UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2025
OR

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

For transition period from to
Commission File Number 001-39688

Latch, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**85-3087759**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1220 N. Price Road, Suite 2
Olivette, Missouri 63132
(314) 227-1100

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

None.

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

Title of each class
Common stock, par value $0.0001 per share
Warrants, each whole warrant exercisable for one share of common stock, at an exercise price of $11.50 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act ☐ Yes ☒ No

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

As of June 30, 2025, the aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately $18.8 million (based upon the last trading price of such stock as reported by the OTC Markets on such date).

As of March 26, 2026, there were 164,257,801 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Annual Report on Form 10-K, to the extent not set forth herein, is incorporated by reference to the registrant's definitive proxy statement relating to the 2026 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission on or before April 30, 2026.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this "Form 10-K") contains forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts contained in this Form 10-K, including statements concerning possible or assumed future actions, business strategies, events or results of operations, and any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important 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.

In some cases, you can identify forward-looking statements by terms such as "may," "should," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplate," "believe," "estimate," "predict," "potential" or "continue" or the negative of these terms or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this Form 10-K and are subject to a number of important factors that could cause actual results to differ materially from those in the forward-looking statements, including the risks, uncertainties and assumptions described under Part I, Item 1A. "Risk Factors." These forward-looking statements are subject to numerous risks, including, without limitation, the following:

- our ability to remediate the material weaknesses we identified in our internal control over financial reporting, or other findings in the Company's 2022-2023 internal investigation, and the timing of such remediation;
- the performance of our common stock, particularly given the limited liquidity and depressed trading prices of our common stock, which is trading on OTC Markets Group Inc.'s ("OTC") OTCID Basic Market (the "OTCID Market"), and may not be listed on the OTCQX or OTCQB markets or a national securities exchange;
- developments in the pending derivative actions or other legal proceedings;
- regulatory disputes and governmental inquiries, including the SEC Investigation (as defined below);
- privacy and data protection laws, privacy or data breaches or the loss of data;
- the impact of changes in consumer spending patterns, consumer preferences, local, regional and national economic conditions, crime, weather, demographic trends and employee availability;
- increases in component costs, long lead times, supply shortages and other disruptions to our supply chain;
- delays in construction timelines at our customers' building sites;
- any defects in new products or enhancements to existing products;
- our ability to continue to develop new products, services and innovations to meet constantly evolving customer demands;
- our ability to hire, retain, manage and motivate employees, including key personnel;
- the impact of workforce reductions on our business, financial condition and results of operations;
- our ability to improve operating and financial results and attain profitability;
- compliance with laws and regulations applicable to our business;
- the impact of macroeconomic conditions on our business, our suppliers and our existing and potential customers;
- our ability to upgrade and maintain our information technology systems;
- our ability to create, acquire and protect intellectual property;
- our ability to successfully identify, complete, integrate and realize synergies from acquisitions, such as the HelloTech Merger (as defined below), including the ability to retain key personnel from such acquisitions; and
- the potential adverse impact of the HelloTech Merger and any future acquisitions, including the potential increase in risks already existing in our operations, poor performance or decline in value of acquired businesses and unexpected costs or liabilities that may arise.

Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified and some of which are beyond our control, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur, and actual results could differ materially from those projected in the forward-looking statements. Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties. As a result of these factors, we cannot assure you that the forward-looking statements in this Form 10-K will prove to be accurate. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

You should read this Form 10-K completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

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PART I

Item 1. Business

Unless the context otherwise requires, references in this subsection to "we," "our," "Latch," "DOOR" and the "Company" refer to the business and operations of Latch, Inc. and its consolidated subsidiaries.

Overview

Latch is a technology company delivering an integrated ecosystem of hardware, software and services designed to enhance operations and experiences within buildings, primarily serving the multifamily rental market. In August 2025, we rebranded as DOOR, although our legal name remains Latch, Inc.

Our core offering is built around a proprietary, cloud-based software-as-a-service ("SaaS") platform (the "DOOR Platform") that powers and manages our suite of smart access control devices (including locks, readers and intercoms) and smart home devices and integrates with other connected devices within a building.

We provide solutions that streamline building management for property owners and operators, offer modern convenience and security for residents and simplify interactions for visitors and service providers. While our foundation remains smart access control, we are actively expanding the DOOR Platform and our device integrations to encompass broader smart home solutions, managing devices such as sensors, thermostats and lighting. This ongoing expansion leverages our established platform to create more connected and efficient buildings as we lay the groundwork for a building intelligence platform, automating and streamlining building operations, including work order management and automation, property maintenance and unit inspections and repairs.

Our customers, which include real estate developers, builders, owners and property managers in the United States and Canada, typically purchase our hardware devices (directly or indirectly through our channel partner network) and directly license our SaaS platform. Residents interact with the DOOR Platform through the DOOR mobile application and its predecessor Latch mobile application (together, the "DOOR App"). Through the DOOR App, residents access common areas and unlock residential doors, provide guest access, manage smart home devices and book services.

Our professional services offerings are integral to ensuring successful deployment of the DOOR Platform and ongoing support for our customers and their residents. This includes connecting our multifamily property customers with our partners for installation of Latch and third-party smart access and smart home hardware, ensuring that solutions are implemented efficiently and correctly.

Complementing our multifamily installation capabilities, our wholly-owned subsidiary, HelloTech, Inc. ("HelloTech"), provides a scalable, nationwide network of skilled independent technicians. HelloTech connects these service providers with residents and property managers seeking a wide range of on-demand technical services, such as TV mounting and smart home device installation and set-up, as well as broader home services, such as furniture assembly and handyman services.

Additionally, we offer a comprehensive property management service in and around Boston, Massachusetts.

We operate in one operating and reporting segment.

Corporate History

TS Innovation Acquisitions Corp. ("TSIA") was incorporated in Delaware on September 18, 2020 as a special purpose acquisition company formed to acquire one or more operating businesses through a business combination. On January 24, 2021, TSIA entered into an agreement and plan of merger by and among Latch Systems, Inc., a Delaware corporation formed in 2014 ("Legacy Latch"), TSIA and Lionet Merger Sub Inc., a Delaware corporation and a wholly-owned subsidiary of TSIA ("Merger Sub"). On June 4, 2021, we consummated the merger, pursuant to which Merger Sub merged with and into Legacy Latch, with Legacy Latch becoming a wholly-owned subsidiary of TSIA (the "2021 Business Combination"). The post-combination company, TSIA, changed its name to Latch, Inc.

In connection with our rebrand to DOOR, in August 2025, Latch Systems, Inc., our primary operating entity and a wholly-owned subsidiary of Latch, Inc., changed its name to DOOR Systems, Inc ("Latch Systems" or "DOOR Systems," as the context requires).

Launch of Door Property Management

In March 2024, we announced the launch of Door Property Management, LLC ("DPM"), our wholly-owned subsidiary, in conjunction with the acquisition of the property management business of The Broadway Company, a Boston-based real estate investment company ("Broadway"). Additionally, we purchased the property management division of Boston Realty Advisors in June 2024. Together, these acquisitions (the "Property Management Acquisitions") enable us to (i) operate all aspects of a multifamily residential property, from physical management to providing advanced technology solutions, and (ii) gain hands-on experience in property management to further refine and optimize its products and services.

HelloTech Merger and Loan Agreement

On June 21, 2024, our wholly-owned subsidiary, LS HT Merger Sub, Inc. ("HT Merger Sub"), entered into an Agreement and Plan of Merger with HelloTech. On July 1, 2024, HT Merger Sub merged with and into HelloTech, with HelloTech continuing as the surviving corporation and our wholly-owned subsidiary (the "HelloTech Merger").

HelloTech is a service platform delivering on-demand, last-mile installation, setup and connected device support. The HelloTech platform supports our professional services offering.

As consideration for the HelloTech Merger, we (i) assumed HelloTech's outstanding borrowings under its existing term loan of approximately $6.9 million as of July 1, 2024 with Customers Bank (the "Prior Loan") and (ii) paid $0.3 million of HelloTech's merger-related expenses. HelloTech's stockholders and other equity holders (including option holders, warrant holders and holders of simple agreements for future equity) did not receive any consideration in connection with the HelloTech Merger.

On July 15, 2024, we entered into a loan agreement with Customers Bank (the "Loan Agreement"). Pursuant to the Loan Agreement, Customers Bank issued a term loan in the principal amount of $6.0 million (the "Loan"). The Loan Agreement, which amended and restated the terms of the Prior Loan, did not result in us receiving any additional loan proceeds. Interest is payable on the Loan at a rate equal to the greater of (a) the prime rate published in The Wall Street Journal or (b) 6.0%. The Loan matures on July 15, 2029 (the "Maturity Date").

Concurrent with the Loan Agreement, we issued a warrant to Customers Bank to purchase 1,000,000 shares of our common stock (the "Bank Warrant"). The Bank Warrant has an exercise price of $1.25 per share, was exercisable upon issuance and will expire six years from the date of issuance, or July 15, 2030.

The DOOR Platform

The DOOR Platform is our central software platform unifying the building experience for all stakeholders. It comprises several key components:

- *DOOR OS*: A web-based application for building owners, property managers and channel partners to manage access permissions, oversee building operations, monitor connected devices, streamline resident turnover and resolve operational issues–all remotely.
- *DOOR App*: iOS and Android applications used by residents and building operators for unlocking doors, managing guest and service provider access and controlling and monitoring integrated smart home devices. Building operators also use the DOOR App to activate devices.
- *Concierge Pro*: An optional service providing 24/7 remote receptionist capabilities for deliveries and guest arrivals, integrated with our Latch Intercom or Latch Link devices described below.
- *OpenKit*: Software Development Kits (SDKs) and Application Programming Interfaces (APIs) allowing partners (e.g., property technology platforms or delivery services) to integrate their applications with the DOOR Platform for seamless workflows like resident onboarding and management or remote unlocking for couriers.

Hardware Devices

Our DOOR Platform operates with both Latch-designed hardware and compatible third-party devices.

- *Latch Access Devices*: Our hardware portfolio includes smart locks for unit doors (Latch C, M and Interconnect series) and readers for common area and building entrances (Latch R), designed to meet industry standards and building codes.
- *Connectivity and Other Devices*: We offer devices like the Latch Intercom, Latch Link (a QR-code based virtual intercom), DOOR Camera and DOOR Hub, which acts as a connectivity hub enabling communication between the

DOOR Platform and various smart access, smart home (e.g., thermostats, light switches and leak detectors) and sensor devices within a building.

- *Third-Party Integration (Latch Lens)*: Our Latch Lens program allows third-party hardware manufacturers to embed Latch technology in their products, enabling their devices to connect, and operate seamlessly, with the DOOR Platform. The Latch Lens program expands hardware choices for customers while maintaining the unified software experience provided by the DOOR Platform.

Software and Partnerships

To provide customers with a comprehensive building operating system, we integrate the DOOR Platform with essential third-party software and services. We integrate with leading property management software providers (e.g., Yardi, RealPage, Entrata and AppFolio) to ensure smooth data flow and operational efficiency for property managers. We also partner with other technology providers (e.g., Tour24 and Pynwheel) to enable specific workflows like self-guided tours through DOOR Platform integrations.

Professional Services

In addition to our hardware and software solutions, we offer a comprehensive professional services business line. This includes connecting our multifamily customers to our vetted and trusted network of technicians and service providers for the installation and deployment of Latch and third-party smart access and smart home hardware products directly within their multifamily properties. Furthermore, our HelloTech business operates as a platform connecting a nationwide network of independent, vetted technicians and service providers with single family and multifamily property residents and property managers who require on-demand technical services, such as TV mounting and smart home device installation and set-up, as well as broader home services, such as furniture assembly and handyman services. We also offer a subscription service through the HelloTech platform that includes discounted home services and other technical support such as 24/7 online support, home technology checkups, and antivirus and password manager software support.

Channel Partners

Our primary go-to-market strategy involves distributing our hardware through a network of third-party channel partners. These partners typically market, sell, install and provide activation services for our solutions. Customers primarily license the DOOR Platform software directly from us, complementing their hardware purchase from the channel partner. We also engage in direct sales and service arrangements with certain customers.

Manufacturing and Supply Chain

We outsource the manufacturing of most of our hardware products to multiple contract manufacturers in Asia and the United States. The majority of the components that go into the manufacturing of our products are sourced from third-party suppliers and are generally purchased on our behalf by our manufacturers, subject to certain supplier lists we approve. Our supply chain team coordinates the relationships between our contract manufacturers and component suppliers.

We purchase from our contract manufacturers on a purchase order basis. Under our governing agreements, our contract manufacturers must follow our established product design specifications, quality assurance programs and manufacturing standards. To improve our control of supply pipelines, we own certain tooling and equipment specifically required to manufacture our products. To ensure adequate inventory supply and avoid excess inventory supply, we must forecast inventory needs and expenses and place orders in advance with our suppliers and contract manufacturers, based on our estimates of future demand for particular products and services.

Market Opportunity

The real estate market, particularly large investor-owned and managed buildings, represents a significant opportunity for technology-driven operational improvements. We currently focus on the North American multifamily rental market, which comprised approximately 27 million units in buildings with five or more units in the United States, based on U.S. census data for 2023. This market includes both new construction and retrofit opportunities.

- *New Multifamily Construction*: Based on U.S. census data, an average of approximately 351,000 new multifamily units (in buildings with five or more units) were completed annually between 2019 and 2023. We target these new developments to embed our ecosystem from the ground up.

- *Multifamily Retrofits*: Retrofits of a building's traditional locks, earlier generation smart locks and offline home devices are often driven by major maintenance cycles, property sales or standalone hardware or system upgrade efforts. We expect our revenues attributable to retrofits to grow as we continue to focus on selling to owners of existing buildings and developing products and solutions that are suitable for retrofit projects.

Beyond the market for our hardware and SaaS platform, there is a substantial opportunity for related professional services in both the multifamily and single-family residential market. For multifamily properties, this includes the installation and deployment of smart access control and other smart home devices, a critical component for both new construction and retrofit projects. Our professional direct installation services address this need, ensuring our systems and third-party solutions are implemented effectively.

Furthermore, the HelloTech business addresses the broader consumer market for on-demand technical and home services. This market includes residents in multifamily properties and single-family homes who require assistance with tasks such as smart device installation and setup, IT support, TV mounting, furniture assembly and general handyman services. The increasing adoption of smart home technology across all residential types fuels the demand for skilled technicians capable of installing, configuring and troubleshooting these devices, representing a significant service opportunity.

Our Go to Market and Growth Strategy

In order to create value for our stockholders, our core objective is to expand the adoption and utilization of the DOOR Platform. Key strategies to achieving this objective include:

- *Further Penetration of North American Multifamily Market*: We aim to grow our customer base through direct sales efforts targeting new and existing portfolios, supporting our channel partners that resell our products and leveraging tools like e-commerce platforms to streamline purchasing.
- *New Products and Services*: We continue to invest in research and development to innovate and expand the capabilities of the DOOR Platform and our hardware offerings. This includes enhancing our core access features, integrating a wider array of smart home devices and developing functionalities that support our long-term vision of a comprehensive building intelligence platform. We deploy many software updates and features over-the-air via the DOOR Platform.
- *Selling into a Growing Market*: We believe the adoption of smart building technology in multifamily properties will continue to increase, driven by demands for operational efficiency, enhanced resident experiences and security, creating favorable market conditions for our integrated solutions.
- *Expand and Leverage Professional Services*: We plan to grow our professional services revenue by scaling our multifamily installation partner network and expanding the reach and service offerings of the HelloTech platform. In addition to providing an additional revenue stream, our professional services offering strengthens customer relationships by ensuring high-quality deployment and support, potentially increasing the adoption and stickiness of the DOOR Platform.

Competition

The smart building technology market is dynamic, with various companies offering solutions that compete with components or the entirety of our ecosystem. Competition exists from traditional lock manufacturers, other smart access control providers and specialized smart home device and platform companies. We anticipate competition will intensify as the market matures. Our ability to compete successfully depends on various factors, including:

- The functionality, reliability, ease of use and cost-effectiveness of our integrated platform.
- Our ability to innovate and introduce differentiated features and smart home integrations.
- Our ability to source components and manufacture our hardware products at costs that create positive selling margins at competitive pricing.
- Our success in expanding into new applications and adjacent markets.
- Our ability to attract, retain and support channel partners and other technology partners.
- Our brand recognition and reputation.
- Our ability to effectively leverage data and artificial intelligence to enhance our offerings.
- Our capacity to attract and retain skilled engineering, sales and support personnel.
- Our ability to successfully protect our intellectual property.
- The quality, reach and efficiency of our professional installation partners for multifamily deployments.

- Our ability to successfully scale the HelloTech platform to provide consistent, high-quality, on-demand technical and home services to a broad resident base.
- The effectiveness of our service offerings, and associated marketing efforts, in differentiating DOOR from competitors who solely offer hardware and software without comparable installation and support infrastructure.

Competitive Strengths

We believe our key competitive strengths include:

- *SaaS Revenue Model*: Our software licensing model provides a recurring revenue stream tied to the deployment of the DOOR Platform.
- *Unified Management Experience*: The DOOR Platform provides property managers with a single, integrated interface for managing access control, a growing range of smart home devices and building operations, reducing the complexity and inefficiency inherent with disparate point solutions.
- *Network of Partners*: Our established channel program provides broad market reach for sales and installation across the United States and portions of Canada.
- *End-to-End Service Capability*: Through our professional installation services supporting our multifamily property customers and our HelloTech platform supporting residents, we offer an enhanced value proposition for customers and users. Our expertise goes beyond manufacturing hardware to its effective deployment and ongoing usability, simplifying property management operations and enhancing resident experience.
- *Our Intellectual Property Portfolio*: We own patents, trademarks, copyrights and trade secrets covering core aspects of our hardware design, software platform and user experience, protecting our technology from infringement and competitive pressure. We have approximately 100 patents, including approximately 45 utility patents, which protect the inventive aspects of our products and services, and approximately 55 design patents, which protect the ornamental design of certain of our hardware products. None of our utility patents expire prior to 2035, and one of our foreign design patents is expected to expire in 2026.

Government Regulation

We operate our business primarily in the United States, and our products are sold in the United States and Canada. We are subject to regulation by various federal, state, local and foreign governmental agencies, including, but not limited to, agencies and regulatory bodies or authorities responsible for monitoring and enforcing product safety and consumer protection laws, data privacy and security laws and regulations, employment and labor laws, workplace safety laws and regulations, environmental laws and regulations, export and import control laws and regulations, antitrust laws, securities laws and tax laws and regulations.

Anti-Corruption and Export Laws

We are subject to the U.S. bribery of public officials statute contained in 18 U.S.C. § 201, the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.S. Travel Act and possibly other anti-bribery laws, including those designed to comply with the Organization for Economic Cooperation and Development (the "OECD") Convention on Combating Bribery of Foreign Public Officials in International Business Transactions or other international conventions. Anti-corruption laws are often interpreted broadly and generally prohibit our company, employees and agents from authorizing, offering, promising or providing, directly or indirectly, improper payments of anything of value to recipients in the public sector to obtain or retain business or an unfair business advantage. Certain anti-corruption laws also prohibit us from soliciting or accepting bribes or kickbacks or from engaging in bribery involving private persons. We can be held liable in certain circumstances for the corrupt activities of our representatives, contractors, channel partners and agents, even if we did not explicitly authorize such activity. Although our Code of Business Conduct and Ethics (the "Code of Ethics") addresses compliance with applicable anti-corruption laws, there can be no assurance that all of our employees, representatives, contractors, channel partners and agents will comply with these laws.

Because we primarily operate in the United States, import from Asia and export to Canada, we are subject to laws in various jurisdictions. We are subject to anti-money laundering laws such as the USA PATRIOT Act and may be subject to similar laws in other jurisdictions. Our products are subject to export and import control laws and regulations, including the U.S. Export Administration Regulations, U.S. Customs regulations and various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Control. We also may be subject to import/export laws and regulations in other jurisdictions in which we conduct business or source our products. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to substantial civil or criminal penalties, including the possible loss of export or import privileges, fines, which may be imposed on us and responsible employees or managers and, in extreme cases, the incarceration of responsible employees or managers.

United States

We and our business customers are subject to various federal, state and local regulations related to access control products, such as state and local building and fire codes, the Americans with Disabilities Act, and requirements for Underwriter Laboratories ("UL") and Federal Communications Commission ("FCC") certifications. We and our business customers may be subject to numerous federal and state laws and regulations, including data breach notification laws, data privacy and security laws, and consumer protection laws and regulations (e.g., Section 5 of the Federal Trade Commission Act (the "FTC Act") that govern the collection, use, disclosure and protection of personal information. Privacy and security laws, self-regulatory schemes, regulations, standards and other obligations are constantly evolving, may conflict with each other to complicate compliance efforts and can result in investigations, proceedings or actions that may lead to significant civil and/or criminal penalties and restrictions on data processing. For example, the California Consumer Privacy Act went into effect on January 1, 2020 and was amended by the California Privacy Rights Act that went into effect on January 1, 2023 (together, the "CCPA"). The CCPA, among other things, created new data privacy obligations for covered companies and provided new privacy rights to California residents, including the right to access and delete their personal information, opt out of certain personal information processing and sharing and receive detailed information about how their personal information is used. The CCPA also created a private right of action with statutory damages for certain data breaches, thereby potentially increasing risks associated with a data breach. Pursuant to the CCPA, the California legislature also created a new California data protection agency specifically tasked to enforce the law, which has resulted in increased regulatory scrutiny of organizations conducting business in California in the areas of data protection and security. Similar laws have been passed in other states and are continuing to be proposed at the state and federal level, reflecting a trend toward more stringent privacy legislation in the United States. The enactment of such laws could have potentially conflicting requirements that would make compliance challenging. In the event that we are subject to or affected by domestic privacy and data protection laws, any liability from failure to comply with these laws could adversely affect our financial condition.

In addition to state privacy bills, local regulation is also increasing. For instance, in 2021, New York City enacted the Tenant Data Privacy Act (the "TDPA"), regulating how building access data is collected, processed and disposed of by property managers and smart access system operators. The TDPA went into effect in July 2021, and we had to make certain adjustments to our retention of data collected from New York City users of our platform to comply with its requirements. Similar local legislation in other cities where we operate is likely, which will further increase the complexity and expense of ensuring that our privacy practices are compliant.

Additionally, the interpretations of existing federal and state consumer protection laws relating to online collection, use, dissemination and security of personal information adopted by the Federal Trade Commission (the "FTC"), state attorneys general, private plaintiffs and courts have evolved, and may continue to evolve, over time. Consumer protection laws require us to publish statements that describe how we handle personal information and choices individuals may have about the way we handle their personal information. If such information that we publish is deemed untrue, we may be subject to government claims of unfair or deceptive trade practices, which could lead to significant liabilities and consequences. Furthermore, according to the FTC, violating consumers' privacy rights or failing to take appropriate steps to keep consumers' personal information secure may constitute unfair acts or practices in or affecting commerce in violation of Section 5 of the FTC Act. The FTC expects a company's data security measures to be reasonable and appropriate in light of the sensitivity and volume of consumer information it holds, the size and complexity of its business and the cost of available tools to improve security and reduce vulnerabilities.

Canada

In Canada, the Personal Information Protection and Electronic Documents Act ("PIPEDA") and similar provincial laws impose obligations with respect to processing personal information. PIPEDA requires companies to obtain an individual's consent prior to collecting, using or disclosing that individual's personal information. Individuals have the right to access and challenge the accuracy of their personal information held by an organization, and personal information may only be used for the purposes for which it was collected. If an organization intends to use personal information for another purpose, it must again obtain that individual's consent to the proposed processing. Failure to comply with PIPEDA and similar provincial laws could result in significant fines and penalties.

Cash and Inventory Position

As of December 31, 2025 and December 31, 2024, our unrestricted cash and cash equivalents and current and non-current available-for-sale securities were approximately $34.6 million and $75.4 million, respectively. As of December 31, 2025 and December 31, 2024, we also had approximately $27.3 million and $30.5 million in net inventory, respectively.

Human Capital

Our employees are critical to our success. As of December 31, 2025, we had approximately 120 full-time employees, all of which were based in the United States. We also engage consultants and contractors in the United States and internationally, primarily in South America and Romania, to supplement our permanent workforce. A majority of our employees are engaged in engineering, software and product development, sales and related functions. To date, we have not experienced any work stoppages and consider our relationship with our employees and service providers to be in good standing. None of our domestic or international employees are subject to a collective bargaining agreement or represented by a labor union.

We recognize the importance of an inclusive environment. We believe we offer competitive compensation, including base pay, discretionary bonus and equity incentive opportunities, paid time off and a family-friendly benefits package, including paid parental leave, to ensure our team members have the flexibility and support for a healthy work/life balance. Other than our St. Louis-based employees and our property management team, our workforce generally operates on a remote basis, which we believe is suitable for the conduct of our business.

Available Information

Our internet website address for our stockholders and other interested parties is https://DOOR.com/investors. We make available, free of charge, through our website or through the SEC's website at www.sec.gov, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports, as soon as reasonably practicable after filing such reports with the SEC. Also, the charters of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, the Code of Ethics, our Corporate Governance Guidelines and stockholder communications are available through our website, and we also intend to disclose any amendments to our Code of Ethics, or waivers to such code on behalf of our Chief Executive Officer or Chief Financial Officer, on our website. All of these corporate governance materials are available free of charge and in print to any stockholder who provides a written request to the Corporate Secretary at 1220 N. Price Rd, Suite 2, Olivette, Missouri 63132. The contents of our website are not intended to be incorporated by reference into this Form 10-K or any other report or document we file and any reference to our website is intended to be an inactive textual reference only.

Item 1A. Risk Factors

The following is a summary of the risks and uncertainties that could materially adversely affect our business, financial condition and results of operations. We encourage you to carefully review the full risk factors contained below in their entirety for additional information regarding these risks and uncertainties.

Risks Related to the Restatement, Internal Controls and Related Matters

- We are subject to an ongoing investigation by the SEC and may be named in future governmental or other regulatory investigations and proceedings.
- Because our securities are traded on the OTCID Market, there is a minimal public market for our securities, which negatively affects the value of our securities and may make it difficult or impossible for you to sell or buy them.
- Matters relating to or arising from the Restatement and the Company's 2022 internal investigation of certain key performance indicators and revenue recognition practices (the "Investigation") have had, and could continue to have, an adverse effect on our business and financial condition and reputation.
- We have material weaknesses in our internal control over financial reporting.

Risks Related to our Business and Industry

- The presence of various risks and uncertainties associated with the Company's liquidity position may adversely affect our ability to sustain our operations.
- We have a history of losses, we may not achieve or maintain profitability in the future, and our operating results and financial condition may continue to fluctuate.
- The loss of a significant customer may have a material adverse effect on us.

- Our growth and the markets in which we operate make it difficult to evaluate our current business and future prospects.
- We face various risks related to our HelloTech business, many of which are difficult to predict while the business is being integrated into the Company.
- Our future operating results will rely in part upon the successful execution of our strategic partnerships.
- If our security controls are breached, or unauthorized or inadvertent access to user information or other data or to control or view systems are otherwise obtained, we may incur significant liabilities.
- We may be unable to attract new customers and maintain customer satisfaction with current customers.
- We rely on our channel partner network and certain third-party providers of licensed software and services that are important to our business.
- Customer turnover or costs we incur to retain and upsell our customers could adversely affect our financial performance.
- If we are unable to develop new solutions, adapt to technological change, sell our software, services and products into new markets or further penetrate our existing markets, our revenue may not grow as expected.
- We operate in the emerging and evolving smart building technology industry, which may develop more slowly than we expect and may become more competitive.
- We may not realize the anticipated benefits of the HelloTech Merger or other acquisitions.
- Changes in effective tax rates, adverse outcomes resulting from examination of our income or other tax returns and an inability to use some or all of our net operating loss carryforwards could adversely affect our results of operations.
- We may require additional capital to pursue our business objectives and to operate our business.
- If we are unable to acquire or adequately protect intellectual property, we could be competitively disadvantaged.
- Accusations of infringement of third-party intellectual property rights could materially and adversely affect our business.
- Some of our products and services contain open source software, which may pose particular risks to our business.
- Our products and services may be affected from time to time by design and manufacturing defects.
- If we fail to continue to develop our brands, our business may suffer.
- We must successfully upgrade and maintain our information technology systems, and problems with our information systems, third-party systems and infrastructure upon which we rely could interfere with our business and operations.
- We collect, store, process and use personal information, which subjects us to legal obligations and laws and regulations related to security and privacy.
- We rely on a limited number of suppliers, manufacturers and logistics partners that we do not control.
- Increases in component costs, long lead times, supply shortages and changes, labor shortages and construction delays could disrupt our supply chain and operations.
- Our operating results could be adversely affected if we are unable to accurately forecast customer demand for our products and services and adequately manage our inventory.
- From time to time, we may be subject to legal proceedings, regulatory disputes and governmental inquiries that could cause us to incur significant expenses, divert our management’s attention and materially harm our business.
- Our smart building technology is subject to varying state and local regulations, and we must also comply with import and export, bribery and money laundering laws, regulations and controls.
- If we are unable to sustain pricing levels, our business could be adversely affected.
- Insurance policies may not cover all of our operating risks, and a casualty loss beyond the limits of our coverage could negatively impact our business.
- Downturns in general economic and market conditions and reductions in spending may reduce demand for our software, services and products, which could harm our revenue, results of operations and cash flows.
- We may not be able to generate sufficient cash to service our indebtedness, and we may be forced to take other actions to satisfy our obligations under applicable debt instruments, which may not be successful.
- The Loan Agreement does, and any future agreements related to indebtedness may, restrict our current and future operations, particularly our ability to respond to changes in business or to take certain actions.

Risks Related to Ownership of Our Securities

- Our common stock price may be volatile or may decline regardless of our operating performance.
- We do not intend to pay dividends on our common stock for the foreseeable future.
- Our issuance or sale of additional shares of common stock or convertible securities could make it difficult for another company to acquire us, may dilute your ownership of us and could adversely affect our stock price.
- Our warrants are subject to various limitations and features that could adversely impact the holders of such warrants.

- Anti-takeover provisions in our governing documents and under Delaware law could make an acquisition of us more difficult or limit attempts by our stockholders to replace or remove our current management.
- Our governing documents provide a sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.
- Climate change and related environmental issues may have an adverse effect on our business, financial condition and operating results.
- Stockholder and customer emphasis on environmental, social and governance responsibility may impose additional costs on us or expose us to new risks.
- Our business is subject to the risk of earthquakes, fires, power outages, floods and other catastrophic events, and to interruption by man-made problems such as terrorism.
- We incur increased costs as a result of being a public company. Failure to comply with laws, regulations and standards relating to our public company status could materially and adversely affect our business and results of operations.
- If securities analysts do not publish research or reports about us, or if they issue unfavorable commentary about us or our industry or downgrade our common stock, the price of our common stock could decline.

Risks Related to the Investigation, Restatement, Internal Controls and Related Matters

We are subject to an ongoing SEC investigation (the "SEC Investigation") and may be named in future governmental or other regulatory investigations and proceedings, each of which could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation.

Since being contacted by the Staff of the SEC in March 2023, the Company has been cooperating with the Staff's investigation into issues related to the Company's key performance indicators and revenue recognition practices that led to the Restatement and related issues. We cannot predict the duration or outcome of the SEC Investigation or whether the SEC will bring an enforcement action against us.

We cannot predict or provide any assurance as to the timing, outcome or consequences of the SEC Investigation. If the SEC were to conclude that enforcement action is appropriate, we could be required to pay civil penalties and fines, and the SEC could impose other sanctions against us or against our current and former officers and directors. We have incurred, and may continue to incur, significant expenses related to legal and other professional services in connection with matters relating to or arising from the SEC Investigation. These cash outflows have, and will continue to, negatively impact our cash position and profitability. We cannot predict if the SEC will impose any penalty or fine and, if it does, the magnitude or timing of such penalty or fine; however, any penalty or fine would also negatively impact our cash position, profitability and liquidity.

In addition, our Board of Directors (the "Board"), management and employees have expended, and may continue to expend, a substantial amount of time on the SEC Investigation, diverting resources and attention that would otherwise be directed toward our operations and implementation of our business strategy, all of which could materially adversely affect our business, financial condition and results of operations. Publicity surrounding the foregoing, or any SEC enforcement action or settlement as a result of the SEC Investigation, even if ultimately resolved favorably for us, could have an adverse impact on our reputation, business, financial condition and results of operations.

In addition, although we have completed the Restatement, we could receive additional inquiries from the SEC or other regulatory authorities regarding our restated financial statements or matters relating thereto, and we could be subject to future claims, investigations or proceedings. Any future inquiries from regulatory authorities, or future claims or proceedings as a result of the Restatement or any related regulatory investigation, will, regardless of the outcome, consume a significant amount of our internal resources and result in additional legal and accounting costs.

Because our securities are trading on the OTCID Market, there is a minimal public market for our securities, which negatively affects the value of our securities and may make it difficult or impossible for you to sell them. We cannot assure you that our common stock and warrants will be traded on the OTCQX or OTCQB markets or listed on Nasdaq or any other national securities exchange in the future.

Beginning June 7, 2021, Latch common stock and warrants were listed and traded on The Nasdaq Capital Market LLC ("Nasdaq") under the ticker symbols LTCH and LTCHW, respectively. In connection with the delisting of the Company's securities from Nasdaq, from August 11, 2023 to February 12, 2026, Latch's common stock and warrants traded on the OTC Expert Market.

Following the Company’s filing of its Quarterly Report on Form 10-Q for the period ended September 30, 2025, Latch’s securities began trading on the OTC Pink - Limited market on February 12, 2026 and the OTCID Market on March 2, 2026.

Quotes in the OTCID Market are “Unsolicited Only” until a broker-dealer reviews the Company’s securities and submits an application under SEC Rule15c2-11. This application (the “Form 211”) is subject to review by the Financial Industry Regulatory Authority (“FINRA”). Until a Form 211 is accepted, broker-dealers may only use the OTCID Market to publish unsolicited quotes representing limit orders from retail and institutional investors who are not affiliates or insiders of the Company. Because of these restrictions, there is a minimal public market for our securities, which negatively affects the value of our securities and may make it difficult or impossible for you to sell them. We cannot assure you that our common stock and warrants will be traded on the OTCQX or OTCQB markets, which generally offer greater liquidity than the OTCID Market, or will not again trade at a lower level of the OTC markets, in the future.

Over-the-counter markets are generally considered to be less efficient than, and not as broad as, a national stock exchange. In addition, our ability to raise additional capital may be impaired because of the less liquid nature of the over-the-counter markets. While we cannot guarantee that we would be able to complete an equity financing on acceptable terms, or at all, we believe that dilution from any equity financing while our shares are quoted on an over-the-counter market would likely be substantially greater than if we were to complete a financing while our common stock is traded on a national securities exchange.

Our common stock may also be subject to penny stock rules, which impose additional sales practice requirements on broker-dealers who sell our common stock. The SEC generally defines “penny stock” as an equity security that has a market price of less than $5.00 per share, subject to certain exceptions. The ability of broker-dealers to sell our common stock and the ability of our stockholders to sell their shares in the secondary market will be limited and, as a result, the market liquidity for our common stock will likely be adversely affected. Further, certain brokerage firms have implemented rules regarding the deposit of penny stock shares into new or existing accounts where such stocks do not meet minimum price and volume requirements. Such rules may make it difficult or even prevent stockholders from timely selling their shares through such brokerage firms unless the shares meet such minimum requirements.

No assurance can be provided that an active trading market for our securities will develop or, if one develops, will continue. The lack of an active trading market for our securities may limit the liquidity of an investment in our common stock or warrants, meaning you may not be able to sell any shares of common stock or warrants you own at times, or at prices, attractive to you. Any of these factors may materially adversely affect the price of our common stock and warrants.

We may not ever be able to satisfy the initial or continued listing requirements for our common stock to be listed on any stock exchange, including Nasdaq, which are often more widely-traded and liquid markets. Some, but not all, of the factors that may delay or prevent the listing of our common stock on a more widely-traded and liquid market include the following: our stockholders’ equity may be insufficient; the market value of our outstanding securities may be too low; our net income from operations may be too low; our common stock may not be sufficiently widely held; we may not be able to secure market makers for our common stock; the SEC Investigation may remain ongoing; and we may fail to regain or maintain compliance with the relevant listing rules and requirements.

In the future, if eligible to do so, we could elect to deregister our securities under the Exchange Act. Deregistration would result in less disclosure about us and may negatively affect the liquidity and trading prices of our securities.

In the future, if eligible to do so, our Board may elect to voluntarily deregister our securities under the Exchange Act and suspend our reporting obligations. While no Board approval of deregistration has taken place, in the future, the Board may consider and/or authorize the Company to file with the SEC a Form 15 to voluntarily deregister our securities under Section 12(g) of the Exchange Act and suspend our reporting obligations under Section 15(d) of the Exchange Act, if eligible to do so. If the Board approves such deregistration, we would file a Form 15 and our obligations to file periodic reports, such as annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, would be suspended immediately upon the filing of the Form 15 with the SEC, and our proxy statement, Section 16 and other Section 12(g) reporting responsibilities would terminate effective 90 days after the filing of the Form 15. Following any deregistration, we would not expect to publish periodic financial information or furnish such information to our stockholders except as may be required by applicable laws or stock exchange rules. As a result of the foregoing factors, deregistration may result in less disclosure about us and may negatively affect the liquidity and trading prices of our securities.

Matters relating to or arising from the Restatement and the Investigation, including adverse publicity and potential concerns from our customers, have had, and could continue to have, an adverse effect on our business and financial condition.

We have been, and could continue to be, the subject of negative publicity focusing on the Investigation and the Restatement and have been, and may continue to be, adversely impacted by negative reactions from our customers or others with whom we do business. Concerns include the perception of the effort required to address our accounting and control environment and the ability for us to be a long-term provider to our customers. The continued occurrence of any of the foregoing could harm our business and have an adverse effect on our financial condition.

We and our directors and certain of our former officers have been named in a derivative lawsuit related to the circumstances that gave rise to the Restatement and may be named in further proceedings.

