

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

FORM 10-Q/A  
Amendment No. 1

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended June 30, 2022

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: 001-39613



**ARRAY TECHNOLOGIES, INC.**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**

(State or Other Jurisdiction)

**83-2747826**

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

**3901 Midway Place NE**

**Albuquerque**

**New Mexico**

**87109**

(Address of principal executive offices)

(Zip Code)

(Registrant's telephone number, including area code)

**(505) 881-7567**

(Former name, former address and former fiscal year, if changed since last report) **N/A**

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

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

**Common stock, \$0.001 par value**

**ARRY**

**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.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

As of August 8, 2022, there were 150,326,317 shares of common stock, par value \$0.001 per share, issued and outstanding.

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## EXPLANATORY NOTE

On August 9, 2022, Array Technologies, Inc. (the “Company”) filed its Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2022 (the “Original Form 10-Q”). This Amendment No. 1 (this “Amendment”) amends the Original Form 10-Q.

### Background of Restatement

On November 7, 2022, management and the Audit Committee of the Company, in consultation with BDO USA LLP (“BDO”), the Company’s independent registered public accounting firm, determined that the Company’s previously issued interim financial statements filed on the Original Form 10-Q, as of June 30, 2022, and for the three and six months ended June 30, 2022 (the “Non-Reliance Periods”), should no longer be relied upon due to:

(i) an accounting error caused by an error in the sales order entry process. A clerical error incorrectly overstated the value of a contract by adding a customer down payment to the total contract value. The result was to overstate revenue recorded for the respective contract during the three and six months ended June 30, 2022. Correcting the contract value had the effect of decreasing our revenue and gross profit for the three and six months ended June 30, 2022 by \$5.1 million.

(ii) a consolidation error that resulted in the misclassification of foreign subsidiary personnel costs within general and administrative (“G&A”) expense instead of cost of revenue on the income statement. Reclassifying the correct amount of personnel costs from G&A expense to cost of revenue had the effect of decreasing our gross profit for the three and six months ended June 30, 2022 by \$2.4 million with no impact on net income.

Management and the Audit Committee have determined that the overstatement of revenue and the unrelated understatement of cost of revenue during the three and six months ended June 30, 2022, required a restatement of the previously issued interim financial statements (the “Restatement”). Accordingly, investors should no longer rely upon the Company’s previously released financial statements for the Non-Reliance Periods and any earnings releases or other communications relating to these periods, and, for these periods, investors should rely solely on the financial statements and other financial data for the relevant periods included in this Amendment.

Our principal executive officer and principal financial officer have also provided new certifications as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certifications are included in this Amendment as Exhibits 31.1, 31.2, 32.1 and 32.2. For the convenience of the reader, this Amendment sets forth the information in the Original Form 10-Q in its entirety, as such information, is modified and superseded where necessary to reflect the Restatement. Except as provided above, this Amendment does not reflect events occurring after the filing of the Original Form 10-Q and does not amend or otherwise update any information in the Original Form 10-Q. Accordingly, this Amendment should be read in conjunction with our filings with the Securities and Exchange Commission (the “SEC”) subsequent to the date on which we filed the Original Form 10-Q with the SEC.

### Internal Control Considerations

In connection with the Restatement, management identified two additional material weaknesses in our internal control over financial reporting. Specifically, (i) we did not design, implement and maintain effective controls over the sales order entry process which resulted in an overstatement of revenue and (ii) we did not design, implement and maintain effective controls over the consolidation of our newly acquired foreign subsidiary into the Company’s consolidated financial statements to ensure costs were appropriately classified. Management is taking steps to remediate these material weaknesses in our internal control over financial reporting, including

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enhancing the design of our existing controls over contract value adjustments and the consolidation of newly acquired foreign entities into the Company's consolidated financial statements concurrently with the remediation of the material weaknesses previously identified and disclosed in the Company's Annual Report on Form 10-K filed with the SEC on April 6, 2022, as amended by the Form 10-K/A filed with the SEC on April 6, 2022, as described in Item 4. Controls and Procedures.

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**Array Technologies, Inc.**  
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**PART I—FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**Array Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets (unaudited)**  
*(in thousands, except per share and share amounts)*

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
	<b>As Restated</b>	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 51,046	\$ 367,670
Accounts receivable, net	452,836	236,009
Inventories, net	329,951	205,653
Income tax receivables	16,217	9,052
Prepaid expenses and other	52,831	33,649
Total current assets	902,881	852,033
Property, plant and equipment, net	17,802	10,692
Goodwill	378,706	69,727
Other intangible assets, net	421,862	174,753
Deferred tax assets	18,521	9,345
Other assets	30,573	26,429
Total assets	\$ 1,770,345	\$ 1,142,979
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 231,798	\$ 91,392
Accounts payable - related party	478	610
Accrued expenses and other	51,072	38,494
Accrued warranty reserve	2,911	3,192
Income tax payable	419	60
Deferred revenue	167,556	99,575
Current portion of contingent consideration	—	1,773
Current portion of debt	51,494	4,300
Other current liabilities	6,949	5,909
Total current liabilities	512,677	245,305
<b>Long-term liabilities</b>		
Deferred tax liability	84,819	—
Contingent consideration, net of current portion	7,686	12,804
Other long-term liabilities	9,723	5,557
Long-term warranty	4,056	—
Long-term debt, net of current portion	793,557	711,056
Total long-term liabilities	899,841	729,417

**Array Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets (unaudited) (continued)**  
*(in thousands, except per share and share amounts)*

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
	<b>As Restated</b>	
Total liabilities	1,412,518	974,722
<b>Commitments and contingencies (Note 16)</b>		
Series A Redeemable Perpetual Preferred Stock of \$0.001 par value - 500,000 authorized; 412,606 and 350,000 shares issued as of June 30, 2022 and December 31, 2021, respectively; liquidation preference of \$413.0 million and \$350.0 million as of June 30, 2022 and December 31, 2021, respectively	293,974	237,462
<b>Stockholders' equity (deficit)</b>		
Preferred stock of \$0.001 par value - 4,500,000 shares authorized; none issued as of June 30, 2022 and December 31, 2021	—	—
Common stock of \$0.001 par value - 1,000,000,000 shares authorized; 150,279,160 and 135,026,940 shares issued as of June 30, 2022 and December 31, 2021, respectively	150	135
Additional paid-in capital	401,614	202,562
Accumulated deficit	(299,182)	(271,902)
Accumulated other comprehensive income	(38,729)	—
<b>Total stockholders' equity (deficit)</b>	<b>63,853</b>	<b>(69,205)</b>
<b>Total liabilities, redeemable perpetual preferred stock and stockholders' equity</b>	<b>\$ 1,770,345</b>	<b>\$ 1,142,979</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.



**Array Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Operations (unaudited)**  
*(in thousands, except per share amounts)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	As Restated		As Restated	
Revenue	\$ 419,865	\$ 196,516	\$ 720,451	\$ 444,756
Cost of revenue	379,919	176,009	653,918	378,083
Gross profit	39,946	20,507	66,533	66,673
Operating expenses				
General and administrative	29,143	15,113	68,970	39,786
Contingent consideration	(1,678)	(13)	(5,409)	135
Depreciation and amortization	24,389	5,981	47,041	11,965
Total operating expenses	51,854	21,081	110,602	51,886
Income (loss) from operations	(11,908)	(574)	(44,069)	14,787
Other expense				
Other income (expense), net	(371)	(122)	372	(200)
Foreign currency gain (loss)	(1,736)	—	2,127	—
Interest expense	(8,021)	(6,651)	(14,963)	(15,660)
Total other expense	(10,128)	(6,773)	(12,464)	(15,860)
Loss before income tax benefit	(22,036)	(7,347)	(56,533)	(1,073)
Income tax benefit	(16,810)	(1,830)	(29,253)	(132)
Net loss	(5,226)	(5,517)	(27,280)	(941)
Preferred dividends and accretion	12,182	—	23,788	—
Net loss to common shareholders	\$ (17,408)	\$ (5,517)	\$ (51,068)	\$ (941)
Loss per common share				
Basic	\$ (0.12)	\$ (0.04)	\$ (0.34)	\$ (0.01)
Diluted	\$ (0.12)	\$ (0.04)	\$ (0.34)	\$ (0.01)
Weighted average number of common shares				
Basic	150,203	126,994	149,246	126,994
Diluted	150,203	126,994	149,246	126,994

The accompanying notes are an integral part of these condensed consolidated financial statements.

**Array Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Comprehensive Loss (unaudited)**  
*(in thousands)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	<b>As Restated</b>		<b>As Restated</b>	
Net loss	\$ (5,226)	\$ (5,517)	\$ (27,280)	\$ (941)
Change in foreign currency translation adjustments	(29,718)	—	(38,729)	—
Comprehensive loss	<u>\$ (34,944)</u>	<u>\$ (5,517)</u>	<u>\$ (66,009)</u>	<u>\$ (941)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**Array Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Changes in Redeemable Perpetual Preferred Stock and Stockholders' Equity**  
**(Deficit)**  
*(unaudited)*  
*(in thousands)*

**Three Months Ended June 30, 2022**

	Temporary Equity		Permanent Equity							
	Series A Redeemable Perpetual Preferred Stock		Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount				
<b>Balance at March 31, 2022</b>	400	\$281,792	—	\$ —	150,174	\$ 150	\$ 411,232	\$ (293,956)	\$ (9,011)	\$ 108,415
Equity-based compensation	—	—	—	—	105	—	2,944	—	—	2,944
Issuance of Series A Redeemable Perpetual Preferred Stock, net of fees	—	—	—	—	—	—	(380)	—	—	(380)
Preferred cumulative dividends plus accretion	13	12,182	—	—	—	—	(12,182)	—	—	(12,182)
Net loss, as restated	—	—	—	—	—	—	—	(5,226)	—	(5,226)
Other comprehensive income	—	—	—	—	—	—	—	—	(29,718)	(29,718)
<b>Balance at June 30, 2022, as restated</b>	<b>413</b>	<b>\$293,974</b>	<b>—</b>	<b>\$ —</b>	<b>150,279</b>	<b>\$ 150</b>	<b>\$ 401,614</b>	<b>\$ (299,182)</b>	<b>\$ (38,729)</b>	<b>\$ 63,853</b>

**Array Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Changes in Redeemable Perpetual Preferred Stock and Stockholders' Equity**  
**(Deficit) (continued)**  
**(unaudited)**  
*(in thousands)*

**Three Months Ended June 30, 2021**

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount			
<b>Balance at March 31, 2021</b>	—	\$ —	126,994	\$ 127	\$ 148,370	\$ (216,923)	\$ (68,426)
Equity-based compensation	—	—	—	—	1,523	—	1,523
Net loss	—	—	—	—	—	(5,517)	(5,517)
<b>Balance at June 30, 2021</b>	—	\$ —	126,994	\$ 127	\$ 149,893	\$ (222,440)	\$ (72,420)

**Array Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Changes in Redeemable Perpetual Preferred Stock and Stockholders' Equity**  
**(Deficit) (continued)**  
**(unaudited)**  
*(in thousands)*

**Six Months Ended June 30, 2022**

	Temporary Equity		Permanent Equity							
	Series A Redeemable Perpetual Preferred Stock		Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount				
<b>Balance at December 31, 2021</b>	350	\$237,462	—	\$ —	135,027	\$ 135	\$ 202,562	\$ (271,902)	\$ —	\$ (69,205)
Equity-based compensation	—	—	—	—	—	—	7,357	—	—	7,357
Issuance of Series A Redeemable Perpetual Preferred Stock, net of fees	50	32,724	—	—	15,252	15	215,483	—	—	215,498
Issuance of common stock, net	—	—	—	—	—	—	—	—	—	—
Preferred cumulative dividends plus accretion	13	23,788	—	—	—	—	(23,788)	—	—	(23,788)
Net loss, as restated	—	—	—	—	—	—	—	(27,280)	—	(27,280)
Other comprehensive income	—	—	—	—	—	—	—	—	(38,729)	(38,729)
<b>Balance at June 30, 2022, as restated</b>	<b>413</b>	<b>\$293,974</b>	<b>—</b>	<b>\$ —</b>	<b>150,279</b>	<b>\$ 150</b>	<b>\$ 401,614</b>	<b>\$ (299,182)</b>	<b>\$ (38,729)</b>	<b>\$ 63,853</b>

**Array Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Changes in Redeemable Perpetual Preferred Stock and Stockholders' Equity**  
**(Deficit) (continued)**  
**(unaudited)**  
*(in thousands)*

**Six Months Ended June 30, 2021**

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount			
<b>Balance at December 31, 2020</b>	—	\$ —	126,994	\$ 127	\$ 140,473	\$ (221,499)	\$ (80,899)
Equity-based compensation	—	—	—	—	9,420	—	9,420
Net loss	—	—	—	—	—	(941)	(941)
<b>Balance at June 30, 2021</b>	<u>—</u>	<u>\$ —</u>	<u>126,994</u>	<u>\$ 127</u>	<u>\$ 149,893</u>	<u>\$ (222,440)</u>	<u>\$ (72,420)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**Array Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows (unaudited)**  
*(in thousands)*

	Six Months Ended June 30,	
	2022	2021
	<b>As Restated</b>	
Cash flows from operating activities		
Net loss	\$ (27,280)	\$ (941)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for (recovery of) bad debts	510	(551)
Deferred tax expense	(19,984)	(538)
Depreciation and amortization	47,579	12,964
Amortization of debt discount and issuance costs	3,286	5,118
Equity-based compensation	7,472	9,467
Contingent consideration	(5,409)	135
Warranty provision	1,215	425
Provision for inventory obsolescence	409	1,236
Changes in operating assets and liabilities, net of business acquisition		
Accounts receivable	(106,548)	(30,393)
Inventories	(77,191)	(20,443)
Income tax receivables	(7,062)	9,236
Prepaid expenses and other	(376)	826
Accounts payable	74,645	(1,378)
Accounts payable - related party	(132)	(1,622)
Accrued expenses and other	3,356	(10,541)
Income tax payable	(7,217)	(8,814)
Lease liabilities	4,700	68
Deferred revenue	47,263	(98,363)
Net cash used in operating activities	(60,764)	(134,109)
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,895)	(1,200)
Acquisition of STI, net of cash acquired	(373,818)	—
Investment in equity security	—	(11,975)
Net cash used in investing activities	(377,713)	(13,175)
Cash flows from financing activities		
Proceeds from Series A issuance	33,098	—
Proceeds from common stock issuance	15,885	—
Series A equity issuance costs	(575)	—
Common stock issuance costs	(450)	—
Payments on revolving credit facility	(33,000)	—
Proceeds from issuance of other debt	30,599	—
Proceeds from revolving credit facility	101,000	102,000
Principal payments on debt	(22,377)	(31,075)
Contingent consideration	(1,483)	(7,810)

**Array Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows (unaudited) (continued)**  
*(in thousands)*

	<b>Six Months Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
Debt issuance costs	—	(6,590)
Net cash provided by financing activities	122,697	56,525
Effect of exchange rate changes on cash and cash equivalent balances	(844)	—
Net change in cash and cash equivalents	(316,624)	(90,759)
Cash and cash equivalents, beginning of period	367,670	108,441
Cash and cash equivalents, end of period	\$ 51,046	\$ 17,682
<b>Supplemental Cash Flow Information</b>		
Stock consideration paid for acquisition of STI	\$ 200,224	\$ —

The accompanying notes are an integral part of these condensed consolidated financial statements.



## **1. Organization and Business**

Array Technologies, Inc. (the “Company”), formerly ATI Intermediate Holdings, LLC, is a Delaware corporation formed in December 2018 as a wholly owned subsidiary of ATI Investment Parent, LLC (“Former Parent”). On October 14, 2020, the Company converted from a Delaware limited liability company to a Delaware corporation and changed the Company’s name to Array Technologies, Inc. The Company is headquartered in Albuquerque, New Mexico, and manufactures and supplies solar tracking systems and related products for customers across the United States and internationally. The Company, through its wholly-owned subsidiary, ATI Investment Sub, Inc. (“ATI Investment”) owns subsidiaries through which it conducts substantially all operations.

