the ultimate outcome of any currently pending matters, individually or in the aggregate, will have a material adverse effect on the Company's results of operations, cash flows or financial position.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis compares the change in the consolidated financial statements for quarters ending September 30, 2024 and September 30, 2023 and should be read together with our consolidated financial statements, the accompanying notes, and other information included in this Quarterly Report. In particular, the risk factors contained in Part II, Item 1A may reflect trends, demands, commitments, events, or uncertainties that could materially impact our results of operations and liquidity and capital resources. For comparisons of quarters ended September 30, 2023 and September 30, 2022, see our Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 2 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, filed with the SEC on September 6, 2024, and incorporated herein by reference.

The following discussion contains forward-looking statements, such as statements regarding anticipated impacts on our business, our future operating results and financial position, our business strategy and plans, our market growth and trends, and our objectives for future operations. Please see "Note Regarding Forward-Looking Statements" for more information about relying on these forward-looking statements.

OVERVIEW

We are a technology company whose mission is to deliver innovative solutions to organizations across the world. We design, manufacture and sell technology and services that help customers capture, create and share digital content, and protect it for decades. We emphasize innovative technology in the design and manufacture of our products to help our customers unlock the value in their video and unstructured data in new ways to solve their most pressing business challenges.

We generate revenue by designing, manufacturing, and selling technology and services. Our most significant expenses are related to compensating employees; designing, manufacturing, marketing, and selling our products and services; data center costs in support of our cloud-based services; and interest associated with our long-term debt and income taxes.

Macroeconomic Conditions

We continue to actively monitor, evaluate and respond to the current uncertain macro environment, including the impact of higher interest rates, inflation, lingering supply chain challenges, and a stronger U.S. dollar. During the quarter we continued to experience longer sales cycle for opportunities with our enterprise as well as commercial customers.

The macro environment remains unpredictable and our past results may not be indicative of future performance.

RESULTS OF OPERATIONS

(in thousands)	Three Months Ended September 30,		Six Months Ended September 30,	
	2024	2023	2024	2023
Total revenue	\$ 70,469	\$ 75,680	\$ 141,812	\$ 168,174
Total cost of revenue ⁽¹⁾	41,201	42,944	86,410	99,798
Gross profit	29,268	32,736	55,402	68,376
Operating expenses				
Sales and marketing ⁽¹⁾	13,578	15,717	26,872	31,557
General and administrative ⁽¹⁾	13,977	10,241	35,043	22,940
Research and development ⁽¹⁾	8,264	9,152	16,572	20,065
Restructuring charges ⁽¹⁾	383	1,338	1,574	2,667
Total operating expenses	36,202	36,448	80,061	77,229
Loss from operations	(6,934)	(3,712)	(24,659)	(8,853)
Other income (expense), net	(1,334)	367	(1,375)	(630)
Interest expense	(6,131)	(3,855)	(9,921)	(7,055)
Change in fair value of warrant liabilities	3,550	4,402	5,216	5,128
Loss on debt extinguishment	(2,308)	—	(3,003)	—
Net loss before income taxes	(13,157)	(2,798)	(33,742)	(11,410)
Income tax provision	370	533	605	1,063
Net loss	\$ (13,527)	\$ (3,331)	\$ (34,347)	\$ (12,473)

⁽¹⁾Includes stock-based compensation as follows:

(in thousands)	Three Months Ended September 30,		Six Months Ended September 30,	
	2024	2023	2024	2023
Cost of revenue	\$ 76	\$ 190	\$ 266	\$ 382
Research and development	161	243	349	665
Sales and marketing	85	172	173	639
General and administrative	394	334	853	1,145
Total	\$ 716	\$ 939	\$ 1,641	\$ 2,831

Comparison of the Three Months Ended September 30, 2024 and 2023
Revenue

(dollars in thousands)	Three Months Ended September 30,					
	2024	% of revenue	2023	% of revenue	\$ Change	% Change
Product revenue	\$ 36,785	53 %	\$ 42,947	57 %	\$ (6,162)	(14) %
Service and subscription	31,321	44 %	30,505	40 %	816	3 %
Royalty	2,363	3 %	2,228	3 %	135	6 %
Total revenue	<u>\$ 70,469</u>	<u>100 %</u>	<u>\$ 75,680</u>	<u>100 %</u>	<u>\$ (5,211)</u>	<u>(7) %</u>

Product Revenue

In the three months ended September 30, 2024, product revenue decreased \$6.2 million, or 14%, as compared to the same period in fiscal 2024.. The primary driver of the decrease was in Primary storage systems as customers transition to subscription-based offerings. We expect the product revenue portion of our Primary and Secondary storage systems to decrease as we continue to transition to subscription-based offerings.

Service and subscription revenue increased \$0.8 million, or 3%, in the three months ended September 30, 2024 compared to the same period in fiscal 2024. This increase was due to new support bookings and the transition towards subscription-based licensing, partially offset by certain long-lived products reaching their end-of-service-life.

Royalty Revenue

We receive royalties from third parties that license our linear-tape open media patents through our membership in the linear-tape open consortium. Royalty revenue saw a small increase of \$0.1 million, or 6%, in the three months ended September 30, 2024 compared to the same period in fiscal 2024 due to product mix.

Gross Profit and Margin

(dollars in thousands)	Three Months Ended September 30,					
	2024	Gross margin %	2023	Gross margin %	\$ Change	Basis point change
Product	\$ 7,011	19.1 %	\$ 12,228	28.5 %	\$ (5,217)	(940)
Service and subscription	19,894	63.5 %	18,280	59.9 %	1,614	360
Royalty	2,363	100.0 %	2,228	100.0 %	135	—
Gross profit	<u>\$ 29,268</u>	<u>41.5 %</u>	<u>\$ 32,736</u>	<u>43.3 %</u>	<u>\$ (3,468)</u>	<u>(180)</u>

Gross profit and margin percentages are key metrics that management monitors to assess the performance on the business.