On February 15 and July 13, 2023, two alleged stockholders of Latch stock filed derivative actions purportedly on behalf of Latch in the United States District Court for the Southern District of New York: Manley v. Latch, Inc., et al., Case No. 1:23-cv-01273 (the "Manley Action") and Gottlieb v. Latch, Inc., et al., Case No. 1:23-cv-06047 (the "Gottlieb Action"). The actions, which were consolidated (together, the "Derivative Actions") generally allege that certain directors and former officers of the Company breached their fiduciary duties and violated Section 14(a) of the Exchange Act by making false or misleading statements regarding the Company's business, operations and prospects. The Gottlieb Action includes additional claims for unjust enrichment, abuse of control, gross mismanagement, waste of corporate assets and contribution against certain individual defendants named in Brennan v. Latch, Inc. et al., Case No. 1:22-cv-07473 (S.D.N.Y.) (the "Brennan Action") and Schwartz v. Latch, Inc., et al., Case No. 1:23-cv-00027 (D. Del.) (the "Schwartz Action"), both of which, as described below, have been settled in exchange for the release of all claims against the defendants, along with consolidated class action complaints in the Court of Chancery of the State of Delaware. The Derivative Actions seek orders permitting plaintiffs to maintain each action derivatively on behalf of the Company, awarding unspecified damages allegedly sustained by the Company, awarding restitution from the individual defendants, requiring the Company to make certain reforms to its corporate governance and controls and awarding costs and attorneys' fees. In March 2026, the Company agreed in principle to a settlement involving the implementation of certain governance reforms and the Company's payment of $0.5 million in attorneys' fees, for which the Company does not expect any insurance contribution. The Company does not believe the allegations are meritorious and intends to vigorously defend against them should the parties not reach a final settlement.

The Derivative Actions relate to the circumstances identified in the Investigation, which gave rise to the Restatement and an extended filing delay in filing our periodic reports with the SEC. The litigation has been time consuming and expensive. We may also be named in further litigation, investigations or other actions that may be filed or initiated against us or our current or former officer or directors, which could require significant additional management time and attention, and could result in significant additional legal expenses or result in government enforcement actions, any of which could have a material adverse impact on our results of operations, financial condition, liquidity and cash flows. We cannot predict what losses we may incur in the pending litigation matters and contingencies related to our obligations under the federal and state securities laws, or in other legal proceedings or governmental investigations or proceedings related to the Restatement.

Any further legal proceedings will likely involve significant defense and other costs and, if decided adversely to us or settled, could result in significant monetary damages, penalties and reputational harm. These cash outflows could negatively impact, our cash position, liquidity and profitability.

We have entered into indemnification agreements with each of our current and former directors, certain of our current and former officers and certain third parties, and our amended and restated certificate of incorporation requires us to indemnify each of our directors and officers, to the fullest extent permitted by Delaware law, who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that he or she is or was a director or officer of the Company. Although we maintain insurance coverage in amounts and with deductibles that we believe are appropriate for our operations, our insurance coverage does not cover all claims that have been or may be brought against us, and insurance coverage may not be available to us at a reasonable cost. As a result, we have been and may continue to be exposed to substantial uninsured liabilities, including pursuant to our indemnification obligations, which could materially adversely affect our business, prospects, results of operations and financial condition.

See Part I, Item 3. "Legal Proceedings" and Note 17. *Commitments and Contingencies*, in Part II, Item 8. "Financial Statements" for additional discussion of these matters.

We have identified deficiencies in our internal control over financial reporting that resulted in material weaknesses in our internal control over financial reporting and have concluded that our internal control over financial reporting and our disclosure controls and procedures were not effective as of December 31, 2025. If we fail to properly remediate these or any future material weaknesses or deficiencies or to maintain proper and effective internal controls, further material misstatements in our financial statements could occur and impair our ability to produce accurate and timely financial statements and could adversely affect investor confidence in our financial reports, which could negatively affect our business.

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 financial statements would not be prevented or detected on a timely basis. We have concluded that our internal control over financial reporting was not effective as of December 31, 2025 due to the existence of material weaknesses, and we have also concluded that our disclosure controls and procedures were not effective as of December 31, 2025 due to material weaknesses in our internal control over financial reporting, all as described in Part II, Item 9A. “Controls and Procedures.” Our management has determined that we have material weaknesses in the Company’s internal control over financial reporting as of December 31, 2025 related to (i) control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication, and (v) monitoring activities. All of these material weaknesses were identified as of December 31, 2021 or December 31, 2022.

As of the date of this Form 10-K, our remediation efforts are on-going. We cannot assure you that additional material weaknesses in our internal control over financial reporting will not arise or be identified in the future. We intend to continue our control remediation activities and to continue to improve our operational, information technology, financial systems and infrastructure procedures and controls, as well as to continue to expand, train, retain and manage our personnel who are essential to effective internal controls. In doing so, we will continue to incur expenses and expend management time on compliance-related issues. We may be unable to hire or retain such personnel, including qualified accounting and financial reporting personnel.

If our remediation measures are insufficient to address the identified deficiencies, or if additional deficiencies in our internal control over financial reporting are discovered or occur in the future, our consolidated financial statements may contain material misstatements, and we could be required to restate our financial results. Moreover, because of the inherent limitations of any control system, material misstatements due to error or fraud may not be prevented or detected on a timely basis, or at all. Although we are working to remedy the ineffectiveness of the Company’s internal control over financial reporting, there can be no assurance as to when the remediation plan will be fully implemented, the aggregate cost of implementation or whether the remediation plan will be adequate and effective. Until our remediation plan is fully implemented, our management will continue to devote significant time and attention to these efforts. If we do not complete our remediation in a timely fashion, or at all, or if our remediation plan is inadequate or ineffective, there is an increased risk that we will be unable to timely file future periodic reports with the SEC and that our future consolidated financial statements could contain errors that will be undetected. If we are unable to provide reliable and timely financial reports in the future, our business and reputation may be further harmed. Restated financial statements and failures in internal controls may also cause us to fail to meet reporting obligations, result in the delisting of our securities, negatively affect investor confidence in our management and the accuracy of our financial statements and disclosures, or result in adverse publicity and concerns from investors, any of which could have a negative effect on the price of our common stock, subject us to further regulatory investigations and penalties or stockholder litigation, and materially adversely impact our business and financial condition.

If we identify any new material weaknesses in the future, any such weakness could limit our ability to prevent or detect a misstatement of our financial statements. In addition, if we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an unqualified opinion as to the effectiveness of our internal control over financial reporting, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to applicable stock exchange listing requirements, investors may lose confidence in the accuracy of our financial reporting and our stock price may decline as a result. We cannot assure you that the measures we have taken to date, or any measures we may take in the future, will be sufficient to avoid potential future material weaknesses.

Risks Related to our Business and Industry

The presence of various risks and uncertainties associated with the Company's liquidity position may adversely affect its ability to sustain its operations.

As of the date of this Form 10-K (the "Filing Date"), the presence of the following risks and uncertainties associated with the Company's liquidity position may adversely affect its ability to sustain its operations:

i. The continued incurrence of significant expenses related to legal and other professional services in connection with the SEC Investigation and the possibility that the SEC may levy civil penalties or fines against the Company;
ii. Potential expenditures associated with defending, negotiating or resolving the service provider demand described in Note 17. *Commitments and Contingencies*, in Part II, Item 8. "Financial Statements;"
iii. Unexpected expenditures related to the Derivative Actions;
iv. The incurrence of significant expenses related to other legal or regulatory proceedings, whether actual or threatened;
v. The failure of the Company to achieve its revenue expectations, including as a result of:
   - Pricing compression for the Company's products;
   - Market adoption of the DOOR App;
   - The success of the HelloTech and DPM businesses;
   - The impact of elevated interest rates on the Company's potential customers, who may eliminate or delay expenditures for the products or services the Company offers; and
   - Market perception of the Company and its offerings;
vi. Costs of revenue and operating expenses exceeding the Company's expectations;
vii. The Company's failure to maintain the liquidity ratio required by the Loan Agreement;
viii. The Company's inability to fully leverage its prepaid inventory; or
ix. The catastrophic loss of inventory due to theft, natural disaster or otherwise.

Due to the risks and uncertainties described above, the Company continues to monitor its liquidity position. The Company recognizes the challenge of maintaining sufficient liquidity to sustain its operations and remain in compliance with the liquidity ratio required by the Loan Agreement. However, notwithstanding its liquidity position as of the Filing Date, and while it is difficult to predict its future liquidity requirements with certainty, the Company currently expects it will be able to generate sufficient liquidity to fund its operations over the 12 months beyond the Filing Date.

In response to the risks and uncertainties described above, the Company may attempt to secure additional outside capital. However, it can provide no assurance it will be able to secure any outside capital in the future at all, or on terms that are acceptable to the Company. Additionally, the Company's securities are currently traded on the OTCID Market. Because of applicable restrictions, there is a minimal public market for the Company's securities, and the Company's ability to raise additional capital may be impaired because of the less liquid nature of the over-the-counter markets.

The Company also plans to continue to closely monitor its cash flow forecast and, if necessary, may implement certain incremental cost savings measures to preserve its liquidity, including potentially exiting unprofitable business units, which would reduce the Company's revenues.

As of December 31, 2025, the Company's unrestricted cash and cash equivalents and current and non-current available-for-sale securities were approximately $34.6 million.

We have not been profitable historically and may not achieve or maintain profitability in the future.

We have experienced net losses in each year since inception, including a net loss of $53.7 million for the year ended December 31, 2025. We believe we will continue to incur operating losses and negative cash flow in the near term as we continue to invest significantly in our business, in particular to enhance and develop new DOOR Platform features, services and products to position us for future growth. Additionally, we have incurred substantial losses and expended significant resources to market, promote and sell our solutions and products and expect to continue to do so in the future. We also expect to continue to invest for future growth, including for customer acquisition, technology infrastructure and services development. As noted above, we have also incurred significant costs in connection with the SEC Investigation and legal proceedings.

Achieving profitability will require us to increase revenues, manage our cost structure and avoid significant liabilities. Revenue growth may slow, revenues may decline or we may incur significant losses in the future for a number of possible reasons, including general macroeconomic conditions, increasing competition (including competitive pricing pressures), a decrease in the growth of the markets in which we compete or if we fail for any reason to continue to capitalize on growth opportunities. Additionally, we may encounter unforeseen operating expenses, difficulties, complications, delays and service quality problems or other unknown factors that may result in losses in future periods. If these losses exceed our expectations or our revenue growth expectations are not met in future periods, our financial performance will be harmed and our stock price could be volatile or decline.

Our operating results and financial condition may fluctuate from period to period.

Our operating results and financial condition fluctuate from quarter-to-quarter and year-to-year and are likely to continue to vary due to a number of factors, many of which are not within our control. Both our business and the smart building technology industry are changing rapidly, and our historical operating results may not be useful in predicting our future operating results. If our operating results, guidance or projections we provide to the marketplace do not meet previous guidance or projections or the expectations of securities analysts or investors, or we adjust such guidance or projections downward, the market price of our common stock will likely decline. We have experienced declines in our common stock since 2021. Fluctuations in our operating results and financial condition may occur due to a number of factors, including:

- the portion of our revenue attributable to SaaS versus hardware and services;
- the impact of organizational changes, including any reductions in force;
- fluctuations in demand for our platform and solutions;
- changes in pricing by us in response to competitive pricing actions or otherwise;
- the ability of our hardware vendors to continue to manufacture high-quality products and to supply sufficient products to meet our demands;
- the timing and success of introductions of new solutions, products or upgrades by us or our competitors;
- changes in our business and pricing policies or those of our competitors;
- our ability to accurately forecast demand and revenue;
- our ability to control costs, including our operating expenses and the costs of the hardware we purchase;
- competition, including entry into the industry by new competitors and new offerings by existing competitors;
- our ability to successfully manage and integrate any acquisitions of businesses;
- issues related to introductions of new or improved products such as shortages of prior generation products or decreased demand for next generation products;
- the amount and timing of expenditures, including those related to expanding our operations, increasing research and development, introducing new services, solutions or products or paying litigation or similar expenses, including those related to the SEC Investigation, the Derivative Actions or other legal proceedings;
- the ability to effectively manage growth within existing and new markets;
- changes in the payment terms for our products and services;
- the strength of regional, national and global economies;
- the impact of any economic disruption, such as those caused by the conflict in Iran, increasing interest rates, the implementation of tariffs on imports, inflationary pressures and the threat of a recession;
- changes in the fair values of our financial instruments (including certain warrants that we assumed in connection with the 2021 Business Combination); and
- the impact of natural disasters or man-made problems such as terrorism.

Due to the foregoing factors, and the other risks discussed in this Form 10-K, you should not rely on quarter-over-quarter and year-over-year comparisons of our operating results as indicators of our future performance.

Our growth and the quickly changing markets in which we operate make it difficult to evaluate our current business and future prospects, which may increase the risk of investing in our common stock.

We have grown since 2017 when we introduced our smart building technology. We have encountered and expect to continue to encounter risks and uncertainties frequently experienced by growing companies in rapidly changing markets. If our assumptions regarding these uncertainties are incorrect or change in reaction to changes in our markets, or if we do not manage or address these risks successfully, our results of operations could differ materially from our expectations, and our business could suffer.

The loss of a significant customer may have a material adverse effect on us.

We depend on a small number of customers for a substantial portion of our business, and we expect that a small number of customers will continue to account for a significant part of our revenue and receivables in the future. As of December 31, 2025, the Company had one customer that accounted for 47% of gross accounts receivable. As of December 31, 2024, the Company had two customers that accounted for 48% of gross accounts receivable. For the years ending December 31, 2025 and 2024, the Company had one customer that accounted for 32% and 33%, respectively, of total revenue.

If a key customer stops or slows its purchasing of our products for any reason, materially reduces its operations or its demand for our products, or suffers a material impairment of its operations for a significant period of time such that it is unable to receive or utilize our products, or pay its liabilities, our business would be materially adversely affected. For example, we expect the volume of hardware purchases and installations for a key customer's existing portfolio to substantially decrease beginning in the year ending December 31, 2026. If the Company is unable to replace the associated revenues through addition to the key customer's existing portfolio, expansion of our customer base, our product offerings or otherwise, the Company's revenues would decrease, and our business would be adversely impacted.

We engage some individuals classified as independent contractors, not employees, and if U.S. or international regulatory authorities mandate that they be classified as employees, our business would be adversely impacted.

We engage independent contractors and are subject to U.S. and international regulations and guidelines regarding independent contractor classification. For instance, the technicians that provide services through the HelloTech platform are engaged as independent contractors. These classification regulations and guidelines vary by jurisdiction, are highly fact sensitive and are subject to judicial and agency interpretation, and it could be determined that our current or former independent contractor classifications are inapplicable. Further, if legal standards for classification of independent contractors change, it may be necessary to modify our compensation structure for these personnel, including by paying additional compensation or reimbursing expenses. In addition, if our independent contractors are determined to have been misclassified as independent contractors, we would incur additional exposure under U.S. and international law, workers' compensation, unemployment benefits, labor, employment and tort laws, including for prior periods, as well as potential liability for employee benefits and tax withholding. Any of these outcomes could result in substantial costs to us, could significantly impair our financial condition and our ability to conduct our business as we choose and could damage our reputation and our ability to attract and retain other personnel.

In addition to the harms listed above, a determination in, resolution of, or settlement of, any legal proceeding related to the classification of HelloTech technicians may require us to significantly alter the existing HelloTech business model and/or operations (including suspending or ceasing operations in impacted jurisdictions), increase our costs and impact our ability to add qualified technicians to our platform and grow our business, which could have an adverse effect on our business, financial condition and results of operations and our ability to achieve or maintain profitability in the future.

We rely on third-party background check providers to screen potential and existing HelloTech technicians, and if such providers fail to provide accurate information, or if providers are unable to complete background checks because of data access restrictions, court closures or other unforeseen government shutdowns, or if we do not maintain business relationships with them, our business, financial condition and results of operations could be adversely affected.

We rely on third-party background check providers to screen the records of potential and existing HelloTech independent technicians to help identify those that are not qualified to utilize our platform pursuant to applicable laws or any internal standards. Our HelloTech business may be adversely affected to the extent we cannot attract or retain qualified technicians as a result of such providers being unable to complete certain background checks, or being significantly delayed in completing certain background checks, because of data access restrictions, or to the extent that they do not meet their contractual obligations, our expectations or the requirements of applicable laws or regulations. If any of our third-party background check providers terminates its relationship with us, we may need to find an alternate provider, and may not be able to secure similar terms or replace such partners in an acceptable time frame.

If we cannot find alternate third-party background check providers on terms acceptable to us, we may not be able to timely onboard potential independent technicians, and as a result, our platform may be less attractive to qualified technicians. Further, if the background checks conducted by our third-party background check providers do not meet our expectations or the requirements under applicable laws and regulations, unqualified technicians may be permitted to provide services on the HelloTech platform, and as a result, our reputation and brand could be adversely affected and we could be subject to increased regulatory or litigation exposure.

We are also subject to a number of laws and regulations applicable to background checks for potential and existing independent technicians on the HelloTech platform. If we or technicians on our platform fail to comply with applicable laws, rules and legislation, our reputation, business, financial condition and results of operations could be adversely affected.

Any negative publicity related to any of our third-party background check providers, including publicity related to safety incidents or data security breaches or incidents, could adversely affect our reputation and brand and could potentially lead to increased regulatory or litigation exposure. Any of the foregoing risks could adversely affect our business, financial condition and results of operations.

Any failure to offer high-quality support of our HelloTech platform may harm our relationships with merchants, consumers, and technicians and could adversely affect our business, financial condition and results of operations.

Our ability to attract and retain merchants, consumers and independent technicians to our HelloTech platform is dependent in part on our ability to provide high-quality support. Merchants, property owners, consumers and technicians depend on our support organization to resolve any issues relating to our platform. As we continue to grow our HelloTech business and improve our offerings, we will face challenges related to providing high-quality support services at scale. Any failure to maintain high-quality support, or a market perception that we do not maintain high-quality support, could harm our reputation and adversely affect our ability to scale our platform and business, financial condition and results of operations.

If HelloTech platform users engage in, or are subject to, criminal, violent, inappropriate or dangerous activity that results in safety incidents, our ability to attract and retain technicians, consumers and merchants may be harmed, which could have an adverse impact on our reputation, business, financial condition and operating results.

We are not able to control or predict the actions of HelloTech platform users and third parties, either during their use of the HelloTech platform or otherwise, and we may be unable to protect or provide a safe environment for independent technicians, consumers and customers as a result of certain actions by independent technicians, consumers, merchants and third parties. Such actions may result in injuries, loss of life, property damage, theft, unauthorized use of credit and debit cards or bank accounts, business interruption, brand and reputational damage or other significant liabilities. Although we administer certain qualification processes for technicians on our HelloTech platform, including background checks through third-party service providers, these qualification processes and background checks may not expose all potentially relevant information and are limited in certain jurisdictions according to national and local laws, and our third-party service providers may fail to conduct such background checks adequately or disclose information that could be relevant to a determination of eligibility. In addition, we do not independently verify technicians' skills.

At the same time, if the measures we have taken to guard against illegal, improper or otherwise inappropriate activities by HelloTech independent technicians, such as our requirement that all technicians undergo a background check, are too restrictive and inadvertently prevent technicians otherwise in good standing from using our platform, or if we are unable to implement and communicate these measures fairly and transparently or are perceived to have failed to do so, the growth of technicians on our platform could be adversely affected.

If HelloTech independent technicians, or individuals impersonating technicians, engage in criminal activity, misconduct or inappropriate conduct or use our HelloTech platform as a conduit for criminal activity, customers may not consider our service offerings safe. Furthermore, if consumers or other customers engage in criminal activity or misconduct while using our HelloTech platform, technicians may be unwilling to use our platform.

The success of our HelloTech platform depends, in substantial part, on our ability to establish and maintain relationships with quality and trustworthy service professionals.

We must continue to attract, retain and grow the number of skilled and reliable service professionals who can provide services on our HelloTech platform. If we do not offer innovative services that resonate with customers and independent technicians generally, as well as provide technicians with attractive economics, the number of technicians affiliated with our platform would decrease. Any such decrease would result in smaller and less diverse networks and directories of technicians, and in turn, decreases in service requests, which could adversely impact our business, financial condition and results of operations.

The success of our HelloTech platform depends in part on our ability to cost-effectively attract and retain independent technicians who satisfy our screening criteria and procedures and to increase the use of our platform by existing technicians. Technicians have the ability to decline service orders or stop using our platform entirely at any time, and we do not have exclusivity provisions with technicians. Accordingly, if we do not continue to provide technicians with flexibility on our platform and compelling opportunities to earn income, we may fail to attract new technicians or retain existing technicians or increase their use of our platform, or we may experience complaints, negative publicity or work stoppages that could adversely affect our users and our business.

Relatedly, if customers choose to use competing offerings, we may lack sufficient opportunities for technicians to earn, which may reduce the perceived utility of our platform and impact our ability to attract and retain technicians. Changes in certain laws and regulations, including immigration and labor and employment laws, or laws that require us to make changes to our platform that decrease the flexibility provided to technicians in certain markets, may result in a decrease in the pool of technicians, which may result in increased competition for technicians or higher costs of recruitment and engagement. Other factors outside of our control, such as increases in the price of gasoline, vehicles or insurance, may also reduce the number of technicians that utilize our platform or the use of our platform by technicians. If we fail to attract technicians, retain existing technicians on favorable terms or maintain or increase the use of our HelloTech platform by existing technicians, we may not be able to meet the demand of customers, and our business, financial condition and results of operations could be adversely affected.

Our future operating results will rely in part upon the successful execution of our strategic partnerships, which may not be successful. If these companies choose not to partner with us, our business and results of operations may be harmed.

Establishing a strategic partnership between two independent businesses is a complex, costly and time-consuming process that requires significant management attention and resources. Realizing the benefits of our strategic partnerships will depend in part on our ability to work with our strategic partners to develop, integrate, market and sell co-branded or connected solutions. In particular, working with major technology platforms and their products and services may take an extended period of time to deliver. Setting up and maintaining the operations and processes necessary for these strategic partnerships may cause us to incur significant costs and disrupt our business and, if implemented ineffectively, would limit the expected benefits to us. In addition, the process of bringing solutions that rely on third-party technology to market may take longer than anticipated, which could negate or reduce any anticipated benefits and revenue opportunities, and it may be necessary in the future to renegotiate agreements relating to various aspects of these solutions or other third-party solutions. The failure to successfully and timely implement and operate our strategic partnerships could harm our ability to realize the anticipated benefits of these partnerships and could adversely affect our business, financial condition, cash flows and results of operations. In addition, if these third-party solution providers choose not to partner with us, choose to integrate their solutions with our competitors' platforms or are unable or unwilling to update their solutions, our business, financial condition, cash flows and results of operations could be harmed.

If our security controls are breached, or unauthorized or inadvertent access to user information or other data or to control or view systems are otherwise obtained, our products, software or services may be perceived as insecure, our business may be harmed and we may incur significant liabilities.

Use of our solutions and services involves the storage, transmission and processing of personal information of our end users, and may in certain cases help secure, or permit access to, our end users' homes or properties. We also maintain and process confidential, proprietary and personal information in our business, including our employees' and contractors' personal information and confidential business information. We rely on proprietary and commercially available systems, software, tools and monitoring to protect against unauthorized use or access of the information we process and maintain. Our services and the networks and information systems we utilize in our business are at risk for breaches as a result of third-party action, employee or partner error, malfeasance or other factors. Although we have established security measures to protect customer information, our or our partners' security and testing measures may not prevent security breaches. Further, advances in computer capabilities, new discoveries in the field of cryptography, inadequate facility security or other developments may result in a compromise or breach of the technology we use to protect personal information.

We also use artificial intelligence ("AI") tools in various business processes. Procedures to ensure these tools do not train on, store, misappropriate or otherwise use our confidential or proprietary data may not always be followed or effective.

Criminals and other nefarious actors are using increasingly sophisticated methods, including cyberattacks, phishing, malicious code, computer viruses, malware (e.g., ransomware), social engineering and other illicit acts to capture, access or alter various types of information, to engage in illegal activities such as fraud and identity theft and to expose and exploit potential security and privacy vulnerabilities in corporate systems and websites. In addition, our information technology systems are vulnerable to attack, damage and interruption from employee theft or misuse, human error, fraud, denial or degradation of service attacks, sophisticated nation-state and nation-state-supported actors or unauthorized access or use by persons inside our organization, or persons with access to systems inside our organization. Unauthorized intrusion into the portions of our systems and networks and data storage devices that process and store confidential and private end-user information, the loss of such information or the deployment of malware or other harmful code to our services or our networks or systems may result in negative consequences, including the actual or alleged malfunction of our products, software or services. In addition, third parties, including our partners, could also be sources of security risks to us in the event of a failure of their own security systems and infrastructure. The threats we and our partners face continue to evolve and are difficult to predict due to advances in computer capabilities, new discoveries in the field of cryptography and new and sophisticated methods used by criminals. There can be no assurances that our defensive measures will prevent cyberattacks or that we will discover network or system intrusions or other breaches on a timely basis or at all. We may suffer a compromise or breach of the technology protecting the systems or networks that house or access our software, services and products or on which we or our partners process or store personal information or other sensitive information or data, or any such incident may be believed or reported to have occurred. Any such actual or perceived compromises or breaches to systems, or unauthorized access to our customers' data, products, software or services, or acquisition or loss of data, whether suffered by us, our partners or other third parties, whether as a result of employee error or malfeasance or otherwise, could harm our business. They could, for example, cause interruptions in operations, loss of data, loss of confidence in our services, software and products and damage to our reputation and could limit the adoption of our software, services and products. They could also subject us to costs, regulatory investigations and orders, litigation, breach notification obligations or regulatory or administrative sanctions, contract damages, indemnity demands and other liabilities and materially and adversely affect our customer base, sales, revenues and profits. Any of these could, in turn, have a material adverse impact on our business, financial condition, cash flows or results of operations.

We and certain of our service providers are from time to time subject to cyberattacks and security incidents. While we do not believe that we have experienced any significant system failure, accident or security breach to date, if such an event were to occur it could result in unauthorized access to or loss of any data, which could subject us to data privacy and security laws and regulations and substantial fines by U.S. federal and state authorities or foreign data privacy authorities and private claims by companies or individuals. A cyberattack may cause us to incur additional costs, such as investigative and remediation costs, the costs of providing individuals and/or data owners with notice of any breach, legal fees and the costs of any additional fraud detection activities required by law, a court, a regulator or a third party. Additionally, some of our customer contracts require us to indemnify customers from damages they may incur as a result of a breach of our systems. There can be no assurance that the limitation of liability provisions in our contracts for a security breach would be enforceable or would otherwise protect us from any such liabilities or damages with respect to any particular claim.

Further, if a high profile security breach occurs with respect to another provider of smart building solutions, customers and potential customers may lose trust in the security of our services or in the smart building technology industry generally, which could adversely impact our ability to retain or attract customers. Even in the absence of any security breach, customer concerns about security, privacy or data protection may deter them from using our software, services and products.

Our insurance policies covering errors and omissions and certain security and privacy damages and claim expenses may not be sufficient to compensate for all potential liability. Although we maintain cyber liability insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all.

Direct selling may subject us to additional risks.

Our channel partners contract with building owners to own the full scope of installation and service of our smart access products. However, we also use an integrated direct selling and deployment strategy targeted at certain larger enterprise accounts in which Latch directly owns the full scope of installation and service of our products with the building. Additionally, we offer direct sales to customers through our e-commerce platform. These strategies involve significant risks and uncertainties, including distraction of management from other business operations, significant research and development, sales and marketing and other resources dedicated to the strategies at the expense of resources being dedicated to other business operations, generation of insufficient revenue to offset expenses associated with the strategies, inadequate return of capital, increased exposure to liability for improper installation (where applicable) and other risks that we may not have adequately anticipated. Because new strategies and initiatives are inherently risky, our direct selling strategy may not be successful and could materially adversely affect our business, results of operations and financial condition.

We may be unable to attract new customers and maintain customer satisfaction with current customers, which could have an adverse effect on our business and rate of growth.

Our business and revenue growth is dependent on our ability to continuously attract and retain customers, and we cannot be sure that we will be successful in these efforts, or that customer retention levels will not materially decline. There are a number of factors that could lead to a decline in customer levels or that could prevent us from increasing our customer levels, including:

- our failure to introduce new features, products or services that customers find engaging or our introduction of new products or services, or changes to existing products and services, that are not favorably received;
- harm to our brand and reputation, including as a result of the Investigation, the Restatement, the SEC Investigation, delisting from Nasdaq or otherwise;
- pricing and perceived value of our products, software and services;
- our inability to deliver quality products, software and services;
- our customers engaging with competitive software, services and products;
- technical or other problems preventing customers from using our software, services and products in a rapid and reliable manner or otherwise affecting the customer experience;
- deterioration of the real estate industry, including declining levels of, or significant delays in, new construction of multifamily rental buildings and reduced spending in the real estate industry;
- unsatisfactory experiences with the delivery, installation or service of our products; and
- deteriorating general economic conditions or a change in consumer spending preferences or buying trends.

As a result of these factors, we cannot be sure that our customer levels will be adequate to maintain or permit the expansion of our operations. A decline in customer levels could have an adverse effect on our business, financial condition and results of operations.

We rely on certain third-party providers of licensed software and services that are important to the operation of our business.

Certain aspects of the operation of our business depend on third-party software and service providers, such as cloud infrastructure services. We rely on certain software technology that we license from third parties and use in our software, services and products to perform key functions and provide critical functionality. With regard to licensed software technology, we are dependent upon the ability of third parties to maintain, enhance or develop their software and services on a timely and cost-effective basis, to meet industry technological standards and innovations to deliver software and services that are free of defects or security vulnerabilities and to ensure their software and services are free from disruptions or interruptions and claims of intellectual property infringement. These third-party services and software licenses may not always be available to us on commercially reasonable terms or at all.

If our agreements with third-party software or service vendors are not renewed or the third-party software or services become obsolete, fail to function properly, no longer include features or functionality our customers expect, are incompatible with future versions of our products or services, are defective or otherwise fail to address our needs, there is no assurance that we would be able to replace the functionality provided by the third-party software or services with software or services from alternative providers, and we may be unable to meet the requirements of certain SLAs. Furthermore, even if we obtain licenses to alternative software or services that provide the functionality we need, we may be required to replace hardware installed at our customers' properties to effect our integration of or migration to alternative software products. Any of these factors could have a material adverse effect on our financial condition, cash flows or results of operations.

We rely on our channel partner network to sell and deploy our products, and the inability of our channel partners to effectively perform to our standards, or the loss of key channel partners, could adversely affect our operating results.

Our channel partners are third-party onsite product specialists that provide specific knowledge and expertise to assist in the sale and deployment of Latch products. We provide our channel partners with specific training and programs to assist them in selling our software, services and products, but there can be no assurance that these steps will be effective. In addition, our channel partners may be unsuccessful in selling and supporting our software, services and products. In the future, these partners may also market, sell and support products and services that are competitive with ours and may devote more resources to the marketing, sales and support of such competitive products. We cannot assure you that we will retain these channel partners or that we will be able to secure additional or replacement channel partners. The loss of one or more of our significant channel partners, or a decline in the number or size of orders from any of them, could harm our results of operations. In addition, any new channel partner requires training and may take several weeks or more to achieve productivity. Our channel partner sales structure could subject us to lawsuits, potential liability and reputational harm if, for example, any of our channel partners misrepresents the functionality of our software, services or products to customers or violates laws or our corporate policies. If we fail to effectively manage our existing sales channels, if our channel partners are unsuccessful in fulfilling orders for our products or if we are unable to enter into arrangements with, retain and incentivize a sufficient number of high quality channel partners in each of the regions in which we sell products and services, our ability to sell our products and results of operations will be harmed.

Potential customer turnover, or costs we incur to retain and upsell our customers, could materially and adversely affect our financial performance.

Our customers have no obligation to renew their contracts for our software services after the expiration of the initial term. In the event that these customers do renew their contracts, they may choose to renew for fewer units, shorter contract lengths or less expensive subscriptions. We cannot predict the renewal rates for customers that have entered into software contracts with us.

Customer turnover and reductions in the number of units for which a customer subscribes each could have a significant impact on our results of operations, as does the cost we incur to retain our customers and to encourage them to upgrade their services and increase the number of their units that use our software, services and products. Our turnover rate could increase if customers are not satisfied with our software, services and products, the value proposition of our services or our ability to meet their needs and expectations. The number of units contracted by a customer could also decrease due to factors beyond our control, including the failure or unwillingness of customers to pay for our software, services and products due to financial constraints or macroeconomic factors. If a significant number of customers terminate, reduce or fail to renew their software contracts, it could have a material adverse effect on our financial condition, cash flows or results of operations. Furthermore, we may be required to incur significantly higher marketing expenditures in order to increase the number of new customers or to upsell existing customers, which could harm our business and results of operations.

Our future success also depends in part on our ability to sell additional functionalities to our customers and to sell into our customers' future projects. This may require a longer sales cycle and increasingly sophisticated and more costly sales efforts, technologies and tools. Any increase in the costs necessary to upgrade, expand and retain existing customers could materially and adversely affect our financial performance. If our efforts to convince customers to add units and purchase additional functionalities are not successful, our business may suffer. In addition, such increased costs could cause us to increase our prices, which could increase our customer turnover rate.

If we are unable to develop new solutions, adapt to technological change, sell our software, services and products into new markets or further penetrate our existing markets, our revenue may not grow as expected.

Our ability to increase sales will depend, in large part, on our ability to enhance and improve our platforms, software, services and products, introduce new software, services and products in a timely manner, sell into new markets and further penetrate our existing markets. The success of any enhancement or new platform, software, services and products depends on several factors, including the timely completion, introduction and market acceptance of enhanced or new software, services and products, the ability to maintain and develop relationships with partners and vendors, the ability to attract, retain and effectively train sales and marketing personnel, the effectiveness of our marketing programs and the ability of our software, services and products to maintain compatibility with a wide range of connected devices. Any new product or service we develop, acquire or offer, such as property management services or services for residents or consumers, may not be introduced in a timely or cost-effective manner and may not achieve the broad market acceptance necessary to generate significant revenue. Any new markets into which we attempt to sell our software, services and products, including new vertical markets and new regions, may not be receptive. Our ability to further penetrate our existing markets depends on the quality, availability and reliability of our software, services and products and our ability to design our software, services and products to meet customer demand. Similarly, if any of our competitors implement new technologies before we are able to implement ours, those competitors may be able to provide more effective products, possibly at lower prices. Any delay or failure in the introduction of new or enhanced solutions could harm our business, financial condition, cash flows and results of operations.

We operate in the emerging and evolving smart building technology industry, which may develop more slowly or differently than we expect. If the smart building technology industry does not grow as we expect, or if we cannot expand our platforms and solutions to meet the demands of this market, our revenue may decline, fail to grow or fail to grow at an accelerated rate, and we may incur operating losses.

The market for integrated smart home solutions, such as home automation, security monitoring, video monitoring, energy management and building services, is in an early stage of development, and it is uncertain how rapidly or how consistently this market will develop and the degree to which our platforms and solutions will be accepted. Some customers may be reluctant or unwilling to use our platforms and solutions for a number of reasons, including satisfaction with traditional solutions, concerns about additional costs, concerns about data privacy or lack of awareness of the benefits of our platforms and solutions. Our ability to expand into new markets depends on several factors, including the reputation and recognition of our platforms and solutions, the timely completion, introduction and market acceptance of our platforms and solutions, our ability to attract, retain and effectively train sales and marketing personnel, our ability to develop relationships with service providers, the effectiveness of our marketing programs, the costs of our platforms and solutions and the success of our competitors. If we are unsuccessful in developing and marketing our platforms and solutions into new markets, or if customers do not perceive or value the benefits of our platforms and solutions, the market for our platforms and solutions might not continue to develop or might develop more slowly than we expect, either of which would harm our revenue and growth prospects.

The markets in which we participate could become more competitive, and many companies, including large technology companies, point solution providers such as traditional lock companies and other managed service providers, may target the markets in which we do business, including the smart building technology industry. If we are unable to compete effectively with these potential competitors, our sales and profitability could be adversely affected.

The smart building technology industry in which we participate may become more competitive, and competition may intensify in the future. Our ability to compete depends on a number of factors, including:

- our platforms’ and solutions’ functionality, performance, ease of use, reliability, availability and cost effectiveness relative to our competitors’ products;
- our success in utilizing new and proprietary technologies to offer new solutions and features;
- our success in identifying new markets, applications and technologies;
- our ability to attract and retain partners;
- our name or brand recognition and reputation;
- our ability to recruit hardware and software engineers and sales and marketing personnel; and
- our ability to protect our intellectual property.

Potential customers may prefer to purchase from existing suppliers rather than a new supplier regardless of product performance or features. In the event a customer decides to evaluate a smart home solution, the customer may be more inclined to select a competitor if such competitor’s product offerings are broader or at a better price point than those that we offer.

Many vendors have emerged, and may continue to emerge, to provide point products with advanced functionality for use in buildings, such as video doorbells, thermostats or lights that can be controlled by an application on a smartphone. We expect a significant increase in the number of electronics and appliance products that are network-aware and connected, with each likely having its own mobile application. Customers may be attracted to the relatively low costs of these point solution products and the ability to expand their building control solution over time with minimal upfront costs, which may reduce demand for our integrated solutions. If so, building managers may offer the point products and services of competitors, which would adversely affect our sales and profitability. If a significant number of customers in our target market chooses to adopt point products rather than our integrated solutions, then our business, financial condition, cash flows and results of operations will be harmed, and we may not be able to achieve sustained growth, or our business may decline.

We may expand through acquisitions of, or investments in, other companies, each of which may divert our management’s attention, result in additional dilution to our stockholders, increase expenses, disrupt our operations and harm our results of operations.

Our business strategy may, from time to time, include acquiring or investing in complementary services, technologies or businesses, such as the HelloTech Merger. We cannot assure you that we will successfully identify suitable acquisition candidates, integrate or manage disparate technologies, lines of business, personnel and corporate cultures, realize our business strategy or the expected return on our investment, or manage a geographically dispersed company. Any such acquisition or investment could materially and adversely affect our results of operations. Acquisitions and other strategic investments involve significant risks and uncertainties, including:

- the potential failure to achieve the expected benefits of the combination or acquisition;
- unanticipated costs and liabilities;
- difficulties in integrating new software, services and products, businesses, operations and technology infrastructure in an efficient and effective manner;
- difficulties in maintaining customer relations;
- the potential loss of key employees of the acquired businesses;
- the diversion of the attention of our senior management from the operation of our daily business;
- the potential adverse effect on our cash position to the extent that we use cash for the purchase price;
- the potential significant increase of our interest expense, leverage and debt service requirements if we incur additional debt to pay for an acquisition;
- the potential issuance of securities that would dilute our stockholders' percentage ownership;
- the potential to incur large and immediate write-offs and restructuring and other related expenses; and
- the inability to maintain uniform standards, controls, policies and procedures.

Moreover, we cannot assure you that we will realize the anticipated benefits of any acquisition or investment, including the HelloTech Merger. In addition, our inability to successfully operate and integrate newly acquired businesses appropriately, effectively and in a timely manner could impair our ability to take advantage of future growth opportunities and other advances in technology and could adversely affect our revenues, gross margins and expenses.