### **Acquisition of STI**

On January 11, 2022 (the “Acquisition Date”), the Company acquired 100% of the share capital of Soluciones Técnicas Integrales Norland, S.L.U., a Spanish private limited liability Company, and its subsidiaries (collectively, “STI”) with cash and common stock of the Company (the “STI Acquisition”). The STI Acquisition was accounted for as a business combination. See [Note 3 – Acquisition of STI](#).

After the acquisition of STI, the Company began operating as two reportable operating segments. The Array legacy operating segment (the “Array Legacy Operations”) and the newly acquired operations (the “STI Operations”) pertaining to STI.

## **2. Summary of Significant Accounting Policies and Restatement**

### **Basis of Accounting and Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), pursuant to the rules and regulations of the SEC. The unaudited interim financial statements have been prepared on the same basis as the audited annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for the fair statement of results for the interim periods reported. The results for the three and six months ended June 30, 2022 are not necessarily indicative of results to be expected for the year ending December 31, 2022 or any other interim periods, or any future year or period. The balance sheet as of December 31, 2021 included herein was derived from the audited financial statements as of that date. Certain disclosures have been condensed or omitted from the interim financial statements. These financial statements should be read in conjunction with the Company’s audited financial statements included in the Company’s Annual Report on Form 10-K filed with the SEC on April 6, 2022, as amended by the Form 10-K/A filed with the SEC on April 6, 2022 (the “2021 Annual Report”).

### **Restatement of Previously Issued Unaudited Condensed Consolidated Financial Statements**

Subsequent to the issuance of the financial statements for the quarter ended June 30, 2022, the Company identified (i) an accounting error resulting in the overstatement of revenue (“Contract Error”) by \$5.1 million for the three- and six-months ending June 30, 2022. The Contract Error overstated the value of a contract by incorrectly adding a customer down payment to the total contract value and (ii) a consolidation error relating to \$2.4 million of certain personnel costs that were reflected in general and administrative (“G&A”) expense but should have been in cost of revenue on the income statement (“Personnel Cost Error”).

The Personnel Cost Error had no impact to the balance sheet and no impact to Net loss to common shareholders. The following tables present the effect of the corrections on selected line items of our previously reported condensed consolidated balance sheets as of June 30, 2022, the Company's condensed consolidated statements of operations and comprehensive loss for the three and six months ended June 30, 2022 and the Company's condensed consolidated statements of cash flows for the six months ended June 30, 2022 (in thousands).

**Condensed Consolidated Balance Sheet**

	<b>June 30, 2022</b>		
	<b>As Previously Reported</b>	<b>Adjustments</b>	<b>As Restated</b>
Accounts receivable, net	457,900	(5,064)	452,836
Total current assets	907,945	(5,064)	902,881
Total assets	1,775,409	(5,064)	1,770,345
Income tax payable	3,034	(2,615)	419
Total current liabilities	515,292	(2,615)	512,677
Total Liabilities	1,415,133	(2,615)	1,412,518
Accumulated deficit	(296,733)	(2,449)	(299,182)
Total stockholders' equity (deficit)	66,302	(2,449)	63,853
Total liabilities, redeemable perpetual preferred stock and stockholders' equity	1,775,409	(5,064)	1,770,345

**Condensed Consolidated Statements of Operations**

**Three Months Ended June 30, 2022**

	<b>As Previously Reported</b>	<b>Adjustments</b>	<b>As Restated</b>
Revenue	\$ 424,929	\$ (5,064)	\$ 419,865
Cost of revenue	377,553	2,366	379,919
Gross profit	47,376	(7,430)	39,946
General and administrative	31,509	(2,366)	29,143
Total operating expenses	54,220	(2,366)	51,854
Loss from operations	(6,844)	(5,064)	(11,908)
Loss before income tax benefit	(16,972)	(5,064)	(22,036)
Income tax benefit	(14,195)	(2,615)	(16,810)
Net loss	(2,777)	(2,449)	(5,226)
Net loss to common shareholders	(14,959)	(2,449)	(17,408)
Loss per common share			
Basic	\$ (0.10)	(0.02)	\$ (0.12)
Diluted	\$ (0.10)	(0.02)	\$ (0.12)
Weighted average number of common shares			
Basic	150,203	—	150,203
Diluted	150,203	—	150,203

**Six Months Ended June 30, 2022**

	<b>As Previously Reported</b>	<b>Adjustments</b>	<b>As Restated</b>
Revenue	\$ 725,515	\$ (5,064)	\$ 720,451
Cost of revenue	651,552	2,366	653,918
Gross profit	73,963	(7,430)	66,533
General and administrative	71,336	(2,366)	68,970
Total operating expenses	112,968	(2,366)	110,602
Loss from operations	(39,005)	(5,064)	(44,069)
Loss before income tax benefit	(51,469)	(5,064)	(56,533)
Income tax benefit	(26,638)	(2,615)	(29,253)
Net loss	(24,831)	(2,449)	(27,280)
Net loss to common shareholders	(48,619)	(2,449)	(51,068)
Loss per common share			
Basic	\$ (0.33)	\$ (0.01)	\$ (0.34)
Diluted	\$ (0.33)	\$ (0.01)	\$ (0.34)
Weighted average number of common shares			
Basic	149,246	—	149,246
Diluted	149,246	—	149,246

## Condensed Consolidated Statements of Comprehensive Loss

	Three Months Ended June 30, 2022		
	As Previously Reported	Adjustments	As Restated
Net loss	\$ (2,777)	\$ (2,449)	\$ (5,226)
Comprehensive loss	(32,495)	(2,449)	(34,944)

	Six Months Ended June 30, 2022		
	As Previously Reported	Adjustments	As Restated
Net loss	\$ (24,831)	\$ (2,449)	\$ (27,280)
Comprehensive loss	(63,560)	(2,449)	(66,009)

## Condensed Consolidated Statements of Cash Flows

	Six Months Ended June 30, 2022		
	As Previously Reported	Adjustments	As Restated
Net loss	\$ (24,831)	\$ (2,449)	\$ (27,280)
Change in:			
Accounts receivable	(111,612)	5,064	(106,548)
Income tax payable	(4,602)	(2,615)	(7,217)

Net cash flows from operations was not impacted by the errors. In addition, the Statement of Shareholders' Equity and footnote disclosures impacted by the errors have also been restated.

### Principles of Consolidation

The condensed consolidated financial statements include the accounts of Array Technologies, Inc. and its subsidiaries. All intercompany accounts and transactions have been eliminated upon consolidation.

### Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include evaluation for any impairment of goodwill, impairment of long-lived assets, fair value of contingent consideration, Series A Redeemable Perpetual Preferred Stock and the related future tranche, allowance for credit losses, reserve for excess or obsolete inventories, valuation of deferred tax assets and warranty reserve.

Actual results may differ from previously estimated amounts, and such differences may be material to the condensed consolidated financial statements; however, management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the consolidated financial statements. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the period they occur.

### **Impact of COVID-19 Pandemic**

In December 2019, a novel strain of coronavirus, SARS-CoV-2, which causes coronavirus disease 2019 (“COVID-19”), surfaced in Wuhan, China. Since then, COVID-19 has spread to multiple countries, including the United States. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Due to economic conditions, the Company’s industry has seen rapid commodity price increases and strained logistics, causing the Company to experience decreased margins and thus decreased cash from operations which has adversely impacted the Company’s business. In addition, due to global tightening of supply chain and strained logistics issues the Company has experienced an increase in unbilled revenues and in some instances incurred liquidated damages. The Company has taken, and continues to take, mitigating steps to overcome the economic challenges and, therefore, believes the impact to be temporary, but cannot be certain the timing of when it will achieve better margins. The extent to which the COVID-19 pandemic and recent supply chain constraints and price increases may further impact the Company’s business, results of operations, financial condition and cash flows will depend on future developments, which are highly uncertain and cannot be predicted with confidence.

The Company believes it has sufficient liquidity and financing options available and expects to have sufficient liquidity to operate for the next 12 months. The Company expects to use cash generated from operations and if needed, can access funds from the Revolving Credit Facility (as defined below). The Company also has \$100 million in delayed draw ability under the Series A Redeemable Perpetual Preferred Stock (as defined below) future draw commitment; however, such a draw would increase the Company’s dividend obligations and outstanding common stock and failure to draw the delayed commitments will result in interest expense payable by the company. See [Note 13 – Redeemable Perpetual Preferred](#). The Revolving Credit Facility has \$96.7 million of availability; however, the Company may have limited ability to draw on the funds due to existing debt covenants.

### **Impact of the Ongoing Conflict in Ukraine**

The ongoing conflict in Ukraine has reduced the availability of material that can be sourced in Europe and, as a result, increased logistics costs for the procurement of certain inputs and materials used in our products. We do not know ultimate severity or duration of the conflict in Ukraine, but we are continuously monitoring the situation and evaluating our procurement strategy and supply chain as to reduce any negative impact on our business, financial condition and results of operations.

### **Inflation**

The Company could see an impact from inflationary pressures. Inflation has continued to accelerate in the wake of Russia’s invasion of Ukraine, driving up energy prices, freight premiums, and other operating costs. Interest rates, notably mature market government bond yields, remain low by historical standards but are rising as central banks around the world tighten monetary policy in response to inflation pressures, while government deficits and debt remain at high levels in many major markets. The eventual implications of higher government deficits and debt, tighter monetary policy, and potentially higher long-term interest rates may drive a higher cost of capital during our forecast period.

## **Business Combinations**

The Company accounts for its business acquisitions under the acquisition method of accounting in accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 805 *Business Combinations* ("ASC 805"). The excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives, and market multiples, amongst other items.

## **Foreign Currency Translation**

For non-U.S. subsidiaries that operate in a local currency environment, assets and liabilities are translated into the U.S. dollar at period end exchange rates. Income, expense and cash flow items are translated at average exchange rates prevailing during the period. Translation adjustments for these subsidiaries are accumulated as a separate component of accumulated other comprehensive income in equity. For non-U.S. subsidiaries that use a U.S. dollar functional currency, local currency inventories and property, plant and equipment are translated into U.S. dollars at rates prevailing when acquired, and all other assets and liabilities are translated at period end exchange rates. Inventories charged to cost of revenue and depreciation are remeasured at historical rates, and all other income and expense items are translated at average exchange rates prevailing during the period. Gains and losses which result from remeasurement are included in earnings.

## **Recent Accounting Pronouncements**

### *Adopted*

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASU 2021-08"). ASU 2021-08 requires the company acquiring contract assets and contract liabilities obtained in a business combination to recognize and measure them in accordance with ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). At the acquisition date, the company acquiring the business should record related revenue, as if it had originated the contract. Before the recent update, such amounts were recognized by the acquiring company at fair value. The amendments in this update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted, including in interim periods, for any financial statements that have not yet been issued. The Company early adopted ASU 2021-08 as of January 1, 2022. See [Note 3 – Acquisition of STI](#) for further information and disclosures related to the STI Acquisition. The standard was applied to the acquisition accounting for STI. A review of the deferred revenue of the acquiree of \$20.3 million was reviewed for consistency in application with the Company's policies and U.S. GAAP and the contract liability balance was carried over at its carrying value.

## **3. Acquisition of STI**

On the Acquisition Date, the Company completed the STI Acquisition pursuant to the purchase agreement, dated November 10, 2021, by and among Amixa Capital, S.L. and Aurica Trackers, S.L., each a company duly organized under the laws of the Kingdom of Spain (together, the "Sellers") and Mr. Javier Reclusa Etayo (the "STI Purchase Agreement"). The STI Acquisition was funded primarily with borrowings from the Convertible Notes (as defined below) and the issuance of Series A redeemable perpetual preferred stock of the Company, par value \$0.001 per share (the "Series A Redeemable Perpetual Preferred Stock"). The STI Acquisition

provided the Company with an immediate presence in Brazil, Western Europe and South Africa. Transaction expenses incurred in connection with the acquisition are \$5.6 million recorded in the general and administrative line item on the condensed consolidated statement of operations for the six months ended June 30, 2022. In accordance with the STI Purchase Agreement, the Company paid closing consideration to the Sellers consisting of \$410.5 million in cash and 13,894,800 shares of the Company's common stock. The fair value of the purchase consideration was \$610.8 million and resulted in the Company owning 100% of the interests in STI. The Company has performed a valuation of the acquisition assets and liabilities and determined the related accounting impact.

The purchase price consideration to acquire STI consisted of the following (in thousands):

Cash consideration for STI	\$	409,647
Cash consideration for transaction expenses of STI		896
Total cash consideration		<u>410,543</u>
Non-cash equity consideration		200,224
Total consideration transferred		<u>610,767</u>
Total purchase price consideration	\$	<u><u>610,767</u></u>

The STI Acquisition was accounted for as a business combination applying ASC 805. The equity consideration transferred consisted of the Company's common stock and was measured at fair value based on the closing stock price on the Acquisition Date. The purchase price was allocated to the assets acquired and liabilities assumed based on management's estimate of the respective fair values at the Acquisition Date. Goodwill was calculated as the excess of the consideration transferred over the net assets recognized and represents the estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. The factors contributing to the recognition of goodwill were the expected synergies of the combined entities that are expected to be realized from the STI Acquisition. None of the goodwill is expected to be deductible for income tax purposes.

The following table summarizes the preliminary estimates of fair values of the assets acquired and liabilities assumed as of the Acquisition Date (in thousands):

<b>Preliminary Fair Value of Net Assets Acquired and Liabilities Assumed:</b>	<b>Acquisition Date</b>	<b>Measurement Adjustment</b>	<b>June 30, 2022</b>
Cash and cash equivalents	\$ 36,725	\$ —	\$ 36,725
Accounts receivable	110,789	—	110,789
Inventories	47,517	—	47,517
Prepaid expenses and other	23,399	—	23,399
Property, plant and equipment	4,434	—	4,434
Other intangible assets	318,365	—	318,365
Other assets	325	—	325
<b>Total assets acquired</b>	<b>\$ 541,554</b>	<b>\$ —</b>	<b>\$ 541,554</b>
Accounts payable	65,761	—	65,761
Deferred revenue	20,345	—	20,345
Short-term debt	44,338	—	44,338
Other liabilities	10,115	—	10,115
Income tax payable	7,576	—	7,576
Deferred tax liability	93,823	7,611	101,434
Other long-term liabilities	4,524	—	4,524
Long-term debt	12,053	—	12,053
<b>Total liabilities assumed</b>	<b>\$ 258,535</b>	<b>\$ 7,611</b>	<b>\$ 266,146</b>
Preliminary fair value of net assets acquired	283,019		275,408
Preliminary allocation to goodwill	<u>\$ 327,748</u>		<u>\$ 335,359</u>

The preliminary purchase price allocation was based upon a preliminary valuation, and the Company's estimates and assumptions are subject to change within the measurement period (defined as the twelve months following the Acquisition Date). The primary areas of the preliminary purchase price allocation that are not yet finalized relate to the valuation of identifiable intangible assets acquired, the fair value of certain tangible assets acquired and liabilities assumed as well as the tax impact. The Company expects to continue to obtain information for the purpose of determining the fair value of the assets acquired and liabilities assumed on the Acquisition Date throughout the remainder of the measurement period. The purchase price allocation is subject to further adjustment until all pertinent information regarding the assets acquired is fully evaluated by the Company, including but not limited to, the fair value accounting. For assets and liabilities excluded from the scope of the intangible asset and property, plant and equipment valuation, the Company considered net book value to be a reasonable proxy as of the acquisition close date.



The preliminary purchase price allocation includes \$318.4 million of acquired identifiable intangible assets.

(in thousands, except useful lives)	Estimated Fair Value	Estimated Weighted Average Useful Life in Years
Backlog	\$ 51,165	1
Customer relationships	238,770	10
Trade name	28,430	20
Total	\$ 318,365	

The preliminary fair value of the identifiable intangible assets has been estimated using the Excess Earnings Method (customer relationships and backlog) and Relief from Royalty Method (trade name). Significant inputs using the Excess Earnings Method include estimated revenue, expenses based on actuals and forecast, and a discount rate based on a weighted average cost of capital for customer relationships of 15% for Spain, 16.5% for Brazil and 14.0% for Spain foreign sourced projects and for order backlog of 8.5% for Spain, 9.5% for Brazil and 7.5% for Spain foreign sourced projects. Significant inputs to the Relief from Royalty method model include estimates of future revenue, economic life, estimated royalty rate of 1.25%, and a discount rate based on a weighted average cost of capital 15.2%. The intangible assets are being amortized over their estimated useful lives on a straight-line basis that reflects the economic benefit of the asset. The determination of the useful lives is based upon various industry studies, historical acquisition experience, economic factors, and future forecasted cash flows of the Company following the STI Acquisition.