Product Gross Margin

Product gross margin decreased by \$5.2 million, or by 940 basis points, for the three months ended September 30, 2024, as compared with the same period in fiscal 2024.. This decrease was primarily due to a less favorable mix of revenues, weighted towards our lower margin product lines, which were partially offset from improvements in our operational efficiency and logistics costs.

Service and Subscription Gross Margin

Service and subscription gross margins increased 360 basis points for the three months ended September 30, 2024, as compared with the same period in fiscal 2024. This increase was primarily driven by the increase in service revenues as well as improvements in our operations efficiency.

Royalty Gross Margin

Royalties do not have significant related cost of sales.

Operating Expenses

(dollars in thousands)	Three Months Ended September 30,					
	2024	% of revenue	2023	% of revenue	\$ Change	% Change
Sales and marketing	\$ 13,578	19 %	\$ 15,717	21 %	\$ (2,139)	(14) %
General and administrative	13,977	20 %	10,241	14 %	3,736	36 %
Research and development	8,264	12 %	9,152	12 %	(888)	(10) %
Restructuring charges	383	1 %	1,338	2 %	(955)	(71) %
Total operating expenses	\$ 36,202	51 %	\$ 36,448	48 %	\$ (246)	(1) %

In the three months ended September 30, 2024, sales and marketing expenses decreased \$2.1 million, or 14%, as compared with the same period in fiscal 2024. This decrease was primarily driven by improved operational efficiency and increased leverage of our channel.

In the three months ended September 30, 2024, general and administrative expenses increased \$3.7 million, or 36%, as compared with the same period in fiscal 2024. This increase was primarily driven by non-recurring costs related to our previously announced restatement of our historical financial statements, and other related projects.

In the three months ended September 30, 2024, research and development expenses decreased \$0.9 million, or 10%, as compared with the same period in fiscal 2024. This decrease was the result of the continued consolidation of acquisition costs, and efficiencies realized through improved organization design.

In the three months ended September 30, 2024, restructuring expenses decreased \$1.0 million, or 71% as compared with the same period in fiscal 2024. The decrease was the result of cost reduction initiatives in the previous year.

Other Income (Expense)

(dollars in thousands)	Three Months Ended September 30,					
	2024	% of revenue	2023	% of revenue	\$ Change	% Change
Other income (expense)	\$ (1,334)	(2) %	\$ 367	— %	\$ (1,701)	463 %

The change in other income (expense), net during the three months ended September 30, 2024 compared with the same period in fiscal 2024 was related primarily to fluctuations in foreign currency exchange rates during the three months ended September 30, 2024.

Interest Expense

(dollars in thousands)	Three Months Ended September 30,					
	2024	% of revenue	2023	% of revenue	\$ Change	% Change
Interest expense	\$ (6,131)	(9) %	\$ (3,855)	(5) %	\$ (2,276)	59 %

In the three months ended September 30, 2024, interest expense increased \$2.3 million, or 59%, as compared with the same period in fiscal 2024 due to a higher effective interest rate on our Term Loan.

Warrant liabilities

(dollars in thousands)	Three Months Ended September 30,					
	2024	% of revenue	2023	% of revenue	\$ Change	% Change
Change in fair value of warrant liabilities	\$ 3,550	5 %	\$ 4,402	6 %	\$ (852)	(19) %

In September 30, 2024, the change in fair value of warrant liabilities increased \$0.9 million, or (19)%, as compared with the same period in fiscal 2024 due to a lower average stock price in the second fiscal quarter of 2024.

Loss on Debt Extinguishment

(dollars in thousands)	Three Months Ended September 30,					
	2024	% of revenue	2023	% of revenue	\$ Change	% Change
Loss on debt extinguishment	\$ (2,308)	(3) %	\$ —	— %	\$ (2,308)	100 %

In the three months ended September 30, 2024, loss on debt extinguishment was related to prepayment of our Term Loan.

Income Taxes

(dollars in thousands)	Three Months Ended September 30,					
	2024	% of pretax income	2023	% of pretax income	\$ Change	% Change
Income tax provision	\$ 370	(3) %	\$ 533	(19) %	\$ (163)	(31) %

The income tax provision for the three months ended September 30, 2024 and 2023 is primarily influenced by foreign and state income taxes. Due to our history of net losses in the United States, the protracted period for utilizing tax attributes in certain foreign jurisdictions, and the difficulty in predicting future results, we believe that we cannot rely on projections of future taxable income to realize most of our deferred tax assets. Accordingly, we have established a full valuation allowance against our U.S. and certain foreign net deferred tax assets. Significant management judgment is required in assessing our ability to realize any future benefit from our net deferred tax assets. We intend to maintain this valuation allowance until sufficient positive evidence exists to support its reversal. Our income tax expense recorded in the future will be reduced to the extent that sufficient positive evidence materializes to support a reversal of, or decrease in, our valuation allowance.

Comparison of the Six Months Ended September 30, 2024 and 2023

Revenue

(dollars in thousands)	Six Months Ended September 30,					
	2024	% of revenue	2023	% of revenue	\$ Change	% Change
Product revenue	\$ 77,779	55 %	\$ 101,522	60 %	\$ (23,743)	(23) %
Service and subscription	58,768	41 %	61,458	37 %	(2,690)	(4) %
Royalty	5,265	4 %	5,194	3 %	71	1 %
Total revenue	\$ 141,812	100 %	\$ 168,174	100 %	\$ (26,362)	(16) %

Product Revenue

In the six months ended September 30, 2024, product revenue decreased \$23.7 million, or 23%, as compared to the same period in fiscal 2024. The primary driver of the decrease was a \$20 million decrease in demand from our large hyperscale customers, as well as more general decreases in the overall tape market with declines in media and devices revenue. Outside of the Tape and Hyperscale business, our remaining Secondary and Primary storage systems are also offered as a subscription. We expect the product revenue portion of our Primary and Secondary storage systems to decrease as we continue to transition to subscription-based offerings.

Service Revenue

We offer a broad range of services including product maintenance, implementation, and training as well as software subscriptions. Service revenue is primarily comprised of customer field support contracts which provide standard support services for our hardware. Standard service contracts may be extended or include enhanced service, such as faster service response times.