New lines of business or new products and services may subject us to additional risks.

From time to time, we may implement new lines of business or offer new products and services within existing lines of business. For instance, in 2024, we launched DPM and acquired HelloTech. In addition, we will continue to make investments in research, development, and marketing for new products and services. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business or new products and services, we may invest significant time and resources. Initial timetables for the development and introduction of new lines of business or new products or services may not be achieved and price and profitability targets may not prove feasible. New regulatory and compliance regimes, such as those related to professional services or property management operations, may be found to apply to new lines of business, and we may not be in compliance. Furthermore, if customers do not perceive our new offerings as providing significant value, they may fail to accept our new lines of business or products and services. External factors, such as competitive alternatives and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, the burden on management and our information technology of introducing any new line of business or new product or service could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on our business, financial condition and results of operations.

Claims from riders, drivers, residents, guests or third parties that allege harm, whether or not our products or services are in use, could adversely affect our business, brand, financial condition and results of operations.

In connection with the James app, property management business or HelloTech platform, we may become subject to claims, lawsuits, investigations and other legal proceedings relating to injuries to, or deaths of, riders, drivers, pedestrians, residents, guests or other third-parties that are attributed to our operations or applications. We may also be subject to claims alleging that we are directly or vicariously liable for the acts of the drivers on the James app or technicians on our HelloTech platform or for harm related to the actions of drivers, technicians, riders or third parties, or the management and safety of the James app or HelloTech platform, including harm caused by criminal activity. We may be subject to personal injury claims whether or not such injury actually occurred as a result of activity on the James app or HelloTech platform or is attributable to our operations. We may incur expenses to settle personal injury claims. Regardless of the outcome of any legal proceeding, any injuries to, or deaths of, any riders, drivers, residents, guests or third parties could result in negative publicity and harm to our brand, reputation, business, financial condition and results of operations. Insurance policies and programs are not available for all possible claims we may face, may not be economically feasible and may not provide any or sufficient coverage to mitigate potential liability. We may have to pay high premiums or deductibles for coverage and, for certain situations or categories of claims, we may not be able to secure coverage at all.

If we determine that our goodwill has become further impaired, we may incur additional impairment charges, which would negatively impact our operating results.

Goodwill represents the excess of cost over the fair value of net assets acquired in business combinations. We recognized a goodwill impairment charge of $16.6 million for the year ended December 31, 2025 within operating expenses in the accompanying Consolidated Statements of Operations and Comprehensive Loss. Following the impairment, approximately $13.6 million of goodwill remained recorded on the accompanying Consolidated Balance Sheet at December 31, 2025.

We assess goodwill for impairment at least annually, and more frequently if events or circumstances indicate it is more likely than not that the carrying amount of the Company may not be recoverable. Goodwill may be further impaired if there are adverse changes in expected future cash flows of a reporting unit, if we restructure or dispose of a portion of our business or if there are sustained negative trends in our industry or the economy.

However, goodwill is particularly sensitive to changes in financial performance and liquidity and broader industry conditions. Factors such as lower-than-expected revenue growth, continued operating losses or reductions in our cash position from funding ongoing operations could materially reduce the fair value of the Company. We continue to monitor Company performance, along with the risks related to our business and industry, to evaluate if the carrying value of the Company exceeds its estimated fair value.

Changes in effective tax rates or tax laws, or adverse outcomes resulting from examination of our income or other tax returns, could adversely affect our results of operations and financial condition.

Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expiration of, or lapses in, the research and development tax credit laws;
- expiration or non-utilization of net operating loss carryforwards;
- tax effects of share-based compensation;
- expansion into new jurisdictions;
- potential challenges to and costs related to implementation and ongoing operation of the intercompany arrangements among our domestic and foreign entities;
- changes in tax laws and regulations and accounting principles, or interpretations or applications thereof (which could apply retroactively); and
- certain non-deductible expenses as a result of acquisitions.

Any changes in our effective tax rate could adversely affect our results of operations.

Moreover, changes in applicable tax laws could increase our costs and adversely affect our operating results. For example, in 2021, the OECD announced an accord to set a minimum global corporate tax rate of 15%, which is being or may be implemented in many jurisdictions, including the United States. The OECD is also issuing tax-related guidelines that are different, in some respects, than current tax principles. If countries amend their tax laws to adopt all or part of the OECD guidelines, this may increase tax uncertainty and increase taxes applicable to us or our stockholders. We cannot predict whether the U.S. Congress or any other governmental body, whether in the United States or in other jurisdictions, will enact new tax legislation (including increases to tax rates), whether the U.S. Internal Revenue Service or any other tax authority will issue new regulations or other guidance, whether the OECD or any other intergovernmental organization will publish any further guidelines on taxation or whether member states will implement such guidelines, nor can we predict what effect such legislation, regulations or international guidelines might have.

We may be unable to use some or all of our net operating loss carryforwards, which could materially and adversely affect our reported financial condition and results of operations.

As of December 31, 2025, we had approximately $30.5 million in federal net operating loss (“NOL”) carryforwards available to offset future taxable income that will begin to expire in 2034 and approximately $538.2 million in federal NOL carryforwards available to offset future taxable income that have an indefinite life. As of December 31, 2025, we had approximately $493.5 million in state NOL carryforwards available to offset future taxable income. Some of these state NOLs have an indefinite life, and others are subject to different expiration rules.

In addition, under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), our ability to utilize NOL carryforwards or other tax attributes in any taxable year may be limited if we experience an "ownership change." A Section 382 "ownership change" generally occurs if one or more stockholders or groups of stockholders, who each own at least 5% of our common stock, increase their collective ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws. Because the limitations on utilization of NOLs and other tax attributes that are triggered in connection with an ownership change are generally based on the value of the issuer at the time of the ownership change, if we have undergone an ownership change (whether in connection with the HelloTech Merger or any other changes in our ownership) at a time when the stock price of our common stock is limited in relation to the size of our NOLs, it could materially limit the future potential value of our NOLs. We have not completed a Section 382 analysis of any ownership changes that may have occurred or the impact of any Section 382 limitation on the utilization of acquired NOLs.

It is possible that we will not generate taxable income in time to use our NOL carryforwards that are subject to expiration (or that we will not generate taxable income at all). If, in the event that it is determined that we have experienced an "ownership change" in the past, or if we experience one or more Section 382 "ownership changes" in the future, we may not be able to utilize a material portion of our NOLs, even if we achieve profitability. If we are limited in our ability to use our NOLs in future years in which we have taxable income, we will pay more taxes than if we were able to fully utilize our NOLs. This could materially and adversely affect our results of operations.

A 1% U.S. federal excise tax could be imposed on us in connection with any redemptions we undertake.

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was signed into federal law. The IRA provides for, among other things, a U.S. federal 1% excise tax on certain repurchases (including redemptions) of stock by publicly traded U.S. corporations and certain other persons (a "covered corporation"). Because we are a Delaware corporation and our securities have traded on Nasdaq (and may in the future be listed on a stock exchange), we may be a "covered corporation" for this purpose. The excise tax is imposed on the repurchasing corporation itself, not its stockholders from which shares are repurchased. The amount of the excise tax is generally 1% of the fair market value of the shares repurchased at the time of the repurchase. However, for purposes of calculating the excise tax, repurchasing corporations are permitted to net the fair market value of certain new stock issuances against the fair market value of stock repurchases during the same taxable year. In addition, certain exceptions apply to the excise tax. If we were to conduct repurchases of our stock or other transactions covered by the excise tax described above, we could potentially be subject to this excise tax, which could increase our costs and adversely affect our operating results.

We may require additional capital to pursue our business objectives and to respond to business opportunities, challenges or unforeseen circumstances. If capital is not available to us, our business, results of operations and financial condition may be adversely affected.

We intend to continue to make expenditures and investments to support the growth of our business and may require additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances, including the need to develop new hardware or software or enhance our existing hardware and software, enhance our operating infrastructure or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. However, additional funds may not be available when we need them on terms that are acceptable to us, or at all. Any debt financing that we secure could involve restrictive covenants, such as those in our Loan Agreement with Customers Bank, which may make it more difficult for us to obtain additional capital or to pursue business opportunities. In addition, the restrictive covenants in any credit facilities or debt instruments may restrict us from being able to conduct our operations in a manner required for our business and may restrict our growth, which could have an adverse effect on our business, financial condition or results of operations.

In addition, volatility in the credit markets may have an adverse effect on our ability to obtain debt financing, and elevated interest rates would increase the cost of any such debt financing. Any future issuances of equity or convertible debt securities could result in significant dilution to our existing stockholders, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any offering of equity will be made significantly more difficult, and result in less proceeds, to the extent our common stock is not trading on a national securities exchange at the time of such offering. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to pursue our business objectives and to respond to opportunities, challenges or unforeseen circumstances could be significantly limited, and our business, results of operations, financial condition and prospects could be materially and adversely affected.

If we are unable to acquire intellectual property or adequately protect intellectual property, we could be competitively disadvantaged.

Our intellectual property, including our patents, trademarks, copyrights, trade secrets and other proprietary rights, constitutes a significant part of our value. Our success depends, in part, on our ability to protect our proprietary technology, brands and other intellectual property against dilution, infringement, misappropriation and competitive pressure by defending our intellectual property rights. To protect our intellectual property rights, we rely on a combination of patent, trademark, copyright and trade secret laws of the United States, Canada and countries in Europe and Asia and a combination of confidentiality procedures, contractual provisions and other methods, all of which offer only limited protection. In addition, we make efforts to acquire rights to intellectual property necessary for our operations. However, there can be no assurance that these measures will be successful in any given case, particularly in those countries where the laws do not protect our proprietary rights as fully as in the United States.

We own a portfolio of issued U.S. patents and pending U.S. and foreign patent applications that relate to a variety of smart building technology utilized in our business. We may file additional patent applications in the future in the United States or internationally. The process of obtaining patent protection is expensive and time-consuming, and we may not be able to prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner through the issuance of a patent. We may choose not to seek patent protection for certain innovations and may choose not to pursue patent protection in certain jurisdictions. In addition, issuance of a patent does not guarantee that we have an absolute right to practice the patented invention.

If we fail to acquire the necessary intellectual property rights or adequately protect or assert our intellectual property rights, competitors may dilute our brands or manufacture and market similar software, services and products or convert our customers, which could adversely affect our market share and results of operations. We may not receive patents or trademarks for all our pending patent and trademark applications, and existing or future patents or licenses may not provide competitive advantages for our software, services and products. Furthermore, it is possible that our patent applications may not issue as granted patents, that the scope of our issued patents will be insufficient or not have the coverage originally sought or that our issued patents will not provide us with any competitive advantages. Our competitors may challenge, invalidate or avoid the application of our existing or future intellectual property rights that we obtain or license. In addition, patent rights may not prevent our competitors from developing, using or selling products or services that are similar to or address the same market as our software, services and products. The loss of protection for our intellectual property rights could reduce the market value of our brands and our software, services and products, reduce new customer originations or upgrade sales to existing customers, lower our profits and have a material adverse effect on our business, financial condition, cash flows or results of operations.

Our policy is to require our employees to execute written agreements in which they assign to us their rights in potential inventions and other intellectual property created within the scope of their employment (or, with respect to consultants and service providers, their engagement to develop such intellectual property), but we cannot assure you that we have adequately protected our rights in every such agreement or that we have executed an agreement with every such party. Finally, in order to benefit from the protection of patents and other intellectual property rights, we must monitor and detect infringement, misappropriation or other violations of our intellectual property rights and pursue infringement, misappropriation or other claims in certain circumstances in relevant jurisdictions, all of which are costly and time-consuming. As a result, we may not be able to obtain adequate protection or to effectively enforce our issued patents or other intellectual property rights.

In addition to patents and registered trademarks, we rely on trade secret rights, copyrights and other rights to protect our unpatented proprietary intellectual property and technology. Despite our efforts to protect our proprietary technologies and our intellectual property rights, unauthorized parties, including our employees, consultants, service providers or subscribers, may attempt to copy aspects of our products or obtain and use our trade secrets or other confidential information. We generally enter into confidentiality agreements with our employees, contractors and third parties that have access to our material confidential information and generally limit access to and distribution of our proprietary information and proprietary technology through certain procedural safeguards. These agreements may not effectively prevent unauthorized use or disclosure of our intellectual property or technology, could be breached or otherwise may not provide meaningful protection for our trade secrets and know-how related to the design, manufacture or operation of our products and may not provide an adequate remedy in the event of unauthorized use or disclosure. We cannot assure you that the steps taken by us will prevent misappropriation of our intellectual property or technology or infringement of our intellectual property rights. Competitors may independently develop technologies or products that are substantially equivalent or superior to our solutions or that inappropriately incorporate our proprietary technology into their products, or they may hire our former employees who may misappropriate our proprietary technology or misuse our confidential information. In addition, the laws of foreign countries where we engage service providers or may do business in the future may not protect intellectual property rights and technology to the same extent as the laws of the United States, and these countries may not enforce these laws as diligently as government agencies and private parties in the United States.

From time to time, legal action by us may be necessary to enforce our patents and other intellectual property rights, to protect our trade secrets, to determine the validity and scope of the intellectual property rights of others or to defend against claims of infringement, misappropriation or invalidity. Such litigation could result in substantial costs and diversion of resources and could negatively affect our business, operating results and financial condition. If we are unable to protect our intellectual property and technology, we may find ourselves at a competitive disadvantage to others who need not incur the additional expense, time and effort required to create our products.

Accusations of infringement of third-party intellectual property rights could materially and adversely affect our business.

There has been substantial litigation in the areas in which we operate regarding intellectual property rights. In some instances, we have agreed to indemnify our customers for expenses and liability resulting from claimed intellectual property infringement by our solutions. From time to time, we may receive requests for indemnification in connection with allegations of intellectual property infringement, and we may choose, or be required, to assume the defense and/or reimburse our customers for their expenses, settlement and/or liability. We cannot assure you that we will be able to settle any future claims or, if we are able to settle any such claims, that the settlement will be on terms favorable to us. Our broad range of technology may increase the likelihood that third parties will claim that we or our customers infringe their intellectual property rights. We cannot be certain that our products and services or those of third parties that we incorporate into our offerings do not and will not infringe the intellectual property rights of others. Some competitors and others may now and in the future have larger and more mature patent portfolios than we have and may therefore have an advantage over us in the event of patent litigation.

We have in the past been sued for infringement and received, and may in the future be sued for or receive, notices of allegations of infringement, misappropriation or misuse of other parties' proprietary rights, including by special purpose or so-called "non-practicing" entities that focus solely on extracting royalties and settlements by enforcing intellectual property rights and against whom our patents may therefore provide little or no deterrence or protection. Furthermore, regardless of their merits, accusations and lawsuits like these may require significant time and expense to defend, may negatively affect customer relationships, may divert management's attention away from other aspects of our operations and, upon resolution, may have a material adverse effect on our business, results of operations, financial condition and cash flows.

Certain technology necessary for us to provide our solutions may, in fact, be patented by other parties either now or in the future. If such technology were validly patented by another person, we may have to negotiate a license for the use of that technology. We may not be able to negotiate such a license at a price that is acceptable to us or at all. The existence of such a patent, or our inability to negotiate a license for any such technology on acceptable terms, could force us to cease using the technology and cease offering subscriptions incorporating the technology, which could materially and adversely affect our business and results of operations.

If we, or any of our solutions, were found to be infringing on the intellectual property rights of any third party, we could be subject to liability for such infringement, which could be material. We could also be prohibited from using or selling certain subscriptions, prohibited from using certain processes or required to redesign certain products, each of which could have a material adverse effect on our business and results of operations.

These and other outcomes may:

- result in the loss of a substantial number of existing customers or inhibit the acquisition of new customers;
- cause us to pay license fees for intellectual property we are alleged or deemed to have infringed;
- cause us to incur costs and devote valuable technical resources to redesigning our products;
- cause our cost of revenue to increase;
- cause us to accelerate expenditures to preserve existing revenues;
- materially and adversely affect our brand in the marketplace and cause a substantial loss of goodwill;
- cause us to change our business methods or subscriptions; and
- require us to cease certain business operations or cease offering certain products or features.

Some of our products and services contain open source software, which may pose particular risks to our proprietary software, technologies, products and services in a manner that could harm our business.

We use open source software in our products and services and anticipate using open source software in the future. Some open source software licenses require those who distribute open source software as part of their own software product to publicly disclose all or part of the source code to such software product or to make available any derivative works of the open source code on unfavorable terms or at no cost; and all open source software licenses contain conditions and restrictions. Some open source software may include generative AI software or other software that incorporates or relies on generative AI. The use of such software may expose us to risks as the intellectual property ownership and license rights, including copyright, of generative AI software and tools has not been fully interpreted by U.S. courts or been fully addressed by federal, state or international regulations, and there is a risk that open source software licenses, including those that incorporate or rely on generative AI, could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products or services. Additionally, we could face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we developed using such software, which could include our proprietary source code, or otherwise seeking to enforce, or alleging copyright infringement on the basis that we have failed to comply with, the terms of the applicable open source license. These claims could result in litigation and statutory damages for copyright infringement and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated products or services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require us to expend significant additional research and development resources, and we cannot guarantee that we would be successful.

Additionally, the use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. There is typically no support available for open source software, and we cannot ensure that the authors of such open source software will implement or push updates to address security risks or will not abandon further development and maintenance. Many of the risks associated with the use of open source software and the use of generative AI, such as the lack of warranties or assurances of title or performance, cannot be eliminated and could negatively affect our business. We cannot be sure that all open source software is identified or submitted for approval prior to use in our products and services. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have an adverse effect on our business, financial condition and operating results.

Our products and services may be affected from time to time by design and manufacturing defects that could adversely affect our business and result in harm to our reputation.

We offer complex software and hardware products and services that can be affected by design and manufacturing defects. Sophisticated full building operating system software and applications, such as those offered by us, have issues that can unexpectedly interfere with the intended operation of hardware or software products. Defects may also exist in components and products that we source from third parties. Any such defects could make our software, services and products unsafe, create a risk of property damage and personal injury and subject us to the hazards and uncertainties of product liability claims and related litigation. In addition, from time to time, we may experience outages, service slowdowns or errors that affect our software and full building operating system offerings. As a result, our services may not perform as anticipated and may not meet customer expectations. There can be no assurance that we will be able to detect and fix all issues and defects in the hardware, software and professional services we offer. Failure to do so could result in widespread technical and performance issues affecting our products and services and could lead to claims against us. Design and manufacturing defects, and claims related thereto, may subject us to judgments or settlements that result in damages that are either not covered by our insurance policies or are materially in excess of the limits of our insurance coverage. In addition, we may be exposed to recalls, product replacements or modifications, write-offs of inventory, property, plant and equipment or intangible assets, and significant warranty and other expenses such as litigation costs and regulatory fines. If we cannot successfully defend against any large claim, maintain our applicable liability insurance on acceptable terms or maintain adequate coverage against potential claims, our financial results could be adversely impacted. Further, given that some of our solutions are considered security systems, quality problems could subject us to substantial liability, adversely affect the experience for users of our software, services and products and result in harm to our reputation, loss of competitive advantage, poor market acceptance, reduced demand for our software, services and products, delay in new product and service introductions and lost revenue.

Our new software, services and products may not be successful.

We launched our first smart building products in 2017. Since that time, we have launched a number of other offerings and may launch additional software, services and products in the future, such as expanding into new verticals or introducing new features or applications for residents. The software, services and products we launch in the future may not be well-received by our customers, may not help us to generate new customers, may adversely affect the attrition rate of existing customers, may increase our customer acquisition costs and may increase the costs to service our customers. Any profits we may generate from these or other new products, software or services may be lower than profits generated from our existing software, services and products and may not be sufficient for us to recoup our development or customer acquisition costs incurred. New software, services and products may also have lower gross margins, particularly to the extent that they do not fully utilize our existing infrastructure. In addition, new software, services and products may require increased operational expenses or customer acquisition costs and present new and difficult technological and intellectual property challenges that may subject us to claims or complaints if customers or end users experience service disruptions or failures or other quality issues. To the extent our new software, services and products are not successful, it could have a material adverse effect on our business, financial condition, cash flows and results of operations.

If we fail to continue to develop our brands or marketing efforts designed to drive traffic to our brands are unsuccessful, our business may suffer.

We believe that continuing to strengthen our brand will be critical to achieving widespread acceptance of our software, services and products and will require continued focus on active marketing efforts. The demand for and cost of online and traditional advertising have been increasing and may continue to increase. In July 2024, we acquired HelloTech, and in August 2025, the Company announced its formal rebrand from “Latch” to “DOOR.” Accordingly, we may need to increase our investment in, and devote greater resources to, advertising, marketing and other efforts to create and maintain brand loyalty among users.

Particularly with respect to HelloTech, we have made, and expect to continue to make, significant marketing expenditures for digital marketing. These efforts may not be successful or cost-effective. Our ability to market our brands on any given channel is subject to the policies of the relevant third party (including search engines, web browsers and social media platforms). As a result, we cannot assure you that these parties will not limit or prohibit us from purchasing certain types of advertising or advertising certain of our products and services. If a significant marketing channel took such an action, our business, financial condition and results of operations could be adversely affected. In addition, if we fail to comply with the policies of such third parties, our advertisements could be removed without notice or our accounts could be suspended or terminated, any of which could adversely affect our business, financial condition and results of operations.

In addition, our failure to respond to rapid and frequent changes in the pricing and operating dynamics of search engines, as well as changing policies and guidelines applicable to keyword advertising, could adversely affect our paid search engine marketing efforts (and free search engine traffic). Such changes could adversely affect paid listings (both their placement and pricing), as well as the ranking of our brands and businesses within search results, any or all of which could increase our marketing expenditures. Any or all of these events could adversely affect our business, financial condition and results of operations.

Brand promotion activities may not yield increased revenues, and even if they do, any increased revenues may not offset the expenses incurred in building our brands. In addition, if we do not handle customer complaints effectively, our brand may suffer, we may lose our customers’ confidence and they may choose to terminate, reduce or not renew their subscriptions. Many of our customers also participate in social media and online blogs about smart building technology solutions, including our products, and our success depends in part on our ability to minimize negative, and generate positive, customer feedback through such online channels where existing and potential customers seek and share information. If we fail to promote and maintain our brands, or our rebranding efforts are not successful, our business could be materially and adversely affected.

Our applications run on mobile operating systems, networks and devices that we do not control.

Our customers access our platform through the DOOR App. There is no guarantee that popular mobile devices and operating systems will continue to support the DOOR App. We are dependent on the interoperability of the DOOR App with popular mobile operating systems that we do not control, such as Android and iOS, and any changes in such systems that degrade the functionality of our digital offering or give preferential treatment to competitors could adversely affect our platform’s usage on mobile devices. Additionally, in order to deliver high-quality mobile content, it is important that our digital offering is designed effectively and works well with a range of mobile technologies, systems, networks and standards that we do not control. We may not be successful in developing relationships with key participants in the mobile industry or in developing products that operate effectively with these technologies, systems, networks or standards, which could harm our business.

We must successfully upgrade and maintain our information technology systems.

We rely on various information technology systems to manage our operations and to provide services to our customers. We recently completed the process of optimizing, overhauling and reducing our existing information technology systems, and we may subsequently implement modifications and upgrades to these systems and replace certain of our legacy systems with successor systems with new functionality. There are inherent costs and risks associated with modifying or changing these systems and implementing new systems, including potential disruption of our internal control structure, substantial capital expenditures, additional administrative and operating expenses, retention of sufficiently skilled personnel to implement and operate the new systems, demands on management time and other risks and costs of delays or difficulties in transitioning to new systems or of integrating new systems into our current systems. While management seeks to identify and remediate issues, we can provide no assurance that our identification and remediation efforts will be successful or that we will not encounter additional issues as we complete the implementation of these and other systems. In addition, our information technology system implementations may not result in productivity improvements at a level that outweighs the costs of implementation, or at all. The implementation of new information technology systems may also cause disruptions in our business operations and have an adverse effect on our business, cash flows and operations.

Potential problems with our information systems, third-party systems and infrastructure upon which we rely could interfere with our business and operations.

We rely on our information systems and third-party information systems and infrastructure (such as cloud computing platforms and databases) for hosting and making our software products available, processing customer orders, distribution of our products, billing customers, processing credit card transactions, customer relationship management, supporting financial planning and analysis, accounting functions and financial statement preparation and otherwise running our business. Information systems may experience interruptions, including interruptions of related services from third-party providers, which may be beyond our control. Such business interruptions could cause us to fail to meet customer requirements, including SLAs. All information systems, both internal and external, are vulnerable to damage or interruption from a variety of sources, including computer viruses, security breaches, energy blackouts, natural disasters, terrorism, war, telecommunication failures, employee or other theft and third-party provider failures. Any errors or disruption in our information systems and those of the third parties upon which we rely could have a significant impact on our business. In addition, we may implement additional information systems in the future to meet the demands resulting from our growth and to provide additional capabilities and functionality. The implementation of new systems and enhancements is frequently disruptive to the underlying business of an enterprise and can be time-consuming and expensive, increase management responsibilities and divert management attention.

We collect, store, process and use personal information, which subjects us to legal obligations and laws and regulations related to security and privacy, and any actual or perceived failure to meet those obligations could harm our business.

We collect, store, process and use a wide variety of data from current and prospective customers and end-users of our products and services, including personal information, such as names, home addresses, email addresses and access events. Federal, state and international laws and regulations governing privacy and data protection require us to safeguard our customers' personal information. The scope of such laws and regulations is rapidly changing. We are also subject to the terms of privacy policies and contractual obligations to third parties related to privacy, data protection and information security. We strive to comply with applicable laws, regulations, policies and other legal obligations relating to privacy, data protection and information security. However, the regulatory framework for privacy, data protection and information security is, and is likely to remain, uncertain for the foreseeable future, and it is possible that these or other actual or alleged obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices.

We also expect that there will continue to be new laws, regulations and industry standards concerning privacy, data protection, information security and the use of generative AI proposed and enacted in various jurisdictions. States throughout the United States are increasingly adopting or revising laws and regulations relating to the processing of personal data that could have a significant impact on our current and planned privacy, data protection and information security-related practices, our collection, use, sharing, retention and safeguarding of customer, consumer and/or employee information, as well as any other third-party information we receive, our use of generative AI to enhance our operations, and some of our current or planned business activities. For example, California enacted the CCPA, which requires covered businesses that process the personal information of California residents to, among other things: (i) provide certain disclosures to California residents regarding the business's collection, use and disclosure of their personal information; (ii) receive and respond to requests from California residents to access, delete and correct their personal information, or to opt out of certain disclosures of their personal information; and (iii) enter into specific contractual provisions with service providers that process California resident personal information on the business's behalf. Many additional states have passed similar laws, several of which have taken effect or will soon take effect, and privacy bills are moving through the legislative process in a number of other states. We expect that some of these bills will be passed as laws, thereby further increasing our state privacy obligations.

In addition to state privacy bills, local regulation is also increasing. For instance, in 2021, New York City passed into law the TDPA, regulating how building access data is collected, processed and disposed of by property managers and smart access system operators. The TDPA went into effect in July 2021, and we had to make certain adjustments to our retention of data collected from New York City users of our platform to comply with its requirements. Similar local legislation in other cities where we operate is likely, which will further increase the complexity and expense of ensuring that our privacy practices are compliant.

Additionally, the interpretations of existing federal and state consumer protection laws relating to online collection, use, dissemination and security of personal information adopted by the FTC, state attorneys general, private plaintiffs and courts have evolved, and may continue to evolve, over time. Consumer protection laws require us to publish statements that describe how we handle personal information and choices individuals may have about the way we handle their personal information. If such information that we publish is deemed untrue, we may be subject to government claims of unfair or deceptive trade practices, which could lead to significant liabilities and consequences. Furthermore, according to the FTC, violating consumers' privacy rights or failing to take appropriate steps to keep consumers' personal information secure may constitute unfair acts or practices in or affecting commerce and thus violate Section 5(a) of the FTC Act. The FTC expects a company's data security measures to be reasonable and appropriate in light of the sensitivity and volume of consumer information it holds, the size and complexity of its business and the cost of available tools to improve security and reduce vulnerabilities.

In Canada, PIPEDA and similar provincial laws impose obligations with respect to processing personal information. PIPEDA requires companies to obtain an individual's consent prior to collecting, using or disclosing that individual's personal information. Individuals have the right to access and challenge the accuracy of their personal information held by an organization, and personal information may only be used for the purposes for which it was collected. If an organization intends to use personal information for another purpose, it must again obtain that individual's consent to the proposed processing. Failure to comply with PIPEDA and similar provincial laws could result in significant fines and penalties.

With data privacy and security laws and regulations imposing new and relatively burdensome obligations, and with substantial uncertainty over the interpretation and application of these and other laws and regulations, we may face challenges in addressing their requirements and making necessary changes to our policies and practices and may incur significant costs and expenses in an effort to do so. Any failure or perceived failure by us to comply with our privacy policies, our data privacy or security related obligations to our customers or any of our other legal obligations relating to data privacy or security may result in governmental investigations or enforcement actions, litigation, claims or public statements against us by consumer advocacy groups or others and could result in significant liability, loss of relationships with key third parties or loss of customers' trust, which could have an adverse effect on our reputation and business.

Furthermore, we may be required to disclose personal information pursuant to demands from individuals, privacy advocates, regulators, government agencies and law enforcement agencies in various jurisdictions with conflicting privacy and security laws. This disclosure or refusal to disclose personal information may result in a breach of privacy and data protection policies, notices, laws, rules, court orders and regulations and could result in proceedings or actions against us in the same or other jurisdictions, damage to our reputation and brand and inability to provide our products and services to customers in certain jurisdictions. Additionally, changes in the laws and regulations that govern our collection, use and disclosure of personal information could impose additional requirements with respect to the retention and security of personal information, limit our marketing activities and have an adverse effect on our business, financial condition and operating results.

We rely on a limited number of suppliers, manufacturers and logistics partners for our products. A loss of any of these partners could negatively affect our business.

We rely on a limited number of suppliers to manufacture and transport our products, including in some cases only a single supplier for some of our products and components. Our reliance on a limited number of manufacturers increases our risks, since we do not currently have alternative or replacement manufacturers. In the event of interruption of any of our manufacturers, we may not be able to increase capacity from other sources or develop alternate or secondary sources without incurring material additional costs and substantial delays. Furthermore, from time to time, we may engage manufacturers whose primary facilities are located in Asia. Thus, our business could be adversely affected if one or more of our suppliers is impacted by a natural disaster or other interruption at a particular location.

If we experience a significant increase in demand for our products, or if we need to replace an existing supplier or logistics partner, we may be unable to supplement or replace them on terms that are acceptable to us, which may undermine our ability to deliver our products to customers in a timely manner. For example, in 2025, we commenced the process of replacing one of our primary contract manufacturers. It may take a significant amount of time to identify a manufacturer that has the capability and resources to build our products to our specifications in sufficient volume. Identifying suitable suppliers, manufacturers and logistics partners is an extensive process that requires us to become satisfied with their quality control, technical capabilities, responsiveness and service, financial stability, regulatory compliance and labor and other ethical practices, particularly with respect to conflict minerals. Accordingly, a loss of any of our significant suppliers, manufacturers or logistics partners could have an adverse effect on our business, financial condition and operating results.

We have limited control over our suppliers, manufacturers and logistics partners, which subjects us to significant risks, including the potential inability to produce or obtain quality products and services on a timely basis or in sufficient quantity.

We depend upon, but have limited control over, our suppliers, manufacturers and logistics partners, which subjects us to risks, such as the following:

- inability to satisfy demand for our products;
- reduced control over delivery timing and product reliability;
- reduced ability to monitor the manufacturing process and components used in our products;
- limited ability to develop comprehensive manufacturing specifications that take into account any material shortages or substitutions;
- variance in the manufacturing capability of our third-party manufacturers;
- price increases;
- failure of a significant supplier, manufacturer or logistics partner to perform its obligations to us for technical, market or other reasons;
- insolvency, bankruptcy or liquidation of a significant supplier, manufacturer or logistics partner;
- disputes or breakdowns in our relationship with a supplier, manufacturer or logistics partner;
- difficulties and costs incurred in establishing additional supplier, manufacturer or logistics partner relationships if we experience difficulties with our existing suppliers, manufacturers or logistics partners;
- shortages of materials or components;
- misappropriation of our intellectual property;
- exposure to natural catastrophes, political unrest, terrorism, labor disputes and economic instability resulting in the disruption of trade from Taiwan, China or foreign countries in which our products are manufactured or the components thereof are sourced;
- changes in local economic conditions in Taiwan, China or other jurisdictions where our suppliers, manufacturers and logistics partners are located;
- the imposition of new laws and regulations, including those relating to labor conditions, quality and safety standards, imports, duties, tariffs, including those imposed against China and Taiwan by the Trump Administration at various times, taxes and other charges on imports, as well as trade restrictions and restrictions on currency exchange or the transfer of funds; and
- insufficient warranties and indemnities on components supplied to our manufacturers or performance by our partners.

The occurrence of any of these risks, especially during seasons of peak demand, could cause us to experience a significant disruption in our ability to produce and deliver our products to our customers.

Increases in component costs, long lead times, supply shortages and changes, labor shortages and construction delays could disrupt our supply chain and operations and have an adverse effect on our business, financial condition and operating results.

Meeting customer demand partially depends on our ability to obtain timely and adequate delivery of components for our smart building products. All of the components that go into the manufacturing of our products are sourced from a limited number of third-party suppliers, and some of these components are provided by a single supplier. Our manufacturers generally purchase these components on our behalf, subject to certain supplier lists we approve, and we do not have long-term arrangements with some of our component suppliers. We are therefore subject to the risk of shortages and long lead times in the supply of these components and the risk that our suppliers discontinue or modify components used in our products. In addition, the lead times associated with certain components are lengthy and preclude rapid changes in design, quantities and delivery schedules.

From time-to-time, industry-wide supply chain disruptions may create shortages of certain construction materials and other products. Additionally, our customers may also experience trade labor availability constraints and delays. These factors could cause our customers to experience construction delays, which delay the timing of the installation of our products and our recognition of hardware and software revenue.

In the event of a component shortage or supply interruption from suppliers of these components, we may not be able to develop alternate sources in a timely manner. Developing alternate sources of supply for these components may be time-consuming, difficult and costly, and we may not be able to source these components on terms that are acceptable to us, or at all, which may undermine our ability to fill orders in a timely manner. Any interruption or delay in the supply of any of these parts or components, or the inability to obtain these parts or components from alternate sources at acceptable prices and within a reasonable amount of time, would harm our ability to meet our scheduled product deliveries to our customers.

Moreover, volatile economic conditions may make it more likely that our suppliers may be unable to deliver supplies timely, or at all, and there is no guarantee that we will be able to timely locate alternative suppliers of comparable quality at an acceptable price. Increases in our component costs could have a material effect on our gross margins. The loss of a significant supplier, an increase in component costs or delays or disruptions in the delivery of components could adversely impact our ability to generate future revenue and earnings and have an adverse effect on our business, financial condition and operating results.

Regulations related to "conflict minerals" require us to incur additional expenses and could limit the supply and increase the cost of certain metals used in manufacturing our products.

We are subject to requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") that require us to determine and disclose whether our products contain "conflict minerals." The rules require disclosure related to sourcing of certain minerals that are necessary to the functionality or production of products we manufacture or contract to be manufactured. Our products contain some of the specified minerals. As a result, we have incurred and may continue to incur additional expenses in connection with complying with the rules, including with respect to the due diligence that is required under the rules. In addition, compliance with the rules could adversely affect the sourcing, supply and pricing of materials used in our products. There may only be a limited number of suppliers offering "conflict free" conflict minerals, and we cannot be certain that we will be able to obtain necessary "conflict free" minerals from such suppliers in sufficient quantities or at competitive prices. We may not be able to sufficiently verify the origins of the relevant minerals used in certain components of our products through the due diligence procedures that we implement, which could harm our reputation.

Our operating results could be adversely affected if we are unable to accurately forecast customer demand for our products and services and adequately manage our inventory.

To ensure adequate inventory supply, we must forecast inventory needs and expenses and place orders sufficiently in advance with our suppliers and contract manufacturers based on our estimates of future demand for particular products and services. Our agreements may include minimum purchase commitments, deposits or obligations related to excess materials. Failure to accurately forecast our needs may result in manufacturing delays or increased costs. Our ability to accurately forecast demand could be affected by many factors, including changes in customer demand for our products and services, changes in demand for the software, services and products of our competitors, unanticipated changes in general market conditions and the weakening of economic conditions or customer confidence in future economic conditions. This risk will be exacerbated by the fact that we may not carry a significant amount of inventory for certain products and may not be able to satisfy short-term demand increases. If we fail to accurately forecast customer demand, we may experience excess inventory levels or a shortage of products available for sale.

Inventory levels in excess of customer demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which would cause our gross margins to suffer and could impair the strength of our brand. Lower than forecasted demand could also result in excess manufacturing capacity or reduced manufacturing efficiencies, which could result in lower margins. Further, if we cancel all or part of our inventory or component orders, we may be liable to our suppliers and manufacturers for the cost of the unused component orders or components purchased by our manufacturers. Disputes, production delays, cessation of manufacturing activities or breakdowns in supplier relationships may limit our ability to recover prepaid balances or utilize committed components. If we are unable to negotiate favorable resolutions with a supplier or manufacturer, validate component inventories or redeploy materials into alternative production programs, we may incur additional losses.

During the year ended December 31, 2025, the Company recorded a write-off of $4.9 million related to prepaid inventory deposits for components associated with non-cancellable purchase commitments to a contract manufacturer. The prepayments were made in 2023 and prior to secure components supporting production volumes aligned with significantly higher demand forecasts at that time. Since 2022, the Company has materially reduced its hardware demand forecasts, and the Company has also ceased production with this manufacturer. As a result, the underlying components are no longer expected to be utilized in future production and were determined to have no alternative future use. The write-off was recorded within hardware cost of revenue on the accompanying Consolidated Statement of Operations and Comprehensive Loss.

Net inventories not expected to be sold according to a one year forecasted sales projection are classified as other non-current assets on the accompanying Consolidated Balance Sheets. Inventory on hand that exceeds a three year forecasted sales projection is recorded as an excess and obsolete inventory reserve. This reserve is comprised of inventory greater than can be used to meet future needs (excess) or for which the product is outdated or otherwise not expected to be sold (obsolete).

The total excess and obsolete inventory reserve as of December 31, 2025 and December 31, 2024 was $10.9 million and $12.8 million, respectively. The $1.8 million decrease was primarily related to the sale of product with excess reserves, partially offset by increases from additional inventory purchases to resolve prior purchase commitments. See Note 9. *Inventories*, *Net*, in Part II, Item 8. "Financial Statements."