The amounts of revenue and net loss of STI included in the Company's consolidated statement of operations from the Acquisition Date through June 30, 2022 are \$122.6 million and \$10.9 million, respectively.

#### Pro Forma Financial Information (Unaudited)

The following unaudited pro forma financial information presents the combined results of operations of the Company and STI as if the acquisition had occurred on January 1, 2021, after giving effect to certain unaudited pro forma adjustments. The unaudited pro forma adjustments reflected herein include only those adjustments that are directly attributable to the STI Acquisition including amortization of intangibles, debt financing expenses and tax benefits. The unaudited pro forma financial information does not reflect any adjustments for anticipated expense savings resulting from the STI Acquisition and is not necessarily indicative of the operating results that would have actually occurred had the STI Acquisition been consummated on January 1, 2021.

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue	\$ 424.9	\$ 263.1	\$ 733.4	\$ 536.9
Net income (loss)	\$ (2.8)	\$ 5.0	\$ (23.9)	\$ (7.3)

#### 4. Accounts Receivable

Accounts receivable consists of the following (in thousands):

	June 30, 2022	December 31, 2021
	<b>As Restated</b>	
Accounts receivable	\$ 453,374	\$ 236,149
Less: allowance for doubtful accounts	(538)	(140)
Accounts receivable, net	<u>\$ 452,836</u>	<u>\$ 236,009</u>

#### 5. Inventories

Inventories consist of the following (in thousands):

	June 30, 2022	December 31, 2021
Raw materials	\$ 195,600	\$ 85,470
Finished goods	142,402	127,598
Reserve for excess or obsolete inventory	(8,051)	(7,415)
Total	<u>\$ 329,951</u>	<u>\$ 205,653</u>

#### 6. Property, Plant and Equipment

Property, plant and equipment consisted of the following (in thousands, except useful lives):

	Estimated Useful Lives (Years)	June 30, 2022	December 31, 2021
Land	N/A	\$ 1,550	\$ 1,340
Buildings and land improvements	15-39	6,433	2,451
Manufacturing equipment	7	17,265	13,924
Furniture, fixtures and equipment	5-7	1,405	476
Vehicles	5	266	161
Hardware and software	3-5	2,305	1,683
Assets in progress		1,263	1,880
Total		<u>30,487</u>	<u>21,915</u>
Less: accumulated depreciation		(12,685)	(11,223)
Property, plant and equipment, net		<u>\$ 17,802</u>	<u>\$ 10,692</u>

Depreciation expense was \$0.6 million and \$0.6 million for the three months ended June 30, 2022 and 2021, respectively, of which \$0.4 million and \$0.5 million, respectively, was allocated to cost of revenue and \$0.2 million and \$0.1 million, respectively, was included in depreciation and amortization in the accompanying condensed consolidated statements of operations for the three months ended June 30, 2022 and 2021.

Depreciation expense was \$1.2 million and \$1.2 million for the six months ended June 30, 2022 and 2021, respectively, of which \$0.9 million and \$1.0 million, respectively, was allocated to cost of revenue and \$0.3 million and \$0.2 million, respectively, was included in depreciation and amortization in the accompanying condensed consolidated statements of operations for the six months ended June 30, 2022 and 2021.

## 7. Goodwill and Other Intangible Assets

### Goodwill

Prior to the STI Acquisition, goodwill, related to Former Parent's acquisition of the Company, was recorded as \$121.6 million and was subsequently impaired. Total accumulated impairment as of June 30, 2022 was \$51.9 million.

With the STI Acquisition in January 2022, the Company recorded an additional \$335.4 million of goodwill as a result of the STI acquisition and the Company's reporting units became Array Legacy Operations and the newly acquired STI Operations, which had goodwill of \$69.7 million and \$309.0 million, respectively, at June 30, 2022 and \$69.7 million and zero, respectively, at December 31, 2021. Goodwill is not deductible for tax purposes.

Changes in the carrying amount of goodwill by operating segment during the six months ended June 30, 2022 are shown below (in thousands):

	<b>Array Legacy Operations Segment</b>	<b>STI Operations Segment</b>	<b>Total</b>
Beginning Balance	\$ 69,727	\$ —	\$ 69,727
Acquisition of STI	—	335,359	\$ 335,359
Foreign currency impact	—	(26,380)	\$ (26,380)
Ending Balance	<u>\$ 69,727</u>	<u>\$ 308,979</u>	<u>\$ 378,706</u>

Each quarter the Company evaluates if facts and circumstances indicate that it is more-likely-than-not that the fair value of its reporting units is less than their carrying value, which would require the Company to perform an interim goodwill impairment test. During the quarter ended March 31, 2022, the Company determined it was necessary to perform an interim goodwill impairment test for the Array Legacy Operations reporting unit. The Company performed a quantitative goodwill impairment test and determined the estimated fair value of the reporting unit exceeded the carrying value assigned to that reporting unit; as a result, goodwill was not impaired.

## Other Intangible Assets

Other intangible assets consisted of the following (in thousands, except useful lives):

	Estimated Useful Lives (Years)	June 30, 2022	December 31, 2021
<b>Amortizable:</b>			
Costs:			
Developed technology	14	\$ 203,800	\$ 203,800
Customer relationships	10	309,601	89,500
Backlog	1	47,165	—
Trade name	20	26,203	—
<b>Total amortizable intangibles</b>		<b>586,769</b>	<b>293,300</b>
Accumulated amortization:			
Developed technology		87,069	79,790
Customer relationships		64,310	49,057
Backlog		23,099	—
Trade name		729	—
<b>Total accumulated amortization</b>		<b>175,207</b>	<b>128,847</b>
<b>Total amortizable intangibles, net</b>		<b>411,562</b>	<b>164,453</b>
<b>Non-amortizable costs:</b>			
Trade name		10,300	10,300
<b>Total other intangible assets, net</b>		<b>\$ 421,862</b>	<b>\$ 174,753</b>

Amortization expense related to intangible assets amounted to \$24.1 million and \$5.9 million for the three months ended June 30, 2022 and 2021, respectively, and \$46.7 million and \$11.8 million for the six months ended June 30, 2022 and 2021, respectively.

Estimated future annual amortization expense for the above amortizable intangible assets for the remaining periods through June 30, as follows (in thousands):

	Amount
2022	\$ 47,086
2023	48,402
2024	47,007
2025	47,007
2026	42,700
Thereafter	179,360
	<b>\$ 411,562</b>

Long-lived assets, including intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable.

During the quarter ended March 31, 2022, the Company determined it was necessary to review long-lived assets, including intangible assets related to the Array Legacy Operations reporting unit, for impairment. The Company determined the undiscounted cash flows expected to result from the use of the asset group and its eventual disposition were greater than the carrying amount and therefore concluded there was no impairment.

## **8. Investment in Equity Security**

The Company made a \$10.0 million and \$2.0 million investment in preferred stock of a private company in February 2021 and April 2021, respectively. The investment is accounted for in accordance with ASC Topic 321 *Investments—Equity Securities* at its cost, less any impairment. The investment balance as of June 30, 2022 was \$12.0 million and is recorded in other assets on the condensed consolidated balance sheets. There is no impairment recorded for the six months ended June 30, 2022.

## **9. Income Taxes**

The Company follows guidance under ASC Topic 740-270 *Income Taxes*, which requires that an estimated annual effective tax rate is applied to year-to-date ordinary income (loss). At the end of each interim period, the Company estimates the effective tax rate expected to be applicable for the full fiscal year. The tax effect of discrete items is recorded in the quarter in which the discrete events occur.

The Company recorded income tax benefit of \$16.8 million and \$1.8 million for the three months ended June 30, 2022 and 2021, respectively, and income tax benefit of \$29.3 million and \$0.1 million for the six months ended June 30, 2022 and 2021, respectively. The tax benefit in the three months ended June 30, 2022 was favorably impacted by non-taxable contingent income, lower transaction costs and mix of income. The tax benefit in the three months ended June 30, 2021 was unfavorably impacted by non-deductible amounts for equity-based compensation and Follow-on Offering costs. The tax benefit in the six months ended June 30, 2022 was favorably impacted by mix of earnings in foreign jurisdictions offset by non-deductible amounts for officers' compensation and transaction costs. The tax benefit in the six months ended June 30, 2021 was unfavorably impacted by non-deductible equity based compensation as well as initial public offering and secondary offering costs.

For the three and six months ended June 30, 2022 and 2021, no reserves for uncertain tax positions have been recorded. The Company will continue to monitor this position each interim period.

## 10. Senior Secured Credit Facility

Long-term senior secured credit facility consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
Term loan facility	\$ 324,625	\$ 326,775
Revolving credit facility	68,000	—
	392,625	326,775
Less discount and issuance costs	(21,206)	(23,291)
Long-term portion, net of debt discount and issuance costs	371,419	303,484
Less current portion of credit facility	(4,300)	(4,300)
Long-term senior secured facility debt, net of current portion, debt discount and issuance costs	\$ 367,119	\$ 299,184

### Senior Secured Credit Facility

On October 14, 2020, the Company entered into a senior secured credit facility, which was amended on February 23, 2021 (the “First Amendment”) and again on February 26, 2021 (the “Second Amendment”). The senior secured facility consisted originally of (i) a \$575 million senior secured 7-year term loan facility (the “Term Loan Facility”) and (ii) a \$150 million senior secured 5-year revolving credit facility (the “Revolving Credit Facility”) and, together with the Term Loan Facility, the “Senior Secured Credit Facility”). The First Amendment, in the case of Eurocurrency borrowings, lowered the London interbank offered rate floor to 50 basis points from 100 basis points and lowered the applicable margin to 325 basis points from 400 basis points per annum. This resulted in the current rate on the Term Loan Facility decreasing to 3.75% down from 5% prior to the First Amendment. The Second Amendment increased the \$150.0 million Revolving Credit Facility from \$150.0 million to \$200.0 million.

### Revolving Credit Facility

Under the Revolving Credit Facility, the Company had \$68.0 million and no outstanding balance as of June 30, 2022 and December 31, 2021, respectively, \$35.3 million and \$13.6 million in standby letters of credit at June 30, 2022 and December 31, 2021, respectively, and availability of \$96.7 million and \$186.4 million at June 30, 2022 and December 31, 2021, respectively. The Revolving Credit Facility pays interest depending on the contracted rate for the loan which is either for the Eurocurrency Rate Loans at LIBOR plus 3.25% and for Base Rate Loans at the higher of the Prime Rate, 1/2 of 1% above the Federal Funds Rate or the Eurocurrency rate for the Dollar deposits for one month Interest Period, after giving effect to any floor plus 1%, plus 2.25%.

### Term Loan Facility

The Term Loan Facility had a balance of \$324.6 million and \$326.8 million as of June 30, 2022 and December 31, 2021, respectively. The balance of the Term Loan Facility is presented in the accompanying condensed consolidated balance sheets, net of debt discount and issuance costs of \$21.2 million and \$23.3 million as of June 30, 2022 and December 31, 2021, respectively. The debt discount and issuance costs are being amortized using the effective interest method and the rate as of June 30, 2022 is 6.03%. The Term Loan Facility has an annual excess cash flow calculation, for which the prescribed formula did not result in requiring the Company to make any advance principal payments for the six months ended June 30, 2022 and 2021.

## 11. Convertible Debt

Convertible debt consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
1.00% Senior unsecured convertible notes	\$ 425,000	\$ 425,000
Less: unamortized discount and issuance costs	(12,192)	(13,137)
1.00% Senior unsecured convertible notes, net <sup>(1)</sup>	\$ 412,808	\$ 411,863

<sup>(1)</sup> Effective interest rate for the Convertible Notes as of June 30, 2022 and December 31, 2021 was 1.5%.

On December 3, 2021 and December 9, 2021, the Company completed a private offering of \$375 million and \$50 million over allotment, respectively, in aggregate principal amount of 1.00% Convertible Senior Notes due 2028 (the "Convertible Notes"), resulting in proceeds of \$364.7 million and \$48.6 million, respectively, after deducting the original issue discount of 2.75%. The Convertible Notes were issued pursuant to an indenture, dated December 3, 2021 (the "Indenture"), between the Company and U.S. Bank National Association, as trustee.

The Convertible Notes are senior unsecured obligations of the Company and will mature on December 1, 2028, unless earlier converted redeemed or repurchased. The Convertible Notes bear interest at a rate of 1.00% per year, payable semiannually in arrears on June 1 and December 1 of each year, beginning on June 1, 2022.

The Convertible Notes were not convertible during the six months ended June 30, 2022 and none have been converted to date. Also, given that the average market price of the Company's common stock has not exceeded the exercise price since inception, there was no dilutive impact for the six months ended June 30, 2022.

### **Capped Calls**

In connection with the issuances of the Convertible Notes, the Company paid \$52.9 million, in aggregate, to enter into capped call option agreements to reduce the potential dilution to holders of the Company's common stock after a conversion of the Convertible Notes. Specifically, upon the exercise of the capped call instruments issued pursuant to the agreements (the "Capped Calls"), the Company would receive shares of its common stock equal to approximately 17.8 million shares (a) multiplied by (i) the lower of \$36.0200 or the then-current market price of its common stock, less (ii) the applicable exercise price, and (b) divided by the then-current market price of its common stock. The results of this formula are that the Company would receive more shares as the market price of its common stock exceeds the exercise price and approaches the cap, which was initially \$36.0200 per share.

Consequently, if the Convertible Notes are converted, then the number of shares to be issued by the Company would be effectively partially offset by the shares of common stock received by the Company under the Capped Calls as they are exercised. The formula above would be adjusted in the event of certain specified extraordinary events affecting the Company, including a merger; a tender offer; nationalization, insolvency or delisting of the Company's common stock; changes in law; failure to deliver; insolvency filing; stock splits, combinations, dividends, repurchases or similar events; or an announcement of certain of the preceding actions.

The Company can also elect to receive the equivalent value of cash in lieu of shares of common stock upon settlement, except in certain circumstances. The Capped Calls expire on December 1, 2028 and terminate upon the occurrence of certain extraordinary events such as a merger, tender offer, nationalization, insolvency, delisting, event of default, a change in law, failure to deliver, an announcement of certain of these events, or an early conversion of the Convertible Notes. Although intended to reduce the net number of shares of common stock issued after a conversion of the Convertible Notes, the Capped Calls were separately negotiated transactions, are not a part of the terms of the Convertible Notes, and do not affect the rights of the holders of the Convertible Notes. The Capped Calls meet the criteria for equity classification because they are indexed to the Company's common stock and the Company has discretion to settle the Capped Calls in shares or cash. As a result, the amount paid for the Capped Calls was recorded as a reduction to additional paid-in capital. The Capped Calls are excluded from the calculation of diluted net income (loss) per share attributable to common stockholders as their effect is antidilutive.

## **12. Other Debt**

In connection with the STI Acquisition, the Company assumed debt obligations of STI. As of June 30, 2022, related debt balances were \$47.0 million in short-term debt and \$13.6 million in long-term debt. Interest rates on the acquired debt range from 0.55% to 2.76% annually and maturities for the short-term portion of loans range from April 2022 to March 2023. Maturities for the long-term portion of loans are \$5.2 million due in 2024 and \$8.4 million due in March 2027.

## **13. Redeemable Perpetual Preferred Stock**

### **Series A Redeemable Perpetual Preferred Stock**

On August 10, 2021, the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") pursuant to which, on August 11, 2021, the Company issued and sold to certain investors (the "Purchasers") 350,000 shares of its newly designated Series A Redeemable Perpetual Preferred Stock and 7,098,765 shares of the Company's common stock for an aggregate purchase price of \$346.0 million (the "Initial Closing"). Further, pursuant to the Securities Purchase Agreement, on September 27, 2021, the Company issued and sold to the Purchasers 776,235 shares of common stock for an aggregate purchase price of \$776 (the "Prepaid Forward Contract"). The Company used net proceeds from the Initial Closing to repay the entire \$102.0 million amount outstanding under its existing Revolving Credit Facility and prepay \$100 million under the Company's Term Loan. Additionally, the Securities Purchase Agreement entitles the Purchasers to designate one representative to be appointed to the Company's board of directors (the "Board") and to appoint three non-voting observers to the Board, in each case until such time as the Purchasers no longer beneficially own shares of the Series A Redeemable Perpetual Preferred Stock with at least \$100 million aggregate Liquidation Preference (as defined below). The Series A Redeemable Perpetual Preferred Stock has no maturity date.