Service and subscription revenue decreased \$2.7 million, or 4%, in the six months ended September 30, 2024 compared to the same period in fiscal 2024. This decrease was primarily driven by certain long-lived products reaching their end-of-service-life, partially offset by increases in subscription-based revenue.

Royalty Revenue

We receive royalties from third parties that license our linear-tape open media patents through our membership in the linear-tape open consortium. Royalty revenue saw a small increase of \$0.1 million, or 1%, in the three months ended September 30, 2024 compared to the same period in 2023 due to product mix.

Gross Profit and Margin

(dollars in thousands)	Six Months Ended September 30,					
	2024	Gross margin %	2023	Gross margin %	\$ Change	Basis point change
Product	\$ 15,449	19.9 %	\$ 26,352	26.0 %	\$ (10,903)	(610)
Service and subscription	34,688	59.0 %	36,830	59.9 %	(2,142)	(90)
Royalty	5,265	100.0 %	5,194	100.0 %	71	—
Gross profit	<u>\$ 55,402</u>	<u>39.1 %</u>	<u>\$ 68,376</u>	<u>40.7 %</u>	<u>\$ (12,974)</u>	<u>(160)</u>

Gross profit and margin percentages are key metrics that management monitors to assess the performance on the business.

Product Gross Margin

Product gross margin decreased 610 basis points, for the six months ended September 30, 2024, as compared with the same period in fiscal 2024. This decrease was primarily due to a less favorable mix of revenues, weighted towards our lower margin product lines, which were partially offset from improvements in our operational efficiency and logistics costs.

Service and Subscription Gross Margin

Service and subscription gross margin decreased 90 basis points for the six months ended September 30, 2024, as compared with the same period in fiscal 2024. This decrease was primarily driven by lower service revenues.

Royalty Gross Margin

Royalties do not have significant related cost of sales.

Operating Expenses

(dollars in thousands)	Six Months Ended September 30,					
	2024	% of revenue	2023	% of revenue	\$ Change	% Change
Sales and marketing	\$ 26,872	19 %	\$ 31,557	19 %	\$ (4,685)	(15) %
General and administrative	35,043	25 %	22,940	14 %	12,103	53 %
Research and development	16,572	12 %	20,065	12 %	(3,493)	(17) %
Restructuring charges	1,574	1 %	2,667	2 %	(1,093)	(41) %
Total operating expenses	<u>\$ 80,061</u>	<u>56 %</u>	<u>\$ 77,229</u>	<u>46 %</u>	<u>\$ 2,832</u>	<u>4 %</u>

In the six months ended September 30, 2024, sales and marketing expense decreased \$4.7 million, or 15% , compared with the same period in fiscal 2024. This decrease was primarily driven by improved operational efficiency and increased leverage of our channel.

In the six months ended September 30, 2024, general and administrative expense increased \$12.1 million, or 53%, compared with the same period in fiscal 2024. This increase was primarily driven by non-recurring costs related to our previously announced restatement of our historical financial statements, and other related projects.

In the six months ended September 30, 2024, research and development expenses decreased \$3.5 million, or 17%, as compared with the same period in fiscal 2024. This decrease was the result of the continued consolidation of acquisition costs, and efficiencies realized through improved organization design.

In the six months ended September 30, 2024, restructuring expenses decreased \$1.1 million, or 41% , as compared with the same period in fiscal 2024. The decrease was the result of cost reduction initiatives in the prior year.

Other Income (Expense)

(dollars in thousands)	Six Months Ended September 30,					
	2024	% of revenue	2023	% of revenue	\$ Change	% Change
Other income (expense)	\$ (1,375)	(1) %	\$ (630)	(—) %	\$ (745)	(118) %

The change in other income (expense), net during the six months ended September 30, 2024 compared with the same period in fiscal 2024 was related primarily to fluctuations in foreign currency exchange rates during the three months ended September 30, 2024.

Interest Expense

(dollars in thousands)	Six Months Ended September 30,					
	2024	% of revenue	2023	% of revenue	\$ Change	% Change
Interest expense	\$ (9,921)	(7) %	\$ (7,055)	(4) %	\$ (2,866)	41 %

In the six months ended September 30, 2024, interest expense increased \$2.9 million, or 41%, as compared with the same period in fiscal 2024 due to a higher effective interest rate on our Term Loan.

Warrant liabilities

(dollars in thousands)	Six Months Ended September 30,					
	2024	% of revenue	2023	% of revenue	\$ Change	% Change
Change in fair value of warrant liabilities	\$ 5,216	4 %	\$ 5,128	3 %	\$ 88	2 %

In September 30, 2024, the change in fair value of warrant liabilities increased \$0.1 million, or 2%, as compared with the same period in fiscal 2024 due to a lower average stock price in the second fiscal quarter of 2024.

Loss on Debt Extinguishment

(dollars in thousands)	Six Months Ended September 30,					
	2024	% of revenue	2023	% of revenue	\$ Change	% Change
Loss on debt extinguishment	\$ (3,003)	2 %	\$ —	— %	\$ (3,003)	100 %

In the six months ended September 30, 2024, loss on debt extinguishment was related to a prepayment of our Term Loan.

Income Taxes

(dollars in thousands)	Six Months Ended September 30,					
	2024	% of pretax income	2023	% of pretax income	\$ Change	% Change
Income tax provision	\$ 605	(2) %	\$ 1,063	(9) %	\$ (458)	(43) %

The income tax provision for the six months ended September 30, 2024 and 2023 is primarily influenced by foreign and state income taxes. Due to our history of net losses in the United States, the protracted period for utilizing tax attributes in certain foreign jurisdictions, and the difficulty in predicting future results, we believe that we cannot rely on projections of future taxable income to realize most of our deferred tax assets. Accordingly, we have established a full valuation allowance against our U.S. and certain foreign net deferred tax assets. Significant management

judgment is required in assessing our ability to realize any future benefit from our net deferred tax assets. We intend to maintain this valuation allowance until sufficient positive evidence exists to support its reversal. Our income tax expense recorded in the future will be reduced to the extent that sufficient positive evidence materializes to support a reversal of, or decrease in, our valuation allowance.