Conversely, if we underestimate customer demand, our suppliers and manufacturers may not be able to deliver products to meet our requirements, or we may be subject to higher costs in order to secure the necessary production capacity. Our inability to meet customer demand and delays in the delivery of our products to customers could result in reputational harm, damage customer relationships and have an adverse effect on our business, financial condition and operating results.

From time to time, we may be subject to legal proceedings, regulatory disputes and governmental inquiries that could cause us to incur significant expenses, divert our management's attention and materially harm our business, financial condition and operating results.

In addition to the Derivative Actions and the ongoing SEC Investigation described above, from time to time, we may be subject to claims, lawsuits, government investigations and other proceedings involving products liability, competition and antitrust, intellectual property, privacy, consumer protection, securities, tax, labor and employment, commercial disputes and other matters that could adversely affect our business operations and financial condition. As our business grows, we may see a rise in the number and significance of these disputes and inquiries. Litigation, regulatory proceedings and any intellectual property infringement matters that we could face may be protracted and expensive, and the results are difficult to predict. Additionally, our litigation costs could be significant. Adverse outcomes with respect to litigation or any of these legal proceedings may result in significant settlement costs or judgments, penalties and fines, require us to modify our products or services, make content unavailable or require us to stop offering certain features, all of which could negatively affect our revenue growth.

The results of litigation, investigations, claims and regulatory proceedings cannot be predicted with certainty, and determining reserves for pending litigation and other legal and regulatory matters requires significant judgment. There can be no assurance that our expectations will prove correct, and even if these matters are resolved in our favor or without significant cash settlements, these matters, and the time and resources necessary to litigate or resolve them, could harm our business, financial condition and operating results.

Our smart building technology is subject to varying state and local regulations, which are updated from time to time.

Our smart building technology is subject to certain state and local regulations, which are updated from time to time. For example, our software, services and products are subject to regulations relating to building and fire codes, public safety, access control systems and data privacy and security. The regulations to which we are subject may change, additional regulations may be imposed or existing regulations may be applied in a manner that creates special requirements for the implementation and operation of our software, services and products that may significantly impact or even eliminate some of our revenues or markets. In addition, we may incur material costs or liabilities in complying with any such regulations. Furthermore, some of our customers must comply with numerous laws and regulations, which may affect their willingness and ability to purchase our software, services and products. The modification of existing laws and regulations or interpretations thereof or the adoption of future laws and regulations could adversely affect our business, cause us to modify or alter our methods of operations and increase our costs and the price of our software, services and products. In addition, we cannot provide any assurance that we will be able, for financial or other reasons, to comply with all applicable laws and regulations. If we fail to comply with these laws and regulations, we could become subject to substantial penalties or restrictions that could materially and adversely affect our business.

We may fail to comply with import and export, bribery and money laundering laws, regulations and controls.

We sell our products and services in the United States and Canada and source our products from Asia and the United States. We are subject to regulation by various federal, state, local and foreign governmental agencies, including, but not limited to, agencies and regulatory bodies or authorities responsible for monitoring and enforcing product safety and consumer protection laws, data privacy and security laws and regulations, employment and labor laws, workplace safety laws and regulations, environmental laws and regulations, antitrust laws, federal securities laws and tax laws and regulations.

Our operations require us to import from Asia and export to Canada, which geographically stretches our compliance obligations. We are also subject to anti-money laundering laws such as the USA PATRIOT Act and may be subject to similar laws in other jurisdictions. Our products are subject to export control and import laws and regulations, including the U.S. Export Administration Regulations, U.S. Customs regulations and various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Control. We may also be subject to import/export laws and regulations in other jurisdictions in which we conduct business or source our products. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to substantial civil or criminal penalties, including the possible loss of export or import privileges, fines, which may be imposed on us and responsible employees or managers and, in extreme cases, the incarceration of responsible employees or managers.

Changes in laws that apply to us could result in increased regulatory requirements and compliance costs, which could harm our business, financial condition, cash flows and results of operations. In certain jurisdictions, regulatory requirements may be more stringent than in the United States. Noncompliance with applicable regulations or requirements could subject us to whistleblower complaints, investigations, sanctions, settlements, mandatory product recalls, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties or injunctions, suspension or debarment from contracting with certain governments or other customers, the loss of export privileges, multi-jurisdictional liability, reputational harm and other collateral consequences. If any governmental or other sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, financial condition, cash flows and results of operations could be materially harmed. In addition, responding to any action will likely result in a materially significant diversion of management's attention and resources and an increase in legal costs and other professional fees.

If we are unable to sustain pricing levels for our software, services and products, our business could be adversely affected.

If we are unable to sustain pricing levels for our software, services and products, whether due to competitive pressure or otherwise, our gross margins could be significantly reduced. Further, our decisions around the development of new software, services and products are grounded in assumptions about eventual pricing levels. If there is price compression in the market after these decisions are made, it could have a negative effect on our business.

Insurance policies do not cover all of our operating risks, and a casualty loss beyond the limits of our coverage could negatively impact our business.

We are subject to all of the operating hazards and risks normally incidental to the provision of our products and services and business operations. While we maintain insurance policies in such amounts and with such coverage and deductibles as required by law and that we believe are reasonable and prudent, such insurance is not adequate to protect us from all the liabilities and expenses that may arise from claims for personal injury, death or property damage arising in the ordinary course of our business, the SEC Investigation or the Derivative Actions, and we may not be able to maintain our current levels of insurance at economical prices. We may choose to self-insure certain liabilities either by bearing such liabilities fully or by selecting a higher deductible in exchange for reduced premiums. If a significant liability claim is brought against us that is not covered by insurance, or we incur numerous smaller claims that do not meet applicable deductibles, then we may have to pay such claims with our own funds, which could have a material adverse effect on our business, financial condition, cash flows or results of operations.

Downturns in general economic and market conditions and reductions in spending may reduce demand for our software, services and products, which could harm our revenue, results of operations and cash flows.

Our revenue, results of operations and cash flows depend on the overall demand for our software, services and products. Negative conditions in the general economy both in the United States and abroad could cause a decrease in consumer discretionary spending and business investment and diminish growth expectations in the U.S. economy and abroad. Such conditions include those resulting from a pandemic or other global health crisis, the impact of disruptions in access to bank deposits or lending commitments due to bank failures, the conflict in Iran, elevated interest rates, inflationary pressures and the threat of a recession, changes in gross domestic product growth, financial and credit market fluctuations, construction slowdowns, energy costs, international trade relations and other geopolitical issues, the availability and cost of credit and changes in the global housing and mortgage markets.

During weak economic times, the pool of potential customers may decline as the prospects for multifamily apartment construction and renovation projects diminish, which may have a corresponding impact on our growth prospects. Elevated interest rates have significantly impacted the multifamily industry, particularly property owners or developers subject to variable rate loans. These property owners or developers may be unable to refinance loans at attractive rates, or at all, and may have to reduce their capital expenditures accordingly. In addition, there is a risk that a higher percentage of property developers will file for bankruptcy protection, which may harm our revenue, profitability and results of operations, and we may determine that the cost of pursuing any claim in bankruptcy outweighs the recovery potential of such claim.

At times, macroeconomic conditions have caused significant uncertainty and volatility in global markets, which has caused, and may continue to cause, consumer discretionary spending to decline. A prolonged economic slowdown and a material reduction in new multifamily apartment construction and renovation projects may result in diminished sales of our platforms and solutions. Further worsening, broadening or protracted extension of the economic downturn could have a negative impact on our business, revenue, results of operations and cash flows.

We are dependent upon relationships with foreign-based manufacturers and service providers, which exposes us to complex regulatory regimes, logistical challenges and business risk.

From time to time, our manufacturing may be outsourced to contract manufacturers in Asia. We also engage consultants and contractors internationally, including in Romania, to supplement our permanent workforce. These foreign exposures result in additional factors that could interrupt our relationships, affect our ability to acquire the necessary products on acceptable terms, disrupt our operations or subject us to additional regulatory regimes and business risks, including:

i. political, social and economic instability and the risk of war or other international incidents;
i. fluctuations in foreign currency exchange rates that may increase our cost of products;
ii. imposition of duties, taxes, tariffs or other charges, embargoes or other restrictions on imports, including additional tariffs on imports from China and Taiwan that the Trump Administration announced at various times;
iii. difficulties in complying with import and export laws, regulatory requirements and restrictions;
iv. natural disasters and public health emergencies;
v. import shipping delays resulting from foreign or domestic labor shortages, slow-downs or stoppage;
vi. the failure of local laws to provide a sufficient degree of protection against infringement of our intellectual property;
vii. potential loss of developed technology through piracy, misappropriation or more lenient laws regarding intellectual property protection;
viii. imposition of new legislation relating to import quotas or other restrictions that may limit the quantity of our products that may be imported into the United States from countries or regions where our products are manufactured;
ix. financial or political instability in any of the countries in which our products are manufactured or our contractors are located;
x. potential recalls or cancellations of orders for any products that do not meet our quality standards;
xi. disruption of imports and operations by labor disputes or strikes and local business practices;
xii. political or military conflict involving the United States, China, Taiwan or any country in which our suppliers or contractors are located, which could cause a delay in, or restrict, the import and transportation of our products, an increase in transportation costs, additional risk to products being damaged and delivered on time and disruption in our operations;
xiii. heightened terrorism and security concerns, which could subject imported goods to additional, more frequent or more thorough inspections, leading to delays in deliveries or impoundment of goods for extended periods;
xiv. inability of our non-U.S. suppliers to obtain adequate credit or access liquidity to finance their operations; and
xv. our ability to enforce agreements with our foreign suppliers.

If we were unable to import products at all or in a cost-effective manner, we could suffer irreparable harm to our business and be required to significantly curtail our operations, file for bankruptcy or cease operations.

From time to time, we may also have to resort to administrative and court proceedings to enforce our legal rights with foreign suppliers. However, it may be more difficult to evaluate and enforce the level of legal protection available to us in China and Taiwan, and the corresponding outcome of any administrative or court proceedings, as compared to in the United States.

We may face exposure to foreign currency exchange rate fluctuations.

While we have historically transacted in U.S. dollars with the majority of our customers and suppliers, we have transacted in some foreign currencies, such as the Canadian Dollar, British Pound Sterling, the Euro, the Philippine Peso and the New Taiwan Dollar, and may transact in additional foreign currencies in the future. Accordingly, changes in the value of foreign currencies relative to the U.S. dollar may affect our revenue and operating results. As a result of such foreign currency exchange rate fluctuations, it could be more difficult to detect underlying trends in our business and operating results. In addition, to the extent that fluctuations in currency exchange rates cause our operating results to differ from our expectations or the expectations of our investors, the trading price of our common stock could decrease.

Our private placement warrants are accounted for as liabilities, and the changes in value of our warrants could have a material effect on our financial results.

On April 12, 2021, the SEC Staff issued a statement regarding the accounting and reporting considerations for warrants issued by special purpose acquisition companies entitled "Staff Statement on Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies ("SPACs")" (the "SEC Statement"). The SEC Statement regarding the accounting and reporting considerations for warrants issued by SPACs focused on certain settlement terms and provisions related to certain tender offers following a business combination. The terms described in the SEC Statement are common in SPACs and are similar to the terms contained in the warrant agreement, dated as of November 9, 2020, between the Company and Continental Stock Transfer & Trust Company (the "Warrant Agreement") governing the private placement warrants that were originally issued in connection with TSIA's initial public offering that Legacy Latch assumed as part of the 2021 Business Combination (the "Private Placement Warrants"). In response to the SEC Statement, we reevaluated the accounting treatment of the Private Placement Warrants and determined to classify the Private Placement Warrants as derivative liabilities measured at fair value, with changes in fair value each period reported in earnings.

As a result, included on the accompanying Consolidated Balance Sheet as of December 31, 2025 is a derivative liability related to embedded features contained within the Private Placement Warrants. Accounting Standards Codification 815, *Derivatives and Hedging*, provides for the re-measurement of the fair value of such derivatives at each balance sheet date, with a resulting non-cash gain or loss related to the change in the fair value being recognized in earnings on the accompanying Consolidated Statements of Operations and Comprehensive Loss. As a result of the recurring fair value measurement, our financial statements and results of operations will fluctuate quarterly based on factors that are outside of our control. Due to the recurring fair value measurement, we expect that we will recognize non-cash gains or losses on the Private Placement Warrants each reporting period and that the amount of such gains or losses could be material.

Risks Related to Our Indebtedness

We may not be able to generate sufficient cash to service our indebtedness, and we may be forced to take other actions to satisfy our obligations under applicable debt instruments, which may not be successful.

Our ability to make scheduled payments on or to refinance our indebtedness obligations, including the Loan Agreement, depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and certain financial, business and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund debt service obligations, we may be forced to reduce or delay investments and capital expenditures, sell assets, seek additional capital or restructure or refinance indebtedness. Our ability to restructure or refinance indebtedness will depend on market conditions and our financial condition at such time. Any refinancing of indebtedness could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. In the absence of sufficient cash flows and capital resources, we could face liquidity problems and might be required to dispose of material assets or operations to meet debt service and other obligations. The Loan Agreement restricts our ability to dispose of assets and our use of the proceeds from such disposition. We may not be able to consummate those dispositions, and the proceeds of any such disposition may not be adequate to meet any debt service obligations then due. These alternative measures may not be successful and may not permit us to meet scheduled debt service obligations, which could have a material adverse effect on our financial condition and results of operations.

The Loan Agreement does, and any future agreements related to indebtedness may, restrict our current and future operations, particularly our ability to respond to changes in business or to take certain actions.

The Loan Agreement contains, and any agreement related to future indebtedness we incur will likely contain, a number of restrictive covenants that impose significant operating and financial restrictions, including restrictions on our ability to engage in acts that may be in our best long-term interest. For instance, the Loan Agreement limits the Company's ability to:

- engage in certain asset dispositions;
- permit a change in control;
- merge or consolidate;
- incur indebtedness or grant liens on its assets;
- declare or pay dividends, distributions or redemptions;
- make loans or investments; and
- engage in certain transactions with affiliates.

A breach of any of these covenants could result in an event of default under the Loan Agreement.

The Loan Agreement also requires the Company to maintain an operating account with Customers Bank with a sufficient balance to support monthly payments. Additionally, the Company is required to maintain a liquidity ratio of at least 4.00, tested monthly, which is calculated as the quotient of unrestricted cash and cash equivalents of the Company and its subsidiaries (subject to certain limitations with respect to cash of foreign subsidiaries), divided by all outstanding indebtedness owed to Customers Bank.

Upon the occurrence of an event of default, all amounts outstanding under the Loan Agreement could be declared to be immediately due and payable. If indebtedness under the Loan Agreement is accelerated, there can be no assurance that we will have sufficient assets to repay such indebtedness. Additionally, upon an occurrence of an event of default, Customers Bank has the right to dispose of collateral, representing substantially all the assets of the Company.

Risks Related to Ownership of Our Securities

Our common stock price may be volatile or may decline regardless of our operating performance. You may lose some or all of your investment.

The trading price of our common stock has been and is likely to continue to be volatile, particularly since it began trading on the OTC markets in August 2023. The stock market, and our industry in particular, has recently experienced extreme volatility. This volatility often has been unrelated or disproportionate to the operating performance of particular companies. You may not be able to resell your shares at an attractive price due to a number of factors such as those listed in "—Risks Related to Our Business and Industry" and the following:

- increasing interest rates, inflationary pressures and the threat of a recession in the United States and around the world;
- the impact of organizational changes, including any reductions in force;
- the impact of adverse resolution or settlement of, any developments in, or change in status of, the Derivative Actions, the SEC Investigation or any new, threatened or other pending litigation, investigation or regulatory action;
- the minimal public market for our securities that exists while they are traded on OTC markets;
- our operating and financial performance and prospects;
- our quarterly or annual earnings, or those of other companies in our industry, compared to market expectations;
- conditions that impact demand for our products and/or services;
- future announcements concerning our business, our customers' businesses or our competitors' businesses;
- public reaction to our press releases, other public announcements and filings with the SEC;
- the size of our public float;
- coverage by or changes in financial estimates by securities analysts or failure to meet their expectations;
- market and industry perception of our success, or lack thereof, in pursuing our growth strategy;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- changes in laws or regulations that adversely affect our industry or us;
- privacy and data protection laws, privacy or data breaches or the loss of data;
- changes in accounting standards, policies, guidance, interpretations or principles;
- issuances, exchanges or sales, or expected issuances, exchanges or sales, of our common stock;

- changes in our dividend policy; and
- changes in general market, economic and political conditions in the United States, China, Taiwan and global economies or financial markets, including those resulting from natural disasters, terrorist attacks, acts of war and responses to such events.

These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance. In addition, price volatility may be greater if the public float and trading volume of our common stock is low. As a result, you may suffer a loss on your investment.

We do not intend to pay dividends on our common stock for the foreseeable future.

We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. As a result, we do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our Board and will depend on, among other things, our business prospects, results of operations, financial condition, cash requirements and availability, certain restrictions related to any indebtedness, industry trends and other factors that our Board may deem relevant. Any such decision will also be subject to compliance with contractual restrictions and covenants in the agreements governing any indebtedness. As a result, you may have to sell some or all of your common stock after price appreciation in order to generate cash flow from your investment, which you may not be able to do. Our inability or decision not to pay dividends, particularly when others in our industry have elected to do so, could also adversely affect the market price of our common stock.

Our issuance of additional shares of common stock or convertible securities could make it difficult for another company to acquire us, may dilute your ownership of us and could adversely affect our stock price.

In August 2021, we filed a registration statement on Form S-8 (the “S-8 Registration Statement”) with the SEC providing for the registration of shares of our common stock issued or reserved for issuance under the Latch, Inc. 2021 Incentive Award Plan (the “2021 Plan”). Subject to the satisfaction of vesting conditions, shares registered under S-8 Registration Statement are available for resale without restriction. From time to time in the future, we may also issue additional shares of our common stock or securities convertible into our common stock pursuant to a variety of transactions, including acquisitions, as we did in connection with the HDW Acquisition. The issuance by us of additional shares of our common stock or securities convertible into our common stock would dilute your ownership of us, and the sale of a significant amount of such shares in the public market could adversely affect prevailing market prices of our common stock.

In the future, we may obtain financing or further increase our capital resources by issuing additional shares of our common stock or offering debt or other equity securities, including senior or subordinated notes, debt securities convertible into equity or shares of preferred stock. Issuing additional shares of our common stock, other equity securities or securities convertible into equity may dilute the economic and voting rights of our existing stockholders, reduce the market price of our common stock or both. Debt securities convertible into equity could be subject to adjustments in the conversion ratio pursuant to which certain events may increase the number of equity securities issuable upon conversion. Preferred stock, if issued, could have a preference with respect to liquidating distributions or a preference with respect to dividend payments that could limit our ability to pay dividends to the holders of our common stock. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, which may adversely affect the amount, timing or nature of our future offerings. As a result, holders of our common stock bear the risk that any future offerings may reduce the market price of our common stock and dilute their percentage ownership.

Future sales, or the perception of future sales, of our common stock by us or our existing stockholders in the public market could cause the market price of our common stock to decline.

The sale of substantial amounts of shares of our common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

In accordance with our obligations under our registration rights agreements, we are required to register for resale the shares of common stock of certain of our stockholders. By exercising their registration rights and selling a large number of shares, these stockholders could cause the prevailing market price of our common stock to decline.

As any transfer restrictions on shares of our common stock terminate or expire, the market price of our common stock could drop significantly if the holders of these shares sell them or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future offerings of shares of our common stock or other securities.

In addition, the shares of our common stock issued under the 2021 Plan are, or will become, eligible for sale in the public market once those shares are issued, subject to provisions relating to various vesting agreements and, in some cases, limitations on volume and manner of sale applicable to affiliates under Rule 144 under the Securities Act, as applicable. The number of shares reserved for future issuance under the 2021 Plan equals (i) 22,500,611 plus (ii) an annual increase for ten years on the first day of each calendar year beginning January 1, 2022, equal to the lesser of (a) 5% of the aggregate number of shares of our common stock outstanding on the final day of the immediately preceding calendar year and (b) such smaller number of shares as is determined by the Board. As of January 1, 2026, the total number of shares reserved for issuance under the 2021 Plan had increased by 39,647,714 as a result of such annual increases. We filed the S-8 Registration Statement to register shares of our common stock or securities convertible into or exchangeable for shares of our common stock issued pursuant to our equity incentive plans. The S-8 Registration Statement automatically became effective upon filing on August 9, 2021, but we suspended use of the S-8 Registration Statement commencing with the Company's filing of a Notification of Late Filing on Form 12b-25 on August 10, 2022 (the "Form 12b-25"). We expect to resume using the S-8 Registration Statement after the filing of this Form 10-K, in which case shares registered under such registration statement will again be available for sale in the open market, subject to the limitations noted elsewhere in this Form 10-K.

Since the Company's filing of the Form 12b-25 on August 10, 2022 through the date on which we become current in our SEC filings, (the "Suspension Period"), the exercise of any stock options of the Company has been suspended. Accordingly, participants may choose to exercise their stock options upon conclusion of the Suspension Period. As a result, a significant number of shares of common stock may become issued and outstanding at certain times in the future, which could cause the prevailing market price of our common stock to decline.

You may only be able to exercise the public warrants on a "cashless basis" under certain circumstances, and if you do so, you will receive fewer shares of common stock from such exercise than if you were to exercise such warrants for cash.

The Warrant Agreement provides that in the following circumstances holders of warrants who seek to exercise their warrants will not be permitted to do for cash and will, instead, be required to do so on a cashless basis in accordance with Section 3(a)(9) of the Securities Act: (i) if the shares of common stock issuable upon exercise of the warrants are not registered under the Securities Act in accordance with the terms of the Warrant Agreement; (ii) if we have so elected and the shares of common stock are at the time of any exercise of a warrant not listed on a national securities exchange such that they satisfy the definition of "covered securities" under Section 18(b)(1) of the Securities Act; and (iii) if we have so elected and we call the public warrants for redemption. If you exercise your public warrants on a cashless basis, you would pay the warrant exercise price by surrendering the warrants for that number of shares of common stock equal to (a) the quotient obtained by dividing (x) the product of the number of shares of common stock underlying the warrants, multiplied by the excess of the "Fair Market Value" (as defined in the next sentence) over the exercise price of the warrants by (y) the Fair Market Value and (b) 0.361 per whole warrant. The "Fair Market Value" is the volume weighted average price of the common stock for the ten trading days ending on the third trading day prior to the date on which the notice of exercise is received by the warrant agent or on which the notice of redemption is sent to the holders of warrants, as applicable. As a result, you would receive fewer shares of common stock from such exercise than if you were to exercise such warrants for cash.

We may amend the terms of the warrants in a manner that may have an adverse effect on holders of public warrants with the approval by the holders of at least 50% of the then-outstanding public warrants. As a result, the exercise price of your warrants could be increased, the exercise period could be shortened and the number of shares of common stock purchasable upon exercise of a warrant could be decreased, all without your approval.

Our warrants were issued in registered form under the Warrant Agreement between Continental Stock Transfer & Trust Company, as warrant agent, and us. The Warrant Agreement provides that the terms of the warrants may be amended without the consent of any holder for the purpose of (i) curing any ambiguity or curing, correcting or supplementing any defective provision or (ii) adding or changing any provisions with respect to matters or questions arising under the Warrant Agreement as the parties to the Warrant Agreement may deem necessary or desirable and that the parties deem to not adversely affect the rights of the registered holders of the warrants, provided that the approval by the holders of at least 50% of the then-outstanding public warrants is required to make any change that adversely affects the rights of the registered holders of public warrants. Accordingly, we may amend the terms of the public warrants in a manner adverse to a holder of public warrants if holders of at least 50% of the then-outstanding public warrants approve of such amendment. Although our ability to amend the terms of the public warrants with the consent of at least 50% of the then-outstanding public warrants is unlimited, examples of such amendments could be amendments to, among other things, increase the exercise price of the warrants, convert the warrants into cash or shares, shorten the exercise period or decrease the number of shares of common stock purchasable upon exercise of a warrant.

We may redeem your unexpired warrants prior to their exercise at a time that is disadvantageous to you, thereby making your warrants worthless.

We have the ability to redeem outstanding warrants at any time prior to their expiration (a) at a price of $0.01 per warrant, provided that the closing price of our common stock equals or exceeds $18.00 per share (as adjusted for share splits, share capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within a 30 trading-day period ending on the third trading day prior to the date on which we give proper notice of such redemption to the warrant holders and provided certain other conditions are met or (b) at a price of $0.10 per warrant, provided that the closing price of our common stock equals or exceeds $10.00 per share (as adjusted for share splits, share capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within a 30 trading-day period ending on the third trading day prior to the date on which we give proper notice of such redemption to the warrant holders and provided certain other conditions are met. If and when the warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws. Redemption of the outstanding warrants could force you to (i) exercise your warrants and pay the exercise price therefor at a time when it may be disadvantageous for you to do so, (ii) sell your warrants at the then-current market price when you might otherwise wish to hold your warrants or (iii) accept the nominal redemption price, which, at the time the outstanding warrants are called for redemption, is likely to be substantially less than the market value of your warrants. None of the Private Placement Warrants will be redeemable by us so long as they are held by TS Innovation Acquisitions Sponsor, L.L.C. or its permitted transferees.

Our Warrant Agreement designates the courts of the State of New York or the U.S. District Court for the Southern District of New York as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by holders of the warrants, which could limit the ability of warrant holders to obtain a favorable judicial forum for disputes with us.

Our Warrant Agreement provides that, subject to applicable law, (i) any action, proceeding or claim against us arising out of or relating in any way to the Warrant Agreement, including under the Securities Act, will be brought and enforced in the courts of the State of New York or the U.S. District Court for the Southern District of New York and (ii) we irrevocably submit to such jurisdiction, which jurisdiction shall be the exclusive forum for any such action, proceeding or claim. We will waive any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum.

Notwithstanding the foregoing, these provisions of the Warrant Agreement will not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal district courts of the United States are the sole and exclusive forum. Any person or entity purchasing or otherwise acquiring any interest in any of our warrants shall be deemed to have notice of and to have consented to the forum provisions in our Warrant Agreement. If any action, the subject matter of which is within the scope the forum provisions of the Warrant Agreement, is filed in a court other than a court of the State of New York or the U.S. District Court for the Southern District of New York (a "foreign action") in the name of any holder of our warrants, such holder shall be deemed to have consented to: (x) the personal jurisdiction of the state and federal courts located in the State of New York in connection with any action brought in any such court to enforce the forum provisions (an "enforcement action"), and (y) having service of process made upon such warrant holder in any such enforcement action by service upon such Warrant holder's counsel in the foreign action as agent for such warrant holder.

This choice-of-forum provision may limit a warrant holder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us, which may discourage such lawsuits. Alternatively, if a court were to find this provision of our Warrant Agreement inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could materially and adversely affect our business, financial condition and results of operations and result in a diversion of the time and resources of our management and Board.

Anti-takeover provisions in our governing documents and under Delaware law could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.

Our second amended and restated certificate of incorporation (our "Charter"), our amended and restated bylaws (our "Bylaws") and Delaware law contain provisions that could have the effect of rendering more difficult, delaying or preventing an acquisition deemed undesirable by our Board. Among other things, our Charter and Bylaws include the following provisions:

- a staggered board, which means that our Board is classified into three classes of directors with staggered three-year terms, and directors are only able to be removed from office for cause;
- limitations on convening special stockholder meetings, which could make it difficult for our stockholders to adopt desired governance changes;
- a prohibition on stockholder action by written consent, which means that our stockholders will only be able to take action at a meeting of stockholders and will not be able to take action by written consent for any matter;
- a forum selection clause, which means certain litigation against us can only be brought in Delaware;
- the authorization of undesignated preferred stock, the terms of which may be established and shares of which may be issued without further action by our stockholders; and
- advance notice procedures, which apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management. As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation law (the "DGCL"), which prevents interested stockholders, such as certain stockholders holding more than 15% of our outstanding common stock, from engaging in certain business combinations unless (i) prior to the time such stockholder became an interested stockholder, the Board approved the transaction that resulted in such stockholder becoming an interested stockholder, (ii) upon consummation of the transaction that resulted in such stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the common stock, or (iii) following board approval, such business combination receives the approval of the holders of at least two-thirds of our outstanding common stock not held by such interested stockholder at an annual or special meeting of stockholders.

Any provision of our Charter, our Bylaws or Delaware law that has the effect of delaying, preventing or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

Our Charter and Bylaws provide that the Court of Chancery of the State of Delaware is the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our Charter and Bylaws provide that, unless we consent in writing to the selection of an alternative forum, (a) the Court of Chancery (the "Chancery Court") of the State of Delaware (or, in the event that the Chancery Court does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for: (i) any derivative action, suit or proceeding brought on our behalf; (ii) any action, suit or proceeding asserting a claim of breach of fiduciary duty owed by any of our directors, officers or stockholders to us or to our stockholders; (iii) any action, suit or proceeding asserting a claim arising pursuant to the DGCL, our Charter or our Bylaws; or (iv) any action, suit or proceeding asserting a claim governed by the internal affairs doctrine; and (b) subject to the foregoing, the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. Notwithstanding the foregoing, such forum selection provisions shall not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts of the United States have exclusive jurisdiction. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our Charter to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, results of operations and financial condition.

Additionally, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. As noted above, our Charter and Bylaws provide that the federal district courts of the United States shall have jurisdiction over any action arising under the Securities Act. Accordingly, there is uncertainty as to whether a court would enforce such provision. Our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder.

General Risk Factors

Climate change and related environmental issues may have an adverse effect on our business, financial condition and operating results.

Climate change related events, such as increasing temperatures, rising sea levels and changes to patterns and intensity of wildfires, hurricanes, floods, other storms and severe weather-related events and natural disasters, may have an adverse effect on our business, financial condition and operating results. We recognize that there are inherent climate related risks regardless of how and where we conduct our operations. For example, a catastrophic natural disaster could negatively impact the locations of our customers and suppliers. Access to clean water and reliable energy in the communities where we conduct our operations is critical to us. Accordingly, a natural disaster has the potential to disrupt our and our customers' and suppliers' businesses and may cause us to experience work stoppages, project delays, financial losses and additional costs to resume operations, including increased insurance costs or loss of coverage, legal liability and reputational losses.

Stockholder and customer emphasis on environmental, social and governance responsibility may impose additional costs on us or expose us to new risks.

Our stockholders, customers and employees continue to expect a more proactive response to environmental, social and governance ("ESG") matters. We may incur increased costs and may be exposed to new risks responding to these higher expectations. Although we believe that ESG priorities can help drive sustainable business practices, we may face reputational challenges in the event that we are unable to achieve certain ESG goals or our ESG standards do not meet those set by certain constituencies. These reputational challenges could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our business is subject to the risk of earthquakes, fires, power outages, floods and other catastrophic events, and to interruption by man-made problems such as terrorism.

Our business is vulnerable to damage or interruption from earthquakes, fires, power outages, floods, telecommunications failures, terrorist attacks, acts of war, human errors, break-ins and similar events. The third-party systems, operations and manufacturers on which we rely are subject to similar risks. For example, a significant natural disaster, such as an earthquake, fire or flood, could have an adverse effect on our business, financial condition and operating results, and our insurance coverage may be insufficient to compensate us for losses that may occur. Acts of terrorism, which may be targeted at metropolitan areas that have higher population density than rural areas, could also cause disruptions in our or our suppliers' and manufacturers' businesses or the economy as a whole. Additionally, our hardware product inventory is highly concentrated. We may not have sufficient protection or recovery plans in some circumstances, such as natural disasters affecting locations that store significant inventory of our products or that house our servers. As we rely heavily on our computer and communications systems and the internet to conduct our business and provide high-quality customer service, these disruptions could negatively impact our ability to run our business and either directly or indirectly disrupt suppliers' and manufacturers' businesses, which could have an adverse effect on our business, financial condition and operating results.

We incur increased costs as a result of being a public company. Failure to comply with laws, regulations and standards relating to our public company status could materially and adversely affect our business and results of operations.

As a company with publicly traded securities, we have incurred, and will continue to incur, significant legal, accounting and other expenses. In addition, we are or may become subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), the Dodd-Frank Act, the requirements of a national securities exchange or the OTC markets and other applicable securities rules and regulations. These laws, rules and regulations may increase our legal and financial compliance costs, which could adversely affect the trading price of our securities.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. Our failure to comply with these laws, regulations and standards could materially and adversely affect our business and results of operations.

If securities analysts do not publish research or reports about us, or if they issue unfavorable commentary about us or our industry or downgrade our common stock, the price of our common stock could decline.

The trading market for our common stock depends in part on the research and reports that third-party securities analysts publish about us and the industries in which we operate. Analysts generally ceased their coverage of us following our announcement of the Restatement. We may be slow to attract research coverage in the future, and if one or more analysts cease coverage of us, the price and trading volume of our securities may be negatively impacted. If any analysts adversely change their recommendation regarding our securities or provide more favorable relative recommendations about our competitors, the price of our securities would likely decline. If any analyst ceases covering us or fails to regularly publish reports on us, we could lose visibility in the financial markets, which could cause the price or trading volume of our securities to decline. Moreover, if any analyst downgrades our common stock or if our reporting results do not meet their expectations, the market price of our common stock could decline.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 1C. Cybersecurity

Cybersecurity Risk Management and Strategy

We have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity and availability of our critical systems and information. Our cybersecurity risk management program includes a cybersecurity incident response plan.

We design and assess our program based on the National Institute of Standards and Technology Cybersecurity Framework (“NIST CSF”), specifically NIST 800-30 and NIST 800-37, as well as ISO 27005. This does not imply that we meet any particular technical standards, specifications or requirements, only that we use these standards as a guide to help us identify, assess and manage cybersecurity risks relevant to our business.

Our cybersecurity risk management program is integrated into our overall enterprise risk management program and shares common methodologies, reporting channels and governance processes that apply across the enterprise risk management program to other legal, compliance, strategic, operational and financial risk areas.

Our cybersecurity risk management program includes:

- risk assessments designed to help identify material cybersecurity risks to our critical systems, information, products, services and our broader enterprise information technology environment;
- a security team principally responsible for managing our cybersecurity risk assessment processes, our security controls and our response to cybersecurity incidents;
- the use of external service providers, where appropriate, to assess, test or otherwise assist with aspects of our cybersecurity controls;
- cybersecurity awareness training of our employees, incident response personnel and senior management;
- a cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents; and
- a third-party risk management process for service providers, suppliers and vendors that have access to our critical systems and information.

We have not identified risks from known cybersecurity threats, including as a result of any prior cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us, including our operations, business strategy, results of operations or financial condition. For more information regarding the possible impact of such an incident, see “—Risk Factors—If our security controls are breached, or unauthorized or inadvertent access to user information or other data or to control or view systems are otherwise obtained, our products, software or services may be perceived as insecure, our business may be harmed and we may incur significant liabilities.”

Cybersecurity Governance

Our Board considers cybersecurity risk as part of its risk oversight function and has delegated to the Audit Committee oversight of cybersecurity and other information technology risks. The Audit Committee oversees management’s implementation of our cybersecurity risk management program.

The Audit Committee receives periodic reports from management on our cybersecurity risks. In addition, management updates the Audit Committee, as necessary, regarding any material cybersecurity incidents, as well as any incidents with lesser impact potential.

The Audit Committee reports to the Board regarding its activities.

Our cybersecurity team has approximately 25 years of combined cybersecurity experience and is responsible for assessing and managing our material risks from cybersecurity threats. The team has primary responsibility for our overall cybersecurity risk management program and incident response plan and supervises both our internal and any external cybersecurity personnel. Our cybersecurity team's experience includes threat detection, risk assessment, incident response, security architecture, compliance with industry standards (e.g., NIST, SOC2), vulnerability management and security operations, among others.

Our cybersecurity team supervises efforts to prevent, detect, mitigate and remediate cybersecurity risks and incidents through various means, including threat intelligence and other information obtained from governmental, public or private sources, including external consultants, and alerts and reports produced by our active cybersecurity tools.

Item 2. Properties

Current Properties

Effective November 1, 2023, we relocated our headquarters to St. Louis (Olivette), Missouri, occupying approximately 49,000 square feet of leased warehouse and office space. In January 2024, the Company entered into an amendment to the lease agreement, expanding the premises by approximately 13,000 square feet. The term of the lease commenced March 1, 2024 and continues through June 1, 2029.

Following the Property Management Acquisitions, in July 2024 we began a month-to-month office lease for our property management team in Boston, Massachusetts.

We believe that our headquarters and current facilities enable better support for our customers and improve operational discipline and efficiency. We believe that suitable additional space will be available to accommodate any expansion of our operations as needed. Other than our St. Louis-based employees and our property management team, our workforce generally operates on a remote basis, which we believe is suitable for the conduct of our business.

Historical Properties

Between November 2023 and January 2025, we leased approximately 2,000 square feet of office space in Los Angeles, California. During 2023, we were also party to a lease for approximately 9,600 square feet of office and warehouse space in Denver, Colorado that expired in November 2024. We ceased using the Denver property in November 2023.

Along with our U.S. facilities, we leased a small office space in Taipei, Taiwan until July 2025. From September 2024 to January 2025, we also leased office space in Argentina. As a result of the HelloTech Merger, we were subject to a month-to-month office lease in Cebu City, Philippines, from July 2024 to September 2025.

Item 3. Legal Proceedings

We are and may become, from time to time, involved in legal actions in the ordinary course of business, including governmental and administrative investigations, inquiries and proceedings concerning employment, labor, environmental and other claims. Although management is unable to predict with certainty the eventual outcome of any legal action, management believes the ultimate liability arising from such actions, individually and in the aggregate, which existed at December 31, 2025, will not materially affect the Company's consolidated results of operations, financial position or cash flows, except as set forth in Note 17. *Commitments and Contingencies*, in Part II, Item 8. "Financial Statements." Given the inherent unpredictability of these types of proceedings, however, it is possible that future adverse outcomes could have a material effect on our financial results.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Prior to the completion of the 2021 Business Combination, the units, common stock and warrants of TSIA traded on Nasdaq under the ticker symbols TSIAU, TSIA and TSIAW, respectively.

Beginning June 7, 2021, Latch common stock and warrants were listed and traded on Nasdaq under the ticker symbols LTCH and LTCHW, respectively. In connection with the delisting of the Company’s securities from Nasdaq, from August 11, 2023 to February 11, 2026, Latch’s common stock and warrants traded on the OTC Expert Market.

Following the Company’s filing of its Quarterly Report on Form 10-Q for the period ended September 30, 2025, Latch’s securities began trading on the OTC Pink - Limited market on February 12, 2026 and the OTCID Market on March 2, 2026.