On January 7, 2022, the Company issued and sold to the Purchasers 50,000 shares of Series A Redeemable Perpetual Preferred Stock and 1,125,000 shares of the Company's common stock in an additional closing for an aggregate purchase price of \$49.4 million (the "Additional Closing").

#### *Additional Closings*

The Securities Purchase Agreement gives the Company the option to require the Purchasers to purchase, in one or more additional closings, up to 150,000 shares of Series A Redeemable Perpetual Preferred Stock until



June 30, 2023 and up to 3,375,000 shares of common stock (or up to 6,100,000 shares of common stock in the event of certain price-related adjustments) (subject to certain equitable adjustments pursuant to any stock dividend, stock split, stock combination, reclassification or similar transaction) for an aggregate purchase price up to \$148.0 million (the “Delayed Draw Commitment”). This commitment has been reduced by the Additional Closing.

The Company evaluated the accounting for the instruments issued in the Securities Purchase Agreement and determined the Series A Redeemable Perpetual Preferred Stock and common stock issued in the Initial Closing, as well as the Prepaid Forward Contract, and Delayed Draw Commitment are freestanding instruments accounted for in equity.

The Series A Redeemable Perpetual Preferred Stock is recorded in temporary equity on the condensed consolidated balance sheets as it has redemption features upon certain triggering events that are outside the Company’s control, such as a fundamental change. The proceeds of the Series A Redeemable Perpetual Preferred Stock, transactions costs and discount of \$334.6 million have been allocated to each instrument based on its relative fair value. At the Initial Closing date, \$229.8 million was allocated to the Series A Redeemable Perpetual Preferred Stock, \$105.4 million to common stock, \$12.4 million to the Delayed Draw Commitment, which was recorded as a debit to additional paid-in capital, and \$11.7 million to the Prepaid Forward Contract.

The Additional Closing carried issuance and original issuance discount costs of \$1.3 million. The net proceeds were allocated amongst the Series A Redeemable Perpetual Preferred Stock and common stock based on the proceeds of \$33.1 million and \$15.9 million, respectively.

#### *Dividends*

On or prior to the fifth anniversary of the Initial Closing, the Company may pay dividends on the Series A Redeemable Perpetual Preferred Stock either in cash at the then-applicable Cash Regular Dividend Rate (as defined below), through accrual to the Liquidation Preference at the Accrued Regular Dividend Rate (as defined below) of 6.25% (the “Permitted Accrued Dividends”) or a combination thereof. Following the fifth anniversary of the Initial Closing, dividends are payable only in cash. To the extent the Company does not declare such dividends and pay in cash following the fifth anniversary of the Initial Closing, the dividends accrue to the Liquidation Preference (“Default Accrued Dividends”) at the then-applicable Cash Regular Dividend Rate plus 200 basis points. In the event there are Default Accrued Dividends outstanding for six consecutive quarters, the Company, at the option of the holders of the Series A Redeemable Perpetual Preferred Stock, will pay 100% of the amount of Default Accrued Dividends by delivering to such holder a number of shares of the Company’s common stock equal to the quotient of (i) the amount of Default Accrued Dividends divided by (ii) 95% of the 30-day VWAP of the Company’s common stock.

As used herein, “Liquidation Preference” means, with respect to any shares of the Series A Redeemable Perpetual Preferred Stock, the initial liquidation preference of \$1000 per share plus any Accrued Dividends of such share as the time of the determination.

The “Cash Regular Dividend Rate” of the Series A Redeemable Perpetual Preferred Stock means (i) initially, 5.75% per annum on the Liquidation Preference and (ii) increased by (a) 50 basis points on each of the fifth, sixth and seventh anniversaries of the Initial Closing and (b) 100 basis points on each of the eighth, ninth and

tenth anniversaries of the Initial Closing. The “Accrued Regular Dividend Rate” on the Series A Redeemable Perpetual Preferred Stock means 6.25% per annum on the Liquidation Preference.

Permitted Accrued Dividends accrued as of June 30, 2022 are \$12.2 million with no dividends paid for the six months ended June 30, 2022 as dividends are accruing to the Liquidation Preference. Permitted Accrued Dividends resulted in 13 shares of the Series A Redeemable Perpetual Preferred being issued as of June 30, 2022. Dividends declared and paid as of December 31, 2021 were \$8.2 million.

The shares of Series A Redeemable Perpetual Preferred Stock have similar characteristics of an “Increasing Rate Security” as described by SEC Staff Accounting Bulletin Topic 5Q, *Increasing Rate Preferred Stock*. As a result, the discount on Series A Redeemable Perpetual Preferred Stock is considered an unstated dividend cost that is amortized over the period preceding commencement of the perpetual dividend using the effective interest method, by charging imputed dividend cost against retained earnings, or additional paid in capital in the absence of retained earnings, and increasing the carrying amount of the Series A Redeemable Perpetual Preferred Stock by a corresponding amount. The discount of \$120.2 million is therefore being amortized over five years using the effective yield method. The amortization in each period is the amount which, together with the stated dividend in the period, results in a constant rate of effective cost with regard to the carrying amount of the Series A Redeemable Perpetual Preferred Stock.

The Company has presented the Series A Redeemable Perpetual Preferred Stock in temporary equity and is accreting the discount on the increasing rate dividends using the effective interest method. Such accretion totaled \$11.1 million for the six months ended June 30, 2022.

The Company had \$12.2 million in dividends accreted on the carrying value of the Series A Redeemable Perpetual Preferred Stock at an accrual rate of 6.25% as of June 30, 2022.

#### *Fees*

Until June 30, 2023, the Company will pay the Purchasers a cash commitment premium on the unpurchased portion of Delayed Draw Commitment as follows:

- a. 0% through the six-month anniversary of the Initial Closing;
- b. 1.5% from the six-month anniversary of the Initial Closing through the 12-month anniversary of the Initial Closing; and
- c. 3.0% from the 12-month anniversary of the Initial Closing through June 30, 2023.

The Company may terminate some or all of the Delayed Draw Commitment, from time to time, at its sole discretion.

## 14. Revenue

Based on ASC 606 provisions, the Company disaggregates its revenue from contracts with customers by those sales recorded over-time and sales recorded at a point in time. The following table presents the Company's revenue disaggregated by sales recorded over-time and sales recorded at a point in time (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	<b>As Restated</b>		<b>As Restated</b>	
Over-time revenue	\$ 324,851	\$ 114,548	\$ 532,922	\$ 232,398
Point in time revenue	95,014	81,968	187,529	212,358
Total revenue	<u>\$ 419,865</u>	<u>\$ 196,516</u>	<u>\$ 720,451</u>	<u>\$ 444,756</u>

As discussed in the consolidated financial statements included in the 2021 Annual Report, contracts related to the Company's federal investment tax credit ("ITC") were determined to have multiple performance obligations satisfied at a point in time instead of one performance obligation satisfied over time. The disaggregated revenue information above for the six months ended June 30, 2021 has been restated to correct this error, which resulted in \$185.1 million of revenue being reclassified from over-time revenue to point in time revenue for the six months ended June 30, 2021.

Revenue recognized for the ITC-related contracts and standalone system component sales is recorded at a point in time and recognized when obligations under the terms of the contract with the Company's customer are satisfied. Generally, this occurs with the transfer of control of the asset, which is typically upon delivery to the customer in line with shipping terms.

In certain situations, the Company recognizes revenue under a bill-and-hold arrangement with its customers. When this occurs, the customers purchase material prior to the start of construction of a solar project in order to meet the Five Percent Safe Harbor test to qualify for the ITC. Because the customers lack sufficient storage capacity to accept a large amount of material prior to the start of construction, they request that the Company keep the product in its custody. The material is bundled or palletized in the Company's warehouses, identified separately as belonging to the respective customer and is ready for immediate transport to the customer project upon customer request. Additionally, title and risk of loss has passed to the customer and the Company does not have the ability to use the product or direct it to another customer. As of June 30, 2022, the Company had no contracts with customers for the sale of goods and services that contained bill-and-hold obligations such as storage, handling and other custodial duties for the three and six months ended June 30, 2022. Any losses incurred on point-in-time projects are recognized as the goods are delivered.

### *Contract Balances*

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and deferred revenue (contract liabilities) on the condensed consolidated balance sheets. The majority of the Company's contract amounts are billed as work progresses in accordance with agreed-upon contractual terms, which generally coincide with the shipment of one or more phases of the project. Billing sometimes occurs subsequent to revenue recognition, resulting in contract assets. The changes in contract assets (i.e., unbilled receivables) and the corresponding amounts recorded in revenue relate to fluctuations in the timing and volume of billings for the Company's revenue recognized over-time.

Contract assets consisting of unbilled receivables are recorded within accounts receivable on the condensed consolidated balance sheets on a contract-by-contract basis at the end of the reporting period and consisted of the following (in thousands):

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
	<b>As Restated</b>	
Unbilled receivables	\$ 106,844	\$ 111,224

The Company also receives advances or deposits from its customers, before revenue is recognized, resulting in contract liabilities. The changes in contract liabilities (i.e., deferred revenue) relate to advanced orders and payments received by the Company. Contract liabilities consisting of deferred revenue recorded on a contract-by-contract basis at the end of each reporting period were as follows (in thousands):

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
Deferred revenue	\$ 167,556	\$ 99,575

During the six months ended June 30, 2022, the Company converted \$61.8 million in deferred revenue to revenue, which represented 62% of the prior year's deferred revenue balance.

#### *Remaining Performance Obligations*

As of June 30, 2022, the Company had \$476 million of remaining performance obligations. The Company expects to recognize revenue on 100% of these performance obligations in the next twelve months.

## **15. Loss Per Share**

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

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>As Restated</b>		<b>As Restated</b>	
Net loss	\$ (5,226)	\$ (5,517)	\$ (27,280)	\$ (941)
Preferred dividends and accretion	12,182	—	23,788	—
Net loss to common shareholders	<u>\$ (17,408)</u>	<u>\$ (5,517)</u>	<u>\$ (51,068)</u>	<u>\$ (941)</u>
<b>Basic:</b>				
Weighted average shares	<u>150,203</u>	<u>126,994</u>	<u>149,246</u>	<u>126,994</u>
Loss per share	<u>\$ (0.12)</u>	<u>\$ (0.04)</u>	<u>\$ (0.34)</u>	<u>\$ (0.01)</u>
<b>Diluted:</b>				
Weighted average shares	<u>150,203</u>	<u>126,994</u>	<u>149,246</u>	<u>126,994</u>
Loss per share	<u>\$ (0.12)</u>	<u>\$ (0.04)</u>	<u>\$ (0.34)</u>	<u>\$ (0.01)</u>

Potentially dilutive common shares issuable pursuant to equity-based awards of 2,413,230 and 970,424 were not included as of June 30, 2022 and 2021, respectively, as their potential effect was anti-dilutive as the Company generated a net loss. There were no potentially dilutive common shares issuable pursuant to the Convertible Notes as the stock price is below the strike price and the Company generated a net loss.

## 16. Commitments and Contingencies

### Litigation

The Company, in the normal course of business, is subject to claims and litigation. The Company reviews the status of each matter and assesses its potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, the Company would accrue a liability for the estimated loss.

On August 30, 2017, the Company filed its first amended complaint in the U.S. District Court for the District of New Mexico against Nextracker LLC, Daniel S. Shugar, Marco Garcia, Flextronics International U.S.A., Inc., Scott Graybeal and Colin Mitchell (collectively, the “Defendants”) asserting (among other claims) trade secret misappropriation, tortious interference with contract, fraud, and breach of contract (the “Nextracker Litigation”). On July 15, 2022, the Company settled its claims against Defendants for \$42.8 million and received payment on August 4, 2022.

On May 14, 2021, a putative class action was filed in the U.S. District Court for the Southern District of New York (the “Southern District of New York” or the “Court”) against the Company and certain officers and directors alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5, promulgated thereunder, and Sections 11, 12(a)(2) and 15 of the Securities Exchange Act of 1933 (“Plymouth Action”). The Plymouth Action alleges misstatements and/or omissions in the Company’s registration statements and prospectuses related to the Company’s October 2020 initial public offering (“IPO”), the Company’s December 2020 offering (the “2020 Follow-On Offering”), and the Company’s March 2021 offering (the “2021 Follow-On Offering”) during the putative class period of October 14, 2020 through May 11, 2021.

On June 30, 2021, a second putative class action was filed in the Southern District of New York against the Company and certain officers and directors alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5, promulgated thereunder, and Sections 11 and 15 of the Securities Exchange Act of 1933 (“Keippel Action”). The Keippel Action similarly alleged misstatements and/or omissions in certain of the Company’s registration statements and prospectuses related to the Company’s IPO, the Company’s 2020 Follow-On Offering, and the Company’s 2021 Follow-On Offering during the putative class period of October 14, 2020 through May 11, 2021. On July 6, 2021, the Court entered an order that the Keippel Action was in all material respects substantially similar to the Plymouth Action that both actions arise out of the same or similar operative facts, and that the parties are substantially the same parties. The Court accordingly consolidated the Keippel Action with the Plymouth Action for all pretrial purposes and, ordered all filings to be made in the Plymouth Action.

On July 16, 2021, a verified derivative complaint was filed in the Southern District of New York against certain officers and directors of the Company (“First Derivative Action”). The complaint alleges: (1) violations of Section 14(a) of the Securities Exchange Act of 1934 for misleading proxy statements, (2) breach of fiduciary duty, (3) unjust enrichment, (4) abuse of control, (5) gross mismanagement, (6) corporate waste, (7) aiding and abetting breach of fiduciary duty, and (8) contribution under sections 10(b) and 21D of the Securities Exchange Act of 1934.

On July 30, 2021, a second and related verified derivative complaint was filed in the Southern District of New York against certain officers and directors of the Company (“Second Derivative Action”). The complaint alleges: (1) violations of Section 14(a) of the Securities Exchange Act of 1934 for causing the issuance of a false/

misleading proxy statement, (2) breach of fiduciary duty, and (3) aiding and abetting breaches of fiduciary duty. On August 24, 2021, the Second Derivative Action was consolidated with the First Derivative Action, the Court appointed co-lead counsel, and the case was temporarily stayed pending the entry of an order on all motions to dismiss directed at the pleadings filed in the Plymouth Action. The stay shall remain in effect until the later of (a) the entry of an order on any motions to dismiss the Plymouth Action or, (b) to the extent the complaint in the Plymouth Action is amended, the entry of an order on any motions to dismiss any such amended complaints in the Plymouth Action.

On September 21, 2021, the Court in the Plymouth Action appointed a group comprised of institutional investors Plymouth County Retirement Association and Carpenters Pension Trust Fund for Northern California as lead plaintiff.

On December 7, 2021, an amended class action complaint was filed by lead plaintiff in the Plymouth Action against the Company and certain officers and directors alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5, promulgated thereunder, and Sections 11, 12(a)(2), and 15 of the Securities Exchange Act of 1933, on behalf of a putative class of persons and entities that purchased or otherwise acquired the Company's securities during the period from October 14, 2020 through May 11, 2021 (the "Consolidated Amended Complaint"). The Consolidated Amended Complaint alleges misstatements and/or omissions in: (1) certain of the Company's registration statements and prospectuses related to the Company's IPO, the Company's 2020 Follow-On Offering, and the Company's 2021 Follow-On Offering; (2) in the Company's Annual Report on Form 10-K and associated press release announcing results for the fourth quarter and full fiscal year 2020; and (3) in the Company's November 5, 2020 and March 9, 2021 earnings calls.