LIQUIDITY AND CAPITAL RESOURCES

We consider liquidity in terms of the sufficiency of internal and external cash resources to fund our operating, investing and financing activities. Our principal sources of liquidity include cash from operating activities, cash and cash equivalents on our balance sheet and amounts available under our revolving credit facility agreement with PNC Bank, National Association as amended from time to time (the "PNC Credit Facility"). We require significant cash resources to meet obligations to pay principal and interest on our outstanding debt, provide for our research and development activities, fund our working capital needs, and make capital expenditures. Our future liquidity requirements will depend on multiple factors, including our research and development plans and capital asset needs.

We had cash and cash equivalents of \$16.7 million as of September 30, 2024, which consisted primarily of bank deposits and money market accounts. As of September 30, 2024, our total outstanding Term Loan debt was \$104.7 million and PNC Credit Facility borrowings were \$28.4 million. As of September 30, 2024 we had \$0.1 million available to borrow under the PNC Credit Facility.

We are subject to various debt covenants under our debt agreements. Our failure to comply with our debt covenants could materially and adversely affect our financial condition and ability to service our obligations. For additional information about our debt, see the sections entitled "Risk Factors—Risks Related to Our Indebtedness" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" in the Annual Report.

Cash Flows

The following table summarizes our consolidated cash flows for the periods indicated.

(in thousands)	Six Months Ended September 30,	
	2024	2023
Cash provided by (used in):		
Operating activities	\$ (17,194)	\$ (11,345)
Investing activities	(3,228)	(3,925)
Financing activities	11,525	14,838
Effect of exchange rate changes	(3)	11
Net increase (decrease) in cash and cash equivalents and restricted cash	\$ (8,900)	\$ (421)

Cash Used In Operating Activities

Net cash used in operating activities was \$17.2 million for the six months ended September 30, 2024. This use of cash was primarily attributed to lower earnings.

Net cash used in operating activities was \$11.3 million for the six months ended September 30, 2023. This use of cash was primarily attributed to cash used in operations excluding changes in assets and liabilities of \$6.9 million in addition to cash used from working capital changes.

Cash Used in Investing Activities

Net cash used in investing activities was \$3.2 million in the six months ended September 30, 2024, which was attributable to capital expenditures.

Net cash used in investing activities was \$3.9 million in the six months ended September 30, 2023, which was attributable to capital expenditures.

Cash Provided by Financing Activities

Net cash provided by financing activities was \$11.5 million for the six months ended September 30, 2024, which was related primarily to borrowings on our Term Loan.

Net cash provided by financing activities was \$14.8 million for the six months ended September 30, 2023, which was related primarily to borrowings on our Term Loan of \$14.1 million net of issuance costs.

Commitments and Contingencies

Our contingent liabilities consist primarily of certain financial guarantees, both express and implied, related to product liability and potential infringement of intellectual property. We have little history of costs associated with such indemnification requirements and contingent liabilities associated with product liability may be mitigated by our insurance coverage. In the normal course of business to facilitate transactions of our services and products, we indemnify certain parties with respect to certain matters, such as intellectual property infringement or other claims. We also have indemnification agreements with our current and former officers and directors. It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of our indemnification claims, and the unique facts and circumstances involved in each particular agreement. Historically, payments made by us under these agreements have not had a material impact on our operating results, financial position or cash flows.

We are also subject to ordinary course litigation.

Off Balance Sheet Arrangements

Except for the indemnification commitments described under “Commitments and Contingencies” above, we do not currently have any other off-balance sheet arrangements and do not have any holdings in variable interest entities.

Contractual Obligations

We have contractual obligations and commercial commitments, some of which, such as purchase obligations, are not recognized as liabilities in our financial statements. There have not been any material changes to the contractual obligations disclosed in the Annual Report.

Critical Accounting Estimates and Policies

The preparation of our consolidated financial statements in accordance with generally accepted accounting principles requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes included elsewhere in this Quarterly Report. On an ongoing basis, we evaluate estimates, which are based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. We consider certain accounting policies to be critical to understanding our financial statements because the application of these policies requires significant judgment on the part of management, which could have a material impact on our financial statements if actual performance should differ from historical experience or if our assumptions were to change. Our accounting policies that include estimates that require management's subjective or complex judgments about the effects of matters that are inherently uncertain are summarized in the Annual Report under the section entitled “Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates and Policies.” For additional information on our significant accounting policies, see Note 1 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report.

Recently Issued and Adopted Accounting Pronouncements

See Note 1 in the Annual Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to our quantitative and qualitative disclosures about market risk from those described under "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Form 10-K, which such section is incorporated herein by reference.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive and principal financial officers, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934), as of the end of the period covered by this Quarterly Report. Based on such evaluation, our principal executive and principal financial officers have concluded that as of such date, our disclosure controls and procedures were not effective at the reasonable assurance level due to the material weaknesses described below.

Notwithstanding the identified material weaknesses, management, including our chief executive officer and chief financial officer have determined, that the condensed consolidated financial statements included in this Form 10-Q fairly represent in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, for the periods presented in accordance with U.S. generally accepted accounting principles.

Material Weaknesses in Internal Control Over Financial Reporting

The following material weaknesses in our internal control over financial reporting, as initially disclosed in Part II, Item 9A, "Controls and Procedures" of the Company's Annual Report on Form 10-K for the year ended March 31, 2024 had not been remediated as of September 30, 2024. Specifically:

- The Company's accounting practices and procedures for applying standalone selling price under Accounting Standards Codification Topic 606 Revenue from Contracts with Customers ("Topic 606") were not adequate to conclude on the application of standalone selling price consistent with the generally accepted application of the guidance in Topic 606.
- The Company did not maintain effective controls over the accuracy of the inputs in the sales order entry process to ensure accuracy of the price, quantity, and related customer data.