Any over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions.

Holders

As of March 26, 2026, we had 164,257,801 shares of common stock outstanding held by approximately 400 record holders, excluding stockholders for whom shares are held in “nominee” or “street” name. The actual number of stockholders of our common stock is greater than this number of record holders and includes stockholders who are beneficial owners but whose shares of common stock are held in street name by banks, brokers and other nominees.

Dividend Policy

We have not declared dividends on our common stock to date, and we do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. Any decision to declare and pay dividends in the future will be made at the discretion of our Board and will depend on, among other things, our business prospects, results of operations, financial condition, cash requirements and availability, certain restrictions related to our indebtedness, industry trends and other factors that our Board may deem relevant.

Repurchase of Equity Securities

None.

Recent Sales of Unregistered Equity Securities

None.

Item 6. Reserved

Not applicable.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and the related notes of Latch, Inc. and its subsidiaries included elsewhere in this Form 10-K. Some of the information contained in this discussion and analysis contains forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth in Part I, Item 1A. “Risk Factors,” actual results may differ materially from those anticipated in these forward-looking statements. Unless the context otherwise requires, references in this subsection to “we,” “our,” “Latch,” “DOOR” and the “Company” refer to the business and operations of Latch, Inc. and its consolidated subsidiaries.

For a comparison of our financial condition and results of operations for the years ended December 31, 2024 and December 31, 2023, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2024.

Overview

Latch is a technology company delivering an integrated ecosystem of hardware, software and services designed to enhance operations and experiences within buildings, primarily serving the multifamily rental market. In August 2025, we rebranded as DOOR, although our legal name remains Latch, Inc.

Our core offering is built around the DOOR Platform, which powers and manages our suite of smart access control devices (including locks, readers and intercoms) and smart home devices and integrates with other connected devices within a building.

We provide solutions that streamline building management for property owners and operators, offer modern convenience and security for residents and simplify interactions for visitors and service providers. While our foundation remains smart access control, we are actively expanding the DOOR Platform and our device integrations to encompass broader smart home solutions, managing devices such as sensors, thermostats and lighting. This ongoing expansion leverages our established platform to create more connected and efficient buildings as we lay the groundwork for a building intelligence platform, automating and streamlining building operations, including work order management and automation, property maintenance and unit inspections and repairs.

Our customers, which include real estate developers, builders, owners and property managers in the United States and Canada, typically purchase our hardware devices (directly or indirectly through our channel partner network) and directly license our SaaS platform. Residents interact with the DOOR Platform through the DOOR App. Through the DOOR App, residents access common areas and unlock residential doors, provide guest access, manage smart home devices and book services.

Our professional services offerings are integral to ensuring successful deployment of the DOOR Platform and ongoing support for our customers and their residents. This includes connecting our multifamily property customers with our partners for installation of Latch and third-party smart access and smart home hardware, ensuring that solutions are implemented efficiently and correctly.

Complementing our multifamily installation capabilities, our HelloTech business provides a scalable, nationwide network of skilled independent technicians. HelloTech connects these service providers with residents and property managers seeking a wide range of on-demand technical services, such as TV mounting and smart home device installation and set-up, as well as broader home services, such as furniture assembly and handyman services.

Additionally, we offer a comprehensive property management service in and around Boston, Massachusetts.

We operate in one operating and reporting segment.

Key Business Metrics

We are presenting software revenue (prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”)), total revenue (GAAP), net loss (GAAP) and Adjusted EBITDA (non-GAAP) as key business metrics, as we believe each of those metrics is important in measuring our performance, identifying trends affecting our business, formulating business plans and making strategic decisions that will impact our future operational results.

Our key business metrics are as follows for the periods presented (in thousands):

	Year ended December 31,			
	2025	**2024**	**$ Change**	**% Change**
GAAP Measures:				
Software revenue	$ 22,140	$ 20,255	$ 1,885	9.3%
Total revenue	$ 70,117	$ 56,630	$ 13,487	23.8%
Net loss	$ (53,747)	$ (57,596)	$ 3,849	(6.7%)
Non-GAAP Measure:				
Adjusted EBITDA	$ (27,089)	$ (35,966) [1]	$ 8,877	(24.7%)

(1) The previously reported Adjusted EBITDA of $(40.7) million for the year ended December 31, 2024 has been corrected to $(36.0) million herein to exclude an additional $4.8 million in non-ordinary course legal fees and settlement reserves.

Adjusted EBITDA

To supplement our financial statements presented in accordance with GAAP and to provide investors with additional information regarding our financial results, we have presented in this Form 10-K Adjusted EBITDA, a non-GAAP financial measure. Adjusted EBITDA is not based on any standardized methodology prescribed by GAAP and is not necessarily comparable to similarly titled measures presented by other companies.

We define Adjusted EBITDA as our net loss, excluding the impact of the following items, if applicable: (i) depreciation and amortization expense, (ii) net interest income or expense, (iii) provision for income taxes, (iv) change in fair value of warrant liability, trading securities, or derivative instruments, (v) restructuring costs, (vi) transaction-related costs, (vii) impairment of assets (viii) non-ordinary course legal fees and settlement reserves, (ix) stock-based compensation expense and (x) gain or loss on extinguishment of debt. The most directly comparable GAAP measure is net loss. We believe excluding the impact of these items in calculating Adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core operating performance. We monitor, and have presented in this Form 10-K, Adjusted EBITDA because it is a key measure used by our management and Board to understand and evaluate our operating performance, to establish budgets and to develop operational goals for managing our business. We believe Adjusted EBITDA helps identify underlying trends in our business that could otherwise be masked by the effect of the expenses that we include in net loss. Accordingly, we believe Adjusted EBITDA provides useful information to investors, analysts and others in understanding and evaluating our operating results, enhancing the overall understanding of our past performance.

Adjusted EBITDA is not prepared in accordance with GAAP and should not be considered in isolation of, or as an alternative to, measures prepared in accordance with GAAP. There are a number of limitations related to the use of Adjusted EBITDA rather than net loss, which is the most directly comparable financial measure calculated and presented in accordance with GAAP. In addition, the expenses and other items that we exclude in our calculations of Adjusted EBITDA may differ from the expenses and other items, if any, that other companies may exclude from Adjusted EBITDA when they report their operating results.

In addition, other companies may use other measures to evaluate their performance, all of which could reduce the usefulness of Adjusted EBITDA as a tool for comparison. The following table reconciles Adjusted EBITDA to net loss, the most directly comparable financial measure calculated and presented in accordance with GAAP (in thousands):

	Year ended December 31,	
	2025	**2024**
Net loss	$ (53,747)	$ (57,596)
Depreciation and amortization	5,277	7,202
Interest expense (income), net(1)	1,113	(1,416)
Provision for income taxes	—	2
Change in fair value of warrant liability	(18)	(159)
Restructuring costs(2)	(93)	1,581
Impairment of goodwill(3)	16,600	—
Impairment of intangible assets, net(3)	—	2,849
Non-ordinary course legal fees and settlement reserves(4)	3,228	12,151
Stock-based compensation(5)	551	(580)
Adjusted EBITDA(6)	$ (27,089)	$ (35,966)

(1) As a result of significant discounts provided to our customers on certain long-term software contracts paid in advance, we determined that there is a significant financing component related to the time value of money and have therefore broken out the interest component and recorded it as a component of interest income, net on the accompanying Consolidated Statements of Operations and Comprehensive Loss. Interest income, net includes interest expense associated with the significant financing component of $2.5 million and $3.5 million for the years ended December 31, 2025 and 2024, respectively.

(2) See Note 24. *Restructuring*, in Part II, Item 8. "Financial Statements."

(3) See Note 13. *Goodwill and Intangible Assets, Net*, in Part II, Item 8. "Financial Statements." Prior to 2024, we have not recorded an impairment of goodwill or intangible assets.

(4) The amounts primarily represent legal fees related to stockholder lawsuits and the SEC Investigation. The previously reported amount of $7.4 million for the year ended December 31, 2024 has been corrected to $12.2 million herein to include an additional $4.8 million in non-ordinary course legal fees and settlement reserves, consistent with the current-period presentation. While we are involved in

various litigation and legal disputes in the ordinary course of our business, we believe the non-ordinary course legal fees and settlement reserves included in our calculation of Adjusted EBITDA do not represent normal operating expenses. See Note 17. *Commitments and Contingencies*, in Part II, Item 8. “Financial Statements.” These costs are included within general and administrative on the accompanying Consolidated Statements of Operations and Comprehensive Loss.

(5) See Note 20. *Stock-Based Compensation*, in Part II, Item 8. “Financial Statements.”

(6) The previously reported Adjusted EBITDA of $(40.7) million for the year ended December 31, 2024 has been corrected to $(36.0) million herein to exclude an additional $4.8 million in non-ordinary course legal fees and settlement reserves.

Components of Results of Operations

Revenue

Hardware Revenue. We generate hardware revenue primarily from the sale of our portfolio of devices for our smart access and smart home solutions. We sell hardware to customers, which include real estate developers, builders, building owners and property managers, directly or through our channel partners, who act as intermediaries, installers or wholesalers. We recognize hardware revenue when there is evidence a contract exists and control of the hardware has been transferred to the customer. We provide warranties that our hardware will be substantially free from defects in materials and workmanship, generally for a period of one or two years for electronic components depending on the hardware product, and five years for mechanical components. We determine in our sole discretion whether to replace or refund warrantable devices. We record a reserve as a component of cost of hardware revenue based on historical costs of replacement units for returns of defective products.

Software Revenue. We generate software revenue primarily through the license of our SaaS over our cloud-based platform on a subscription-based arrangement. Subscription fees vary depending on the features selected by customers. SaaS arrangements generally have term lengths between one and ten years. When significant discounts are provided to customers on the longer-term software contracts paid in advance, we determined that there is a significant financing component related to the time value of money and therefore have recorded the interest expense in interest expense, net on the accompanying Consolidated Statements of Operations and Comprehensive Loss. Our SaaS is considered a stand-ready performance obligation where customers benefit from the service evenly throughout the service period. Revenue is recognized ratably over the subscription period beginning when or as control of the promised services is transferred to the customer.

Professional Services Revenue. We generate professional services revenue in three primary ways: (i) by facilitating project-based hardware installation and activation services for enterprise customers, (ii) through fees generated by technology and home services performed for residents and consumers, and (iii) through property management services performed by DPM for our multifamily building customers.

We facilitate hardware installation and activation services to select customers. The revenues associated with these services are recognized over time based on a percentage of installation performed and completed and represent a transfer of services to a customer under contract.

Through our HelloTech platform, a network of independent contractors provides in-home technology services such as installation, repair, troubleshooting and technical support. Orders placed through the HelloTech platform are recognized as revenue as services are completed over time. We also offer a subscription service through the HelloTech platform that includes discounted home services and other technical support such as 24/7 online support, home technology checkups, and antivirus and password manager software support. Subscription revenues are recognized ratably over the subscription period.

DPM’s property management activities include operating DPM customers’ buildings, which involves maintenance and repair, construction management, leasing and administrative services. Property management service revenues are recognized ratably over the service period.

Cost of Revenue

Cost of hardware revenue consists primarily of product costs, including manufacturing costs, duties and other applicable importing costs, shipping and handling costs, packaging costs, warranty costs, assembly costs and warehousing costs, as well as other non-inventoriable costs, including personnel-related expenses associated with supply chain logistics and direct deployment and outsourced labor costs. We expect hardware cost of revenue to move in-line with our hardware revenue. Our hardware costs have been and may continue to be impacted by any supply chain constraints, shipping cost volatility and changes in import tariffs.

Cost of software revenue consists primarily of outsourced hosting costs, other outsourced cloud-based service costs and personnel-related expenses associated with monitoring and managing outsourced hosting service providers.

Cost of professional services revenue consists primarily of (i) third-party installation labor costs and parts and materials associated with deployment of our hardware, (ii) labor costs associated with HelloTech independent technicians and credit card fees, and (iii) costs related to third-party property service providers.

Cost of revenue excludes depreciation and amortization shown in operating expenses.

Operating Expenses

Operating expenses consist of research and development, sales and marketing, general and administrative and depreciation and amortization expenses. We have not granted any RSUs since the suspension of the S-8 Registration Statement on August 10, 2022. However, we expect to resume granting RSUs pursuant to the S-8 Registration Statement after the filing of this Form 10-K. Any such grants will increase stock-based compensation expense.

Research and Development Expenses. Research and development expenses consist primarily of personnel and related expenses for our employees working on our product, design and engineering teams, including salaries, bonuses, benefits, payroll taxes, travel and stock-based compensation. Also included are non-personnel costs such as amounts paid to our third-party contract manufacturers for tooling, engineering and prototype costs of our hardware products, fees paid to third-party consultants, research and development supplies and rent.

Sales and Marketing Expenses. Sales and marketing expenses consist primarily of personnel and related expenses for our employees working on our sales, customer success, deployment and marketing teams, including salaries, bonuses, benefits, payroll taxes, travel, commissions and stock-based compensation. Also included are non-personnel costs such as marketing activities (trade shows and events, conferences and digital advertising), professional fees, rent and customer support.

General and Administrative Expenses. General and administrative expenses consist primarily of personnel and related expenses for our executive, legal, human resources, finance and IT functions, including salaries, bonuses, benefits, payroll taxes, travel and stock-based compensation. Additional expenses included in this category are non-personnel costs such as legal fees, rent, professional fees, audit fees, bad debt expense and insurance costs.

Depreciation and Amortization Expenses. Depreciation and amortization expenses consist primarily of depreciation expenses related to investments in property and equipment and internally-developed capitalized software.

Other (Expense) Income, Net

Other (expense) income, net consists of interest expense associated with the significant financing component of our longer-term software contracts, interest expense associated with our debt financing arrangements, interest income on highly liquid short-term investments, gain or loss on extinguishment of debt and gain or loss on change in fair value of derivative liabilities, warrant liabilities and trading securities.

Interest income, net is summarized as follows:

	Year ended December 31,	
	2025	**2024**
Interest income	$ 1,889	$ 5,892
Interest expense	(3,002)	(4,476)
Interest (expense) income, net	$ (1,113)	$ 1,416

Income Taxes

The provision for income taxes consists primarily of income taxes related to foreign jurisdictions in which we conduct business. We maintain a full valuation allowance on our deferred tax assets as we have concluded that it is more likely than not that the deferred assets will not be utilized.

Results of Operations

The following table and period-to-period comparisons of operating results summarize our Consolidated Statements of Operations and Comprehensive Loss data and are not necessarily indicative of results for future periods.

Comparison of years ended December 31, 2025 and December 31, 2024

	Year ended December 31,			
(in thousands, except share and per share data)	**2025**	**2024**	**$ Change**	**% Change**
Revenue				
Hardware	$ 19,772	$ 18,286	$ 1,486	8.1 %
Software	22,140	20,255	1,885	9.3 %
Professional services	28,205	18,089	10,116	55.9 %
Total revenue	70,117	56,630	13,487	23.8 %
Cost of revenue[1]				
Hardware	19,308	15,270	4,038	26.4 %
Software	2,029	2,013	16	0.8 %
Professional services	21,930	14,353	7,577	52.8 %
Total cost of revenue	43,267	31,636	11,631	36.8 %
Operating expenses				
Research and development	18,338	17,318	1,020	5.9 %
Sales and marketing	15,326	12,568	2,758	21.9 %
General and administrative	24,030	44,471	(20,441)	(46.0)%
Depreciation and amortization	5,277	7,202	(1,925)	(26.7)%
Impairment of goodwill	16,600	—	16,600	N.M.
Impairment of intangible assets, net	—	2,849	(2,849)	N.M.
Total operating expenses	79,571	84,408	(4,837)	(5.7)%
Loss from operations	(52,721)	(59,414)	6,693	(11.3)%
Other (expense) income, net				
Change in fair value of warrant liability	18	159	(141)	(88.7)%
Interest (expense) income, net	(1,113)	1,416	(2,529)	(178.6)%
Other income, net	69	245	(176)	(71.8)%
Total other (expense) income, net	(1,026)	1,820	(2,846)	(156.4)%
Loss before income taxes	(53,747)	(57,594)	3,847	(6.7)%
Provision for income taxes	—	2	(2)	N.M.
Net loss	(53,747)	(57,596)	3,849	(6.7)%
Other comprehensive income (loss)				
Unrealized loss on available-for-sale securities	(12)	(35)	23	(65.7)%
Foreign currency translation adjustment	30	8	22	N.M.
Comprehensive loss	$ (53,729)	$ (57,623)	$ 3,894	(6.8)%
Net loss per common share:				
Basic and diluted net loss per common share	$ (0.34)	$ (0.37)	$ 0.03	(8.1)%
Weighted average shares outstanding:				
Basic and diluted	160,400,816	156,652,301		

(1) Exclusive of depreciation and amortization shown in operating expenses below.
N.M.: Not meaningful

Revenue

Revenue increased by $13.5 million for the for the year ended December 31, 2025 compared to the year ended December 31, 2024. The increase was primarily due to (i) a $10.1 million increase in professional services revenue, driven by (a) a $6.6 million increase attributable to a full year of revenue in 2025 following the 2024 HelloTech Merger, (b) a $2.1 million increase in installation revenue, and (c) a $1.4 million increase in property management revenue, (ii) a $1.5 million increase in hardware revenue resulting from an increase of hardware shipments in 2025 compared to 2024, and (iii) a $1.9 million increase in software revenue due to the continued growth in subscriptions and from the resale of third-party software in connection with HelloTech services.

Cost of Revenue

Cost of revenue increased by $11.6 million for the year ended December 31, 2025 compared to the year ended December 31, 2024. The increase was primarily due to (i) a $7.6 million increase in professional services costs, driven by (a) a full year of costs in 2025 following the 2024 HelloTech Merger, which contributed $5.2 million in costs, (b) $1.6 million increase in installation services cost and (c) $0.8 million increase in property management cost, and (ii) a $4.9 million write-off of prepaid inventory deposits for components associated with non-cancellable purchase commitments to a contract manufacturer. The increases were partially offset by a $0.9 million decrease in hardware costs primarily due to efficiencies in supply chain management and lower unit costs related to prior-year inventory impairments.

Research and Development Expenses

Research and development expenses increased by $1.0 million for the year ended December 31, 2025 compared to the year ended December 31, 2024. The increase was primarily due to (i) a $3.6 million increase in compensation expense resulting from lower capitalization of internally-developed software costs, (ii) a $0.3 million increase in software license cost and (iii) a $0.2 million increase in compensation expense. The increases were partially offset by (i) a $0.9 million decrease in third-party expense associated with overlapping costs related to the transition of engineering contractors beginning in the second half of 2024 through the first half of 2025, (ii) a $0.8 million decrease in RSU expense, (iii) a $0.8 million decrease in severance costs related to restructuring in 2024, and (iv) a $0.6 million decrease in contract manufacturing cost.

Sales and Marketing Expenses

Sales and marketing expenses increased by $2.8 million for the year ended December 31, 2025 compared to the year ended December 31, 2024. The increase was primarily related to HelloTech, including a $2.5 million increase in compensation expense and a $0.7 million increase in digital marketing expense. The increases were partially offset by a $0.3 million decrease in severance costs related to restructuring in 2024.

General and Administrative Expenses

General and administrative expenses decreased by $20.4 million for the year ended December 31, 2025 compared to the year ended December 31, 2024. The decrease was primarily due to (i) a $9.7 million decrease in investigation, legal and settlement fees, (ii) a $4.9 million decrease in audit fees, (iii) a $3.3 million decrease in professional and consulting fees primarily related to accounting services, (iv) a $2.3 million decrease in compensation expense, (v) a $0.8 million decrease in office and rent expense, (vi) a $0.6 million decrease in taxes and license expense related to a sales tax refund in 2025, (vii) a $0.6 million decrease in severance costs related to restructuring in 2024, and (viii) a $0.5 million decrease in travel expense. The decreases were partially offset by a $1.8 million increase in stock compensation expense and $0.6 million increase in bad debt expense.

Depreciation and Amortization Expenses

Depreciation and amortization expenses decreased by $1.9 million for the year ended December 31, 2025 compared to the year ended December 31, 2024. Property and equipment depreciation expense decreased by $0.8 million, amortization expense decreased by $0.7 million in 2025 related to intangible assets, and internal use depreciation decreased by $0.5 million.

Impairment of Goodwill

During the year ended December 31, 2025, we recorded a $16.6 million impairment of goodwill to our reporting unit, reducing the goodwill balance to $13.6 million as of December 31, 2025.

Impairment of Intangibles Assets

During the year ended December 31, 2024, we recorded an impairment of $2.8 million related to the James ride share application.

Total Other (Expense) Income, Net

Total other (expense) income, net decreased by $2.8 million for the year ended December 31, 2025 compared to the year ended December 31, 2024. The decrease was primarily due to a $4.3 million decrease in interest income resulting from lower average principal investment balances, partially offset by a $1.0 million decrease in interest expense related to the significant financing component of longer-term software contracts and a $0.5 million decrease in interest expense related to the payoff of promissory notes in early 2024.

Liquidity and Capital Resources

We have incurred losses since our inception. To date, our principal sources of liquidity have been the net proceeds received as a result of the 2021 Business Combination and payments received from our customers.

As of December 31, 2025 and December 31, 2024, our unrestricted cash and cash equivalents and current and non-current available-for-sale securities were approximately $34.6 million and $75.4 million, respectively. Our available-for-sale securities investment portfolio is primarily invested in highly rated securities, with the primary objective of minimizing the potential risk of principal loss. Our investment policy generally requires securities to be investment grade and limits the amount of credit exposure to any one issuer.

As of December 31, 2025 and December 31, 2024, we also had approximately $27.3 million and $30.5 million in net inventory, respectively.

Our short-term liquidity needs have primarily included working capital for salaries, including sales and marketing and research and development, as well as inventory purchases from our contract manufacturers.

Beginning in the second quarter of 2022 and continuing through the date of this Form 10-K, we have incurred, and may continue to incur, significant professional fees, primarily consisting of legal, forensic accounting, management consulting and related advisory services as a result of the Investigation and the SEC Investigation, as well as accounting related consulting services, independent registered accounting firm fees and advisory services related to the Restatement and comprehensive review of our previously issued financial statements. Additionally, we have incurred significant costs in connection with stockholder lawsuits. See Note 17. *Commitments and Contingencies*, in Part II, Item 8. “Financial Statements.” Such litigation involves significant defense and other costs and, if decided adversely to us or settled, has resulted or could result in significant monetary damages or expenditures. Although we maintain insurance coverage in amounts and with deductibles that we believe are appropriate for our operations, our insurance coverage does not cover all claims that have been or may be brought against us.

Near-Term Liquidity Position

As mentioned in Item 1A. “Risk Factors,” “*The presence of various risks and uncertainties associated with our liquidity position may adversely affect our ability to sustain operations,”* the following risks and uncertainties associated with our liquidity position may adversely affect our ability to sustain our operations as of the Filing Date:

- The continued incurrence of significant expenses related to legal and other professional services in connection with the SEC Investigation and the possibility that the SEC may levy civil penalties or fines;
- Potential expenditures associated with defending, negotiating or resolving the service provider demand described in Note 17. *Commitments and Contingencies*, in Part II, Item 8. “Financial Statements;”
- Unexpected expenditures related to the Derivative Actions;
- The incurrence of significant expenses related to other legal or regulatory proceedings, whether actual or threatened;
- The failure to achieve revenue expectations, including as a result of:
    - Pricing compression for our products;
    - Market adoption of the DOOR application;
    - The success of the HelloTech business;
    - The impact of elevated interest rates on potential customers, who may eliminate or delay expenditures for the products or services we offer; and

    - Market perception of our offerings;
- Costs of revenue and operating expenses exceeding expectations;
- The failure to maintain the liquidity ratio required by the Loan Agreement;
- The inability to fully leverage prepaid inventory; or
- The catastrophic loss of inventory due to theft, natural disaster or otherwise.

Due to the risks and uncertainties described above, we continue to monitor our liquidity position. We recognize the challenge of maintaining sufficient liquidity to sustain our operations and remain in compliance with the liquidity ratio required by the Loan Agreement. However, notwithstanding our liquidity position as of the Filing Date, and while it is difficult to predict our future liquidity requirements with certainty, we expect to be able to use our current cash and cash equivalents and available-for-sale securities to fund our operational cash requirements for at least 12 months beyond the Filing Date. Other significant factors that affect our overall management of liquidity include certain actions controlled by management, such as capital expenditures and acquisitions. See Note 15. *Leases*, Note 16. *Debt* and Note 17. *Commitments and Contingencies*, in Part II, Item 8. "Financial Statements."

In response to the risks and uncertainties described above, we may attempt to secure additional outside capital. However, we can provide no assurance we will be able to secure any outside capital in the future at all, or on terms that are acceptable. Additionally, our securities are currently traded on the OTCID Market. Because of applicable restrictions, there is a minimal public market for our securities, and our ability to raise additional capital may be impaired because of the less liquid nature of the over-the-counter markets. We plan to continue to closely monitor our cash flow forecast and, if necessary, may implement certain incremental cost savings measures to preserve liquidity.

Commitments and Contractual Obligations

We are obligated to make payments as part of certain contracts that we have entered into during the normal course of business. Following the Property Management Acquisitions, in February 2024 we entered into a three-year advisory agreement with a partner pursuant to which the partner provides DPM with certain management and advisory services related to DPM's property management business. Pursuant to such agreement, we are required to pay the partner $0.5 million annually. As of December 31, 2025, we had a remaining obligation of $0.6 million under the advisory agreement.

Indebtedness

Promissory Notes

In connection with the July 2023 acquisition of Honest Day's Work, Inc. ("HDW"), in July 2023 we issued to HDW's stockholders as merger consideration $22.0 million aggregate principal amount of unsecured promissory notes (the "Promissory Notes"). The Promissory Notes accrued paid-in-kind interest at a rate of 10% per annum and were scheduled to mature on July 3, 2025, unless earlier accelerated in connection with an event of default (including certain events of delisting from Nasdaq) or change of control. On April 26, 2024, we repaid the Promissory Notes in full without penalty. We paid an aggregate of $23.9 million in principal and accrued interest to the holders of the Promissory Notes.

Term Loan with Customers Bank

On July 15, 2024, we entered into the Loan Agreement with Customers Bank. Pursuant to the Loan Agreement, Customers Bank issued the Loan, which is a term loan in the principal amount of $6.0 million. The Loan Agreement, which was entered into in connection with the HelloTech Merger, did not result in our receipt of any loan proceeds. Interest is payable on the Loan at a rate equal to the greater of (a) the prime rate published in The Wall Street Journal or (b) 6.0%, and the maturity date is July 15, 2029 (the "Maturity Date").

Payments under the Loan were interest-only through January 15, 2025. Thereafter, we are required to pay equal monthly installments of principal plus accrued interest until the Maturity Date. There is no penalty for prepayment of the Loan.

Pursuant to the Loan Agreement, Customers Bank was granted security interests in substantially all of our assets, excluding intellectual property, and the Loan Agreement contains customary affirmative and negative covenants.

HelloTech is required to maintain an operating account with Customers Bank with a sufficient balance to support monthly payments. Additionally, we are required to maintain a liquidity ratio of at least 4.00, tested monthly, which is calculated as the quotient of our unrestricted cash and cash equivalents (subject to certain limitations with respect to cash of foreign subsidiaries), divided by all outstanding indebtedness owed to Customers Bank.

The Loan Agreement contains various covenants that, among other things, limit our ability to:

- engage in certain asset dispositions;
- permit a change in control;
- merge or consolidate;
- incur indebtedness or grant liens on our assets;
- declare or pay dividends, distributions or redemptions;
- make loans or investments; and
- engage in certain transactions with affiliates.

If an event of default exists under the Loan Agreement, Customers Bank will be able to accelerate the maturity of the Loan and exercise other rights and remedies. Events of default include, but are not limited to, the following events:

- failure to pay any principal or interest within three business days of the due date;
- failure to perform or otherwise comply with the covenants and obligations in the Loan Agreement, subject, in certain instances, to certain grace periods;
- bankruptcy or insolvency events, or
- the rendering of judgments that remain undischarged, unvacated, unbonded, unsatisfied or unstayed for a certain period.

As of December 31, 2025 and December 31, 2024, the outstanding principal of the Loan was $4.8 million and $6.0 million, respectively. We were in compliance with the covenants under the Loan Agreement as of December 31, 2025 and December 31, 2024.

On July 15, 2024, in a private placement concurrent with the Loan Agreement, we issued a warrant to Customers Bank to purchase 1,000,000 shares of our common stock. The Bank Warrant has an exercise price of $1.25 per share, was exercisable upon issuance and will expire six years from the date of issuance, or July 15, 2030.

Cash Flows

The following table sets forth a summary of our cash flows for the years ended December 31, 2025 and 2024 (in thousands):

	Year ended December 31,	
	2025	**2024**
Net cash used in operating activities	$ (35,893)	$ (75,406)
Net cash provided by investing activities	1,686	72,886
Net cash used in financing activities	(1,223)	(22,000)
Effect of exchange rates on cash	(153)	48
Net change in cash and cash equivalents	$ (35,583)	$ (24,472)

Operating Activities. Net cash used in operating activities for the year ended December 31, 2025 decreased by $39.5 million compared to the year ended December 31, 2024. The decrease was primarily attributable to a $19.5 million reduction in net loss adjusted for non-cash items, a $19.3 million decrease in cash outflows resulting from the settlement in 2024 of an investment payable outstanding at December 31, 2023, and a $12.8 million decrease in inventory purchases. These favorable changes were partially offset by $7.2 million increase of cash payments related to accrued litigation settlements and $3.4 million of payments for audit services, and a $1.4 million unfavorable change in working capital primarily related to accounts payable, accounts receivable and other current liabilities. Management continues to focus on cost discipline, inventory management and liquidity preservation as it seeks to reduce operating cash usage.

Investing Activities. Net cash provided by investing activities decreased by $71.2 million for the year ended December 31, 2025 compared to the year ended December 31, 2024. Cash flows from investing activities primarily consist of the net purchases and sales of available-for-sale securities. The decrease was primarily attributable to the use of investment proceeds to fund operating losses, with the remaining proceeds reinvested in shorter-term securities classified as cash equivalents to maintain liquidity and preserve capital.

Financing Activities. For the year ended December 31, 2025, net cash used in financing activities decreased by $20.8 million compared to the year ended December 31, 2024. The decrease represents the difference between the $22.0 million repayment of the Promissory Notes in 2024 and the $1.2 million of debt servicing related to the Loan during the year ended December 31, 2025.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of December 31, 2025 or 2024 that had, or were reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that would be material to investors.

Critical Accounting Estimates

Our consolidated financial statements, which include estimates, have been prepared in accordance with GAAP. Our critical accounting estimates are those estimates made in accordance with GAAP that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our consolidated financial condition or results of operations. In making these determinations, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. It is reasonably likely that changes in these estimates could occur from period to period and result in a material impact on our consolidated financial statements. A summary of each of these critical accounting estimates follows.

Stock-Based Compensation

We record stock-based compensation expense related to stock options based upon the award's grant date fair value. We estimate the fair value of stock options using the Black-Scholes-Merton or Monte Carlo option-pricing model depending on the terms of the award. Both option-pricing models require estimates of highly subjective assumptions, which affect the fair value of each stock option.

The risk-free interest rate assumption is based upon observed interest rates for constant maturity U.S. Treasury securities consistent with the expected term of our stock options.

When using the Black-Scholes options pricing model, the expected term of stock options represents the period of time the stock options are expected to be outstanding based on the "simplified method." Under the "simplified method," the expected term of an option is presumed to be the mid-point between the vesting date and the end of the contractual term. We use the "simplified method" due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected term of the stock options.

Since we have minimal trading history of our common stock, the expected stock price volatility was derived from the average historical stock volatility of several unrelated public companies within our industry that we consider to be comparable to our business over a period equivalent to the expected term of the awards.

The assumptions used in calculating the fair values of stock option grants represent management's best estimates, but these estimates involve inherent uncertainties and the application of judgment. If material changes in these assumptions occur, they could have a material impact on our stock-based compensation expense.

Inventory Valuation

We regularly monitor inventory quantities on hand and in transit and reserve for excess and obsolete inventories using estimates based on historical and projected sales trends, specific categories of inventory and age of inventory. If actual conditions or product demands are less favorable than our assumptions, additional inventory reserves may be required.

Net inventories not expected to be sold according to a one year forecasted sales projection are classified as other non-current assets on the accompanying Consolidated Balance Sheets. Inventory on hand that exceeds a three year forecasted sales projection is recorded as an excess and obsolete inventory reserve. This reserve is comprised of inventory greater than can be used to meet future needs (excess) or for which the product is outdated or otherwise not expected to be sold (obsolete).

We also review our inventory to ensure that its carrying value does not exceed its net realizable value ("NRV"), with NRV based on the estimated selling price of inventory in the ordinary course of business, less estimated costs of completion, disposal and transportation. Each of these estimates requires management to make subjective and complex judgments. When our expectations indicate that the carrying value of inventory exceeds its NRV, we estimate the amount by which carrying value exceeds NRV and record additional cost of revenue for the difference. Should our estimates used in these calculations, such as sales forecasts, estimated selling prices or disposal costs, change, additional write-downs may occur.

Goodwill

Goodwill is tested for impairment annually as of December 31, or more frequently whenever events or circumstances make it more likely than not that an impairment may have occurred. The impairment test requires management to estimate the fair value of the Company's single reporting unit and compare it to its carrying value.

To determine the fair value of the Company's reporting unit, the estimated fair value is calculated as the Company's business enterprise value ("BEV"), plus (i) cash and marketable securities, less (ii) debt, plus (iii) non-operating assets, net. Quoted market prices in active markets are typically the best evidence of fair value and should be used as the basis for the measurement, if available. However, due to the limited trading activity and price volatility of the Company's common stock, which was trading on the OTC Expert Market as of the valuation date, together with the Company's non-current filing status, management determined that trading prices did not represent a reliable indicator of fair value. Accordingly, the Company, together with a third-party valuation specialist, concluded that the income valuation approach using a discounted cash flow ("DCF") methodology was the appropriate valuation technique. The DCF analysis estimates business enterprise value ("BEV") based on projected future cash flows and an appropriate discount rate.

This DCF analysis requires significant judgment and assumptions, including with respect to projected revenue growth, operating margins, working capital requirements, terminal growth rate and discount rate. Small changes in these assumptions could materially affect the estimated fair value of the reporting unit and could result in additional impairment charges in future periods. We believe the assumptions and estimates used in the DCF analysis were reasonable and appropriate based on information known or knowable as of the valuation date.

For the year ended December 31, 2025, the Company performed the DCF analysis with the assistance of a third-party valuation specialist. The DCF analysis resulted in an estimated BEV of approximately $28.3 million. After adjusting for cash and cash equivalents of approximately $34.6 million and debt of approximately $4.8 million, the estimated fair value of the reporting unit was approximately $58.1 million.

Although projected operating cash flows supported a positive BEV, the estimated fair value as of December 31, 2025 declined compared to the prior year due to updated operating assumptions reflecting the Company's 2025 performance and market conditions. In addition, total cash and cash equivalents declined significantly during the year, decreasing from $75.4 million at December 31, 2024 to $34.6 million at December 31, 2025. Because estimated fair value is determined by adjusting BEV for net cash, the decline in BEV combined with the materially reduced cash balance resulted in an estimated fair value below the Company's carrying value of approximately $74.7 million As a result, the Company recorded a goodwill impairment charge of $16.6 million for the year ended December 31, 2025. At December 31, 2025, the balance of goodwill of $13.6 million remains recorded in the accompanying Consolidated Balance Sheet.

In the 2024 annual impairment test, estimated fair value exceeded the carrying value by approximately $24.5 million, or 22.1%, and therefore no impairment was recorded. The 2024 conclusion was supported by a higher net cash position and higher cash flows projections based on information available at the time.

We believe a market participant would consider our net cash position (cash less debt) as relevant in evaluating our BEV calculation. BEV was reasonably in line with our net cash position as of December 31, 2025, which corroborates our estimated fair value.

We also evaluated the assumptions used in our DCF calculation with the assistance of an independent third-party valuation specialist. We compared key operating metrics used in the DCF model to observable data from guideline public companies ("GPCs"). While EBITDA margins used in the calculation reflect improvement over prior years, the projected terminal EBITDA margin used in the model reflects profitability assumptions below those implied by GPCs, indicating that the model incorporates conservative operating margin expectations. Additionally, projected capital expenditures used in the DCF model were consistent with the Company's historical levels and are within a reasonable range relative to the GPCs.

Based on this comparative analysis, management concluded that the operating assumptions used in the DCF valuation model were reasonable and not more optimistic than those implied by GPCs, supporting the estimated fair value of the reporting unit.

Business Combinations

We account for business combinations using the acquisition method of accounting, in which the purchase price is allocated to the assets acquired and liabilities assumed and recorded at their estimated fair values at the date of acquisition. Management is required to make significant assumptions and estimates in determining the fair value of the assets acquired, particularly the intangible assets. Purchased intangible assets are primarily comprised of acquired trade names and customer relationships that are recorded at fair value at the date of acquisition. We utilize third-party valuation specialists to assist us in the determination of the fair value of the intangibles. The fair value of acquired trade names is determined using the relief-from-royalty method, which relies on the use of estimates and assumptions about projected revenue growth rates, royalty rates and discount rates. The fair value of customer relationships is determined using the multi-period excess earnings method, which relies on the use of estimates and assumptions about projected revenue growth rates, customer attrition rates, profit margins and discount rates. Intangible assets are recorded at their estimated fair value at the date of acquisition and are amortized over their estimated useful lives using the straight-line method. Determining the useful lives of intangible assets also requires management to make various assumptions and is inherently uncertain. There is a measurement period of up to one year in which to finalize the fair value determinations, and preliminary fair value estimates may be revised if new information is obtained during this period.

Litigation

We are subject to various legal proceedings, investigations and claims. We routinely assess the likelihood of any adverse judgments or outcomes of these matters, as well as ranges of probable losses. A determination of the amount of the accruals required, if any, for these contingencies is made after analysis of each known issue. The analysis, which involves the advice of counsel, includes consideration of various factors such as the amount and timing of any potential exposure, interpretations of applicable laws, regulations or contractual terms, the likelihood or status of proceedings, the merits of the arguments, negotiations or discussions with the applicable counterparties and results of similar fact patterns experienced by us or third parties. Accruals are subject to change based upon changes in the above factors. Certain of the accrued expenses on the accompanying Consolidated Balance Sheet as of December 31, 2025 associated with the Derivative Actions are based upon a settlement amount agreed to between the applicable parties that remains subject to court approval. However, in the event court approval does not occur, the expense amount is subject to change.