Consistent with the individual rules of practice for the Court in the Plymouth Action, on January 24, 2022, the defendants in the Plymouth Action, including the Company and certain of its officers and directors named as defendants therein, served on lead plaintiff and the Court a letter outlining why the Consolidated Amended Complaint should be dismissed in its entirety. Lead plaintiff responded to that letter on February 23, 2022 disagreeing with the ground for dismissal outlined in the defendants' initial letter and contending that its Consolidated Amended Complaint should not be dismissed. Because the parties could not agree that the Consolidated Amended Complaint was deficient in any respect, the defendants, including the Company, submitted a letter to the Court on March 21, 2022 setting forth the reasons why the Consolidated Amended Complaint should be dismissed and requesting the Court's leave to file a motion to dismiss.

At this time the Company believes that the likelihood of any material loss related to these matters is remote given the preliminary stage of the claims and strength of the Company's defenses. The Company has not recorded any material loss contingency in the condensed consolidated balance sheets as of June 30, 2022 or December 31, 2021.

## **Contingent Consideration**

### *Tax Receivable Agreement*

Concurrent with the Former Parent's acquisition of Array Technologies Patent Holdings Co., LLC on July 8, 2016, Array Tech, Inc. entered into a Tax Receivable Agreement (the "TRA") with the former majority shareholder of Array. The TRA is valued based on the future expected payments under the agreement. The TRA provides for the payment by Array Tech, Inc. to the former owners for certain federal, state, local and non-U.S. tax benefits deemed realized in post-closing taxable periods by Array, from the use of certain deductions

generated by the increase in the tax value of the developed technology. The TRA is accounted for as contingent consideration and subsequent changes in fair value of the contingent liability are recognized in contingent consideration in the condensed consolidated statements of operations. As of June 30, 2022 and December 31, 2021, the fair value of the TRA was \$7.7 million and \$14.6 million, respectively.

Estimating the amount of payments that may be made under the TRA is by nature imprecise. The significant fair value inputs used to estimate the future expected TRA payments to the former owners include the timing of tax payments, a discount rate, book income projections, timing of expected adjustments to calculate taxable income and the projected rate of use for attributes defined in the TRA.

Payments made under the TRA consider tax positions taken by the Company and are due within 125 days following the filing of the Company's U.S. federal and state income tax returns under procedures described in the agreement. The current portion of the TRA liability is based on tax returns. The TRA will continue until all tax benefit payments have been made or the Company elects early termination under the terms described in the TRA.

The following table summarizes the liability related to the estimated TRA (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Beginning balance	\$ 9,364	\$ 19,839	\$ 14,577	\$ 19,691
Payments	—	(7,810)	(1,483)	(7,810)
Fair value adjustment	(1,678)	(13)	(5,408)	135
Ending balance	\$ 7,686	\$ 12,016	\$ 7,686	\$ 12,016

The TRA liability requires significant judgment and is classified as Level 3 in the fair value hierarchy.

### Surety Bonds

As of June 30, 2022, the Company posted surety bonds in the total amount of approximately \$189.8 million. The Company is required to provide surety bonds to various parties as required for certain transactions initiated during the ordinary course of business to guarantee the Company's performance in accordance with contractual or legal obligations. These off-balance sheet arrangements do not adversely impact the Company's liquidity or capital resources.

### 17. Fair Value of Financial Instruments

The carrying values and the estimated fair values of debt financial instruments were as follows (in thousands):

	June 30, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Convertible Notes	\$ 412,808	\$ 299,506	\$ 411,863	\$ 410,771

The carrying values of the Revolving Credit Facility recorded in long-term debt on the condensed consolidated balance sheets approximate fair value due to the variable interest rate. The fair value of the Convertible Notes is estimated using Level 2 inputs, as they are not registered securities nor listed on any securities exchange but may be traded by qualified institutional buyers.

## 18. Equity-Based Compensation

### 2020 Plan

On October 14, 2020, the Company's 2020 Equity Incentive Plan (the "2020 Plan") became effective. The 2020 Plan authorized 6,683,919 new shares, subject to adjustments pursuant to the 2020 Plan.

During the six months ended June 30, 2022, the Company granted an aggregate of 1,378,851 restricted stock units ("RSUs") to employees and board of director members and 451,671 Performance Stock Units ("PSUs") to certain executives. The fair value of the RSUs is determined using the market value of common stock on the grant date. The PSUs cliff vest after three years and upon meeting certain revenue and adjusted EPS targets. The PSUs also contain a modifier based on the total stock return (TSR) compared to a certain Index which modifies the number of PSUs that vest. The PSUs were valued using a Monte-Carlo simulation method with a volatility assumption of 66%, risk free interest rate of 0.28% based on the United States Treasury Constant Maturity rates and no dividends paid assumption.

Activity under the 2020 Plan was as follows:

#### RSUs

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested, December 31, 2021	930,409	\$ 21.66
Granted	1,378,851	\$ 9.99
Vested	(248,661)	\$ 19.14
Forfeited	(99,040)	\$ 19.89
Unvested, June 30, 2022	<u>1,961,559</u>	<u>\$ 14.05</u>

#### PSUs

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested, December 31, 2021	147,687	\$ 27.75
Granted	451,671	\$ 10.63
Vested	—	\$ —
Forfeited	(20,027)	\$ 30.74
Unvested, June 30, 2022	<u>579,331</u>	<u>\$ 14.30</u>

#### Class B Units and Class C Units of Former Parent

The Company accounted for equity grants to employees of Class B Units and Class C Units (collectively, the "Units") of Former Parent as equity-based compensation under ASC 718, *Compensation-Stock Compensation*. The Units contain vesting provisions as defined in the agreement. Vested Units do not forfeit upon termination and represent a residual interest in Former Parent. Equity-based compensation cost is measured at the grant date fair value and is recognized on a straight-line basis over the requisite service period, including those Units



with graded vesting with a corresponding credit to additional paid-in capital as a capital contribution from Former Parent. However, the amount of equity-based compensation at any date is equal to the portion of the grant date value of the award that is vested.

The Units issued to employees are measured at fair value on the grant date using an option pricing model. The Company utilizes the estimated weighted average of the Company's expected fund life dependent on various exit scenarios to estimate the expected term of the awards. Expected volatility is based on the average of historical and implied volatility of a set of comparable companies, adjusted for size and leverage. The risk-free rates are based on the yields of U.S. Treasury instruments with comparable terms. Actual results may vary depending on the assumptions applied within the model.

On November 19, 2019 and May 19, 2020, Former Parent issued 22,326,653 and 4,344,941, respectively, Class B Units to certain employees of the Company. On March 28, 2020, Former Parent issued 1,000 Class C Units to a member of the board of directors of Array Technologies, Inc.

On March 23, 2021, in connection with the closing of the 2021 Follow-on Offering, all of the outstanding Class B Units of Former Parent were immediately vested per the terms of the equity awards, resulting in the Company accelerating the recognition of equity-based compensation of \$8.9 million for the six months ended June 30, 2021.

For the three months ended June 30, 2022 and 2021, the Company recognized \$3.0 million and \$4.1 million in equity-based compensation, respectively. For the six months ended June 30, 2022 and 2021, the Company recognized \$7.5 million and \$12.0 million in equity-based compensation, respectively. As of June 30, 2022, the Company had \$25.4 million of unrecognized compensation costs related to RSUs which is expected to be recognized over a period of 2.4 years. There were 119,067 forfeitures during the three and six months ended June 30, 2022 and 57,424 forfeitures during both the three and six months ended June 30, 2021.

## **19. Related Party Transactions**

### **Accounts Payable-Related Party**

The Company had \$0.5 million and \$0.6 million as of June 30, 2022 and December 31, 2021, respectively, of accounts payable-related party with the former shareholders of Array. The payables relate to a federal tax refund related to the pre-acquisition periods and restricted cash related to Former Parent's acquisition of the Company which were due to the sellers of Array upon release of the restriction offset by a receivable related to a sales/use tax audit from the pre-acquisition period for which the seller provided the Company with indemnification.

### **Tax Receivable Agreement**

See [Note 16 – Commitments and Contingencies](#) – Tax Receivable Agreement.

## **20 Segment Reporting**

ASC 280 *Segment Reporting* establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Historically, the Company managed its business on the basis of one operating

and reportable segment. During the six months ended June 30, 2022, the Company changed its reportable segments as a result of the STI Acquisition; the Company now operates as two segments; Array Legacy Operations and STI Operations.

The following table provides a reconciliation of certain financial information for the Company's reportable segments to information presented in its condensed consolidated financial statements for the three and six months ended June 30, 2022 and 2021 and as of June 30, 2022 and December 31, 2021 (in thousands):

	Three Months Ended June 30, 2022			Three Months Ended June 30, 2021	
	Array Legacy Operations	STI Operations	Total	Array Legacy Operations	
	As Restated	As Restated	As Restated		
Revenue	\$ 347,177	\$ 72,688	\$ 419,865	\$ 196,516	
Gross Profit	\$ 33,840	\$ 6,106	\$ 39,946	\$ 20,507	

  

	Six Months Ended June 30, 2022			Six Months Ended June 30, 2021	
	Array Legacy Operations	STI Operations	Total	Array Legacy Operations	
	As Restated	As Restated	As Restated		
Revenue	\$ 597,829	\$ 122,622	\$ 720,451	\$ 444,756	
Gross Profit	\$ 55,108	\$ 11,425	\$ 66,533	\$ 66,673	

## 21 Subsequent Events

On July 15, 2022, the Company and Nextracker LLC, Daniel S. Shugar, Marco Garcia, Flextronics International U.S.A., Inc., Scott Graybeal and Colin Mitchell entered into a monetary settlement agreement (the "Settlement") to resolve the Nextracker Litigation. The Company's claims in the lawsuit included misappropriation of the Company's trade secrets, tortious interference of contract, and breach of contract. The Settlement provides for, among other things, a payment of \$42.8 million which was made by Defendants and received by the Company on August 4, 2022, in resolution of the Company's claims and a mutual limited release of all claims asserted, or that could have been asserted, in connection with the Nextracker Litigation.

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

### **Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and related notes and other financial information included in Part I, "Item 1. Financial Statements" of this Quarterly Report on Form 10-Q (this "Quarterly Report"), as well as our audited financial statements and notes thereto as of and for the year ended December 31, 2021 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2021 ("2021 Annual Report"). Each of the terms the "Company," "Array," "we," or "us" as used herein refers collectively to Array Technologies, Inc. and its wholly owned subsidiaries, unless otherwise stated. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under the sections captioned "Forward-Looking Statements" and "Risk Factors" in this Quarterly Report and our 2021 Annual Report.*

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This report contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to our management. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, technology developments, financing and investment plans, dividend policy, competitive position, industry and regulatory environment, potential growth opportunities and the effects of competition. Forward-looking statements include statements that are not historical facts and can be identified by terms such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "seek," "should," "will," "would" or similar expressions and the negatives of those terms.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Given these uncertainties, you should not place undue reliance on forward-looking statements. Also, forward-looking statements represent our management's beliefs and assumptions only as of the date of this report. You should read this report with the understanding that our actual future results may be materially different from what we expect.

Important factors that could cause actual results to differ materially from our expectations include factors in "Summary Risk Factors" and the "Risk Factors" sections of this Quarterly Report. Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

### **Summary Risk Factors**

Our business is subject to a number of risks that if realized could materially and adversely affect our business, financial conditions, results of operations, cash flows and access to liquidity. These risks are discussed more fully in the "Risk Factors" section of this Quarterly Report. Our principal risks include the following:

- we may be unable to successfully integrate the business of STI (as defined below) into our business or achieve the anticipated benefits of the STI Acquisition (as defined below);
- the capped call transactions may affect the value of our Convertible Notes (as defined below) and the market price of our common stock;

- the fundamental change repurchase feature of the Convertible Notes may delay or prevent an otherwise beneficial attempt to acquire us;
- if demand for solar energy projects does not continue to grow or grows at a slower rate than we anticipate, our business will suffer;
- the viability and demand for solar energy are impacted by many factors outside of our control, which makes it difficult to predict our future prospects;
- a loss of one or more of our significant customers, their inability to perform under their contracts, or their default in payment, could harm our business and negatively impact revenue, results of operations and cash flow;
- a failure to retain key personnel or a failure to attract additional qualified personnel may affect our ability to achieve our anticipated level of growth adversely affect our business;
- a drop in the price of electricity derived from the utility grid or from alternative energy sources may harm our business, financial condition, results of operations and prospects;
- defects or performance problems in our products could result in loss of customers, reputational damage and decreased revenue, and we may face warranty, indemnity and product liability claims arising from defective products;
- developments in alternative technologies may have a material adverse effect on demand for our offerings;
- an increase in interest rates, or a reduction in the availability of tax equity or project debt capital in the global financial markets could make it difficult for customers to finance the cost of a solar energy system and could reduce the demand for our products;
- existing electric utility industry policies and regulations, and any subsequent changes, may present technical, regulatory and economic barriers to the purchase and use of solar energy systems, which may significantly reduce demand for our products or harm our ability to compete;
- the interruption of the flow of materials from international vendors could disrupt our supply chain, including as a result of the imposition of additional duties, tariffs and other charges or restrictions on imports and exports;
- changes in the U.S. trade environment, including the imposition of import tariffs or other import restrictions, could adversely affect the amount or timing of our revenues, results of operations or cash flows;
- the impact of the ongoing conflict in Ukraine on our supply chain and cost of logistics could adversely affect the amount or timing of our revenues, results of operations or cash flows;
- the reduction, elimination or expiration of government incentives for, or regulations mandating the use of, renewable energy and solar energy specifically could reduce demand for solar energy systems and harm our business;
- if we fail to, or incur significant costs in order to, obtain, maintain, protect, defend or enforce, our intellectual property and other proprietary rights, our business and results of operations could be materially harmed;
- we may need to defend ourselves against third-party claims that we are infringing, misappropriating or otherwise violating others' intellectual property rights, which could divert management's attention, cause us to incur significant costs and prevent us from selling or using the technology to which such rights relate;
- significant changes in the cost of raw materials could adversely affect our financial performance;

- we are dependent on transportation and logistics providers to deliver our products in a cost-efficient manner. Disruptions to transportation and logistics, including increases in shipping costs, could adversely impact our financial condition and results of operations;
- the determination to restate prior period financial statements could negatively affect investor confidence and raise reputational issues;
- our substantial indebtedness could adversely affect our financial condition; and
- the ongoing COVID-19 pandemic has materially and adversely affected our business and results of operations. The duration and extent to which it will continue to adversely impact our business and results of operations remains uncertain and could be material.

## Overview

We are one of the world's largest manufacturers of ground-mounting systems used in solar energy projects. Our principal product is an integrated system of steel supports, electric motors, gearboxes and electronic controllers commonly referred to as a single-axis "tracker." Trackers move solar panels throughout the day to maintain an optimal orientation to the sun, which significantly increases their energy production. Solar energy projects that use trackers generate more energy and deliver a lower LCOE than projects that use "fixed tilt" mounting systems, which do not move. The vast majority of ground mounted solar systems in the United States use trackers.

Our trackers use a patented design that allows one motor to drive multiple rows of solar panels through articulated driveline joints. To avoid infringing on our U.S. patent, our competitors must use designs that we believe are inherently less efficient and reliable. For example, our largest competitor's design requires one motor for each row of solar panels. As a result, we believe our products have greater reliability, lower installation costs, reduced maintenance requirements and competitive manufacturing costs. Our core U.S. patent on a linked-row, rotating gear drive system does not expire until February 5, 2030.

We sell our products to engineering, procurement and construction firms ("EPCs") that build solar energy projects and to large solar developers, independent power producers and utilities, often under master supply agreements or multi-year procurement contracts. During the six months ended June 30, 2022, we derived 81% and 19% of our revenues from customers in the United States and the rest of the world, respectively.

We are a U.S. company, and our headquarters and principal manufacturing facility are in Albuquerque, New Mexico. As of June 30, 2022, we had 1,135 full-time employees, up from 471 as of December 31, 2021, with the increase primarily due to the STI Acquisition (as defined below).

## Acquisition of STI

On January 11, 2022 (the "Acquisition Date"), the Company closed the acquisition (the "STI Acquisition") of Soluciones Técnicas Integrales Norland, S.L. and its subsidiaries (collectively, "STI") pursuant to that certain purchase agreement, dated November 10, 2021, by and among Amixa Capital, S.L. and Aurica Trackers, S.L., each a company duly organized under the laws of the Kingdom of Spain (together, the "Sellers") and Mr. Javier Reclusa Etayo (the "STI Purchase Agreement"). In accordance with the STI Purchase Agreement, the Company paid closing consideration to the Sellers consisting of \$410.5 million in cash (the "Cash Consideration") and 13,894,800 shares of the Company's common stock (the "Stock Consideration"). The fair value of the purchase consideration was \$610.8 million and resulted in the Company owning 100% of the equity interests in STI.