Remediation Plan

The Company is implementing enhancements to its internal controls to remediate these material weaknesses in its internal control over financial reporting, including:

- Review and update significant relevant accounting policies, procedures and controls.
- Provide additional training to individuals involved in the assessments for these topics.
- Engage with external third parties to assist with assessments for these topics, where necessary.

The Company is committed to maintaining a strong internal control environment and believes the remediation efforts, will represent significant improvements in its controls over the control environment. These steps will take time to be fully implemented and confirmed to be effective and sustainable. Additional controls may also be required over time. While the Company believes that these efforts will improve its internal control over financial reporting, the Company will not be able to conclude whether the steps the Company is taking will remediate the material weakness in internal control over financial reporting until a sufficient period has passed to allow management to test the design and operational effectiveness of the new and enhanced controls. Until the remediation steps set forth above are fully implemented and tested, the material weaknesses will continue to exist.

Remediation of Warrant Agreement Accounting Material Weakness

During the quarter ended September 30, 2024, the Company completed remediation measures to address the previously identified material weakness related to its accounting practices and procedures for warrant agreements under Accounting Standards Codification Topic 815, *Contracts in Entity's Own Equity* ("Topic 815"). These remediation efforts included updating relevant accounting policies, engaging third-party specialists to interpret technical guidance on warrant agreements and draft documentation to support the accounting conclusions, providing additional training for key personnel, and conducting a thorough review and approval process by management for all analyses and conclusions. Consequently, management has determined that the previously reported material weakness in internal control over financial reporting related to the Company's accounting

practices for warrant agreements has been remediated as of September 30, 2024. Management believes that these control enhancements are now sufficient to prevent and detect potential material misstatements in a timely manner, thereby remediating the warrant agreement material weakness.

Changes in Internal Control

Except for remediation of the warrant agreement material weakness described above and the ongoing remediation measures to address the remaining material weaknesses, in connection with the evaluation required by Rule 13a-15(d) under the Securities Exchange Act of 1934, there were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2024 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

ITEM 5. OTHER INFORMATION

On November 9, 2023, the Leadership and Compensation Committee of the Board approved and adopted the Quantum Corporation Executive Compensation Recoupment Policy (the "Clawback Policy"), which was established in accordance with the listing requirements of The Nasdaq Stock Market LLC. The Clawback Policy provides for the recovery or "clawback" of certain erroneously awarded incentive-based compensation in the event that the Company is required to prepare an accounting restatement. The Clawback Policy is effective as of November 9, 2023. The foregoing description of the material terms of Clawback Policy is qualified in its entirety by reference to the full text of the Clawback Policy, which is filed as Exhibit 97 to this Quarterly Report on Form 10-Q and incorporated herein by reference.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See [Note 11: Commitments and Contingencies](#), of the notes to the unaudited condensed consolidated financial statements for a discussion of our legal matters.

ITEM 1A. RISK FACTORS

There have been no material changes to the previously disclosed risk factors discussed in "Part I, Item 1A, Risk Factors" in the Annual Report. You should consider carefully these factors, together with all of the other information in this Quarterly Report, including our unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report, before making an investment decision.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Arrangement

During the period covered by this Quarterly Report, 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.

ITEM 6. EXHIBITS

The exhibits required to be filed or furnished as part of this Quarterly Report are listed below. Notwithstanding any language to the contrary, exhibits 32.1 and 32.2 shall not be deemed to be filed as part of this Quarterly Report for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or deemed to be incorporated by reference into any filing under the Exchange Act or the Securities Act of 1933, except to the extent that the Company specifically incorporates it by reference.

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Filing Date	Exhibit	
3.1	Amended and Restated Certificate of Incorporation of the Company, as amended through August 26, 2024				X
4.1	Warrant to Purchase Common Stock dated July 11, 2024, Warrant No. 2024-12, issued to OC III LVS XL LP	8-K	7/12/24	4.1	
4.2	Warrant to Purchase Common Stock dated July 11, 2024, Warrant No. 2024-7, issued to Blue Torch Credit Opportunities KRS Fund LP	8-K	7/12/24	4.2	
4.3	Warrant to Purchase Common Stock dated July 11, 2024, Warrant No. 2024-8, issued to Blue Torch Offshore Credit Opportunities Master Fund II LP	8-K	7/12/24	4.3	
4.4	Warrant to Purchase Common Stock dated July 11, 2024, Warrant No. 2024-9, issued to Blue Torch Credit Opportunities SBAF Fund LP	8-K	7/12/24	4.4	
4.5	Warrant to Purchase Common Stock dated July 11, 2024, Warrant No. 2024-10, issued to BTC Holdings SC Fund LLC	8-K	7/12/24	4.5	
4.6	Warrant to Purchase Common Stock dated July 11, 2024, Warrant No. 2024-11, issued to Blue Torch Credit Opportunities Fund II LP	8-K	7/12/24	4.6	
4.7	Form of Warrant to Purchase Common Stock dated August 13, 2024 issued to certain funds affiliated with Blue Torch Credit	8-K	8/14/24	4.1	
4.8	Warrant to Purchase Common Stock dated August 13, 2024, Warrant No. 2024-18, issued to OC III LVS XL LP	8-K	8/14/24	4.2	
4.9	Amended and Restated Warrant to Purchase Common Stock dated June 1, 2023 (as amended and restated on August 13, 2024), Warrant No. 2023-2, issued to OC III LVS XL LP	8-K	8/14/24	4.3	
4.1	Amended and Restated Warrant to Purchase Common Stock dated May 24, 2024 (as amended and restated on August 13, 2024), Warrant No. 2024-7, issued to OC III LVS XL LP	8-K	8/14/24	4.4	
4.1	Amended and Restated Warrant to Purchase Common Stock dated July 10, 2024 (as amended and restated on August 13, 2024), Warrant No. 2024-12, issued to OC III LVS XL LP	8-K	8/14/24	4.5	
4.1	Amended and Restated Warrant to Purchase Common Stock dated December 27, 2018 (as amended and restated on August 13, 2024), Warrant No. 2, issued to BTC Holdings Fund I, LLC	8-K	8/14/24	4.6	
4.1	Form of Amended and Restated Warrant to Purchase Common Stock dated June 16, 2020 (as amended and restated on August 13, 2024) issued to certain funds affiliated with Blue Torch Credit	8-K	8/14/24	4.7	
4.1	Form of Amended and Restated Warrant to Purchase Common Stock dated May 24, 2024 (as amended and restated on August 13, 2024) issued to certain funds affiliated with Blue Torch Credit	8-K	8/14/24	4.8	
4.2	Form of Amended and Restated Warrant to Purchase Common Stock dated July 10, 2024 (as amended and restated on August 13, 2024) issued to certain funds affiliated with Blue Torch Credit	8-K	8/14/24	4.9	
10.1*	Ninth Amendment dated July 11, 2024 to Term Loan Credit and Security Agreement dated August 5, 2021 by and among the Company, Quantum LTO Holdings, LLC, the borrowers and guarantors party thereto, the lenders party thereto, and Blue Torch Finance LLC	8-K	7/12/24	10.1	
10.2*	Tenth Amendment dated August 13, 2024 to Term Loan Credit and Security Agreement dated August 5, 2021 by and among the Company, Quantum LTO Holdings, LLC, the borrowers and guarantors party thereto, the lenders party thereto, and Blue Torch Finance LLC	8-K	8/14/24	10.1	
10.3*	Fifteenth Amendment dated July 11, 2024 to Amended and Restated Revolving Credit and Security Agreement dated December 27, 2018 by and among the Company, Quantum LTO Holdings, LLC, Square Box Systems Limited, the borrowers and guarantors party thereto, the lenders party thereto, and PNC Bank, National Association	8-K	7/12/24	10.2	