Recent Accounting Pronouncements

See Note 25. *Recently Issued Accounting Standards*, in Part II, Item 8. “Financial Statements” for information about recent accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, as defined in Rule 12b-2 of the Exchange Act, we are not required to provide the information required by this Item.

Item 8. Financial Statements and Supplementary Data.

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Board of Directors
Latch, Inc.
Olivette, Missouri

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Latch, Inc. (the "Company") as of December 31, 2025 and 2024, the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for the years then ended (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended**,** in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Transactions

As disclosed in Note 2 and Note 5 to the consolidated financial statements, the Company's total revenue was $70.12 million for the year ended December 31, 2025. The Company recognizes revenue (i) at a point in time upon transfer of control for hardware sales, (ii) over the term of the subscription period beginning when control of the promised service is transferred to the customer for software sales, and (iii) over the period services are provided for professional services.

We identified the auditing of the accuracy and existence of hardware, software and professional services revenue transactions as a critical audit matter. Auditing the accuracy and existence of each revenue stream was especially challenging due to the audit effort in performing procedures related to testing the accuracy and existence of the hardware, software and professional services revenue transactions given the significance of net revenue and the large volume of transactions.

The primary procedures we performed to address this critical audit matter included:

- Evaluating the accuracy and existence of revenue transactions, on a sample basis, by obtaining and inspecting customer contracts and comparing to supporting documentation to assess the appropriateness of the transactions.
- Confirming directly with customers, on a sample basis, pricing, terms and delivery of software and professional services contracts and performing alternative procedures for confirmations not received.
- Recalculating sales prices on a sample basis based on the terms and conditions of underlying contracts.

Annual Goodwill Impairment Testing

As disclosed in Note 2 to the consolidated financial statements, goodwill is assessed for impairment annually, or more frequently if indicators arise. The Company's quantitative evaluation of goodwill for impairment involves the comparison of the fair value of the reporting unit to its carrying value. Fair value was calculated as the Company's business enterprise value ("BEV"), plus (i) cash and marketable securities, less (ii) debt, plus (iii) non-operating assets, net. The Company used the income approach to develop and calculate the BEV.

We identified certain assumptions used in determining the fair value of the Company's BEV for the quantitative impairment test as a critical audit matter. The principal consideration for our determination is the significant judgment used to evaluate certain assumptions, specifically (i) projected operating expenses for a certain year and (ii) selected discount rate. Auditing these assumptions involved especially challenging auditor judgment and effort, including the extent of specialized skills and knowledge required.

The primary procedures we performed to address this critical audit matter included:

- Evaluating management's estimate of projected operating expenses for a certain year utilizing assumptions based on the Company's historical results and their planned course of action.
- Utilizing personnel with specialized knowledge and skill with valuation to assist in evaluating the reasonableness of the selected discount rate.

We have served as the Company's auditor since 2025.

/s/ BDO USA, P.C.

St. Louis, MO
March 31, 2026

Latch, Inc. and Subsidiaries
Consolidated Balance Sheets
(in thousands, except share amounts)

	December 31, 2025	December 31, 2024
Assets		
Current assets		
Cash and cash equivalents	$ 34,620	$ 70,203
Available-for-sale securities	—	5,187
Accounts receivable, net	7,960	9,864
Inventories, net current	15,258	14,376
Prepaid expenses and other current assets	7,098	30,523
Total current assets	64,936	130,153
Property and equipment, net	835	1,073
Internally-developed software, net	8,382	10,748
Inventories, net non-current	12,080	16,082
Goodwill	13,605	30,205
Intangible assets, net	2,297	2,584
Other non-current assets	4,667	5,579
Total assets	$ 106,802	$ 196,424
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 4,447	$ 7,821
Current portion of long-term debt	1,314	1,314
Accrued expenses	10,458	35,066
Deferred revenue, current	11,237	11,900
Other current liabilities	790	1,092
Total current liabilities	28,246	57,193
Deferred revenue, non-current	15,138	21,282
Long-term debt	3,330	4,515
Other non-current liabilities	2,077	2,251
Total liabilities	48,791	85,241
Commitments and contingencies (see Note 17)		
Stockholders' equity		
Common stock, $0.0001 par value, 1,000,000,000 shares authorized, and 163,519,801 and 164,087,277 shares issued and outstanding as of December 31, 2025 and 2024, respectively(1)	19	19
Treasury stock	(1)	(1)
Additional paid-in capital	770,423	769,866
Accumulated other comprehensive income	39	21
Accumulated deficit	(712,469)	(658,722)
Total stockholders' equity	58,011	111,183
Total liabilities and stockholders' equity	$ 106,802	$ 196,424

(1) Shares issued and outstanding as of December 31, 2025 and December 31, 2024 exclude 738,000 shares subject to vesting requirements held by TS Innovation Acquisitions Sponsor, L.L.C. (the "Sponsor") related to the 2021 business combination (the "Sponsor Shares").

See accompanying notes to the consolidated financial statements.

Latch, Inc. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except share and per share amounts)

	Year ended December 31, 2025	Year ended December 31, 2024
Revenue		
Hardware	$ 19,772	$ 18,286
Software	22,140	20,255
Professional services	28,205	18,089
Total revenue	70,117	56,630
Cost of revenue[1]		
Hardware	19,308	15,270
Software	2,029	2,013
Professional services	21,930	14,353
Total cost of revenue	43,267	31,636
Operating expenses		
Research and development	18,338	17,318
Sales and marketing	15,326	12,568
General and administrative	24,030	44,471
Depreciation and amortization	5,277	7,202
Impairment of goodwill	16,600	—
Impairment of intangible assets, net	—	2,849
Total operating expenses	79,571	84,408
Loss from operations	(52,721)	(59,414)
Other (expense) income, net		
Change in fair value of warrant liability	18	159
Interest (expense) income, net	(1,113)	1,416
Other income, net	69	245
Total other (expense) income, net	(1,026)	1,820
Loss before income taxes	(53,747)	(57,594)
Provision for income taxes	—	2
Net loss	$ (53,747)	$ (57,596)
Other comprehensive income (loss)		
Unrealized loss on available-for-sale securities	(12)	(35)
Foreign currency translation adjustment	30	8
Comprehensive loss	$ (53,729)	$ (57,623)
Net loss per common share:		
Basic and diluted net loss per common share	$ (0.34)	$ (0.37)
Weighted average shares outstanding:		
Basic and diluted	160,400,816	156,652,301

(1) Exclusive of depreciation and amortization shown in operating expenses.

See accompanying notes to the consolidated financial statements.

Latch, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(in thousands)

	Common Stock[(1)]		Additional Paid-in Capital	Treasury Stock Amount	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount					
January 1, 2024	175,462	$ 19	$ 770,196	$ —	$ 48	$ (601,126)	$ 169,137
Issuance of common stock upon settlement of restricted stock	5,655	—	—	—	—	—	—
Tax withholdings on settlement of equity awards	(1,770)	—	—	—	—	—	—
Repurchase or restricted common stock	(15,260)	—	1	(1)	—	—	—
Foreign translation adjustment	—	—	—	—	8	—	8
Stock-based compensation	—	—	(331)	—	—	—	(331)
Unrealized loss on available-for-sale securities	—	—	—	—	(35)	—	(35)
Net loss	—	—	—	—	—	(57,596)	(57,596)
December 31, 2024	164,087	19	769,866	(1)	21	(658,722)	111,183
Foreign translation adjustment	—	—	—	—	30	—	30
Stock-based compensation	—	—	557	—	—	—	557
Unrealized loss on available-for-sale securities	—	—	—	—	(12)	—	(12)
Net loss	—	—	—	—	—	(53,747)	(53,747)
December 31, 2025	164,087	$ 19	$ 770,423	$ (1)	$ 39	$ (712,469)	$ 58,011

(1) Shares issued and outstanding exclude 738,000 Sponsor Shares subject to vesting requirements.

See accompanying notes to the consolidated financial statements.

Latch, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)

	Year ended December 31, 2025	Year ended December 31, 2024
Operating activities		
Net loss	$ (53,747)	$ (57,596)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	5,277	7,202
Non-cash interest income	(161)	(1,196)
Change in fair value of warrant liability	(18)	(159)
Realized loss on available-for-sale securities	—	1
Change in unrealized (income) loss on marketable securities	(9)	91
Impairment of goodwill	16,600	—
Impairment loss on intangible assets	—	2,849
Loss on disposal of fixed assets and impairment of capitalized software	1,224	189
Provision for expected credit losses, net of recoveries	359	(144)
Provision for credit losses on contract assets	(14)	(134)
Stock-based compensation expense	551	(580)
Changes in assets and liabilities (excluding effects of acquisitions)		
Accounts receivable	1,545	(2,346)
Inventories, net	3,120	(3,756)
Prepaid expenses and other current assets	23,446	4,717
Other non-current assets	1,131	685
Accounts payable	(3,374)	3,647
Accrued expenses	(24,596)	(20,342)
Other current liabilities	(302)	(1,841)
Other non-current liabilities	(118)	43
Deferred revenue	(6,807)	(6,736)
Net cash used in operating activities	(35,893)	(75,406)
Investing activities		
Purchase of available-for-sale securities	(6,656)	(20,293)
Proceeds from sales and maturities of available-for-sale securities	12,001	101,036
Business acquisitions, net of cash acquired	—	(950)
Purchase of property and equipment	(79)	(766)
Proceeds from sale of fixed assets	28	—
Capitalized internally-developed software	(3,608)	(6,141)
Net cash provided by investing activities	1,686	72,886
Financing activities		
Repayment of term loan	(1,223)	—
Repayment of unsecured promissory notes	—	(22,000)
Net cash used in financing activities	(1,223)	(22,000)
Effect of exchange rates on cash	(153)	48
Net change in cash and cash equivalents	(35,583)	(24,472)
Cash and cash equivalents		
Beginning of year	70,203	94,675
End of year	$ 34,620	$ 70,203
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Interest	$ 472	$ 2,099
Income taxes	$ (8)	$ 4
Supplemental disclosure of non-cash investing and financing activities		
Capitalization of stock-based compensation to internally-developed software	$ 6	$ 249
Net assets acquired as part of business acquisitions	$ —	$ 2,067
Debt assumed/issued as part of business acquisitions	$ —	$ 6,000

See accompanying notes to the consolidated financial statements.

1. DESCRIPTION OF BUSINESS

Latch, Inc. (collectively with its subsidiaries, the "Company") is a technology company delivering an integrated ecosystem of hardware, software and services designed to enhance operations and experiences within buildings, primarily serving the multifamily rental market.

On June 4, 2021, the Company consummated a merger by and among the Company (formerly known as TS Innovation Acquisitions Corp. ("TSIA")), Latch Systems, Inc. ("Legacy Latch") and Lionet Merger Sub Inc., a wholly-owned subsidiary of TSIA ("Merger Sub"), pursuant to which Merger Sub merged with and into Legacy Latch, with Legacy Latch becoming a wholly-owned subsidiary of the Company (the "2021 Business Combination"). In connection with the 2021 Business Combination, the Company changed its name from TS Innovation Acquisitions Corp. to Latch, Inc.

In July 2023, the Company completed its acquisition of Honest Day's Work, Inc. ("HDW") in order to acquire HDW's technology assets to accelerate the development of the Company's platform, enable the Company to offer resident services and incorporate HDW's team members (the "HDW Acquisition"). In connection with the HDW Acquisition, the Company formed two subsidiaries, one of which was the surviving entity of the HDW Acquisition and was renamed Honest Day's Work, LLC.

In January 2024, in connection with the acquisition of a property management business, the Company formed Door Property Management, LLC ("DPM"). In June 2024, the Company formed a subsidiary into which HelloTech, Inc. ("HelloTech") merged as the surviving entity (the "HelloTech Merger"). HelloTech is a service platform delivering on-demand, last-mile installation, setup and connected device support. The HelloTech platform, in combination with the technology Latch acquired in the HDW Acquisition, supports the Company's professional services offering.

In August 2025, the Company rebranded as DOOR, although its legal name remains Latch, Inc. In connection with the rebrand to DOOR, Latch Systems, Inc., the Company's primary operating entity and a wholly-owned subsidiary, changed its name to DOOR Systems, Inc. ("Legacy Latch" or "DOOR Systems," as the context requires). The Company, referred to herein interchangeably as "Latch" or "DOOR," operates as one reportable segment and derives revenues primarily from operations in North America.

Investigation and Restatement

During the quarter ended June 30, 2022, the audit committee of the Company's board of directors (the "Board") commenced an investigation (the "Investigation") of certain of the Company's key performance indicators and revenue recognition practices, including the accounting treatment, financial reporting and internal controls related thereto. Following the Investigation, the Company completed a comprehensive review of its previously issued financial statements (the "Financial Statement Review"). The Company identified errors related to, among other items: (i) revenue recognition on hardware and software sales, (ii) revenue recognition and billing on software licenses, (iii) recognition of various expenses, and (iv) errors in certain key performance indicators, including "bookings" and related metrics. As a result of the Investigation and Financial Statement Review, the Company restated certain of its financial statements (the "Restatement") in its Annual Report on Form 10-K for the year ended December 31, 2022 (the "2022 Annual Report").

Liquidity Position

The Company has incurred losses since the Company's inception. Prior to the closing of the 2021 Business Combination, the Company's operations were financed primarily through net proceeds from the issuance of the Company's redeemable convertible preferred stock and convertible notes, as well as borrowings under the Company's term loan. The Company received approximately $450.0 million in cash proceeds, net of fees and expenses funded in connection with the 2021 Business Combination, which included approximately $192.6 million from the sale of approximately 19.3 million newly-issued shares of common stock in connection with the 2021 Business Combination.

As of December 31, 2025 and 2024, the Company's unrestricted cash and cash equivalents and available-for-sale securities were approximately $34.6 million and $75.4 million, respectively. The Company's available-for-sale securities investment portfolio is primarily invested in highly rated securities, with the primary objective of minimizing the potential risk of principal loss.

Historically, the Company's short-term liquidity needs have primarily included working capital for salaries, including sales and marketing and research and development, as well as component inventory purchases from the Company's contract manufacturers. Beginning in the second quarter of 2022 and continuing through 2026, the Company has incurred, and may continue to incur, significant professional fees, primarily consisting of legal, forensic accounting, management consulting and related advisory services as a result of the Investigation and the SEC Investigation (as defined below), as well as accounting related consulting services, independent registered accounting firm fees and advisory services related to the Restatement and the Financial Statement Review. Additionally, the Company has incurred significant costs in connection with various pending litigation. Such litigation involves significant defense and other costs and, if decided adversely to the Company or settled, has resulted or could result in significant monetary damages or expenditures. Although the Company maintains insurance coverage in amounts and with deductibles that it believes are appropriate for its operations, its insurance coverage does not cover all claims that have been or may be brought against it.

In light of the Company's liquidity position described above, the Company may attempt to secure additional outside capital. However, the Company can provide no assurance it will be able to secure any outside capital in the future at all, or on terms that are acceptable to the Company. Additionally, the Company's securities are currently traded on the OTC Markets Group Inc.'s ("OTC") OTCID Basic Market (the "OTCID Market"). Because of applicable restrictions, there is a minimal public market for the Company's securities, and the Company's ability to raise additional capital may be impaired because of the less liquid nature of the over-the-counter markets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP").

Principles of Consolidation

The consolidated financial statements include the accounts of Latch, Inc. and its wholly-owned subsidiaries. All intercompany transactions have been eliminated in consolidation. Certain prior period amounts have been reclassified for consistency with the current period presentation. These reclassifications would not have a material effect on the reported financial results.

Use of Estimates

The preparation of consolidated financial statements in accordance with 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 consolidated financial statements and the reported amounts of income and expense during the reporting period. Significant estimates are used when accounting for stock-based compensation, inventory valuation, goodwill and intangible asset impairments, business combinations and litigation. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments when facts and circumstances dictate. These estimates are based on information available as of the date of the consolidated financial statements; actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. Cash and cash equivalents are recorded at cost, which approximates fair value. As of December 31, 2025 and 2024, cash consisted primarily of funds held in the Company's checking accounts, money market funds and commercial paper. The Company considers these money market funds and commercial paper to be Level 1 or Level 2 financial instruments based on availability of quoted prices.

In addition, the Company's cash and cash equivalents are maintained at financial institutions in amounts that exceed federally insured limits. To date, the Company has not recognized any losses caused by uninsured balances.

Marketable Securities

The Company's investments in marketable securities are classified and accounted for as available-for-sale and consist of high quality asset-backed securities, commercial paper, corporate bonds and U.S. Government debt securities. The Company's marketable securities with remaining effective maturities of 12 months or less from the balance sheet date are classified as current; otherwise, they are classified as non-current on the accompanying Consolidated Balance Sheets. Commercial paper and corporate bonds and U.S. Government debt securities are classified as current assets while asset-backed securities are classified as non-current assets. Unrealized gains and losses on marketable securities classified as available-for-sale are recognized in other comprehensive income (loss). The Company periodically evaluates its investments to determine if impairment charges are required.

Accounts Receivable, Net and Contract Balances

The Company classifies its right to consideration in exchange for deliverables as either a receivable or a contract asset.

Accounts Receivable, Net

A receivable is a right to consideration that is unconditional. The Company recognizes accounts receivable when the right to consideration is unconditional, such that only the passage of time is required before payment is due. The Company extends credit based on an evaluation of a customer's financial condition and, generally, collateral is not required. Accounts outstanding longer than the contractual payment terms are considered past due. The fair value of accounts receivable approximates book value due to the short-term nature of the payment terms. Accounts receivable are stated at net realizable value, which represents the face value of the receivable less (i) an allowance for expected credit losses and (ii) a reserve for returns (see "—Revenue Recognition").

The Company recognizes an accounts receivable allowance based on estimates of expected credit losses. The Company estimates the total expected credit loss over the lifetime of the receivables using historical loss data and by applying a loss-rate method using relevant available information from internal and external sources, including historical write-off activity, current conditions and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for changes in economic conditions. When certain amounts are deemed uncollectible, those balances are reserved in full.

The allowance for expected credit losses is measured on a pooled basis when similar risk characteristics exist. When assessing whether to measure certain financial assets on a pooled basis, the Company considers various risk characteristics, including the financial asset type, size and historical or expected credit loss pattern. The Company has considered customer identity, customer type and product lines and determined that further segmentation of the accounts receivable would not yield a materially different credit loss allowance. The Company only segments its receivables based on the age of the outstanding balance.

Contract Balances

The Company enters into contracts with its customers, which may give rise to contract assets (unbilled receivables) and contract liabilities (deferred revenue) due to timing differences between revenue recognition and billing.

Contract assets (unbilled receivables) represent amounts for which the Company has recognized revenue for contracts that have not yet been invoiced to customers where there is a remaining performance obligation. For hardware contracts, customers are billed after shipment of the hardware, with payment typically due within 45 days of the receipt of the invoice. For software contracts, customers are typically billed in advance of services on either an annual or monthly basis over the contract term. Payment is due within 30 days of the receipt of the invoice. For installation contracts, customers are billed after the service has been performed, with payment typically due within 30 days of the receipt of the invoice.

Unbilled receivables are recognized when the Company (i) provisions software access, (ii) provides services or (iii) ships hardware, in each case in advance of billing. The Company estimates and recognizes its expected credit losses on unbilled receivables. The Company presents its contract assets (unbilled receivables) net of any expected credit losses within prepaid expenses and other current assets on the accompanying Consolidated Balance Sheets.

The Company records contract liabilities (deferred revenue) when the Company bills customers in advance of the performance obligations being satisfied, which is generally the case for the Company's software contracts.

Inventories, Net

Inventories, net consist of raw materials and finished goods and are stated at the lower of cost or net realizable value with cost being determined using the average cost method. Finished goods are purchased from contract manufacturers and component suppliers.

The Company periodically assesses the valuation of inventory and writes down the value for estimated excess and obsolete inventory to their net realizable value based upon estimates of future demand and market conditions, when necessary. Net inventories in excess of one year of historical sales are classified as other non-current assets on the accompanying Consolidated Balance Sheets. Inventory on hand that exceeds a three year forecasted sales projection is recorded as an excess and obsolete inventory reserve. This reserve is comprised of inventory greater than the amount that can be used to meet future needs (excess) or for which the product is outdated or otherwise not expected to be sold (obsolete).

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets are recorded at cost and primarily consist of prepaid inventory, unbilled receivables, insurance receivables and other various payments that the Company has made in advance for goods or services to be received in the future. Prepaid inventory charges are incurred to secure the production of inventory prior to delivery. Upon delivery of the inventory, these amounts are reclassified from prepaid inventory to the appropriate inventory accounts on the accompanying Consolidated Balance Sheets. Insurance receivables are collected from third-party insurance providers for covered litigation matters once applicable retentions or deductibles have been satisfied.

Property and Equipment, Net

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

	Useful life in years
Office furniture	5
Computers and equipment	3 - 5
Vehicles	5
Leasehold improvements	10

The Company capitalizes the cost of pre-production tooling that it owns. Pre-production tooling that the Company will not own or that will not be used in producing products under long-term supply arrangements, including the related engineering costs, is expensed as incurred.

Internally-Developed Software, Net

The Company capitalizes certain development costs incurred in connection with its internally-developed software (including specific software upgrades and enhancements when it is probable the expenditures will result in additional features and functionality). These capitalized costs are primarily related to software that is hosted by the Company and the firmware in the Company’s devices. Costs incurred in the preliminary stages of development are expensed as incurred. Once a project has reached the development stage, internal and external costs, if direct and incremental, are capitalized until the application is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing, at which time amortization of the capitalized software begins. The Company also capitalizes costs related to specific software upgrades and enhancements when it is probable the expenditures will result in additional features and functionality. Internally-developed software is amortized on a straight-line basis over its estimated useful life, generally three to five years.

When the Company determines that a planned feature is discontinued or will not be implemented, costs are expensed. Maintenance costs are also expensed as incurred.

Goodwill

Goodwill is measured as the excess of consideration transferred over the fair value of the net assets acquired in the Company's prior acquisitions. Goodwill reflects the value of expected synergies between the combined operations and the value of the acquired assembled workforce, neither of which qualifies for recognition as an intangible asset.

Goodwill is tested for impairment annually as of December 31 or more frequently whenever events or circumstances make it more likely than not that an impairment may have occurred. Application of the goodwill impairment test requires significant judgment in several areas. Because the Company operates as a single reporting unit, the goodwill impairment test primarily involves estimating the fair value of that reporting unit and comparing it to its carrying value.

Under applicable accounting guidance, the Company has the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of its reporting unit is less than its carrying value. If the qualitative assessment leads to a determination that the reporting unit's fair value is less than its carrying value, or if the Company elects to bypass the qualitative assessment altogether, it is then required to perform a quantitative impairment test by calculating the fair value of the reporting unit and comparing the fair value with carrying value. The Company elected to bypass the qualitative assessment and proceed directly to a quantitative assessment.

To determine the fair value of the Company's reporting unit, the estimated fair value is calculated as the Company's business enterprise value ("BEV"), plus (i) cash and marketable securities, less (ii) debt, plus (iii) non-operating assets, net. The Company estimated the fair value of its reporting unit using the income approach, a discounted cash flow methodology, based on the present value of expected future cash flows.

The income approach estimates BEV using cash flow projections developed by management that are discounted to reflect relative risk. These discounted cash flow projections are calibrated to reflect market participant assumptions for valuation purposes and may differ from internal operating projections, as they incorporate risk-adjusted growth and margin expectations consistent with Accounting Standards Codification ("ASC") 820, *Fair Value Measurement* ("ASC 820"). The projections used in the valuation reflect assumptions that market participants would use in pricing the reporting unit as of the measurement date and are based on information known or knowable as of the valuation date.

The key assumptions used in the analysis include, but are not limited to, projected revenue, projected operating expenses, working capital requirements, terminal growth rate, discount rate, revenue multiple and EBITDA multiple. Small changes in these assumptions could materially affect the estimated fair value of the reporting unit and could result in additional impairment charges in future periods. The discount rate incorporates a company specific risk premium ("CSRP"), which represents the incremental return that investors may require to compensate for the risks and uncertainties in the estimated future cash flows of such company. The discounted cash flow analysis incorporated significant unobservable inputs and therefore represents a Level 3 fair value measurement within the fair value hierarchy under ASC 820. The Company believes the assumptions and estimates used in the discounted cash flow analysis were reasonable and appropriate based on information known or knowable as of the valuation date.

Business Combinations

The Company accounts for business combinations using the acquisition method of accounting, in which the purchase price is allocated to the assets acquired and liabilities assumed and recorded at their estimated fair values at the date of acquisition. Management is required to make significant assumptions and estimates in determining the fair value of the assets acquired, particularly the intangible assets. Purchased intangible assets are primarily comprised of acquired trade names and customer relationships that are recorded at fair value at the date of acquisition. The Company utilizes third-party valuation specialists to assist it in the determination of the fair value of the intangibles. The fair value of acquired trade names and developed technology is determined using the relief-from-royalty method, which relies on the use of estimates and assumptions about projected revenue growth rates, royalty rates and discount rates. The fair value of customer relationships is determined using the multi-period excess earnings method, which relies on the use of estimates and assumptions about projected revenue growth rates, customer attrition rates, profit margins and discount rates. Intangible assets are recorded at their estimated fair value at the date of acquisition and are amortized over their estimated useful lives using the straight-line method. Determining the useful lives of intangible assets also requires management to make various assumptions and is inherently uncertain. There is a measurement period of up to one year in which to finalize the fair value determinations, and preliminary fair value estimates may be revised if new information is obtained during this period.

Intangible Assets, Net

Intangible assets, net are recorded at their estimated fair value at the date of acquisition and are amortized over their estimated useful lives using the straight-line method. The Company evaluates long-lived intangible assets for impairment whenever events or circumstances indicate that it is more likely than not that an impairment may have occurred. To estimate fair value, the Company considers both entity-specific factors and observable market data, in accordance with ASC 820. The valuation incorporates significant unobservable inputs and therefore represents a Level 3 fair value measurement. The analysis relies on assumptions that market participants would use in pricing the reporting unit, including projected revenue growth rates, operating margins, discount rate, terminal growth rate and the selection of guideline public companies. The assumptions used were based on information known or knowable as of the valuation date. Changes in these assumptions or in market conditions could materially affect the estimated fair value.

Leases

The Company accounts for its leases in accordance with ASC Topic 842, *Lease Accounting* ("ASC 842"). ASC 842 requires that leases be evaluated and classified as operating or finance leases for financial reporting purposes. The Company determines if an arrangement contains a lease at contract inception. As part of the lease determination process, the Company assesses several factors, including, but not limited to, whether there is a right to control and direct the use of the asset and whether the other party has a substantive substitution right. As the Company's leases generally do not have identical or nearly identical contract provisions, the Company accounts for each of its leases at the contract level.

The Company recognizes a right-of-use ("ROU") asset and lease liability at the lease commencement date and thereafter. ROU assets represent the right to use an underlying asset for the term of the lease, and lease liabilities represent the obligation to make lease payments throughout the term of the lease. The lease terms include any renewal options and termination options that the Company is reasonably assured to exercise, if applicable.

The Company's leases do not provide an implicit rate; therefore, the Company uses its incremental borrowing rate ("IBR") based on the information available at the lease commencement date in determining the present value of future payments for those leases. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of comparable value to the ROU asset in a similar economic environment. IBR therefore reflects what the Company "would have to pay," which requires estimation when no observable rates are available or where the applicable rates need to be adjusted to reflect the terms and conditions of the lease. In calculating its IBR, the Company considers observed debt rates and the significant financing component of longer-term software contracts. The Company's leases are generally not sensitive to changes in IBR due to their relatively short terms.

ROU assets resulting from operating leases are recorded within other non-current assets, and lease liabilities from operating leases are recorded within current liabilities and non-current liabilities, on the accompanying Consolidated Balance Sheets. The lease liability is calculated as the present value of the remaining future lease payments over the lease term, including reasonably assured renewal options.

The Company has made the policy election to not separate lease and non-lease components for any of its leases within its existing classes of assets. The Company will evaluate this election for any new leases involving a new underlying class of asset. The Company has also made the policy election to not recognize a lease liability or ROU asset for any leases with a term of 12 months or less. These lease payments are recognized on a straight-line basis over the lease term.

The Company has evaluated lease renewal options on a contract-by-contract basis to determine whether specific circumstances would result in the conclusion that any options are reasonably certain to be exercised. Generally, the Company does not enter into lease arrangements where the option to renew or terminate a lease is controlled by the lessor.

Rent expense is allocated among cost of revenue, research and development, sales and marketing, and general and administrative, based on the use of the underlying leased property.

Revenue

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the Company performs the following steps: (i) identify contracts with customers; (ii) determine whether the promised goods or services are performance obligations; (iii) measure the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognize revenue when (or as) the Company satisfies each performance obligation.

The Company determines that a contract exists when an agreement with a customer creates legally enforceable rights and obligations, which occurs when a contract has been approved by both parties, the parties are committed to perform their respective obligations, each party's rights and payment terms are clearly identified, commercial substance exists and it is probable that the Company will collect the consideration to which it is entitled.

The Company identifies a performance obligation in a contract for each promised good that is separately identifiable from other promises in the contract and for which the customer can benefit from the good. The Company currently generates its revenues from three primary sources: (i) sales of hardware devices, (ii) licenses of software products, and (iii) professional services. The Company has determined the following goods and services to be distinct performance obligations because they can be and generally are sold by the Company on a standalone basis, and because other vendors sell similar technologies and services on a standalone basis.

Hardware

The Company generates hardware revenue primarily from the sale of its portfolio of devices. The Company sells hardware to customers, which include real estate developers, builders, building owners and property managers, directly or through its channel partners, who act as intermediaries, installers or wholesalers. The Company recognizes hardware revenue when control of the hardware has been transferred to the customer. The Company has determined that control transfers to a customer when hardware is shipped, as the Company's standard delivery terms are Free on Board ("FOB") Shipping Point. Certain customers may request FOB Destination, in which case control transfers to the customer upon delivery to the requested destination.

The Company generally provides warranties that its hardware will be substantially free from defects in materials and workmanship for a period of one or two years for electronic components depending on the hardware product, and five years for mechanical components. The Company determines in its sole discretion whether to replace or refund warrantable devices. The Company determined these warranties are not separate performance obligations as they cannot be purchased separately and do not provide a service in addition to an assurance the hardware will function as expected. The Company records a reserve as a component of cost of hardware revenue based on historical costs of replacement units for returns of defective products. For the years ended December 31, 2025 and 2024, the reserve recorded for hardware warranties was approximately 3% and 3%, respectively, of cost of hardware revenue. The Company also provides certain customers a right of return for non-defective product, which is treated as a reduction of hardware revenue based on the Company's expectations and historical experience. For the years ended December 31, 2025 and 2024, the allowance for returns resulted in a recovery of revenue of $0.1 million and $0.5 million, respectively.

Software

The Company generates software revenue primarily through the license of its software-as-a-service ("SaaS") cloud-based platform to customers on a subscription-based arrangement, as well as from the resale of third-party software in connection with HelloTech services. Subscription fees vary depending on the features selected by customers as well as the term. SaaS arrangements generally have term lengths of one, two, five or ten years and include a fixed fee generally paid in advance, annually or monthly. When significant discounts are provided to customers on the longer-term software contracts paid in advance, the Company has determined that there is a significant financing component related to the time value of money and therefore has recorded the interest expense in interest expense, net on the accompanying Consolidated Statements of Operations and Comprehensive Loss. The interest expense related to the significant financing component is recorded using the effective interest method, which has higher interest expense at inception and declines over time to match the underlying economics of the transaction. The amount of interest expense related to this component was $2.5 million and $3.5 million for the years ended December 31, 2025 and 2024, respectively.

The SaaS licenses provided by the Company are considered stand-ready performance obligations where customers benefit from the services evenly throughout the service period. Revenue generally is recognized ratably over the subscription period beginning when or as control of the promised services is transferred to the customer.

Professional Services

The Company generates professional services revenue in three primary ways: (i) by facilitating smart access hardware installation and activation to multifamily building customers, (ii) through fees generated by installation and other services performed through the HelloTech platform, and (iii) through property management services performed by DPM for its multifamily building customers.

The Company provides smart access hardware installation and activation services to select customers. The revenues associated with these services are recognized over time based on a percentage of the installation completed and represent a transfer of services to a customer under contract.

Through the HelloTech platform, a network of independent contractors provides in-home technology services and support such as installation, repair and troubleshooting. Orders placed through the HelloTech platform are recognized as revenue as services are completed over time. Customers may purchase a HelloTech subscription for discounted in-home services. Subscription revenues are recognized ratably over the subscription term.

DPM provides property management services, including operating DPM customers' buildings, which involves maintenance and repair, construction management, leasing and administrative services, typically pursuant to a property management agreement with an annual term. Property management service revenues are recognized ratably over the service period.

For each performance obligation identified, the Company estimates the standalone selling price, which represents the price at which the Company would sell the good or service separately. If the standalone selling price is not observable through past transactions, the Company estimates the standalone selling price, taking into account available information such as market conditions, historical pricing data and internal pricing guidelines related to the performance obligations. The Company uses an observable selling price for hardware and software performance obligations and applies the residual approach for professional services obligations related to activation and installation of hardware. For subscription revenues through the HelloTech platform, the Company uses a cost-plus estimated margin approach for software obligations and an observable selling price for professional services.

The Company then allocates the transaction price among those obligations based on the estimation of standalone selling price. Historically for software revenue, the Company determined a significant financing component exists, as described below.

Deferred Contract Costs

The Company capitalizes commission expenses that are incremental to obtaining customer software contracts. Costs related to the initial signing of software contracts are amortized over the average customer life, which has been estimated to be ten years based upon contract duration, including renewals and extensions. Amounts expected to be recognized within one year of the balance sheet date are recorded as deferred contract costs, current and are included in prepaid expenses and other current assets on the accompanying Consolidated Balance Sheets; the remaining portion is recorded as deferred contract costs, non-current and is included in other non-current assets on the accompanying Consolidated Balance Sheets. Amortization expense is included in sales and marketing expense on the accompanying Consolidated Statements of Operations and Comprehensive Loss.

Cost of Revenue

Cost of hardware revenue consists primarily of product costs, including manufacturing costs, duties and other applicable importation costs, shipping and handling costs, packaging, warranty costs, assembly costs and warehousing costs, as well as other non-inventoriable costs, including personnel-related expenses associated with supply chain logistics. Costs of hardware revenue also include charges related to lower of cost or net realizable value adjustments and reserves for excess inventory and non-cancellable purchase commitments.

Cost of software revenue consists primarily of outsourced hosting costs and personnel-related expenses associated with monitoring and managing outsourced hosting service providers.

Cost of professional services revenue consists primarily of (i) third-party installation labor costs and parts and materials, (ii) labor costs associated with HelloTech independent technicians and credit card fees and (iii) costs related to third-party property service providers.

Cost of revenue excludes depreciation and amortization shown in operating expenses.

Research and Development

Research and development ("R&D") expense consists primarily of personnel and related expenses for employees working on product design and engineering teams, including salaries, bonuses, benefits, payroll taxes, travel and stock-based compensation. Also included are non-personnel costs such as amounts paid to third-party contract manufacturers for tooling, engineering and prototype costs of hardware products, fees paid to third-party consultants, R&D supplies, rent and restructuring costs. R&D costs that do not meet the criteria for capitalization are expensed as incurred.

Sales and Marketing

Sales and marketing expense consists primarily of personnel and related expenses for employees working on sales, customer success, deployment and marketing teams, including salaries, bonuses, benefits, payroll taxes, travel, commissions and stock-based compensation. Also included are non-personnel costs such as marketing activities (trade shows and events, conferences and advertising), professional fees, rent, restructuring costs and customer support.

General and Administrative

General and administrative expense consists primarily of personnel and related expenses for executive, legal, human resources, finance and IT functions, including salaries, bonuses, benefits, payroll taxes, travel and stock-based compensation. Additional expenses included in this category are non-personnel costs such as legal fees, rent, professional fees, audit fees, Investigation and Restatement costs, restructuring costs, bad debt expense and insurance costs.

Total legal fees were $4.1 million and $13.7 million for the years ended December 31, 2025 and 2024, respectively.

Depreciation and Amortization

Depreciation and amortization expense consists primarily of depreciation expense related to investments in property and equipment, internally-developed software and intangible assets.

Impairment of Long-Lived Assets other than Goodwill and Intangible Assets

The Company assesses long-lived assets for impairment in accordance with the provisions of ASC 360, *Property, Plant and Equipment*. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of the asset. The amount of impairment loss, if any, is measured as the difference between the carrying value of the asset and its estimated fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

Restructuring

Costs associated with a restructuring plan generally consist of involuntary employee termination benefits, contract termination costs and other exit-related costs, including costs to close facilities. The Company records a liability for involuntary employee termination benefits when management has committed to a plan that establishes the terms of the arrangement and that plan has been communicated to employees. Costs to terminate a contract before the end of the term are recognized on the termination date, and costs that will continue to be incurred for the remaining term of a contract without economic benefit are recognized as of the cease-use date. Restructuring and related costs may also include the write-down of related assets, including operating lease ROU assets, when the sale or abandonment of the asset is a direct result of the plan. Other exit-related costs are recognized as incurred. Restructuring and related costs are recognized as an operating expense on the accompanying Consolidated Statements of Operations and Comprehensive Loss and are classified based on the Company's classification policy for each category of operating expense.

Other (Expense) Income, Net

Other (expense) income, net consists of interest expense associated with the significant financing component of the Company's longer-term software contracts, interest expense associated with the Company's debt financing arrangements, interest income on highly liquid short-term investments, and gain or loss on change in fair value of derivatives, warrant liabilities and trading securities.

(in thousands, except share and per share data)

Interest (expense) income, net is summarized as follows:

	Year ended December 31,	
	2025	2024
Interest income	$ 1,889	$ 5,892
Interest expense	(3,002)	(4,476)
Interest (expense) income, net	$ (1,113)	$ 1,416

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded for deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized. As of December 31, 2025 and 2024, the Company recorded a full valuation allowance against its deferred tax assets.

The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that has a greater than 50% likelihood of being realized. Changes in recognition or measurement are reflected in the period in which the change in estimate occurs.

Stock-Based Compensation

The Company uses the Black-Scholes-Merton ("Black-Scholes") option-pricing model to determine the fair value of stock options that vest over time. The Black-Scholes option-pricing model requires the use of the following highly subjective assumptions to determine the fair value of stock options:

- *Expected Volatility*—The Company estimates volatility for option grants by evaluating the average historical volatility of a peer group of companies for the period immediately preceding the option grant for a term that is approximately equal to the option's expected term.
- *Expected Term*—The expected term of the Company's options represents the period that the stock-based awards are expected to be outstanding. The Company has elected to use the midpoint between the stock option's vesting term and contractual expiration period to compute the expected term, as the Company does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior.
- *Risk-Free Interest Rate*—The risk-free interest rate is based on the implied yield currently available on U.S. Treasury zero-coupon issues with a term that is equal to the option's expected term at the grant date.
- *Dividend Yield*—The Company has not declared or paid dividends to date and does not anticipate declaring dividends. As such, the dividend yield has been estimated to be zero.