The STI Acquisition provided the Company with an immediate presence in Brazil, Western Europe and South Africa.

As a result of the STI Acquisition, the Company began reporting its results of operations in two segments: its Array legacy operating segment (the “Array Legacy Operations”) and the newly acquired operations (the “STI Operations”) pertaining to STI. The primary source of revenue of the STI Operations is the design, manufacture and sale of its solar tracker system to utility scale customers in principal markets to include Spain, Brazil, South Africa and other international markets.

### **Update on the Impact of COVID-19**

We continue to closely monitor the ongoing impact of the COVID-19 pandemic in all the locations where we operate. Our priority remains the welfare of our employees. We expect persistent waves of COVID-19, including variants of the virus, to remain a headwind into the near future. The duration and extent to which it will continue to adversely impact our business and results of operations remain uncertain and could be material.

We are continuously evaluating our capital structure in response to the current environment and expect that our current financial condition, including our liquidity sources will be adequate to fund future commitments. See additional discussion in the [Liquidity and Capital Resources](#) section below.

### **Inflation**

We could see an impact from inflationary pressures which has continued to accelerate in the wake of Russia’s invasion of Ukraine, driving up energy prices, freight premiums, and other operating costs. Inflation in the United States rose by 9.1% on an annual basis in June 2022, which represents a 40-year high. Surging energy prices drove the inflation rate for the euro zone 8.6% higher on an annual basis in June 2022. Interest rates, notably mature market government bond yields, remain low by historical standards but are rising as central banks around the world tighten monetary policy in response to inflation pressures, while government deficits and debt remain at high levels in many major markets. The eventual implications of higher government deficits and debt, tighter monetary policy, and potentially higher long-term interest rates may drive a higher cost of capital during our forecast period.

### **Impact of Potential Solar Module Supply Chain Disruptions**

In February 2022, Auxin Solar Inc., a U.S. producer of crystalline silicon PV products, petitioned the U.S. Department of Commerce (“USDOC”) to investigate alleged circumvention of antidumping and countervailing duties on Chinese imports by crystalline silicon PV cells and module imports assembled and completed in Cambodia, Malaysia, Thailand, and Vietnam. On March 28, 2022, the USDOC announced that it would investigate the circumvention alleged in the petition. As disclosed in our quarterly report on Form 10-Q for the three months ended March 31, 2022, the investigation created uncertainty related to the supply of solar modules. As a result of the USDOC’s investigation, the Company saw a number of projects in its order book initially delayed; however, on June 6, 2022, President Biden suspended, for a period of 24 months, certain antidumping and countervailing duties on crystalline silicon PV cells and module imports assembled and completed in southeast Asia. Due to these developments the Company has not observed a material decrease in customer demand for our product, and unless the duties are reinstated, the Company does not currently believe the investigation is reasonably likely to have a material adverse effect on future periods.

While we do not sell solar modules, the degree of our exposure is dependent on, among other things, the impact of the investigation on the projects that are also intended to use our products, with such impact being largely out of our control. To date, the Company has seen a number of projects in our order book delayed as a result of the USDOC investigation; however, the ultimate severity or duration of the expected solar panel

supply chain disruption or its effects on our clients' solar project development and construction activities is uncertain.

Additionally, certain suppliers could be blocked from importing solar panels to the United States under the Uyghur Forced Labor Prevention Act ("UFLPA"). UFLPA seeks to block the import of products made with forced labor in certain areas of China. An inter-agency task force was established to produce a report by June 21, 2022 which, among other things, will include a list of entities that are believed to be using or benefiting from forced labor. Array is monitoring whether UFLPA will affect supplies of solar modules for any of the projects to which we sell our products.

### **Impact of the Ongoing Conflict in Ukraine**

The ongoing conflict in Ukraine has reduced the availability of material that can be sourced in Europe and, as a result, increased logistics costs for the procurement of certain inputs and materials used in our products. We do not know ultimate severity or duration of the conflict in Ukraine, but we are continuously monitoring the situation and evaluating our procurement strategy and supply chain as to reduce any negative impact on our business, financial condition and results of operations.

### **Performance Measures**

In managing our business and assessing financial performance, we supplement the information provided by the financial statements with other operating metrics. These operating metrics are utilized by our management to evaluate our business, measure our performance, identify trends affecting our business and formulate projections. The primary operating metric we use to evaluate our sales performance and to track market acceptance of our products from year to year is megawatts ("MWs") shipped generally and the change in MW shipped from period to period specifically. MWs are measured for each individual project and calculated based on the expected output of that project once installed and fully operational.

We also utilize metrics related to price and cost of goods sold per MW, including average selling price ("ASP") and cost per watt ("CPW"). ASP is calculated by dividing total applicable revenues by total applicable MWs, while CPW is calculated by dividing total applicable costs of goods sold by total applicable MWs. These metrics enable us to evaluate trends in pricing, manufacturing cost and customer profitability.

### **Key Components of Our Results of Operations**

The following discussion describes certain line items in our consolidated statements of operations.

#### **Revenue**

Our operating segments generate revenue from the sale of solar tracking systems and parts. Our customers include EPCs, utilities, solar developers and independent power producers. For each individual solar project, we enter into a contract with our customers covering the price, specifications, delivery dates and warranty for the products being purchased, among other things. Our contractual delivery period for the tracker system and parts can vary from days to several months. Contracts can range in value from hundreds of thousands to tens of millions of dollars.

Our revenue is affected by changes in the volume and ASPs of solar tracking systems purchased by our customers. The quarterly volume and ASP of our systems is driven by the supply of, and demand for, our products, changes in product mix between module type and wattage, geographic mix of our customers, strength of competitors' product offerings, and availability of government incentives to the end-users of our products.

Our revenue growth is dependent on continued growth in the amount of solar energy projects installed each year as well as our ability to increase our share of demand in each of the geographies where we compete, expanding our global footprint to new evolving markets, growing our production capabilities to meet demand and continuing to develop and introduce new and innovative products that address the changing technology and performance requirements of our customers.

### ***Cost of Revenue and Gross Profit***

Cost of revenue for both segments consists primarily of product costs, including purchased components, as well as costs related to shipping, tariffs, customer support, product warranty, personnel and depreciation of test and manufacturing equipment. Personnel costs in cost of revenue includes both direct labor costs as well as costs attributable to any individuals whose activities relate to the transformation of raw materials or component parts into finished goods or the transportation of materials to the customer. Our product costs are affected by the underlying cost of raw materials, including steel and aluminum; component costs, including electric motors and gearboxes; technological innovation; economies of scale resulting in lower component costs and improvements in production processes and automation. In 2021, our business was impacted by the COVID-19 pandemic by increased raw materials and shipping costs and shipping delays which have resulted in reduced margins and in certain instances have incurred remediation costs and liquidated damages owed to the customer. We have modified our processes in order to decrease the impact on our margins from these cost increases; however, we do not know how long the current operating environment will persist. We do not currently hedge against changes in the price of raw materials. Some of these costs, primarily personnel and depreciation of test and manufacturing equipment, are not directly affected by sales volume.

Gross profit may vary from quarter to quarter and is primarily affected by our ASPs, product costs, product mix, customer mix, geographical mix, shipping method, warranty costs and seasonality.

### ***Operating Expenses***

Operating expenses consist of general and administrative costs, contingent consideration, as well as depreciation and amortization expense. Personnel-related costs are the most significant component of our operating expenses and include salaries, benefits, payroll taxes and commissions. Our full-time employee headcount in our general and administrative departments has grown from approximately 210 as of December 31, 2021 to approximately 415, due in part to the STI Acquisition, as of June 30, 2022, and we expect to continue to hire new employees to support our growth. The timing of these additional hires could materially affect our operating expenses in any particular period, both in absolute dollars and as a percentage of revenue. We expect to continue to invest substantial resources to support our growth and continued technological advancement and anticipate that general and administrative and depreciation expenses will increase in absolute dollar amounts for the foreseeable future.

#### ***General and administrative expenses***

General and administrative expenses consist primarily of salaries, equity-based compensation, employee benefits and payroll taxes related to our executives, sales, finance, human resources, information technology, engineering and legal organizations, as well as travel, facilities costs, marketing, bad debt and fees for professional services. Professional services consist of audit, legal, tax, insurance, information technology and other costs. We expect an increase in the number of sales and marketing personnel in connection with the expansion of our global sales and marketing footprint, enabling us to penetrate new markets. The majority of our sales in 2022 were in the U.S.; however, with the STI Acquisition, we continue to expand our international presence with additional global sales staff. We currently have a sales presence in the U.S., Australia, the U.K., Spain, South Africa and Brazil. We intend to continue to expand our sales presence and marketing efforts to additional countries. We also expect that as a public company we will incur additional audit, tax, accounting,



legal and other costs related to compliance with applicable securities laws and other regulations, as well as additional insurance, investor relations and other costs associated with being a public company. We also anticipate an increase in our spend related to product innovation as we hire additional engineering resources and increase our external research & development spend.

#### *Contingent Consideration*

Contingent consideration consists of the changes in fair value of the Taxes Receivable Agreement (“TRA”) entered into with Ron P. Corio, a former indirect stockholder, concurrent with the Acquisition of Array Technologies Patent Holdings Co., LLC (“Patent LLC”) by ATI Investment Parent, LLC (“Former Parent”) Former Parent’s acquisition of Patent LLC.

The TRA liability is recorded at fair value and changes in the fair value are recognized in earnings. The TRA will generally provide for the payment by Array Tech, Inc. (f/k/a Array Technologies, Inc.) to Ron P. Corio for certain federal, state, local and non-U.S. tax benefits deemed realized in post-closing taxable periods by Array Tech, Inc. from the use of certain deductions generated by the increase in the tax value of the developed technology. Estimating fair value of the TRA is by nature imprecise. The significant fair value inputs used to estimate the future expected TRA payments to Ron P. Corio include the timing of tax payments, a discount rate, book income projections, timing of expected adjustments to calculate taxable income and the projected rate of use for attributes defined in the TRA.

#### *Depreciation*

Depreciation in our operating expense consists of costs associated with property, plant and equipment (“PP&E”) not used in manufacturing of our products. We expect that as we continue to grow both our revenue and our general and administrative personnel, we will require some additional PP&E to support this growth resulting in additional depreciation expense.

#### *Amortization*

Amortization of intangibles consists of developed technology, customer relationships, backlog, and trade name amortized over their expected period of use.

### ***Non-Operating Expenses***

#### *Interest Expense*

Interest expense consists of interest and other charges paid in connection with our Senior Secured Credit Facility and our 1.00% Convertible Senior Notes due 2028 (the “Convertible Notes”) issued in December 2021, as well as other debt assumed in the STI Acquisition.

#### *Income Tax Expense*

We are subject to federal and state income taxes in the United States.

## Results of Operations

The following table sets forth our consolidated statement of operations (dollars in thousands):

	Three Months Ended June 30,		Increase/Decrease		Six Months Ended June 30,		Increase/Decrease	
	2022	2021	\$	%	2022	2021	\$	%
	<b>As Restated</b>				<b>As Restated</b>			
Revenue	\$ 419,865	\$ 196,516	\$ 223,349	114 %	\$ 720,451	\$ 444,756	\$ 275,695	62 %
Cost of revenue	379,919	176,009	203,910	116 %	653,918	378,083	275,835	73 %
Gross profit	39,946	20,507	19,439	95 %	66,533	66,673	(140)	— %
Operating expenses								
General and administrative	29,143	15,113	14,030	93 %	68,970	39,786	29,184	73 %
Contingent consideration	(1,678)	(13)	(1,665)	12808 %	(5,409)	135	(5,544)	(4107)%
Depreciation and amortization	24,389	5,981	18,408	308 %	47,041	11,965	35,076	293 %
Total operating expenses	51,854	21,081	30,773	146 %	110,602	51,886	58,716	113 %
Income (loss) from operations	(11,908)	(574)	(11,334)	1975 %	(44,069)	14,787	(58,856)	(398)%
Other expense								
Other income (expense), net	(371)	(122)	249	(204)%	372	(200)	(572)	(286)%
Foreign currency gain (loss)	(1,736)	—	1,736	100 %	2,127	—	2,127	100 %
Interest expense	(8,021)	(6,651)	1,370	(21)%	(14,963)	(15,660)	(697)	(4)%
Total other expense	(10,128)	(6,773)	3,355	(50)%	(12,464)	(15,860)	(3,396)	(21)%
Loss before income tax benefit	(22,036)	(7,347)	(14,689)	200 %	(56,533)	(1,073)	(55,460)	5169 %
Income tax benefit	(16,810)	(1,830)	(14,980)	819 %	(29,253)	(132)	(29,121)	22061 %
Net loss	<u>\$ (5,226)</u>	<u>\$ (5,517)</u>	<u>\$ 291</u>	<u>(5)%</u>	<u>\$ (27,280)</u>	<u>\$ (941)</u>	<u>\$ (26,339)</u>	<u>2799 %</u>

The following table provides details on our operating results by reportable segment for the respective periods (dollars in thousands):

Revenue:	Three Months Ended June 30,		Increase/Decrease		Six Months Ended June 30,		Increase/Decrease	
	2022	2021	\$	%	2022	2021	\$	%
	<b>As Restated</b>				<b>As Restated</b>			
Array Legacy Operations	\$ 347,177	\$ 196,516	\$ 150,661	77 %	\$ 602,893	\$ 444,756	\$ 158,137	36 %
STI Operations	72,688	—	72,688	100 %	122,622	—	122,622	100 %
Total Revenue	\$ 419,865	\$ 196,516	\$ 223,349	114 %	\$ 725,515	\$ 444,756	\$ 280,759	63 %
<b>Gross Profit:</b>								
Array Legacy Operations	\$ 33,840	\$ 20,507	\$ 13,333	65 %	\$ 55,108	\$ 66,673	\$ (11,565)	(17)%
STI Operations	6,106	—	6,106	100 %	11,425	—	11,425	100 %
Total Gross Profit	\$ 39,946	\$ 20,507	\$ 19,439	95 %	\$ 66,533	\$ 66,673	\$ (140)	— %

### Comparison of three months ended June 30, 2022 and 2021

#### Revenue

Our consolidated revenue increased by \$223.3 million, or 114%, for the three months ended June 30, 2022 compared to the three months ended June 30, 2021. The increase was partially driven by the STI Acquisition, which added \$72.7 million of revenue when compared to the three months ended June 30, 2021. Excluding the impact of the STI Acquisition, revenue was up \$150.7 million, or 77%, driven by both an increase in the total number of MWs shipped and an increase in ASP.

Revenue for Array Legacy Operations increased 77% for the three months ended June 30, 2022 compared to the three months ended June 30, 2021. Total MWs shipped were up approximately 54% for the three months ended June 30, 2022, driven by increased customer demand for our product. ASP for the three months ended June 30, 2022 was up 16% compared to the three months ended June 30, 2021, which is reflective of higher pass-through pricing to our customers, driven by an increase in the Company's input costs.

Revenue for STI Operations increased by \$72.7 million for the three months ended June 30, 2022 compared to the three months ended June 30, 2021, due to the STI Acquisition occurring in January 2022 with no activity in the prior period.

#### Cost of Revenue and Gross Profit

Consolidated cost of revenue increased by \$203.9 million, or 116%, for the three months ended June 30, 2022 compared to the three months ended June 30, 2021, primarily due to the STI Acquisition, the increase in the number of MWs delivered, and increased input costs from raw materials and logistics. Gross profit as a percentage of revenue remained flat from 10% for the three months ended June 30, 2022 and 10% for the three months ended June 30, 2021.

Gross profit as a percentage of revenue for the Array Legacy Operations remained flat at 10% for the three months ended June 30, 2022 and 10% for the three months ended June 30, 2021.

Gross profit as a percentage of revenue for the STI segment was 8% for the three months ended June 30, 2022.