[Table of Contents](#)

10.4*	Sixteenth Amendment dated August 13, 2024 to Amended and Restated Revolving Credit and Security Agreement dated December 27, 2018 by and among the Company, Quantum LTO Holdings, LLC, the borrowers and guarantors party thereto, the lenders party thereto, and PNC Bank, National Association	8-K	8/14/24	10.2	
10.5#	Quantum Corporation 2023 Long-Term Incentive Plan, as amended through June 27, 2024	S-8	9/16/24	99.1	
31.1	Certification of the Principal Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of the Principal Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002				X
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002				X
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002				X
97	Quantum Corporation Executive Compensation Recoupment Policy				X
101.SCH	XBRL Taxonomy Extension Schema Document				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				X
104	Cover page interactive data file, submitted using inline XBRL (contained in Exhibit 101)				X

Indicates management contract or compensatory plan or arrangement.

SIGNATURES

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

	Quantum Corporation (Registrant)
<u>November 13, 2024</u> (Date)	<u>/s/ James J. Lerner</u> James J. Lerner President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)
<u>November 13, 2024</u> (Date)	<u>/s/ Kenneth P. Gianella</u> Kenneth P. Gianella Chief Financial Officer (Principal Financial Officer)

Delaware

The First State

Page 1

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "QUANTUM CORPORATION", FILED IN THIS OFFICE ON THE TWENTY-FIRST DAY OF AUGUST, A.D. 2024, AT 11:08 O`CLOCK A.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF AMENDMENT IS THE TWENTY-SIXTH DAY OF AUGUST, A.D. 2024 AT 4:01 O`CLOCK P.M.


Jeffrey W. Bullock, Secretary of State



2115952 8100 Authentication: 204211376

SR# 20243474313 Date: 08-21-24

You may verify this certificate online at corp.delaware.gov/authver.shtml

CERTIFICATE OF AMENDMENT

TO THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF QUANTUM CORPORATION

Quantum Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "**Corporation**"), hereby certifies as follows:

1. The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of Delaware on January 28, 1987. The most recent Amended and Restated Certificate of Incorporation of the Corporation was filed with the Secretary of State of Delaware on August 8, 2007, as amended by the Certificate of Amendment filed with the Secretary of State of Delaware on April 17, 2017, the Certificate of Amendment filed with the Secretary of State of Delaware on November 6, 2017, and the Certificate of Amendment filed with the Secretary of State of Delaware on August 19, 2022.

2. This amendment to the Amended and Restated Certificate of Incorporation of the Corporation as set forth below has been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware by the stockholders and directors of the Corporation.

3. The first paragraph of ARTICLE IV of the Amended and Restated Certificate of Incorporation of the Corporation as presently in effect is amended and restated to read in its entirety as follows:

"This Corporation is authorized to issue two classes of shares to be designated, respectively, Common Stock and Preferred Stock. The total number of shares of Common Stock that this Corporation is authorized to issue is 225,000,000, with a par value of \$0.01 per share, and the total number of shares of Preferred Stock that this Corporation is authorized to issue is 20,000,000, with a par value of \$0.01 per share.

Upon the effectiveness of the certificate of amendment first inserting this paragraph (the "**Effective Time**"), each five (5) to twenty (20) shares of Common Stock issued as of immediately prior to the Effective Time shall be automatically combined into (1) validly issued, fully paid and non-assessable share of Common Stock, without any further action by the Corporation or the holder thereof, the exact ratio within the five (5) to twenty (20) range to be determined by the Board of Directors of the Corporation prior to the Effective Time and publicly announced by the Corporation. Each certificate that immediately prior to the Effective Time represented shares of Common Stock shall thereafter represent that number of shares of Common Stock into which the shares of Common Stock represented by such certificate shall have been combined, subject to any elimination of fractional share interests."

4. On August 15, 2024, the Board of Directors of the Corporation determined that each twenty (20) shares of the Corporation's Common Stock, par value of \$0.01 per share, issued as of

State of Delaware Secretary of State
Division of Corporations
Delivered 11:08AM 08/21/2024
FILED 11:08AM 08/21/2024
SR 20243474313 - File Number 2115952

immediately prior to the Effective Time shall automatically be combined into one (1) validly issued, fully paid and non-assessable share of Common Stock, par value of \$0.01 per share. The Corporation publicly announced this ratio on August 20, 2024.