The Company estimates the fair value and requisite service period of performance-vesting stock option awards as of the grant date based on the Monte Carlo simulation model with the assistance of an independent third-party valuation specialist. The Monte Carlo simulation model is built on certain assumptions, including stock price volatility. The model included 100,000 iterations and various inputs including:

Starting stock price	$0.40
Selected volatility	75%
Risk-free interest rate	3.85%
Dividend yield	0%

The Company cannot predict the prices at which its common stock will trade in the future, and achievement of market conditions may occur in periods different than estimated. Compensation costs related to awards with market conditions are recognized on a straight-line basis over the requisite service period regardless of whether the market condition is satisfied and are not reversed, provided that the requisite service period derived from the Monte-Carlo simulation has been completed. See Note 20. *Stock-Based Compensation*.

Fair Value Measurements

Fair value accounting is applied for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis (at least annually). Fair value is defined as the exchange price that would be received for an asset or an exit price that would be paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The levels of the fair value hierarchy are as follows:

- *Level 1*—Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- *Level 2*—Inputs are observable, either directly or indirectly, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities.
- *Level 3*—Inputs are generally unobservable and typically reflect management's best estimate of assumptions that market participants would use in pricing the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

Earnings per Share

The calculation of earnings per share is based on the weighted average number of shares of common stock or common stock equivalents outstanding during the applicable period. The dilutive effect of common stock equivalents is excluded from basic earnings per share and is included in the calculation of diluted earnings per share. Potentially dilutive securities include convertible preferred stock, common stock options, common stock warrants and restricted stock units ("RSUs").

The Company follows the two-class method when computing net loss per common share when shares are issued that meet the definition of participating securities. The two-class method determines net loss per common share for each class of common stock and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires income available to common stockholders for the period to be allocated between common stock and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed. For periods in which the Company reports net losses, diluted net loss per share is the same as basic net loss per share because potentially dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

Diluted shares outstanding are calculated using the treasury stock method or the two-class method, depending on which method is more dilutive for a given period. Under the treasury stock method, the assumed proceeds, which include the exercise price of stock options or warrants plus the average unrecognized compensation cost for future service, are assumed to be used by the Company to repurchase shares of its common stock at the average share price for the fiscal period.

3. SEGMENT REPORTING

As of December 31, 2025, the Company had one operating and reportable segment, as it reports financial information on an aggregate and consolidated basis. The Company's chief operating decision maker ("CODM") as of such date was the Chief Executive Officer. The CODM reviews results to assess performance, make decisions and allocate the Company's operating and capital resources as a whole, on a consolidated basis. All of the Company's revenue is attributable to one operating segment. The CODM does not distinguish among the Company's principal business activities for the purpose of internal reporting and uses net loss to allocate resources in the annual budgeting and forecasting process, along with using that measure as a basis for evaluating financial performance quarterly. In addition, the CODM reviews the expense categories presented on the accompanying Consolidated Statements of Operations and Comprehensive Loss to manage the Company's operations. The measure of segment assets is reported on the accompanying Consolidated Balance Sheets as total assets.

(in thousands, except share and per share data)

The accompanying Consolidated Statements of Operations and Comprehensive Loss for the years ended December 31, 2025 and 2024 reflect the one reportable segment.

Geographic Information

The Company's revenues are primarily generated in the United States. Revenues outside of the United States were approximately $0.8 million and $0.5 million for the years ended December 31, 2025 and 2024, respectively. The Company does not have any long-lived assets located outside the United States.

4. ACQUISITIONS

Door Property Management

In March 2024, the Company announced the launch of DPM in conjunction with the acquisition of substantially all of the assets of the property management division of The Broadway Company, a Boston-based real estate investment company. Additionally, the Company purchased substantially all of the assets of the property management division of Boston Realty Advisors in May 2024. Together, these acquisitions (the "Property Management Acquisitions") enable the Company to (i) operate all aspects of multifamily residential properties, from physical management to providing advanced technology solutions, and (ii) gain hands-on experience in property management to further refine and optimize its products and services.

The Property Management Acquisitions were accounted for as business combinations under ASC 805, *Business Combinations* ("ASC 805") as of December 31, 2024. Accordingly, the acquired assets and liabilities were recorded at their estimated fair values on the respective acquisition dates. The Company incurred approximately $0.2 million in transaction-related expenses. The aggregate acquisition date fair value of the purchase consideration for the Property Management Acquisitions was comprised of the following:

Cash paid	$	1,160
Fair value of total consideration transferred	$	1,160

Total purchase consideration was funded from available Company funds. The purchase consideration allocation of the acquired assets, based on their estimated fair values as of the respective acquisition dates, is as follows:

Property and equipment	$	24
Intangible assets		605
Goodwill		531
Fair value of net assets acquired	$	1,160

Goodwill of approximately $0.5 million was recognized in connection with the Property Management Acquisitions, primarily reflecting expected synergies and economies of scale from combining the operations of the Company and DPM. The goodwill is expected to be deductible for income tax purposes.

HelloTech Merger

On June 21, 2024, the Company and LS HT Merger Sub, Inc., a wholly-owned subsidiary of the Company ("HT Merger Sub"), entered into an Agreement and Plan of Merger with HelloTech. On July 1, 2024, HT Merger Sub merged with and into HelloTech, with HelloTech continuing as the surviving corporation and a wholly-owned subsidiary of the Company (the "HelloTech Merger"). HelloTech is a service platform delivering on-demand, last-mile installation, setup and connected device support. The HelloTech platform, in combination with the technology Latch acquired in the HDW Acquisition, supports the Company's professional services offering.

As consideration for the HelloTech Merger, the Company (i) as further specified below, assumed outstanding debt with a principal balance of $6.9 million and a fair value of $6.0 million as of July 1, 2024 (the "Prior Loan") with Customers Bank and (ii) paid $0.3 million of HelloTech's merger-related expenses. HelloTech's stockholders and other equity holders (including option holders, warrant holders or holders of simple agreements for future equity) did not receive any consideration in connection with the HelloTech Merger.

(in thousands, except share and per share data)

The HelloTech Merger qualified as a business combination in accordance with ASC 805, and the Company was determined to be the acquirer. Accordingly, total consideration was first allocated to the fair value of assets acquired as of the date of acquisition, with the excess being recorded as goodwill. The Company incurred approximately $0.3 million in transaction-related expenses, in addition to those incurred by HelloTech but paid by the Company. Per ASC 805, the Prior Loan was an assumed liability, and consideration for the HelloTech Merger solely consists of cash paid for HelloTech's merger-related expenses. The aggregate acquisition date fair value of the purchase consideration was comprised of the following:

	As of July 1, 2024
Cash paid	$ 250
Fair value of total consideration transferred	$ 250

The purchase consideration allocation of the acquired assets, based on their respective estimated fair values as of the date of the HelloTech Merger, is as follows:

	As of July 1, 2024
Cash and cash equivalents	$ 462
Accounts receivable, net	1,373
Prepaid expenses and other current assets	358
Intangible assets(1)	1,000
Other non-current assets	11
Accounts payable	(533)
Accrued expenses	(420)
Deferred revenue, current	(339)
Current portion of long-term debt	(1,333)
Other current liabilities	(13)
Long-term debt	(4,667)
Total identifiable net assets	(4,101)
Goodwill(2)	4,351
Fair value of net assets acquired	$ 250

(1) Includes developed technology of $0.6 million with a useful life of ten years and trade names (domain) of $0.4 million with a useful life of ten years.
(2) The value of the goodwill is primarily related to HelloTech's capabilities to expand service offerings through the DOOR App, HelloTech's capabilities to install Latch hardware and cost synergies generated from the combined business. There is no expected tax deduction related to the goodwill acquired in the HelloTech Merger.

Consolidated Pro-forma Financial Results

The following unaudited supplemental pro forma financial information presents the Company's consolidated results of operations for the year ended December 31, 2024, as if the Property Management Acquisitions and the HelloTech Merger had been consummated on January 1, 2024.

Total revenue	$ 67,844
Net loss	$ (60,353)

On a pro forma basis, for the year ended December 31, 2024, the HelloTech Merger would have contributed $18.5 million in revenue and increased net loss by $6.0 million, and the Property Management Acquisitions would have contributed $3.4 million in revenue and increased net loss by $0.9 million.

(in thousands, except share and per share data)

The supplemental pro forma financial information presented above is not necessarily indicative of the results of operations that would have been achieved had the acquisitions occurred on January 1, 2024, nor is it indicative of future operating results. The supplemental pro forma financial information does not reflect potential cost savings, operating synergies or other efficiencies that may result from the acquisitions.

The Company completed its acquisition accounting for the 2024 acquisitions as of December 31, 2024. No material measurement-period adjustments were recorded during the year ended December 31, 2025, and the Company does not expect to record any additional measurement-period adjustments related to these acquisitions.

5. REVENUE

Disaggregation of Revenue

The following table provides information about disaggregated revenue from customers into the nature of the products and services provided, and the related timing of revenue recognition:

	Year ended December 31,	
	2025	**2024**
Point-in-time revenue:		
Hardware	$ 19,772	$ 18,286
Total point-in-time revenue	19,772	18,286
Period-of-time revenue:		
Software	22,140	20,255
Hardware installation and activation services	9,472	7,375
HelloTech services	14,892	8,313
Property management services	3,834	2,390
Other	7	11
Total period-of-time revenue	50,345	38,344
Total revenue	$ 70,117	$ 56,630

Deferred Contract Costs

The following table represents a roll-forward of the Company's deferred contract costs:

Balance as of January 1, 2023	$ 3,539
Additions to deferred contract costs	7
Amortization of deferred contract costs	(429)
Balance as of Balance as of January 1, 2024	3,117
Additions to deferred contract costs	—
Amortization of deferred contract costs	(427)
Balance as of December 31, 2025	$ 2,690

6. ACCOUNTS RECEIVABLE, NET AND CONTRACT BALANCES

The opening and closing balances of accounts receivable, net is as follows:

	December 31, 2025	December 31, 2024
Balance at beginning of the year	$ 9,864	$ 6,001
Ending balance	$ 7,960	$ 9,864

As of December 31, 2025 and 2024, the allowance for expected credit losses contains an estimate of credit losses for any outstanding invoices. The Company generally does not require any security or collateral to support its receivables.

(in thousands, except share and per share data)

The following table represents a roll-forward of the Company's allowance for expected credit losses:

	Year Ended December 31, 2025	Year Ended December 31, 2024
Balance as of beginning of period	$ 96	$ 496
Provision for expected credit losses	359	(142)
Recoveries	10	—
Write-offs charged against the allowance	(348)	(258)
Balance as of end of period	$ 117	$ 96

Contract Balances

The opening and closing balances of contract assets (unbilled receivables) are as follows:

	December 31, 2025	December 31, 2024
Balance at beginning of the year	$ 4,074	$ 5,942
Ending balance	2,009	4,074
Change	$ (2,065)	$ (1,868)

The difference between the opening and closing balances of the Company's contract assets (unbilled receivables) primarily results from timing differences between the Company's performance and the customer's payment as well as the number of active installation projects.

The opening and closing balances of contract liabilities (deferred revenue) were as follows:

	December 31, 2025	December 31, 2024
Balance at beginning of the year	$ 33,182	$ 39,579
Ending balance	26,375	33,182
Change	$ (6,807)	$ (6,397)

The difference between the opening and closing balances of the Company's contract liabilities (deferred revenue) primarily related to a shift from multi-year contracts billed upfront to contracts billed on an annual basis resulting in less deferred revenue being added upon invoice date.

The Company recognized $14.4 million and $13.1 million of prior year deferred software revenue during the years ended December 31, 2025 and 2024, respectively.

Contract liabilities (deferred revenue) consisted of the following:

	December 31, 2025	December 31, 2024
Revenue	$ 12,879	$ 14,419
Interest expense	(1,642)	(2,519)
Total current deferred revenue	$ 11,237	$ 11,900
Revenue	$ 18,183	$ 25,990
Interest expense	(3,045)	(4,708)
Total non-current deferred revenue	$ 15,138	$ 21,282

(in thousands, except share and per share data)

7. INVESTMENTS

Available-for-Sale Securities (Marketable Securities)

The Company did not have any investments in marketable securities as of December 31, 2025. The Company's marketable securities by security type as of December 31, 2024 are summarized as follows:

	Amortized Cost	Gross Unrealized Gain	Estimated Fair Value
U.S. Government debt securities	$ 5,184	$ 3	$ 5,187
Total available-for-sale securities	$ 5,184	$ 3	$ 5,187

Contractual maturities of the Company's available-for-sale and trading securities as of December 31, 2024 are summarized as follows:

	As of December 31, 2024	
	Amortized Cost	Estimated Fair Value
Due in less than one year	$ 5,184	$ 5,187
Due in one to five years	—	—
Total investments	$ 5,184	$ 5,187

The Company regularly reviews its investment portfolio to identify and evaluate investments that have indications of possible impairment. Investments that are impaired are those that are considered to have losses that are other-than-temporary. Factors considered in determining whether a loss is temporary include:

- the length of time and extent to which fair value has been lower than the cost basis;
- the financial condition, credit quality and near-term prospects of the investee; and
- whether it is more likely than not that the Company will be required to sell the investment prior to recovery.

As of December 31, 2025, the Company had not identified any impairment indicators in its investments.

During the year ended December 31, 2025, the Company received $12.0 million of proceeds from maturities and call redemptions and recorded minimal realized losses from the sale of available-for-sale securities. During the year ended December 31, 2024, the Company received $101.0 million of proceeds from maturities and call redemptions, recorded minimal realized losses from the sale of available-for-sale securities and received no proceeds from sales. Gains and losses are determined using the specific identification method, whereby realized gains and losses are calculated based on the historical cost of the specific available-for-sale securities sold, matured or redeemed.

Investment in Private Company

The Company holds an equity investment in a privately held company consisting of 654,000 shares of common stock. The investment does not have a readily determinable fair value and is accounted for under the measurement alternative in accordance with ASC 321, *Equity Securities*. Accordingly, the investment is carried at cost, adjusted for observable price changes in orderly transactions for the identical or a similar investment of the same issuer, less any impairment. See Note 8. *Fair Value Measurements and Concentrations of Credit Risk*.

During the three months ended December 31, 2025, the privately held company entered into a definitive agreement to be acquired by a third-party. The Company did not record any adjustment to the carrying value of the investment as of December 31, 2025 since the transaction has not been finalized and is subject to customary closing conditions and regulatory approval. The Company will evaluate the impact of the transaction on the fair value of the investment in future reporting periods.

8. FAIR VALUE MEASUREMENTS AND CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and trade accounts receivable. The Company primarily invests its excess cash in low-risk, highly liquid money market funds with major financial institutions as well as marketable securities.

(in thousands, except share and per share data)

The Company's financial assets that are measured at fair value on a recurring basis are summarized as follows:

	As of December 31, 2025			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Assets				
Cash	$ 3,392	$ —	$ —	$ 3,392
Money market funds and other cash equivalents	1,191	30,037	—	31,228
Total cash and cash equivalents	4,583	30,037	—	34,620
Investment in private company	—	—	954	954
Total assets	$ 4,583	$ 30,037	$ 954	$ 35,574
Liabilities				
Warrant liability	$ —	$ 12	$ —	$ 12
Total liabilities	$ —	$ 12	$ —	$ 12

	As of December 31, 2024			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Assets				
Cash	$ 4,087	$ —	$ —	$ 4,087
Money market funds	—	66,116	—	66,116
Total cash and cash equivalents	4,087	66,116	—	70,203
Available-for-sale securities	544	4,643	—	5,187
Investment in private company	—	—	954	954
Total assets	$ 4,631	$ 70,759	$ 954	$ 76,344
Liabilities				
Warrant liability	$ —	$ 30	$ —	$ 30
Total liabilities	$ —	$ 30	$ —	$ 30

The Company's investments in cash, money market funds and other cash equivalents that are highly liquid and low-risk have been classified as Level 1 as they are valued utilizing quoted prices (unadjusted) in active markets for identical assets. Investments in other cash equivalents that are not active are classified as Level 2. Investments in asset-backed securities, commercial paper, corporate bonds and U.S. Government debt securities that are valued using quoted prices in less active markets or other directly or indirectly observable inputs are classified as Level 2. Fair values of corporate bonds and U.S. Government debt securities were derived from a consensus or weighted-average price based on input of market prices from multiple sources for the reporting period. With regard to commercial paper, all of the securities had high credit ratings and one year or less to maturity; therefore, fair value was derived from accretion of purchase price to face value over the term of maturity or quoted market prices for similar instruments if available.

As of December 31, 2025 and 2024, the Company's investment in private company was classified as Level 3 in the fair value hierarchy because it relied significantly on inputs that were unobservable in the market. The Company assessed the fair value of this investment by reviewing the private company's recent operating results and trends and confirming the absence of any observable transactions of its equity securities and other publicly available data. Valuations of private companies are inherently more complex due to the lack of readily available market data. As such, the Company believes that providing a sensitivity analysis is not practicable.

During the years ended December 31, 2025 and 2024, there were no transfers of financial assets between Level 1 and Level 2. There were no purchases, sales or transfers of Level 3 instruments during the years ended December 31, 2025 and 2024.

(in thousands, except share and per share data)

Concentrations of Credit Risk

Significant customers are those that represent more than 10% of the Company's total revenue or gross accounts receivable balance at each balance sheet date. As of December 31, 2025, the Company had one customer that accounted for $3.9 million, or 47%, of gross accounts receivable. As of December 31, 2024, the Company had two customers that accounted for $4.8 million and $1.3 million, or 48% and 13%, of gross accounts receivable. As of December 31, 2025 and 2024, the Company had one customer that accounted for $0.7 million and $3.2 million, or 36% and 78%, of unbilled receivables, respectively. For the years ended December 31, 2025 and 2024, the Company had one customer that accounted for $22.4 million and $18.6 million, or 32% and 33%, of total revenue, respectively.

9. INVENTORIES, NET

Inventories, net consisted of the following:

	December 31, 2025	December 31, 2024
Raw materials	$ 4,324	$ 6,115
Finished goods	10,934	8,261
Total current inventories, net	15,258	14,376
Finished goods, non-current, net	12,080	16,082
Total inventories, net	$ 27,338	$ 30,458

The total excess and obsolete inventory reserve as of December 31, 2025 and December 31, 2024 was $10.9 million and $12.8 million, respectively.

10. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	December 31, 2025	December 31, 2024
Prepaid inventory	$ 2,070	$ 12,721
Unbilled receivables, net	2,009	4,074
Investment in private company	954	954
Prepaid capitalized incentives	437	437
Prepaid installation payments	150	227
Insurance receivable	82	10,001
Other prepaid expenses and other current assets	1,396	2,109
Total prepaid expenses and other current assets	$ 7,098	$ 30,523

During the year ended December 31, 2025, the Company recorded a write-off of $4.9 million related to prepaid inventory deposits for components associated with non-cancellable purchase commitments to a contract manufacturer. The prepayments were made in 2023 and prior to secure components supporting production volumes aligned with significantly higher demand forecasts at that time. Since 2022, the Company has materially reduced its hardware demand forecasts, and the Company has also ceased production with this manufacturer. As a result, the underlying components are no longer expected to be utilized in future production and were determined to have no alternative future use. The write-off was recorded within hardware cost of revenue on the accompanying Consolidated Statement of Operations and Comprehensive Loss.

As of December 31, 2024, insurance receivable included $10.0 million related to a stockholder class action lawsuit settlement that was paid by the Company's insurers to the designated plaintiff account during the year ended December 31, 2025.

(in thousands, except share and per share data)

11. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	December 31, 2025	December 31, 2024
Computers and equipment	$ 6,223	$ 6,176
Office furniture	123	116
Vehicles	106	145
Leasehold improvements	163	163
Property and equipment	6,615	6,600
Less: accumulated depreciation	(5,780)	(5,527)
Total property and equipment, net	$ 835	$ 1,073

Total depreciation expense for the years ended December 31, 2025 and 2024 was $0.3 million and $1.1 million, respectively.

The Company did not acquire any property and equipment under capital leases during the years ended December 31, 2025 and 2024.

12. INTERNALLY-DEVELOPED SOFTWARE, NET

Internally-developed software, net consisted of the following:

	December 31, 2025	December 31, 2024
Internally-developed software	$ 29,085	$ 23,188
Software-in-development	1,971	5,507
Less: accumulated amortization	(22,674)	(17,947)
Total internally-developed software, net	$ 8,382	$ 10,748

The Company capitalized $3.6 million and $6.2 million in internally-developed software during the years ended December 31, 2025 and 2024, respectively. Capitalized costs associated with software-in-development are not amortized until the related assets are put into service.

Total amortization expense related to internally-developed software for the years ended December 31, 2025 and 2024 was $4.7 million and $5.2 million, respectively. Impairment expense was $1.3 million and $0.2 million for the years ended December 31, 2025 and 2024, respectively, which is included in general and administrative expense on the accompanying Consolidated Statements of Operations and Comprehensive Loss.

13. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill

The following table represents a roll-forward of goodwill:

	December 31, 2025	December 31, 2024
Balance, beginning of period	$ 30,205	$ 25,322
Acquired	—	4,883
Impairment	(16,600)	—
Balance, end of period	$ 13,605	$ 30,205

In conducting the annual impairment test of goodwill as of December 31, 2025, the Company performed a quantitative assessment to determine if the fair value of the reporting unit had been reduced below its carrying value. The discounted cash flow analysis resulted in an estimated BEV of approximately $28.3 million. After adjusting for cash and cash equivalents of approximately $34.6 million and debt of approximately $4.8 million, the estimated fair value of the reporting unit was approximately $58.1 million.

(in thousands, except share and per share data)

The estimated fair value was less than the carrying value of the Company's net assets of approximately $74.7 million, resulting in the recognition of a goodwill impairment charge of $16.6 million for the year ended December 31, 2025. The impairment charge was recorded within operating expenses in the accompanying Consolidated Statements of Operations and Comprehensive Loss. Following the impairment, approximately $13.6 million of goodwill remained recorded on the Consolidated Balance Sheet at December 31, 2025.

In the 2024 annual impairment test, the quantitative evaluation of goodwill indicated that the estimated fair value exceeded the carrying value by approximately $24.5 million, or 22.1%, and therefore no impairment was recorded. The 2024 conclusion was supported by a higher net cash position and higher cash flows projections based on information available at the time.

Intangible Assets, Net

Intangible assets, net consisted of the following:

	December 31, 2025		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Domain names	$ 2,034	$ (797)	$ 1,237
Developed technology	600	(90)	510
Customer relationships	595	(64)	531
Patents	37	(22)	15
Non-compete	10	(6)	4
Licenses	4	(4)	—
Total	$ 3,280	$ (983)	$ 2,297

	December 31, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Domain names	$ 2,034	$ (571)	$ 1,463
Developed technology	600	(45)	555
Customer relationships	595	(54)	541
Patents	37	(19)	18
Non-compete	10	(3)	7
Licenses	4	(4)	—
Total	$ 3,280	$ (696)	$ 2,584

Total amortization expense related to intangible assets was $0.3 million and $1.0 million for the years ended December 31, 2025 and 2024, respectively.

There was no intangible impairment expense recorded in the year ended December 31, 2025. As a result of an impairment test for the year ended December 31, 2024, the Company concluded that the carrying value of the James ride sharing application, which the Company acquired in connection with the HDW Acquisition, exceeded its estimated fair value. The Company recorded a non-cash impairment charge of $2.8 million, which was included in impairment of intangible assets, net on the accompanying Consolidated Statements of Operations and Comprehensive Loss for the year ended December 31, 2024. The charge was primarily driven by a decline in projected revenues as a result of the change in strategy following the HelloTech Merger.

(in thousands, except share and per share data)

The estimated useful life of the intangible assets is as follows:

	Useful life in years
Developed technology	10
Domain names	3 - 13
Customer relationships	15 - 17
Patents	12
Non-compete	3
Licenses	5

14. ACCRUED EXPENSES

Accrued expenses consisted of the following:

	December 31, 2025	December 31, 2024
Accrued litigation costs	$ 7,279	$ 25,627
Accrued compensation	549	722
Accrued purchases	246	3,109
Accrued audit fees	207	2,008
Accrued warranties	72	226
Accrued restructuring costs	—	1,053
Other accrued expenses	2,105	2,321
Total accrued expenses	$ 10,458	$ 35,066

As of December 31, 2025, accrued litigation costs primarily included $6.8 million related to a service provider demand. As of December 31, 2024, accrued litigation costs primarily included (i) the Company's $14.875 million share of the settlement related to consolidated class action complaints in the Court of Chancery of the State of Delaware, (ii) $6.8 million related to the service provider demand, (iii) $1.95 million related to settlement of the securities class action pursuant to the complaint in the United States District Court for the Southern District of New York (Brennan v. Latch, Inc., et al., Case No. 1:22-cv-07473, the "Brennan Action"), and (iv) $1.95 million related to settlement of the securities class action pursuant to the complaint in the United States District Court for the District of Delaware (Schwartz v. Latch, Inc., et al., Case No. 1:23-cv-00027, the "Schwartz Action"). See Note 17. *Commitments and Contingencies* for further discussion of the service provider demand.

15. LEASES

The Company has entered into various operating lease agreements, which are generally for offices and facilities. During the year ended December 31, 2024, the Company held leases in St. Louis, Denver, Colorado, Los Angeles, California and Taipei, Taiwan. The Company did not have any finance leases or subleases as of December 31, 2025 and 2024.

As of December 31, 2025, the Company leased office spaces in St. Louis. The term of the St. Louis lease commenced March 1, 2024 and continues through June 1, 2029, subject to a five-year renewal option held by the Company. The lease agreements often include escalating lease payments, renewal provisions and other provisions that require the Company to pay costs related to taxes, insurance and maintenance.

As the Company's leases do not have a readily determinable implicit interest rate, the Company used an IBR, which is the rate incurred to borrow on a collateralized basis over a term similar to the term of the lease for which the rate is estimated. For leases entered into during the year ended December 31, 2025 and December 31, 2024, the Company determined the IBR to be 10.0%. The IBR used by the Company is based on an estimated rate that considered the Company's credit risk in the United States for a collateralized borrowing and term similar to the respective leases.

Additional information related to operating leases included on the accompanying Consolidated Balance Sheets as of December 31, 2025 is presented in the table below, assuming the Company's exercise of its renewal option (in thousands, except weighted average term and discount rate):

ROU assets	$	2,323
Lease liabilities	$	2,454
Operating lease cost	$	415
Short-term lease cost	$	—
Cash paid for amounts included in the measurement of operating lease liabilities	$	395
Weighted average remaining lease term - operating leases		8.4 years
Weighted average discount rate - operating leases		10.0 %

Maturities of lease liabilities under the non-cancelable operating leases as of December 31, 2025, are as follows:

2026	$	407
2027		419
2028		432
2029		437
2030		437
Thereafter		1,496
Total lease payments		3,628
Less: imputed interest		(1,174)
Total lease liabilities	$	2,454

Rent expense related to all leases for the years ended December 31, 2025 and 2024 was $0.7 million and $1.2 million, respectively.

16. DEBT

A summary of the Company's debt is as follows:

	December 31, 2025		December 31, 2024	
Term loan	$	4,644	$	5,829
Total debt		4,644		5,829
Less: Current portion of long-term debt		(1,314)		(1,314)
Total long-term debt	$	3,330	$	4,515

On July 15, 2024, the Company entered into an Amended and Restated Loan and Security Agreement (the "Loan Agreement") with Customers Bank. Pursuant to the Loan Agreement, Customers Bank issued a term loan in the principal amount of $6.0 million (the "Loan") and forgave approximately $0.9 million of principal and all accrued interest, fees and expenses on HelloTech's then-outstanding term loan of approximately $6.9 million (the "Prior Loan"). The Loan Agreement, which amended and restated the terms of the Prior Loan, did not result in the Company receiving any additional loan proceeds. Interest is payable on the Loan at a rate equal to the greater of (a) the prime rate published in The Wall Street Journal or (b) 6.0%, and the maturity date is July 15, 2029 (the "Maturity Date").

The fair value of the Loan was $4.6 million and $5.8 million as of December 31, 2025 and December 31, 2024, respectively. Payments under the Loan were interest-only through January 15, 2025. Thereafter, the Company is required to pay equal monthly installments of principal plus accrued interest until the Maturity Date. There is no penalty for prepayment of the Loan.

Pursuant to the Loan Agreement, Customers Bank was granted security interests in substantially all of the Company's assets, other than intellectual property, and the Loan Agreement contains customary affirmative and negative covenants. As of December 31, 2025, the Company was in compliance with the covenants under the Loan Agreement.

(in thousands, except share and per share data)

The following table presents the future minimum principal payments on the total borrowings under all debt agreements as of December 31, 2025:

2026	$	1,333
2027		1,333
2028		1,333
2029		778
Thereafter		—
Total future minimum payments		4,777
Less: debt discount		(133)
Total	$	4,644

17. COMMITMENTS AND CONTINGENCIES

Registration Rights Agreements

In connection with the 2021 Business Combination, the Company and certain stockholders of Legacy Latch and TSIA entered into an amended and restated registration rights agreement (the "2021 Registration Rights Agreement"). Pursuant to the 2021 Registration Rights Agreement, in June 2021, the Company filed a registration statement on Form S-1 with respect to the registrable securities under the 2021 Registration Rights Agreement. Certain Legacy Latch stockholders and TSIA stockholders may each request to sell all or any portion of their registrable securities in an underwritten offering up to two times in any 12-month period, so long as the total offering price is reasonably expected to exceed $75.0 million. The Company also agreed to provide certain demand and "piggyback" registration rights. The 2021 Registration Rights Agreement also provides that the Company pays certain expenses relating to such registrations and indemnifies the stockholders against certain liabilities. The Company bears the expenses incurred in connection with the filing of any such registration statements. The 2021 Registration Rights Agreement does not provide for any penalties connected with delays in registering the Company's common stock.

In connection with the consummation of the HDW Acquisition, the Company and certain of HDW's stockholders (the "Holders") entered into that certain Registration Rights Agreement (the "2023 Registration Rights Agreement"), pursuant to which the Company agreed to file a shelf registration statement registering the resale of the Registrable Securities (as defined in the 2023 Registration Rights Agreement) as promptly as reasonably practicable after the date on which the Company files its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023 (and no later than the 20th business day following the filing date of such Quarterly Report). Up to twice in any 12-month period, the Holders may request to sell all or any portion of their Registrable Securities in an underwritten offering so long as the total offering price is reasonably expected to exceed $25 million. The Company also agreed to provide customary "piggyback" registration rights to certain Holders designated as "Major Equityholders," subject to certain requirements and customary conditions. The 2023 Registration Rights Agreement also provides that the Company will pay certain expenses relating to such registrations and indemnify the stockholders against certain liabilities. In the event the Company is unable to file a registration statement required by the 2023 Registration Rights Agreement, the Company is not required to repurchase or settle any Registrable Securities.

Legal Contingencies

Derivative Litigation

On February 15 and July 13, 2023, two alleged stockholders of Latch stock filed derivative actions purportedly on behalf of Latch in the United States District Court for the Southern District of New York: the Manley Action and the Gottlieb Action. The complaints generally allege that certain directors and former officers of the Company breached their fiduciary duties and violated Section 14(a) of the Exchange Act by making false or misleading statements regarding the Company's business, operations and prospects. The Gottlieb Action includes additional claims for unjust enrichment, abuse of control, gross mismanagement, waste of corporate assets and contribution against certain individual defendants named in the Brennan Action and Schwartz Action. Both complaints seek orders permitting plaintiffs to maintain each action derivatively on behalf of the Company, awarding unspecified damages allegedly sustained by the Company, awarding restitution from the individual defendants, requiring the Company to make certain reforms to its corporate governance and controls and awarding costs and attorneys' fees. On August 1, 2023, the court consolidated the Manley Action and Gottlieb Action under the caption In re Latch Inc. Derivative Litigation, Case No. 1:23-cv-01273. In March 2026, the Company agreed in principle to a settlement involving the implementation of certain governance reforms and the Company's payment of $0.5 million in attorneys' fees, for which the Company does not expect any insurance contribution. Accordingly, the Company accrued $0.5 million of expenses on the accompanying Consolidated Balance Sheet as of December 31, 2025. The settlement remains subject to a final stipulation of settlement and approval by the court. The Company does not believe the allegations are meritorious and intends to vigorously defend against them should the parties not reach a final settlement.

(in thousands, except share and per share data)

Service Provider Demand

The Company is in discussions with a service provider related to a demand for payment under a prior agreement. The Company does not believe that the service provider is entitled to any fees under the prior agreement. However, the Company believes it is probable that an agreement with the service provider will be reached and that the amount the Company will pay the service provider in connection with the dispute and the resolution thereof can be reasonably estimated. As of December 31, 2025 and 2024, the Company had accrued approximately $6.8 million in connection with the dispute. The Company believes it is reasonably possible that this potential exposure may change based on the resolution of the ongoing discussions. No legal proceedings have been initiated with respect to this demand for payment or the prior agreement with the service provider.

SEC Investigation

Since being contacted by the Staff of the SEC in March 2023, the Company has been cooperating with the Staff's investigation into issues related to the Company's key performance indicators and revenue recognition practices that led to the Restatement and related issues (the "SEC Investigation"). The Company cannot predict the duration or outcome of the SEC Investigation or whether the SEC will bring an enforcement action against the Company.

Other

The Company is and may become, from time to time, involved in other legal actions in the ordinary course of business, including governmental and administrative investigations, inquiries and proceedings concerning employment, labor, environmental and other claims. Although management is unable to predict with certainty the eventual outcome of any legal action, management believes the ultimate liability arising from such actions, individually and in the aggregate, which existed at December 31, 2025 (other than detailed above), will not materially affect the Company's consolidated results of operations, financial position or cash flows. Given the inherent unpredictability of these types of proceedings, however, it is possible that future adverse outcomes could have a material effect on the Company's financial results.

18. EQUITY

The Company's second amended and restated certificate of incorporation designates and authorizes the Company to issue 1.1 billion shares, consisting of (i) 1.0 billion shares of common stock, par value $0.0001 per share, and (ii) 100.0 million shares of preferred stock, par value $0.0001 per share.

Common Stock Reserved for Future Issuance

The Company's reserved shares for future issuance included the following:

	December 31, 2025	December 31, 2024
Stock options issued and outstanding	21,829,679	26,436,951
Restricted stock units issued and outstanding	50,005	375,640
Public warrants outstanding	9,999,967	9,999,967
Private placement warrants outstanding	5,333,334	5,333,334
Bank warrant	1,000,000	1,000,000
2021 Incentive Award Plan available shares	38,821,060	25,869,878
Total	77,034,045	69,015,770

(in thousands, except share and per share data)

Public Warrants

Upon the closing of the 2021 Business Combination, 10.0 million public warrants sold during the 2020 initial public offering of TSIA (the "TSIA IPO") converted into 10.0 million public warrants to purchase up to 10.0 million shares of common stock of the Post-Combination Company, which are exercisable at $11.50 per share. The Company accounts for warrants as required under ASC 815, *Derivatives and Hedging* ("ASC 815") and has concluded that equity classification would be met for the public warrants as the Company has a single class of equity, and thus all holders vote 100% on all matters submitted to the Company's stockholders and receive the same form of consideration in the event of a change of control (thus qualifying for the exception to the net cash settlement model), and the other conditions of equity classification would be met.

Private Placement Warrants

Upon the closing of the 2021 Business Combination, Legacy Latch assumed the private placement warrants that were originally issued in connection with the TSIA IPO (the "Private Placement Warrants"). In response to SEC guidance, the Company determined to classify the Private Placement Warrants as derivative liabilities measured at fair value, with changes in fair value each period reported in earnings.

Bank Warrant

On July 15, 2024, in a private placement concurrent with the Company's entry into the Loan Agreement, the Company issued a warrant to Customers Bank to purchase 1,000,000 shares of the Company's common stock (the "Bank Warrant"). The Bank Warrant has an exercise price of $1.25 per share, is exercisable immediately and will expire on July 15, 2030. The Bank Warrant is classified as a liability under ASC 815 and is remeasured at fair value each reporting period, with changes recognized in other income (expense), net.

At issuance, the warrant was recorded at its fair value of $0.2 million, as determined by an independent valuation specialist and included in other non-current liabilities, with an equal amount recorded as a reduction of the term loan, non-current on the accompanying Consolidated Balance Sheets. The reduction of the term loan is being amortized to interest expense over the 60-month loan term. The warrant liability is remeasured at fair value each reporting period, with changes recognized in other (expense) income, net on the accompanying Consolidated Statements of Operations and Comprehensive Loss.

19. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted net loss per share for common stock:

	Year ended December 31,	
	2025	**2024**
Net loss	$ (53,747)	$ (57,596)
Basic weighted-average common shares[(1)]	160,400,816	156,652,301
Effect of dilutive securities	—	—
Diluted weighted-average common shares[(1)]	160,400,816	156,652,301
Basic and diluted net loss per common share	$ (0.34)	$ (0.37)

(1) The basic and diluted weighted-average common shares exclude (i) the Sponsor Shares and (ii) shares held by Jamie Siminoff, the Company's former Chief Strategy Officer, that were subject to a right of repurchase held by the Company.

(in thousands, except share and per share data)

The table below sets forth the number of potential common shares underlying outstanding common stock options, restricted common stock, RSUs and common stock warrants that were excluded from diluted net loss per share as the Company had net losses, and their inclusion would be anti-dilutive:

	December 31, 2025	December 31, 2024
Stock options	21,829,679	26,436,951
Restricted common stock held by the Sponsor	738,000	738,000
Restricted common stock held by Jamie Siminoff	2,861,351	3,815,135
Restricted stock units	50,005	375,640
Warrants	16,333,301	16,333,301
Total	41,812,336	47,699,027

20. STOCK-BASED COMPENSATION

The Company's stock incentive plans provides for grants of stock options, performance-vesting stock options, RSUs, performance-vesting RSUs and shares of common stock as compensation for services received from service providers.