**Operating Expenses:**

*General and Administrative*

Consolidated general and administrative expense increased by \$14.0 million, or 93%, for the three months ended June 30, 2022 compared to the three months ended June 30, 2021. The increase in expense was primarily due to increased consulting costs, professional fees, legal costs, as well as higher payroll and related costs due to our growing internal headcount and the STI Acquisition, which had \$5.7 million in general and administrative expense.

*Contingent Consideration*

Consolidated contingent consideration expense decreased by \$1.7 million, for the three months ended June 30, 2022 compared to the three months ended June 30, 2021. The decrease was due to a decrease in the valuation of the associated liability.

*Depreciation*

Consolidated depreciation expense for the three months ended June 30, 2022 was similar to the three months ended June 30, 2021.

*Amortization of Intangibles*

Consolidated amortization of intangibles increased by \$18.3 million, or 311%, for the three months ended June 30, 2022 compared to the three months ended June 30, 2021, primarily due to intangibles added as a result of the STI Acquisition.

**Interest Expense**

Consolidated interest expense increased by \$1.4 million, or 21%, for the three months ended June 30, 2022 compared to the three months ended June 30, 2021, primarily due to interest on the higher average balance of debt. As of June 30, 2022, we had \$425 million outstanding on the Convertible Notes, \$324.6 million outstanding under the Term Loan and \$68.0 million balance outstanding under the Revolving Credit Facility. We expect interest expense to be higher for the remainder of 2022 compared to 2021 as a result of the debt outstanding under the Convertible Notes. In addition, the Credit Facility has variable interest rates expected to fluctuate with the Federal Funds rate so interest expense could increase for the Term Loan and the Revolving Facility.

**Income Tax Benefit**

Consolidated income tax benefit increased by \$15.0 million, or 819% for the three months ended June 30, 2022 compared to the three months ended June 30, 2021. Our effective tax rate was 76.3% for the three months ended June 30, 2022 and 24.9% for the three months ended June 30, 2021. The tax benefit increase is primarily related to non-taxable contingent income, lower non-deductible transaction costs and a favorable mix of income for the three months ended June 30, 2022 and a favorable tax benefit related to an NOL carryback as a result of the CARES Act for the three months ended June 30, 2021.

## **Comparison of the six months ended June 30, 2022 and 2021**

### **Revenue**

Consolidated revenue increased by \$275.7 million, or 62%, for the six months ended June 30, 2022 compared to the six months ended June 30, 2021, primarily driven by the STI Acquisition, which resulted in added revenue of \$122.6 million. Excluding the impact of the STI Acquisition, revenue was up \$158.1 million, or 36%, driven by both an increase in the total number of MWs shipped and an increase in ASP.

Revenue for Array Legacy Operations increased 36% for the six months ended June 30, 2022 compared to the six months ended June 30, 2021. Total MWs shipped were up approximately 17% for the six months ended June 30, 2022, driven by increased customer demand for our product. ASP for the six months ended June 30, 2022 was up 16% compared to the six months ended June 30, 2021, which is reflective of higher pass-through pricing to our customers, driven by an increase in the Company's input costs.

Revenue for STI Operations increased by \$122.6 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021, due to the STI Acquisition occurring in January 2022 with no activity in the prior period.

### **Cost of Revenue and Gross Profit**

Consolidated cost of revenue increased by \$275.8 million, or 73%, for the six months ended June 30, 2022 compared to the six months ended June 30, 2021, primarily due to the STI Acquisition and the higher cost of raw materials and logistics compared to the prior year period. Gross profit as a percentage of revenue decreased from 15% for the six months ended June 30, 2021 to 9% for the six months ended June 30, 2022. The decrease in Gross Profit as a percentage of revenue reflects higher commodity prices and logistics costs, which were not offset by commensurate pricing increases.

Gross profit as a percentage of revenue decreased for Array Legacy Operations to 9% for the six months ended June 30, 2022 from 15% for the six months ended June 30, 2021 due to a higher proportion of contracts delivered under our previous business processes, which did not match rapid increases in input costs with increases to customer pricing.

Gross profit as a percentage of revenue was 9% for STI for the six months ended June 30, 2022.

### **Operating Expenses:**

#### *General and Administrative*

Consolidated general and administrative expense increased by \$29.2 million, or 73%, for the six months ended June 30, 2022 compared to the six months ended June 30, 2021. The increase in expense was primarily due to the STI Acquisition, which resulted in an increase of \$11.6 million. Additionally, increased consulting costs and other professional fees, as well as increased headcount, led to higher payroll and related costs.

#### *Contingent Consideration*

Consolidated contingent consideration expense decreased by \$5.5 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021. The decrease was due to a decrease in the valuation of the associated liability.

### *Depreciation*

Consolidated depreciation expense for the six months ended June 30, 2022 was similar to the six months ended June 30, 2021.

### *Amortization of Intangibles*

Consolidated amortization of intangibles increased by \$35.0 million, or 298%, for the six months ended June 30, 2022 compared to the six months ended June 30, 2021, primarily due to intangibles added as a result of the STI Acquisition.

### **Other Expense, Net**

Consolidated other income (expense) increased by \$0.6 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021, primarily due to the STI Acquisition.

### **Foreign Currency Gain**

Consolidated foreign currency gain increased by \$2.1 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021, due to the foreign currency translation gain resulting from the STI Acquisition.

### **Interest Expense**

Consolidated interest expense decreased by \$0.7 million, or 4%, for the six months ended June 30, 2022 compared to the six months ended June 30, 2021, primarily due to the write-off of fees associated with refinancing our debt that occurred in the six months ended June 30, 2021 for which we have no similar fees in the current period. In the six months ended June 30, 2021, we paid off a portion of our Term Loan Facility and therefore expensed the associated fees that were capitalized. Our outstanding debt as of June 30, 2022 for which interest expense is associated includes \$425.0 million outstanding on the Convertible Notes, \$324.6 million outstanding under the Term Loan and \$68.0 million balance outstanding under the Revolving Credit Facility. We expect interest expense to be higher for the remainder of 2022 compared to 2021 as a result of the debt outstanding under the Convertible Notes. In addition, the Credit Facility has variable interest rates expected to fluctuate with the Federal Funds rate so interest expense could increase for the Term Loan and the Revolving Facility.

### **Income Tax Benefit**

Consolidated income tax benefit increased by \$29.1 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021. Our effective tax rate benefit was 51.7% for the six months ended June 30, 2022 and 12.3% for the six months ended June 30, 2021. The increase in the effective tax rate is primarily related to non-taxable contingent consideration and the mix of earnings in foreign jurisdictions for the six months ended June 30, 2022.

## Liquidity and Capital Resources

### Historical Cash Flow

The following table compares the historical cash flow (in thousands):

	Six Months Ended June 30,	
	2022	2021
Net cash used in operating activities	\$ (60,764)	\$ (134,109)
Net cash used in investing activities	(377,713)	(13,175)
Net cash provided by financing activities	122,697	56,525
Effect of exchange rate changes on cash and cash equivalents	(844)	—
Net change in cash and cash equivalents	\$ (316,624)	\$ (90,759)

We have historically financed our operations primarily with the proceeds from capital contributions, operating cash flows and short and long-term borrowings. Our ability to generate positive cash flow from operations is dependent on the strength of our gross margins as well as our ability to quickly turn our working capital. In December 2019, a novel strain of coronavirus, SARS-CoV-2, which causes COVID-19, surfaced in Wuhan, China. Since then, COVID-19 has spread to multiple countries, including the United States. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Due to economic conditions our industry has seen rapid commodity price increases and strained logistics, adversely impacting our business and causing us to experience decreased margins and thus decreased cash from operations. Due to global tightening of supply chain and strained logistics issues, we could experience an increase in our unbilled revenues and also in some instances incurred liquidated damages owed to our customers. Unbilled receivables, which represent temporary timing differences between shipments made and billing milestones achieved, were \$106.8 million and \$111.2 millions of the accounts receivable balances as of June 30, 2022 and December 31, 2021, respectively. These amounts have not been billed because we are waiting for agreed upon billing stipulations such as billing on a specified date of the month or upon completion of MW deliveries. The Company continues to work through supply chain logistics issues and labor shortage issues in some instances causing delays delivering specific components to complete a MW delivery. These will be invoiced once the commercial criteria have been met, at which point we will invoice and expect payment within 30 to 60 days. The extent to which the COVID-19 pandemic and recent supply chain constraints and price increases may further impact the Company's business, results of operations, financial condition and cash flows will depend on future developments, which are highly uncertain and cannot be predicted with confidence.

We have taken mitigating steps to overcome the economic challenges and, therefore, believe the impact to be temporary, but cannot be certain the timing of when we will achieve better margins. Mitigation efforts to date have generally consisted of the introduction of new supply routes, the use of bulk shipping (to a limited degree), and—with respect to commodity price increases—changes in the Company's contracting process that are designed to narrow the timeframe between when a price is agreed upon to when prices for the Company's most volatile cost inputs are fixed. The Company has utilized these strategies in combination over the last twelve months and expects to continue to do so in response to the recent challenging environment. We continuously evaluate our ability to meet our obligations over the next 12 months and we have sufficient liquidity as well as financing options available to fund current and future commitments.

In January 2022, we issued 50,000 of Series A Redeemable Perpetual Preferred Stock (as defined below), and 1,125,000 shares of our common stock in an Additional Closing (as defined below) for an aggregate purchase price of \$49.4 million.

As of June 30, 2022, our cash and cash equivalents were \$51.0 million. Net working capital as of June 30, 2022 was \$390.2 million.

As of June 30, 2022, we had outstanding borrowings of \$324.6 million under the Term Loan Facility and a \$200.0 million commitment under our Revolving Credit Facility, of which \$68.0 million balance is outstanding and \$96.7 million was available to borrow to fund operations. Due to covenant requirements, we do not expect to maximize the available balance.

### ***Operating Activities***

For the six months ended June 30, 2022, cash used in operating activities was \$60.8 million, primarily due to an increase in inventories and accounts receivable of \$77.2 million and \$106.5 million, respectively. Inventories increased as a result of a build up of product due to supply chain difficulties and accounts receivable is higher due to higher sales. This increase was offset in part by an increase in accounts payable of \$74.6 million due to higher expenses associated with increased sales.

For the six months ended June 30, 2021, cash used in operating activities was \$134.1 million, primarily due to a decrease in deferred revenue of \$98.4 million for which we made payments to our suppliers for products that we received the cash for in 2020 but that we did not ship until 2021.

### ***Investing Activities***

For the six months ended June 30, 2022, net cash used in investing activities was \$377.7 million, primarily due to cash used in the STI Acquisition.

For the six months ended June 30, 2021, net cash used in investing activities was \$13.2 million, due to a \$12.0 million investment in equity securities.

### ***Financing Activities***

For the six months ended June 30, 2022, net cash provided by financing activities was \$122.7 million, of which \$101.0 million related to proceeds under the Revolving Facility and \$48.4 million related to proceeds from the Additional Closing in January 2022 offset by payments of \$33.0 million on the Revolving Facility.

For the six months ended June 30, 2021, net cash used by financing activities was \$56.5 million, which was attributable to \$31.1 million principal payments on the Term Loan Facility and \$6.6 million on debt issuance costs related to the first and second amendment of the Revolving Credit Facility.

### **Series A Redeemable Perpetual Preferred Stock**

On August 10, 2021, the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with BCP Helios Aggregator L.P., a Delaware limited partnership (the "Purchaser"), an investment vehicle of funds affiliated with Blackstone Inc. Pursuant to the Securities Purchase Agreement, on August 11, 2021, the Company issued and sold to the Purchaser 350,000 shares of a newly designated Series A Redeemable Perpetual Preferred Stock of the Company, par value \$0.001 per share (the "Series A Perpetual Preferred Stock"), having the powers, designations, preferences, and other rights set forth in the Certificate of Designations, and 7,098,765 shares of the Company's common stock, par value \$0.001 per share ("Common Stock" and, together with the Series A Redeemable Perpetual Preferred Stock, the "Securities"), for an aggregate purchase price of \$346.0 million. Further, pursuant to the Securities Purchase Agreement, and subject to the terms and conditions set forth therein, including the expiry or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the Company has issued and sold to the Purchaser 776,235 shares of Common Stock for an aggregate purchase price of \$776. For more



information related to the Series A Redeemable Perpetual Preferred Stock, see [Note 13 – Redeemable Perpetual Preferred](#), to the accompanying condensed consolidated financial statements.

In January 2022, we issued 50,000 of Series A Redeemable Perpetual Preferred Stock, and 1,125,000 shares of our common stock in an Additional Closing for an aggregate purchase price of \$49,376,125.

#### *Registration Rights Agreement*

In connection with the Securities Purchase Agreement, on August 10, 2021, the Company and the Purchaser entered into a Registration Rights Agreement pursuant to which, among other things, the Company granted the Purchaser certain registration rights with respect to Common Stock purchased pursuant to the Securities Purchase Agreement, including customary shelf registration rights and “piggyback” registration rights.

Direct costs associated with the issuance of the Securities were \$11.1 million, which along with the \$4.4 million discount, have been accounted for as a reduction in the proceeds of the Securities. These net proceeds of \$334.6 million have been allocated on the balance sheet to the Preferred Shares of \$229.8 million, common stock of \$105.4 million and additional paid-in capital of \$12.4 million for the committed financing put right. The Company has presented the Preferred Shares in temporary equity and is accreting the carrying amount to its full redemption amount from the date of issuance to the earliest redemption date using the effective interest method. Such accretion totaled \$5.8 million and \$11.1 million for the three and six months ended June 30, 2022.

The Company accreted the dividends at an accrual rate of 6.25% to the Liquidation Preference of the Series A Redeemable Perpetual Preferred Stock, or \$6.4 million and \$12.6 million in dividends, for the three and six months ended June 30, 2022, respectively.

#### **Debt Obligations**

For a discussion of our debt obligations see [Note 10 – Senior Secured Credit Facility](#) and [Note 11 – Convertible Debt](#) in our condensed consolidated financial statements included in this Quarterly Report.

#### **Surety Bonds**

As of June 30, 2022, we posted surety bonds in the total amount of approximately \$189.8 million. We are required to provide surety bonds to various parties as required for certain transactions initiated during the ordinary course of business to guarantee the Company’s performance in accordance with contractual or legal obligations. These off-balance sheet arrangements do not adversely impact our liquidity or capital resources.

#### **Critical Accounting Policies and Significant Management Estimates**

As of June 30, 2022, there were the following changes in the application of our critical accounting policies or estimation procedures from those presented in our 2021 Annual Report.

#### **Business Combinations**

The Company accounts for its business acquisitions under the acquisition method of accounting in accordance with the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) Topic 805 Business Combinations (“ASC 805”). The excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management’s judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives, and market multiples amongst other items. The valuation of intangible assets, in particular, requires that

we use valuation techniques such as the income approach. The income approach includes the use of a discounted cash flow model, which includes discounted cash flow scenarios and requires the following significant estimates: revenue, expenses, capital spending and other costs, and discount rates based on the respective risks of the cash flows. Under the acquisition method of accounting, the aggregate amount of consideration we pay for a company is allocated to net tangible assets and intangible assets based on their estimated fair values as of the acquisition date. The excess of the purchase price over the value of the net tangible assets and intangible assets is recorded to goodwill. Goodwill is evaluated for impairment annually.

### **Foreign Currency Translation**

For non-U.S. subsidiaries that operate in a local currency environment, assets and liabilities are translated into the U.S. dollar at period end exchange rates. Income, expense and cash flow items are translated at average exchange rates prevailing during the period. Translation adjustments for these subsidiaries are accumulated as a separate component of accumulated other comprehensive income in equity. For non-U.S. subsidiaries that use a U.S. dollar functional currency, local currency inventories and property, plant and equipment are translated into U.S. dollars at rates prevailing when acquired, and all other assets and liabilities are translated at period end exchange rates. Inventories charged to cost of revenue and depreciation are remeasured at historical rates, and all other income and expense items are translated at average exchange rates prevailing during the period. Gains and losses which result from remeasurement are included in earnings.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

See [Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations](#)—Impact of Potential Solar Module Supply Chain Disruptions and [Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations](#)—Impact of the Ongoing Conflict in Ukraine in this Quarterly Report. There have been no other material changes to the market risk disclosures set forth in Item 7A in our 2021 Annual Report.