5. This certificate of amendment shall become effective at 4:01 p.m. (Eastern Time) on August 26, 2024.
6. All other provisions of the Amended and Restated Certificate of Incorporation of the Corporation remain in full force and effect.

IN WITNESS WHEREOF, the Corporation has caused this certificate of amendment to be signed by its duly authorized officer this 21st day of August, 2024.

QUANTUM CORPORATION

By: /s/Brian E. Cabrera
Brian E. Cabrera
Senior Vice President, Chief Administrative Officer, Chief Legal and Compliance Officer,
and Corporate Secretary

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

I, James J. Lerner, certify that:

- 1) I have reviewed this Quarterly Report on Form 10-Q of Quantum Corporation;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date November 13, 2024

/s/ James J. Lerner

James J. Lerner

President, Chief Executive Officer and Chairman of the Board

(Principal Executive Officer)

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

I, Kenneth P. Gianella, certify that:

- 1) I have reviewed this Quarterly Report on Form 10-Q of Quantum Corporation;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date November 13, 2024

/s/ Kenneth P. Gianella

Kenneth P. Gianella
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

I, James J. Lerner, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Quantum Corporation, on Form 10-Q for the quarterly period ended September 30, 2024, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Quantum Corporation.

Date November 13, 2024

/s/ James J. Lerner

James J. Lerner

President, Chief Executive Officer and Chairman of the Board

(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

I, Kenneth P. Gianella, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Quantum Corporation, on Form 10-Q for the quarterly period ended September 30, 2024, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Quantum Corporation.

Date November 13, 2024

/s/ Kenneth P. Gianella

Kenneth P. Gianella

Chief Financial Officer

(Principal Financial Officer)

Executive Compensation Recoupment Policy

1. Purpose

Quantum Corporation, a Delaware corporation (the Company), has adopted this Executive Compensation Recoupment Policy (this Policy) to comply with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as codified by Section 10D of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the Nasdaq Stock Exchange (Nasdaq) Listing Rule 5608. This Policy provides for the Company's recoupment of Incentive-Based Compensation paid erroneously to Covered Executives in the event of a Restatement. Capitalized terms will have the meanings set forth in Section 12.

This Policy is intended to be in addition to, and does not replace or supersede, the Company's compensation clawback policy previously adopted by the Company as required by the Stipulation and Agreement of Settlement entered into on April 11, 2019.

2. Administration

This Policy will be administered by the Leadership and Compensation Committee (the Committee) of the Board of Directors of the Company (the Board). The Committee is authorized and directed to consult with the full Board or such other committee of the Board (such as the Audit Committee), as may be necessary or appropriate as to matters within the scope of such other committee's responsibility and authority.

Subject to any limitation under applicable law, the Committee may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee).

The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. This Policy will be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act, any applicable rules or standards adopted by the Securities and Exchange Commission (the SEC), and Nasdaq Rules. Any determinations made by the Committee will be final and binding on all affected individuals.

3. Recoupment of Incentive-Based Compensation

In the event of a Restatement, the Committee will require that the Covered Executive promptly repay or forfeit to the Company, on a pre-tax basis, the full amount of the excess of: (a) the amount of any Incentive-Based Compensation received by the Covered Executive during a Clawback Period that was calculated based on the erroneous data in the original financial statements that were subsequently restated over (b) the amount of such Incentive-Based Compensation to which the Covered Executive would have been entitled to receive based on the restated financial statements (such excess amount, the Recoverable Incentive-Based Compensation).

In the case of compensation based on stock price or total shareholder return, the amount subject to recoupment will be based on a reasonable estimate of the effect of the Restatement on the Company's stock price or total shareholder return upon which the Incentive-Based Compensation was received. If any performance-based restricted stock units or other equity-based compensation is subject to recoupment, then the Recoverable Incentive-Based Compensation may be in the form of shares of Company stock, the value of such shares, based on the fair market value of such shares on the settlement date or a combination of the foregoing, in the discretion of the Committee, taking into account any sales of shares by the Covered Executive.

Such recoupment will apply on a "no-fault" basis—that is, regardless of whether any misconduct occurred or a Covered Executive officer's responsibility for the Restatement. In addition, the Company's obligation to recoup Recoverable Incentive-Based Compensation is not dependent on if or when restated financial statements are filed with the SEC.

Executive Compensation Recoupment Policy

4. Recoupment Methods

Subject to Section 3, the Committee will determine, in its sole discretion, the timing and method or methods for recouping Recoverable Incentive-Based Compensation pursuant to this Policy. The Committee will have no obligation to apply the same method of recoupment to each affected Covered Employee in connection with any Restatement.

Except as provided in Section 5, in no event may the Company accept an amount that is less than the amount of Recoverable Incentive-Based Compensation in satisfaction of the Covered Executive's obligations under this Policy. To the extent that a Covered Executive fails to repay all Recoverable Incentive-Based Compensation to the Company when due, the Company will take all actions reasonable and appropriate to recover such amounts.

5. Exceptions to Recovery for Impracticability

The Committee will recover any Recoverable Incentive-Based Compensation unless such recovery would be impracticable, as determined in good faith by either the Committee or a majority of the independent directors serving on the Board in accordance with Rule 10D-1 of the Exchange Act and applicable securities exchange rules.

Specifically, no recovery will be required pursuant to this Policy if: (a) the direct expense paid to a third-party to assist in enforcing this Policy would exceed the amount of the Recoverable Incentive-Based Compensation and the Company (i) makes a reasonable attempt to recover the Recoverable Incentive-Based Compensation and (ii) documents such reasonable attempts, which documentation will be provided to the national securities exchange on which the Company's securities are then listed, or (b) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

6. Acknowledgment by Covered Executives and Notice

The Company will provide notice to, and seek acknowledgment of this Policy, from each Covered Executive, in substantially the form attached hereto as [Exhibit A](#), provided that the failure to provide a notice or obtain an acknowledgment will not impact the Company's ability to enforce or apply this Policy.