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures.**

We maintain “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2022. Based upon the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were not effective at a reasonable assurance level, due to the material weaknesses identified during the three months ended June 30, 2022, in addition to those previously identified and disclosed in our 2021 Annual Report. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis.

Management determined that the following material weaknesses in its internal control over financial reporting continue to exist at June 30, 2022. Specifically,:

*Control Environment and Monitoring Activities* – We did not maintain appropriately designed entity-level controls impacting the control environment and effective monitoring controls to prevent or detect material misstatements to the consolidated financial statements. These deficiencies were attributed to (i) a lack of a sufficient number of qualified resources and inadequate oversight and accountability over the performance of control activities, and (ii) ineffective evaluation and determination as to whether the components of internal control were present and functioning.

*Control Activities* – These material weaknesses contributed to the following additional material weaknesses within certain business processes:

- *Inventory* – We did not appropriately design and implement controls over the existence, accuracy, and cutoff of inventory. As previously reported, we identified a material weakness relating to inventory cut-off and in-transit inventory.
- *Revenue Recognition* – We did not design, implement and maintain effective controls over revenue recognized for certain contracts relating to the proper application of Accounting Standards Codification Topic 606, Revenue from Contracts with Customers. Specifically, we did not maintain effective controls relating to the (1) identification and recognition of performance obligations for customer contracts and (2) evaluation of customer contracts for potential combination.
- *Accounts Receivable* – We did not fully design, implement and maintain effective controls over the existence of accounts receivable. Specifically, we did not design certain controls at an appropriate precision level to identify material misstatements.

In addition, we identified the following material weaknesses during the three months ended June 30, 2022, related to our control activities:

- *Sales Order Entry* – We did not design, implement and maintain effective controls over the accuracy of revenue, specifically related to the sales order entry process. We did not maintain effective controls over contract entry to ensure accurate recording in our information systems.
- *Consolidation Process* – We did not design, implement and maintain effective controls over the consolidation of our foreign subsidiaries, which resulted in a classification error of certain personnel costs in the consolidated Company financial statements.

After giving full consideration to these material weaknesses, and the additional analyses and other procedures that we performed to ensure that our condensed consolidated financial statements included in this Quarterly Report were prepared in accordance with U.S. GAAP, our management has concluded that our consolidated financial statements present fairly, in all material respects, our financial position, results of operations and cash flows for the periods disclosed in conformity with U.S. GAAP.

#### **Remediation Plan for Material Weaknesses**

We are in the process of, and continue to focus on, designing and implementing effective measures to strengthen our internal controls over financial reporting and remediate the material weaknesses. Our planned remediation efforts include the following:

*Control Environment and Monitoring* – Consistent with the Committee of Sponsoring Organizations of the Treadway Commission's 2013 *Internal Control — Integrated Framework* (COSO 2013 Framework), Principle 4,

attracting, developing, and retaining competent personnel, we hired a Chief Accounting Officer who is providing an additional level of technical accounting expertise, oversight, and monitoring of the design and performance of both existing and newly implemented controls as noted below. We plan continue to hire additional resources throughout 2022 in accounting and IT to supplement our existing capabilities and capacity, and we will concentrate on retaining key accounting, IT, and operational personnel. These actions will further serve to remediate the material weakness under the COSO 2013 Framework, Principle 16, by enhancing the efforts towards separate evaluations regarding the presence and functionality of the components of internal control, specifically in the areas of inventory, revenue recognition, accounts receivable, sales order entry process, and the consolidation process as noted below.

*Control Activities:*

- *Inventory* – We are enhancing the design of existing controls and are implementing new controls over the accounting, processing, and recording of inventory. Specifically, we have strengthened the design of the management review control over inventory-in-transit. Additionally, we have implemented processes to ensure timely identification and evaluation of inventory cut-off and are requiring additional accountability from counterparties on the accuracy of incoming and outgoing shipment documentation. We also plan to deploy information system enhancements and better use of current system capabilities to improve the accuracy of inventory cut-off, reporting, and reconciliation.
- *Revenue Recognition* – We are enhancing the design of existing controls and are implementing new controls over the review of the application and recording of revenue for customer contracts under the guidance outlined in ASC 606. We are also designing and implementing more precise reviews regarding evaluation of contract terms and whether contracts should be combined. These reviews include increased contract analysis from our legal team as well as ensuring qualified resources are involved and adequate oversight is performed during the internal technical accounting review process.
- *Accounts Receivable* – We are enhancing the design of existing controls and implementing new controls over the processing and review of accounts receivable billings. We are supplementing our accounting staff with more experienced personnel. In addition, we will evaluate information system capabilities to reduce the manual calculations within this business process.
- *Sales Order Entry Process* – We are enhancing the design of our existing controls over contract value adjustments. Specifically, we have implemented additional procedures for our accounting staff to obtain and review documentation to confirm that contract value changes completed by the sales order entry process are accurate. In addition, we will evaluate information system capabilities to reduce the manual calculations within this business process.
- *Consolidation Process* – We are enhancing the design of existing controls over the consolidation of foreign entities into the Company’s consolidated financial statements. Additionally, we will strengthen the design of the management review control over the consolidation process include better-documented review criteria, review responsibilities and review expectations. In addition, we will evaluate information system capabilities to further automate the partially manual consolidation process.

While these actions and planned actions are subject to ongoing management evaluation and will require validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles, we are committed to the continuous improvement of our internal control over financial reporting and will continue to diligently review our internal control over financial reporting.

**Changes in Internal Control over Financial Reporting**

We acquired STI on January 11, 2022. As a result, we are reviewing the impact of the acquisition to our overall control environment and are making appropriate changes as deemed necessary to our control structure. We

currently anticipate that the scope of management’s assessment of the effectiveness of the Company’s disclosure controls and procedures for fiscal year end 2022 will not include the internal control over the financial reporting of STI, in accordance with the SEC’s staff guidance that permits exclusion of acquisitions from their final assessment of internal control over financial reporting for the fiscal year in which the acquisition occurred. Due to the size, breadth and complexity of STI’s global operation, we currently anticipate that management’s evaluation of internal control over financial reporting for the fiscal year ended December 31, 2022 will exclude the internal control activities of STI. STI represented 14% of total consolidated assets of the Company at June 30, 2022, excluding goodwill and intangible assets which are included within the scope of management’s assessment, and approximately 17% and 17% of total consolidated revenues of the Company for the three and six months ended June 30, 2022, respectively. Except for the changes in internal control related to the acquisition of STI, and efforts to remedy the material weaknesses described above, there have been no changes to our internal control over financial reporting during the three months ended June 30, 2022, that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II—OTHER INFORMATION**

### **Item 1. Legal Proceedings**

On August 30, 2017, Array filed its first amended complaint in the U.S. District Court for the District of New Mexico against Nextracker LLC, Daniel S. Shugar, Marco Garcia, Flextronics International U.S.A., Inc., Scott Graybeal and Colin Mitchell (collectively “Defendants”) asserting (among other claims) trade secret misappropriation, tortious interference with contract, fraud, and breach of contract. On July 15, 2022, the Company settled its claims against Defendants for \$42.8 million and the settlement was paid on August 4, 2022.

On May 14, 2021, a putative class action was filed in the U.S. District Court for the Southern District of New York against the Company and certain officers and directors alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5, promulgated thereunder, and Sections 11, 12(a)(2) and 15 of the Securities Exchange Act of 1933 (“Plymouth Action”). The Plymouth Action alleges misstatements and/or omissions in the Company’s registration statements and prospectuses related to the Company’s October 2020 initial public offering (the “IPO”), the Company’s December 2020 follow-on offering (the “2020 Follow-On Offering”), and the Company’s March 2021 follow-on offering (the “2021 Follow-On Offering”) during the putative class period of October 14, 2020 through May 11, 2021.

On June 30, 2021, a second putative class action was filed in the Southern District of New York against the Company and certain officers and directors alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5, promulgated thereunder, and Sections 11 and 15 of the Securities Exchange Act of 1933 (“Keippel Action”). The Keippel Action similarly alleged misstatements and/or omissions in certain of the Company’s registration statements and prospectuses related to the Company’s IPO, the Company’s 2020 Follow-On Offering, and the Company’s 2021 Follow-On Offering during the putative class period of October 14, 2020 through May 11, 2021. On July 6, 2021, the Court entered an order that the Keippel Action was in all material respects substantially similar to the Plymouth Action, that both actions arise out of the same or similar operative facts, and that the parties are substantially the same parties. The Court accordingly consolidated the Keippel Action with the Plymouth Action for all pretrial purposes and ordered all filings to be made in the Plymouth Action.

On July 16, 2021, a verified derivative complaint was filed in the Southern District of New York against certain officers and directors of the Company (“First Derivative Action”). The complaint alleges: (1) violations of Section 14(a) of the Securities Exchange Act of 1934 for misleading proxy statements, (2) breach of fiduciary duty, (3)

unjust enrichment, (4) abuse of control, (5) gross mismanagement, (6) corporate waste, (7) aiding and abetting breach of fiduciary duty, and (8) contribution under sections 10(b) and 21D of the Securities Exchange Act of 1934.

On July 30, 2021, a second and related verified derivative complaint was filed in the Southern District of New York against certain officers and directors of the Company (“Second Derivative Action”). The complaint alleges: (1) violations of Section 14(a) of the Securities Exchange Act of 1934 for causing the issuance of a false/misleading proxy statement, (2) breach of fiduciary duty, and (3) aiding and abetting breaches of fiduciary duty. On August 24, 2021, the Second Derivative Action was consolidated with the First Derivative Action, the Court appointed co-lead counsel, and the case was temporarily stayed pending the entry of an order on all motions to dismiss directed at the pleadings filed in the Plymouth Action. The stay shall remain in effect until the later of (a) the entry of an order on any motions to dismiss the Plymouth Action or, (b) to the extent the complaint in the Plymouth Action is amended, the entry of an order on any motions to dismiss any such amended complaints in the Plymouth Action.

On September 21, 2021, the Court in the Plymouth Action appointed a group comprised of institutional investors Plymouth County Retirement Association and Carpenters Pension Trust Fund for Northern California as lead plaintiff.

On December 7, 2021, an amended class action complaint was filed by lead plaintiff in the Plymouth Action against the Company and certain officers and directors alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5, promulgated thereunder, and Sections 11, 12(a)(2), and 15 of the Securities Exchange Act of 1933, on behalf of a putative class of persons and entities that purchased or otherwise acquired the Company’s securities during the period from October 14, 2020 through May 11, 2021 (the “Consolidated Amended Complaint”). The Consolidated Amended Complaint alleges misstatements and/or omissions in: (1) certain of the Company’s registration statements and prospectuses related to the Company’s IPO, the Company’s 2020 Follow-On Offering, and the Company’s 2021 Follow-On Offering; (2) in the Company’s annual report and associated press release announcing results for the fourth quarter and full fiscal year 2020; and (3) in the Company’s November 5, 2020 and March 9, 2021 earnings calls.

Consistent with the individual rules of practice for the Court in the Plymouth Action, on January 24, 2022, the defendants in the Plymouth Action, including the Company and certain of its officers and directors named as defendants therein, served on lead plaintiff and the Court a letter outlining why the Consolidated Amended Complaint should be dismissed in its entirety. Lead plaintiff responded to that letter on February 23, 2022 disagreeing with the grounds for dismissal outlined in the defendants’ initial letter and contending that its Consolidated Amended Complaint should not be dismissed. Because the parties could not agree that the Consolidated Amended Complaint was deficient in any respect, the defendants, including the Company, submitted a letter to the Court on March 21, 2022 setting forth the reasons why the Consolidated Amended Complaint should be dismissed and requesting the Court’s leave to file a motion to dismiss.

From time to time, we may be involved in litigation relating to claims arising out of our operations and businesses that cover a wide range of matters, including, among others, intellectual property matters, contract and employment claims, personal injury claims, product liability claims and warranty claims. Currently, there are no claims or proceedings against us that we believe will have a material adverse effect on our business, financial condition, results of operations or cash flows. However, the results of any current or future litigation cannot be predicted with certainty and, regardless of the outcome, we may incur significant costs and experience a diversion of management resources as a result of litigation.

## Item 1A. Risk Factors

Except to the extent additional factual information disclosed elsewhere in this Quarterly Report relates to such risk factors (including, without limitation, the matters discussed in Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”) there were no material changes to the risk factors disclosed in Part I, Item 1A, in our 2021 Annual Report.

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

Information regarding our unregistered sales of equity securities can be found in [Note 13 – Redeemable Perpetual Preferred](#), to the accompanying unaudited condensed consolidated financial statements.

## Item 3. Defaults Upon Senior Securities

None.

## Item 4. Mine Safety Disclosures

Not applicable.

## Item 5. Other Information

None.

## Item 6. Exhibits

Number	Exhibit Description	Form	Date	No.
3.1	<a href="#">Amended and Restated Certificate of Incorporation of Array Technologies, Inc., dated October 19, 2020</a>	8-K	10/19/2020	3.1
3.2	<a href="#">Amended and Restated Bylaws of Array Technologies, Inc., dated October 19, 2020</a>	8-K	10/19/2020	3.2
3.3	<a href="#">Certificate of Designations of Series A Perpetual Preferred Stock</a>	8-K	8/11/2021	3.1
10.3	<a href="#">Registration Rights Agreement, dated January 11, 2022, by and among Array Technologies, Inc. and the holders identified therein</a>	8-K	01/11/2022	10.1
10.15	<a href="#">Offer Letter, dated as of April 3, 2022, by and between Array Technologies, Inc. and Kevin Hostetler</a>	8-K	04/05/2022	10.1
10.16	<a href="#">Array Technologies, Inc. Executive Severance and Change in Control Plan</a>	8-K	04/05/2022	10.2
10.17	<a href="#">Separation Agreement, dated as of March 31, 2022, by and between Array Technologies, Inc. and Jim Fusaro</a>	8-K	04/05/2022	10.3
31.1*	<a href="#">Certification of the Chief Executive Officer, as required by Section 302 of the Sarbanes- Oxley Act of 2002 (18 U.S.C. 1350)</a>			
31.2*	<a href="#">Certification of the Chief Financial Officer, as required by Section 302 of the Sarbanes- Oxley Act of 2002 (18 U.S.C. 1350)</a>			

Number	Exhibit Description	Form	Date	No.
32.1**	<a href="#">Certification of the Chief Executive Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)</a>			
32.2**	<a href="#">Certification of the Chief Financial Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)</a>			
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document			
101.SCH	XBRL Taxonomy Extension Schema Document			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB	XBRL Taxonomy Extension Presentation Linkbase Document			
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document			
104	Cover Page Interactive Data Files			

\* Filed herewith

\*\* Furnished herewith



## SIGNATURES

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

Array Technologies, Inc.

By: /s/ Kevin G. Hostetler  
Kevin G. Hostetler  
Chief Executive Officer

Date: November 8, 2022

By: /s/ Nipul Patel  
Nipul Patel  
Chief Financial Officer

Date: November 8, 2022

**CERTIFICATION BY CHIEF EXECUTIVE OFFICER PURSUANT TO  
RULE 13a-14(a) AND 15d-14(a) UNDER THE EXCHANGE ACT**

I, Kevin G. Hostetler, certify that:

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

/s/ Kevin G. Hostetler

Kevin G. Hostetler

Chief Executive Officer (Principal Executive Officer)

Date: November 8, 2022

**CERTIFICATION BY CHIEF FINANCIAL OFFICER PURSUANT TO  
RULE 13a-14(a) AND 15d-14(a) UNDER THE EXCHANGE ACT**

I, Nipul Patel, certify that:

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

/s/ Nipul Patel

Nipul Patel

Chief Financial Officer (Principal Financial Officer)

Date: November 8, 2022

**EXHIBIT 32.1**

**CERTIFICATION BY CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this amended Quarterly Report of Array Technologies, Inc. (the "Company") filed on Form 10-Q/A for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Amended Report"), I, Kevin G. Hostetler, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ Kevin G. Hostetler

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Kevin G. Hostetler  
Chief Executive Officer

Date: November 8, 2022

**EXHIBIT 32.2**

**CERTIFICATION BY CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this amended Quarterly Report of Array Technologies, Inc. (the "Company") filed on Form 10-Q/A for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Amended Report"), I, Nipul Patel, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ Nipul Patel

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Nipul Patel

Chief Financial Officer

Date: November 8, 2022