In addition, before the Company takes any action to seek recovery of Recoverable Incentive-Based Compensation pursuant to this Policy or any other action provided for hereunder against a Covered Executive, the Company will provide notice of such clawback or other action. Notwithstanding anything to the contrary, the Company's failure to provide notice will have no impact on the applicability or enforceability of this Policy.

7. Other Recoupment Rights

The Board intends that this Policy shall be applied to the fullest extent of the law. Any right of recovery under this Policy is in addition to, and not in lieu of, any other rights or remedies that the Company may have pursuant to the terms of any other policy of the Company or any provision in any employment agreement, equity award agreement, compensatory plan, agreement or similar arrangement, and any other legal rights and remedies available to the Company, or any actions that may be imposed by law enforcement agencies, regulators, administrative bodies, or other authorities.

8. No Indemnification or Reimbursement of Covered Executives

Neither the Company nor any of its affiliates shall be permitted to (a) insure or indemnify any Covered Executive against the loss of any Recoverable Incentive-Based Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or any claims relating to the Company's enforcement of its rights under this Policy, or (b) pay or

Executive Compensation Recoupment Policy

reimburse any Covered Executive for premiums incurred or paid for any insurance policy to fund such Covered Executive's potential recovery obligations.

9. Amendment

The Committee may amend this Policy from time to time in its discretion, and will amend this Policy as it deems necessary to reflect the regulations adopted by the SEC under Section 10D of the Exchange Act and to comply with any rules or standards adopted by a national securities exchange on which the Company's securities are then listed.

10. Successors

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

11. Effective Date

This Policy was adopted by the Company on November 9, 2023, and applies to Incentive-Based Compensation that is granted, earned, or vested by Covered Executives on or after October 2, 2023 (the Effective Date).

12. Definitions

For purposes of this Policy:

(a) **Covered Executive** means current and former executive officers who are, or were at any time, during an applicable Clawback Period, executive officers as defined in Rule 10D-1(d) of the Exchange Act. Subsequent changes in a Covered Executive's employment status, including retirement or termination of employment (including after serving in an interim capacity), do not affect the Company's rights to recover Incentive-Based Compensation pursuant to this Policy.

(b) **Clawback Period** means the three (3) completed fiscal years immediately preceding the Restatement Date, and any transition period (that results from a change in the Company's fiscal year) of less than nine months within or immediately following such three (3) completed fiscal years.

(c) A **financial reporting measure** means any measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures, including, but not limited to, stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return). For the avoidance of doubt, (i) financial reporting measures include non-GAAP financial measures for purposes of Regulation G of the Exchange Act, as well other measures, metrics and ratios that are not non-GAAP measures, and (ii) financial reporting measures may or may not be included in a filing with the SEC, and may be presented outside the financial statements.

(d) **GAAP** means U.S. Generally Accepted Accounting Principles.

(e) **Incentive-Based Compensation** means any compensation that is granted, earned, or vested on or after the Effective Date based wholly or in part upon the attainment of a financial reporting measure based on or derived from financial information for any fiscal period ending on or after the Effective Date, including but not limited to cash incentive awards under the Executive Incentive Compensation Plan or any successor plan and performance-based restricted stock units granted under the Stock Incentive Plan or any successor plan. For the avoidance of doubt, Incentive-Based Compensation does not include: (i) salary (except to the extent that a Covered Executive receives a salary increase earned wholly or in part based on the attainment of a financial reporting measure performance goal), (ii) bonuses paid solely at the discretion of the Board or the Committee and that is not paid from a "bonus pool" which is determined by satisfying a financial reporting measure performance goal, (iii) bonuses awarded based solely on

Executive Compensation Recoupment Policy

completion of a specified period of service, (iv) bonuses awarded based solely on subjective standards, strategic measures, or operational measures, or (v) equity awards for which the grant is not contingent upon achieving any financial reporting measure performance goal and vesting is contingent solely upon completion of a specified service period and/or attaining one or more nonfinancial reporting measures.

(f) Incentive-Based Compensation will be deemed to have been **received** during the fiscal period during which the financial reporting measure specified in the compensation award is attained, even if the grant or payment of such Incentive-Based Compensation occurs after the end of such fiscal period.

(g) **Restatement** means an accounting restatement of the Company's financial statements due to the Company's material non-compliance with any financial reporting requirement under the U.S. federal securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (often referred to as a "Big R" restatement), or that would result in a material misstatement if the correction of the error was recognized in the current period or left uncorrected in the current period (often referred to as a "little R" restatement).

(h) **Restatement Date** means the earlier of: (i) the date the Board, a Board committee, or officer(s) authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that a Restatement is required, or (ii) the date a court, regulator, or other legally authorized body directs the Company to undertake a Restatement. For purposes of clause (ii), the date of the initial court order or other regulatory agency action would be the measurement date for the Clawback Period, but the application of this Policy would occur only after such order is final and non-appealable.

Executive Compensation Recoupment Policy

Exhibit A

ACKNOWLEDGMENT FORM

By my signature below, I acknowledge and confirm that I have received and reviewed a copy of the Executive Compensation Recoupment Policy (the Policy). Capitalized terms used but not otherwise defined in this Acknowledgement Form (this Acknowledgement) shall have the meanings ascribed to such terms in the Policy.

By signing this Acknowledgement, I further acknowledge and agree that:

- I hereby accept the provisions of the Policy and will abide by all of the terms of the Policy (as may be amended, restated, supplemented or otherwise modified from time to time) both during and after my employment with the Company, including, without limitation, by promptly repaying or, returning to the Company, forfeiting and/or offsetting any Recoverable Incentive-Based Compensation (as defined in the Policy).
- All Incentive-Based Compensation (as defined in the Policy) granted, earned, or vested on or after October 2, 2023 will be subject to the provisions of the Policy, and that the acceptance of the provisions of the Policy is a condition to the receipt of such compensation.
- I waive the assertion or application of any rights under state or local law or by contract that would otherwise conflict with or narrow the Committee's authority to interpret, apply and enforce the Policy.

Signature

Print Name

Date