Stock Incentive Plans

In January 2016, Legacy Latch adopted the Latch, Inc. 2016 Stock Plan (the "2016 Plan" and, together with the Latchable, Inc. 2014 Stock Incentive Plan, the "Prior Plans"). Under the 2016 Plan, Legacy Latch's board of directors was authorized (i) to grant either incentive stock options ("ISOs") or non-qualified stock options ("NSOs") to purchase shares of the Company's common stock to its employees and (ii) to grant NSOs to purchase shares of the Company's common stock to outside directors and consultants. When the 2021 Plan (defined below) became effective, 22,797,955 shares (adjusted for the exchange ratio of the 2021 Business Combination (the "Exchange Ratio")) had been authorized for issuance under the 2016 Plan. Stock options under the 2016 Plan were granted with an exercise price equal to the stock's fair market value at the grant date. Stock options outstanding under the 2016 Plan generally have ten-year terms and vest over a four-year period starting from the date specified in each award agreement. Since the effectiveness of the 2021 Plan, no additional awards have been or will be granted under the 2016 Plan. Upon the effectiveness of the 2021 Business Combination, all outstanding stock options under the Prior Plans, whether vested or unvested, converted into options to purchase a number of shares of common stock of the Post-Combination Company based on the Exchange Ratio. Awards previously granted under a Prior Plan remain subject to the provisions of such Prior Plan.

The Latch, Inc. 2021 Incentive Award Plan (the "2021 Plan") was approved by the TSIA stockholders on June 3, 2021 and became effective upon the closing of the 2021 Business Combination. The 2021 Plan provides for the grant of stock options, including ISOs and NSOs, stock appreciation rights, restricted stock, RSUs and other stock-based and cash-based awards. The 2021 Plan has a term of ten years. The aggregate number of shares of the Company's common stock available for issuance under the 2021 Plan is equal to (i) 22,500,611 shares plus (ii) an annual increase for ten years on the first day of each calendar year beginning on January 1, 2022, equal to the lesser of (a) 5% of the aggregate number of shares of the Company's common stock outstanding on the last day of the immediately preceding calendar year and (b) such smaller amount of shares as determined by the Board. As of January 1, 2026, the total number of shares reserved for issuance under the 2021 Plan had increased by 39,647,714 as a result of such annual increases. As of December 31, 2025, there were 38,821,060 shares available for future grants under the 2021 Plan.

On August 11, 2024 (the "Program Effective Date"), the Board approved a performance-based equity incentive program (the "Performance Equity Program") pursuant to which awards of performance-vesting stock options ("Performance Options") and performance-vesting RSUs ("PSUs") were expected to be granted to Company officers and service providers, and the Company granted Performance Options to certain officers and key service providers.

The Performance Equity Program provided for the Company to grant awards under the 2021 Plan that would become eligible to vest based on the Company's common stock reaching specified market trading prices (based on a trailing 60-day volume-weighted average price ("VWAP")) within seven years after the Program Effective Date. Awards under the Performance Equity Program were generally expected to be granted 50% in the form of PSUs that would become eligible to vest, or "earned," in three equally-sized tranches upon attaining a $1, $2 and $3 stock price hurdle, and 50% in the form of Performance Options that would become earned in three equally-sized tranches upon attaining a $4, $5 and $6 stock price hurdle. Upon attainment of a stock price hurdle, 25% of the earned tranche of PSUs and Performance Options would vest, with the remaining 75% of such earned tranche vesting in three equal annual installments over the next three years, subject to the applicable participant's continued service through the vesting date.

(in thousands, except share and per share data)

On the Program Effective Date, the Board granted Performance Options to certain officers and key service providers covering a total of 25.5 million shares (the "Initial Option Grant"). As described above, the Performance Options were eligible to be earned in three tranches based on the Company's common stock reaching market trading prices (based on a trailing 60-day VWAP) before the seventh anniversary of the Program Effective Date, as set forth in the following table:

Earned Tranche	Shares Subject to the Performance Option	Share Price Hurdle
1	33.33% of award	$4.00
2	33.33% of award	$5.00
3	33.34% of award	$6.00

Upon attainment of a stock price hurdle, 25% of each earned tranche of Performance Options would vest, with the remaining 75% of such earned tranche vesting in three equal annual installments over the next three years, subject to the applicable participant's continued service through the vesting date. The Performance Options had an exercise price of $0.41 and a ten year term; however, any portion of the Performance Option corresponding to a tranche that had not become earned based on the achievement of a share price hurdle within seven years after the Program Effective Date would be cancelled and forfeited.

In addition to the performance-based and service-based vesting requirements described above, (i) the first tranche of the Performance Option would, to the extent vested, only become exercisable in four equal installments on the second, third, fourth and fifth anniversaries of the Program Effective Date, (ii) the second tranche of the Performance Option would, to the extent vested, only become exercisable in four equal installments on the third, fourth, fifth and sixth anniversaries of the Program Effective Date, and (iii) the third tranche of the Performance Option would, to the extent vested, only become exercisable in four equal installments on the fourth, fifth, sixth and seventh anniversaries of the Program Effective Date.

On September 13, 2024, the Company granted approximately 8.6 million Performance Options to employees, none of whom participated in the Initial Option Grant. Such Performance Options have an exercise price of $0.48 and are otherwise substantially identical to those granted in the Initial Option Grant.

To date, no PSUs have been granted under the Performance Equity Program.

Stock Options

A summary of stock options as of December 31, 2025, and changes during 2025, is presented below:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term[(1)]	Aggregate Intrinsic Value
Balance at December 31, 2024	26,436,951	$ 0.56		
Options granted	700,000	$ 0.16		
Options forfeited	(4,806,870)	$ 0.46		
Options expired	(500,402)	$ 0.13		
Balance at December 31, 2025	21,829,679	$ 0.58	5	$ 40
Exercisable at December 31, 2025	12,013,397	$ 0.71	2	$ —

During the year ended December 31, 2025, the Company granted 700,000 stock options under the 2021 Plan with a weighted-average exercise price of $0.16 per share. The weighted-average grant date fair value of the options was $0.09, and the weighted-average service period was approximately 3.0 years. There were no stock options exercised and no realized tax-related benefits from disqualifying dispositions during the years ended December 31, 2025 and 2024. During the year ended December 31, 2025, 4,806,870 Performance Options were forfeited as a result of employee terminations.

(in thousands, except share and per share data)

Total compensation expense not yet recognized related to unvested stock options granted in 2025 was $0.05 million as of December 31, 2025, which was expected to be recognized over a weighted-average period of 1.3 years. Stock options granted prior to 2024 had no material impact on the accompanying consolidated financial statements. As of December 31, 2025, total compensation expense not yet recognized related to the unvested Performance Options was $1.6 million, which was expected to be recognized over a weighted-average period of 4.2 years.

Restricted Stock Units

The Company estimates the fair value of RSUs using the last trading price of its common stock as of the grant date. The Company's RSUs are settled in shares of common stock after vesting and vest over a period of one to four years. The Company has the option, but not the obligation, to treat a participant's failure to provide timely payment of any withholding tax arising in connection with RSUs as such participant's election to satisfy all or any portion of the withholding tax by requesting the Company retain shares otherwise issuable pursuant to the RSU. In connection with the Restatement, the Company suspended use of its registration statement on Form S-8 under the Securities Act (the "S-8 Registration Statement") on August 10, 2022. Since such date, the Company has not granted any RSUs.

A summary of equity-based RSU activity is presented below.

	Number of RSUs	Weighted Average Grant Date Fair Value (per unit)
Balance at December 31, 2024	375,640	$ 6.26
Vested and released	(325,635)	$ 6.63
Balance at December 31, 2025	50,005	$ 3.89

The total fair value of equity-based RSUs vested and released during the years ended December 31, 2025 and 2024 was $0.01 million and $0.8 million, respectively. Approximately 0.1 million RSUs vested during the year ended December 31, 2025, but were not released upon vesting due to the suspension of the S-8 Registration Statement.

The tax expense realized in connection with the settlement of RSUs was $0.4 million and $3.3 million for the years ended December 31, 2025 and December 31, 2024, respectively.

Stock-Based Compensation Expense

The Company measures and records the expense related to stock-based payment awards based on the fair value of those awards as determined on the date of grant. The fair value amount is then recognized as expense ratably over the requisite vesting period of the individual grant, generally equal to the vesting period using the straight-line method. The Company records forfeitures as they occur.

Stock-based compensation expense is recorded on a straight-line basis over the vesting period in the same expense classifications on the accompanying Consolidated Statements of Operations and Comprehensive Loss as if such amounts were paid in cash. The components of stock-based compensation expense were as follows:

	Year ended December 31,	
	2025	2024
Stock options	$ 405	$ 461
Restricted common stock(1)	138	(2,430)
Restricted stock units	14	1,638
Capitalized costs(2)	(6)	(249)
Total stock-based compensation expense	$ 551	$ (580)

(1) Shares of common stock issued to HDW's stockholders as merger consideration in the HDW Acquisition that were treated as replacement awards of unvested HDW common stock.
(2) Included in internally-developed software on the accompanying Consolidated Balance Sheets.

(in thousands, except share and per share data)

Stock-based compensation expense is included in cost of revenue, research and development, sales and marketing and general and administrative on the accompanying Consolidated Statements of Operations and Comprehensive Loss as follows:

	Year ended December 31,	
	2025	2024
Cost of revenue	$ 1	$ 4
Research and development	68	747
Sales and marketing	51	59
General and administrative(1)	431	(1,390)
Total stock-based compensation expense	$ 551	$ (580)

(1) The negative general and administrative expense for the year ended December 31, 2024 was due to a $7.4 million reversal of previously recognized expense attributable to the November 2024 repurchase of the Company's restricted common stock from Mr. Siminoff in connection with his transition from Chief Strategy Officer to an advisory role. See "—November 2024 Executive Transitions" below.

November 2024 Executive Transitions

On November 18, 2024 (the "Siminoff Agreement Date"), the Company and Mr. Siminoff mutually agreed that Mr. Siminoff would step down as the Company's Chief Strategy Officer on December 31, 2024 (the "Siminoff Separation Date"). Mr. Siminoff remained Chief Strategy Officer through the Siminoff Separation Date, after which he began serving in an advisory role that was expected to continue through December 31, 2026 (such advisory services, the "Advisory Services," and such date, the "Advisory End Date").

On the Siminoff Agreement Date, Mr. Siminoff and the Company entered into a Separation and Advisory Agreement and Release (the "Siminoff Transition Agreement"), pursuant to which the Company and Mr. Siminoff agreed to amend and restate the Original Siminoff Stock Restriction Agreement.

Pursuant to the amended and restated common stock restriction agreement (the "Restated Restriction Agreement"), and in accordance with the terms of the Original Siminoff Stock Restriction Agreement, the Company exercised its repurchase option with respect to 15,260,540 Consideration Shares held by Mr. Siminoff (the "Repurchased Shares") for $0.00005080 per share (the "Repurchase Price"), or a total payment of $775.24. The Repurchased Shares represent 80% of the 19,075,675 Consideration Shares received by Mr. Siminoff in connection with the HDW Acquisition.

Pursuant to the Restated Restriction Agreement, the 3,815,135 Consideration Shares that were not repurchased by the Company (the "Remaining Shares") were subject to transfer restrictions and an amended repurchase option (the "Amended Repurchase Option") pursuant to which the Company had the right to repurchase the Remaining Shares at the Repurchase Price to the extent not released from the transfer restrictions and the Amended Repurchase Option by the fifth anniversary of the effective date of the Restated Restriction Agreement (the "Repurchase Trigger Date").

The Remaining Shares were split into two tranches with different provisions governing their release from the transfer restrictions and the Amended Repurchase Option: the Separation Shares and the Advisory Shares (each as hereafter defined).

The "Separation Shares" consisted of 2,861,351 shares (representing 75% of the Remaining Shares) releasable from the transfer restrictions and the Amended Repurchase Option in equal tranches (each, a "Release Tranche") as follows:

i. 20% of the Separation Shares would be released when the average final trading price of the Company's common stock for any 60-trading day period prior to the Repurchase Trigger Date (the "Threshold Price") is equal to or exceeds $1.00;
ii. 20% of the Separation Shares would be released when the Threshold Price is equal to or exceeds $2.00;
iii. 20% of the Separation Shares would be released when the Threshold Price is equal to or exceeds $3.00;
iv. 20% of the Separation Shares would be released when the Threshold Price is equal to or exceeds $4.00; and
v. 20% of the Separation Shares would be released when the Threshold Price is equal to or exceeds $5.00.

The Restated Restriction Agreement also includes provisions governing the impact of a change in control on the release of certain Separation Shares.

(in thousands, except share and per share data)

The "Advisory Shares" consisted of 953,784 shares (representing 25% of the Remaining Shares) releasable from the transfer restrictions and the Amended Repurchase Option as follows:

i. All of the Advisory Shares would be released on the Advisory End Date, provided that a termination of the Advisory Services had not occurred prior to such date.
ii. In the event of a termination of the Advisory Services by Mr. Siminoff prior to the Advisory End Date other than due to the Company's breach of its ongoing contractual obligations to Mr. Siminoff, subject to notice requirements, the Amended Repurchase Option would immediately apply to all of the Advisory Shares as of the date of such termination (the "Advisory Termination Date"), and the Company would be deemed to have automatically exercised such Amended Repurchase Option with respect thereto.
iii. In the event of a termination of the Advisory Services by the Company as a result of Mr. Siminoff's willful failure or refusal to perform the Advisory Services in good faith in accordance with the terms of the Siminoff Transition Agreement (a "Termination for Cause"), subject to notice requirements, the Amended Repurchase Option would immediately apply to all of the Advisory Shares as of the Advisory Termination Date, and the Company would be deemed to have automatically exercised such Amended Repurchase Option with respect thereto.
iv. In the event of a termination of the Advisory Services by the Company other than a Termination for Cause or a change in control prior to the Advisory End Date, or in the event Mr. Siminoff terminated the Advisory Services as a result of the Company's breach of its ongoing contractual obligations to Mr. Siminoff, the Amended Repurchase Option would immediately apply to the portion of the Advisory Shares represented by the solution to the following equation:

    $(1 – X/730) * 953,784$, with "X" equaling the number of days elapsed between the Siminoff Separation Date and the Advisory Termination Date, and the Company would be deemed to have automatically exercised such Amended Repurchase Option with respect thereto.

With respect to the Advisory Shares to which the Amended Repurchase Option did not apply, such Advisory Shares would be released from the Amended Repurchase Option and the transfer restrictions on the Advisory Termination Date.

The changes to Mr. Siminoff's restricted common stock were treated as a Type III modification in accordance with ASC 718, *Compensation—Stock Compensation*, and accounted for as the cancellation of the original award and the issuance of a new award under the modified terms. Consequently, the Company reversed $7.4 million of previously recognized stock-based compensation expense upon modification and recognized the modified fair value of approximately $0.3 million from the modification date to the year ended December 31, 2024. The unrecognized stock-based compensation expense related to the Separation Shares was $0.8 million as of December 31, 2024, which was being expensed over a weighted-average period of 2.7 years.

In May 2025, the Company terminated Mr. Siminoff's Advisory Services. In connection therewith, the Company repurchased $0.8 million of the Advisory Shares from Mr. Siminoff, with the balance released from the Amended Repurchase Right and the transfer restrictions. All of the Separation Shares remain subject to the Amended Repurchase Option.

21. INCOME TAXES

The components of loss before income taxes are as follows:

	Year ended December 31,	
	2025	2024
Domestic	$ (53,747)	$ (57,611)
Foreign	—	17
Total	$ (53,747)	$ (57,594)

(in thousands, except share and per share data)

The provision for income taxes consisted of the following:

	Year ended December 31,	
	2025	**2024**
Current		
Foreign	$ —	$ 2
Total current	—	2
Deferred		
Foreign	—	—
Total deferred	—	—
Total provision	$ —	$ 2

The Company adopted Accounting Standards Update ("ASU") 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09") for the year ended December 31, 2025. See Note 25. *Recently Issued Accounting Standards—Recently Adopted Pronouncements.* The reconciliation of the Company's effective tax rate to the statutory federal rate for the year ended December 31, 2025 is presented in the table below, which has been prepared in accordance with the disclosure guidance of ASU 2023-09.

	December 31, 2025	
Income tax expense at federal statutory rate	$ (11,287)	21.00%
State and local income taxes, net of federal taxes(1)	471	(0.88%)
Changes in valuation allowance	6,778	(12.61%)
Non-taxable or non-deductible items		
Stock-based compensation	444	(0.82%)
Impairment of goodwill	3,486	(6.49%)
Other	18	(0.03%)
Other adjustments		
Other	90	(0.17%)
Income tax expense at effective tax rate	$ —	—%

(1) For the year ended December 31, 2025, state taxes in the following states made up the majority (greater than 50%) of the tax effect: California, Massachusetts, New Jersey and New York.

The reconciliation of the Company's effective tax rate to the statutory federal rate for the year ended December 31, 2024 is presented in the table below, which has been prepared in accordance with the guidance applicable to the Company prior to the adoption of ASU 2023-09:

	December 31, 2024	
Income tax expense at federal statutory rate	$ (12,095)	21.00%
Permanent items	3,106	(5.39)
State and local taxes, net of federal taxes	(1,893)	3.29
Deferred rate changes	(219)	0.38
Foreign operations	1	—
Valuation allowance	10,670	(18.53)
Other	432	(0.75)
Income tax expense at effective tax rate	$ 2	— %

(in thousands, except share and per share data)

Income Tax Payments

Cash paid for income taxes, net of refunds received, by jurisdiction pursuant to the disclosure requirements of ASU 2023-09 for the year ended December 31, 2025 is as follows:

United States - Federal	$	—
United States - State and local		—
Foreign:		—
Taiwan		(8)
Total cash paid for income taxes (net of refunds)	$	(8)

The Company's net deferred tax assets (liabilities) are as follows:

	December 31, 2025	December 31, 2024
Net operating losses	$ 150,980	$ 141,425
Provision for expected credit losses	93	110
Inventory reserves	2,800	3,278
Sales reserves	18	58
Accrued expenses	2,026	2,414
Deferred revenue	6,679	8,351
Unrealized foreign exchange gain/loss	58	58
Stock-based compensation	1,145	1,549
Charitable contributions	19	19
Lease liability	629	739
Fixed assets	23	223
Intangible assets	1,645	130
Capitalized research and development	15,251	15,587
Prepaid inventory write-off	1,267	—
Disallowed interest expense	259	139
R&D tax credits	343	343
Total deferred tax assets before valuation allowance	183,235	174,423
Valuation allowance	(181,951)	(172,919)
Deferred tax assets net of valuation allowance	1,284	1,504
Deferred commissions	(689)	(795)
Right-of-use asset	(595)	(709)
Total deferred tax liabilities	(1,284)	(1,504)
Deferred tax liabilities, net	$ —	$ —

As of December 31, 2025, the Company had approximately $30.5 million in gross federal net operating loss ("NOL") carryforwards available to offset future taxable income that will begin to expire in 2034 and approximately $538.2 million in gross federal NOL carryforwards available to offset future taxable income that have an indefinite life. The Company had approximately $493.5 million in gross state NOL carryforwards available to offset future taxable income. Some of these NOLs follow the federal Tax Cuts and Job Act of 2017 (the "Jobs Act") and have an indefinite life, while others have a finite life with various expiration dates.

The NOL carryforwards and research and development ("R&D") tax credits are available to reduce future taxable income and tax. However, Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the "Code"), and similar state regulations, contain provisions that may limit the NOL carryforwards and R&D tax credits available to be used to offset income in any given year upon the occurrence of certain events, including changes in the ownership interests of significant stockholders. In the event of a cumulative change in the ownership interest of significant stockholders in excess of 50% over a three-year period, the amount of the NOL carryforwards and R&D tax credits that the Company may utilize in any one year may be limited.

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective negative evidence was the cumulative loss incurred over the three-year periods ended December 31, 2025 and 2024. Such objective evidence limits the ability to consider other subjective evidence, such as the Company's projections for future growth.

On the basis of this evaluation, as of December 31, 2025 and 2024, a valuation allowance of $182.0 million and $172.9 million, respectively, has been recorded to recognize only the portion of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present, and additional weight is given to subjective evidence such as the Company's projections for future growth. For the years ended December 31, 2025 and 2024, the valuation allowance increased $9.0 million and $26.2 million, respectively.

The Company evaluated the provisions of ASC 740, *Income Tax* ("ASC 740"), related to the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. ASC 740 prescribes a comprehensive model for financial statement recognition, measurement, presentation and disclosure of uncertain positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. Differences between tax positions taken or expected to be taken in a tax return and the benefits recognized and measured pursuant to the interpretation under ASC 740 are referred to as "unrecognized tax benefits." A liability is recognized (or an amount of NOL carryover or tax refundable is reduced) for an unrecognized tax benefit because it represents an enterprise's potential future obligation to the taxing authorities for a tax position that was not recognized as a result of applying the provisions of ASC 740. As of December 31, 2025 and 2024, no liability for unrecognized tax benefits was required to be recorded by the Company. Management does not expect any significant changes in its unrecognized tax benefits in the next 12 months. The Company includes interest and penalties related to unrecognized tax benefits within income tax expense. There are no interest or penalties relating to tax positions during the years ended December 31, 2025 and 2024.

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal, state and foreign jurisdictions, where applicable. As of December 31, 2025, the Company's tax years for federal tax purposes are still open under statute from December 31, 2022 to present and from December 31, 2021 to present for state returns. Federal and state NOLs are subject to review by taxing authorities in the year utilized.

In July 2025, the One Big Beautiful Bill Act was enacted ("OBBBA"), introducing significant and wide-ranging changes to the U.S. federal tax system. The OBBBA permanently restores 100% accelerated tax depreciation on qualifying property, including expansion to cover qualified production property, and returns to immediate expensing of domestic research and experimental expenditures ("R&E"). As a result, for tax years beginning after December 31, 2024, taxpayers may deduct such expenses in the year incurred. The legislation also introduced an election to accelerate any unamortized domestic R&E expenditures over a one- or two-year period beginning with the 2025 tax year, reinstates EBITDA-based interest deductions for tax purposes and makes several business tax incentives permanent. The Company has evaluated the impacts of OBBBA but does not expect the legislation to have a material impact on its financial statements. The Company will continue to monitor future guidance and any state-level conformity developments, but no material effects are anticipated at this time.

22. RELATED-PARTY TRANSACTIONS

The Company has customers who are also stockholders and directors, or affiliates thereof, in the Company. The Company charges market rates for products and services that are offered to these customers. As of December 31, 2025 and December 31, 2024, the Company had $0.2 million and $0.05 million, respectively, of receivables, due from these customers, which are included within accounts receivable on the accompanying Consolidated Balance Sheets. For the years ended December 31, 2025 and 2024, the Company had $0.01 million and $0.01 million, respectively, of hardware revenue from these customers, $0.1 million and $0.1 million, respectively, of software revenue, and $1.3 million and zero, respectively, of services revenue from these customers, which is included on the accompanying Consolidated Statements of Operations and Comprehensive Loss.

(in thousands, except share and per share data)

23. RETIREMENT PLAN

The Company has a savings plan pursuant to Section 401(k) of the Code under which all employees meeting eligibility requirements are able to participate. Subject to certain limits set forth in the Code, employees are permitted to make contributions to the plan on a pre-tax salary reduction basis. The Company may elect to make discretionary matching and profit-sharing contributions each year as determined annually. The Company made no employer contributions to the savings plan for the years ended December 31, 2025 and 2024.

24. RESTRUCTURING

The Company did not incur any restructuring costs for the year ended December 31, 2025. During 2024, the Company incurred $1.6 million in restructuring costs related to the HelloTech Merger and the restructuring of its engineering team. The Company's restructuring costs by major cost-type incurred for the year ended December 31, 2024 were as follows:

Severance and termination benefits	$	1,552
Lease abandonment charges		29
Total restructuring costs	$	1,581

Restructuring costs are recorded on the accompanying Consolidated Statements of Operations and Comprehensive Loss for the year ended December 31, 2024 as follows:

Cost of revenue	$	28
Research and development		761
Sales and marketing		318
General and administrative		474
Total restructuring costs	$	1,581

The following table summarizes the changes in the accrued restructuring balance, which is included in accrued expenses on the accompanying Consolidated Balance Sheets.

	Severance and Termination Benefits		Lease Abandonment Charges		Total	
Balance at December 31, 2023	$	1,301	$	—	$	1,301
Restructuring charges		1,581		29		1,610
Payments		(1,829)		(29)		(1,858)
Balance at December 31, 2024	$	1,053	$	—	$	1,053

Remaining accrual balances as of December 31, 2024 were paid in 2025.

25. RECENTLY ISSUED ACCOUNTING STANDARDS

Recently Adopted Pronouncements

In December 2023, the FASB issued ASU 2023-09, which intends to increase the transparency of income tax disclosures, particularly the rate reconciliation table and disclosures about income taxes paid. For public business entities, it is effective for annual periods beginning after December 15, 2024, and interim periods beginning after December 15, 2025, with early adoption permitted. The Company adopted this new guidance for the year ended December 31, 2025 on a prospective basis. This guidance did not impact the Company's consolidated financial statements but resulted in the disaggregation of its tax footnote disclosures. Prior period disclosures have not been adjusted to reflect the new disclosure requirements. See Note 21. *Income Taxes*.

Accounting Pronouncements Not Yet Adopted

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative* ("ASU 2023-06"). ASU 2023-06 was intended to align the requirements of the ASC with overlapping SEC requirements. The guidance in ASU 2023-06 is required to be applied prospectively, and the ASC amendments will be effective only upon the removal of the overlapping SEC disclosure requirements. If, however, the SEC does not act to remove the relevant overlapping requirements by June 30, 2027, the FASB amendments will not be effective. The Company does not anticipate that the adoption of ASU 2023-06 will have a material impact on its consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, *Disaggregation of Income Statement Expenses (Subtopic 220-40)* ("ASU 2024-03"). ASU 2024-03 requires additional disclosure of the nature of expenses included in the income statement as well as disclosures about specific types of expenses included in the expense captions presented in the income statement. In addition, the FASB issued ASU 2025-01, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date* in January 2025 to clarify the requirement to adopt ASU 2024-03 in annual reporting periods beginning after December 15, 2026 and interim periods within annual reporting periods beginning after December 15, 2027. The Company is currently evaluating these standards to determine the impact on its consolidated financial statements and related disclosures.

In September 2025, the FASB issued ASU 2025-06, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software* ("ASU 2025-06"). ASU 2025-06 amends the guidance in ASC 350-40, *Intangibles—Goodwill and Other—Internal-Use Software*. The amendments modernize the recognition and disclosure framework for internal-use software costs, removing the previous "development stage" model and introducing a more judgment-based approach. ASU 2025-06 is effective for fiscal years beginning after December 15, 2027 and for interim periods within those annual reporting periods, with early adoption permitted. The Company is currently evaluating the impact of ASU 2025-06 on its consolidated financial statements.

In November 2025, the FASB issued ASU 2025-08, *Financial instruments – Credit Losses (Topic 326): Purchased Loans* ("ASU 2025-08:), which amends the guidance in ASC 326 on the accounting for certain purchased loans. Under ASU 2025-08, entities must account for acquired loans, excluding credit card, that meet certain criteria at acquisition (purchased seasoned loans) by recognizing them at their purchase price plus an allowance for expected credit losses. Purchased seasoned loans are defined as either: (i) non-purchased credit deteriorated loans that are obtained in a business combination, or (ii) non-purchased credit deteriorated loans that (a) are obtained in an asset acquisition or upon consolidation of a variable interest entity that is not a business and (b) are acquired more than 90 days after their origination date by a transferee that was not involved in their origination. The Company is currently evaluating the impact of ASU 2025-08 on its consolidated financial statements.

In December 2025, the FASB issued ASU 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements* ("ASU 2025-11"). ASU 2025-11 clarifies the applicability of the interim reporting guidance, the types of interim reporting, and the form and content of interim financial statements in accordance with GAAP. Per the FASB, this ASU is not intended to change the fundamental nature of interim reporting or expand or reduce current interim disclosure requirements but rather provide clarity and improve navigability of the existing interim reporting requirements. This guidance is effective for interim reporting periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2025-11 on its consolidated financial statements.

In December 2025, the FASB issued ASU 2025-12, *Codification Improvements* ("ASU 2025-12"), ASU 2025-12 addresses suggestions received from stakeholders regarding the ASC and makes other incremental improvements to GAAP. The update represents changes to the ASC that clarify, correct errors in or make other improvements to a variety of topics that are intended to make it easier to understand and apply. This guidance is effective for annual periods beginning after December 15, 2026, including interim reporting periods within those fiscal years, with early adoption permitted. Entities are required to apply the amendments to ASC 260, *Earnings Per Share*, retrospectively. All other amendments may be applied prospectively or retrospectively. The Company is currently evaluating the impact of ASU 2025-12 on its consolidated financial statements.

Management has evaluated other recently issued accounting pronouncements and does not believe that any of these pronouncements will have a significant impact on the Company's consolidated financial statements and related disclosures.

26. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date of these financial statements and determined that there have been no events that have occurred that would require adjustments to its disclosures in the consolidated financial statements.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Background

As described elsewhere in this Form 10-K, the Audit Committee, with the assistance of independent legal and accounting advisors, conducted an internal investigation of matters relating to the Company's key performance indicators and revenue recognition practices for certain transactions, including the accounting treatment, financial reporting and internal controls related to such transactions.

As a result of the accounting, financial reporting and internal control deficiencies identified by the Investigation, and their material impact on the Company's previously issued financial statements and related disclosures, the Audit Committee determined that the Company's financial statements for 2019, 2020, 2021 and the first quarter of 2022 should be restated. Following the Investigation, the Company conducted a comprehensive review of its previously issued financial statements and, in its Annual Report on Form 10-K for the year ended December 31, 2022 (the "2022 Annual Report"), restated those financial statements to correct the identified errors.

As further detailed below, the Company identified material weaknesses in its internal control over financial reporting related to deficiencies in the control environment, risk assessment, control activities, information and communication, and monitoring activities. These deficiencies contributed to errors in the Company's accounting and financial reporting processes, including matters affecting: (i) revenue recognition on hardware and software sales, (ii) revenue recognition and billing on software licenses, (iii) recognition of various expenses, (iv) internally-developed software, (v) stock-based compensation, and (vi) errors in certain key performance indicators, including "bookings" and related metrics.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that a reasonable possibility exists that a material misstatement of annual or interim financial statements would not be prevented or detected on a timely basis.

Management's Report on Internal Control over Financial Reporting

Management, including our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, based upon the criteria established in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO Framework"). The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Management conducted an evaluation of the effectiveness of internal control over financial reporting and based upon the criteria set forth in the COSO Framework. Because of the material weaknesses in internal control over financial reporting ("ICFR") described below, management, including our Chief Executive Officer and Chief Financial Officer, concluded that the Company's ICFR was not effective as of December 31, 2025.

Evaluation of Disclosure Controls and Procedures

Our current management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, in connection with the preparation of this Form 10-K. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2025 because of material weaknesses in our internal control over financial reporting, as described below.

Notwithstanding that conclusion, based on review, analysis and inquiries conducted subsequent to December 31, 2025, management believes that the consolidated financial statements and related financial information included in this Form 10-K fairly present in all material respects the Company's financial condition, results of operations and cash flows as of the dates presented, and for the periods ended on such dates, in conformity with GAAP.

Previously Disclosed Material Weakness

In our Annual Report on Form 10-K for the year ended December 31, 2021, we initially identified a material weakness related to the selection and development of control activities, including over information technology related to certain account balances. As a result of the Investigation, management identified additional deficiencies that were primarily attributable to limitations in resources, the absence of formally designed processes and controls, and insufficient personnel with the appropriate level of accounting and internal control expertise. Accordingly, we reported additional material weaknesses as of December 31, 2022.

These material weaknesses existed across the five components of the COSO Framework: control environment, risk assessment, control activities, information and communication, and monitoring activities.

Management has implemented and continues to implement remediation measures designed to address these deficiencies and strengthen the Company's overall control environment. However, as of December 31, 2025, the material weaknesses have not yet been fully remediated. Remediation efforts remain ongoing, and the related controls must operate for a sufficient period of time and be subject to validation through testing before management can conclude that any control is operating effectively.

The material weaknesses described below reflect management's current assessment of the underlying deficiencies within the Company's internal control framework.

Material Weaknesses in Internal Control Over Financial Reporting

Management identified material weaknesses in ICFR as of December 31, 2025, related to deficiencies in all five components of the COSO Framework, as described below.

Control Environment: The Company did not maintain an effective control environment to support ICFR. The Company lacked appropriate policies and resources to develop and operate ICFR, which contributed to the Company's inability to properly analyze, record and disclose accounting matters timely and accurately.

These deficiencies contributed to inadequate oversight of control responsibilities, insufficient reinforcement of expectations related to internal control, and inconsistent execution of certain control activities.

Risk Assessment: Management did not design and implement an effective risk assessment and identified a material weakness relating to: (i) identifying, assessing and communicating appropriate objectives, (ii) identifying and analyzing risks to achieve these objectives, and (iii) identifying and assessing changes in the business that could impact the system of internal controls.

Control Activities: The Company did not design and implement effective control activities and identified the following material weaknesses:

– *Revenue Recognition Controls;* The Company did not design or maintain certain control activities to respond to potential risks of material misstatement of revenue. In particular, management failed to: (i) ensure that relevant terms sales representatives had negotiated with customers were identified and communicated to the accounting department, resulting in a failure to properly account for such terms, (ii) fully consider the impact of certain terms of sales agreements on the amount and timing of revenue to be recognized and (iii) identify and account for extended payment terms.

  As a result of these control design deficiencies, policies and controls related to revenue recognition were not effective in ensuring that (a) revenue was recorded at the correct amount and in the correct period and (b) the accounting department was informed of all elements and deliverables of certain arrangements. These design deficiencies led to inaccuracies in amounts and timing of revenue recognition and allowances for uncollectible accounts that contributed to material accounting errors in 2022 and prior years.

– *Financial Reporting Close Controls;* Management further identified ineffective design and operation of certain control activities. Control deficiencies, which aggregate to a material weakness, occurred within the following areas: order to cash, inventory, financial close, sales commissions, procure-to-pay, capitalized software and information and technology general controls.

Information and Communication: Management did not design and implement effective information and communication activities. As a result, management identified a material weakness in the processes and controls for communicating information among the accounting, finance, sales and customer success teams, which were not adequate to support the proper functioning of internal controls impacting revenue-related accounts to ensure accurate revenue recognition.

Monitoring Activities: Management did not design and implement effective monitoring activities and identified the following material weaknesses: (i) failure to adequately monitor compliance with accounting policies, procedures and controls related to revenue recognition and accounts receivable; and (ii) failure to properly select, develop and perform ongoing evaluations of various components of internal controls.

Status of Remediation of the Material Weaknesses

One of the material weaknesses identified by the Company as of December 31, 2022, which was covered by the control environment component of the COSO Framework, related to the tone at the top established by prior executive management, which was determined to be insufficient to support an effective control environment. Since identifying this material weakness, the Company implemented several actions to strengthen executive leadership, governance and accountability, including the appointment of a new executive leadership team and reinforcing expectations regarding ethical conduct, accurate financial reporting and internal control responsibilities throughout the organization. As a result of these actions, management concluded that the tone at the top material weakness was effectively remediated as of December 31, 2025.

Management, with oversight from the Audit Committee of the Board of Directors, continues to devote significant time, attention and resources to the remediation of the remaining material weaknesses and to strengthening the Company's internal control over financial reporting. In the interim, management has implemented additional mitigating procedures and deployed additional resources, to help ensure that the consolidated financial statements and related financial information included in this Form 10-K are fairly presented, in all material respects, in accordance with U.S. GAAP.

The remaining material weaknesses cannot be considered fully remediated until the applicable controls have been implemented and have operated effectively for a sufficient period of time such that management can conclude, through testing, that the controls are operating effectively. The following summarizes the Company's remediation initiatives to address the remaining material weaknesses.

Strengthening the Control Environment and Finance Organization

Management has taken steps to strengthen the finance and accounting organization, including evaluating and modifying the organizational design of the controllership function, hiring accounting personnel with requisite experience and technical expertise in U.S. GAAP and internal controls and providing training related to internal control responsibilities.

As the Company has returned its financial reporting to a current and timely status, management is focused on reestablishing a consistent financial close and reporting process and stabilizing foundational recurring processes that support the execution of internal controls.

Enhancing Risk Assessment and SOX Governance

Management has enhanced enterprise risk assessment processes and continues to refine the scope and focus of the Company's Sarbanes-Oxley compliance program. These efforts include improving documentation of financial reporting risks and implementing processes to ensure that risk assessments are updated as business conditions change.

Improving Control Design and Financial Reporting Processes

Management continues to develop and implement formal policies, procedures and internal controls designed to address key financial reporting risks. These actions include enhancing internal control documentation and engaging third-party specialists with technical accounting and internal control expertise to assist control design and implementation.

Management has also implemented enhancements to the review and approval of customer contract terms and revised policies and procedures related to revenue recognition.

Enhancing Information Flow and Monitoring Activities

Management has taken steps to improve communication across operational and finance teams and has enhanced monitoring procedures over internal control execution, including implementing a governance, risk and compliance platform designed to support SOX compliance and internal control monitoring.

Accordingly, management continues to implement and test the enhanced controls described above as part of its ongoing internal control evaluation process.

Changes in Internal Control Over Financial Reporting

Other than described above, there have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended December 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

(b) Insider Adoption or Termination of Trading Arrangements

No director or officer adopted or terminated a trading arrangement for the purchase of Company securities for the quarterly period ended December 31, 2025 that is either (i) a contract, instruction or written plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c), or a “Rule 10b5-1 trading arrangement,” or (ii) a “non-Rule 10b5-1 trading arrangement” (as defined in Item 408(c) of Regulation S-K).

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Items 401, 405, 406 and 407(c)(3), (d)(4) and (d)(5) of Regulation S-K in response to this Item 10 is incorporated herein by reference to our definitive proxy statement for our 2026 Annual Meeting of Stockholders to be filed with the SEC pursuant to Regulation 14A promulgated under the Exchange Act not later than 120 days after the end of the fiscal year covered by this Form 10-K (our "Definitive Proxy Statement"). Such responsive information is expected to be included under the captions "Proposal 1—Election of Directors," "Corporate Governance" and "Executive Compensation."

Item 11. Executive Compensation

The information required by Items 402 and 407(e)(4) and (e)(5) of Regulation S-K in response to this Item 11 is incorporated herein by reference to the information under the caption "Executive Compensation" in our Definitive Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information regarding security ownership required by Item 403 of Regulation S-K is incorporated herein by reference to the information under the caption "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" in our Definitive Proxy Statement.

Equity Compensation Plan Information

In connection with the Restatement, we suspended use of the S-8 Registration Statement on August 10, 2022. Since such time, we have not granted any restricted stock units ("RSUs") and have not settled any RSUs upon vesting. However, in December 2023, 2024 and 2025, we settled certain RSUs for which participants faced year-end tax liability. We expect to resume granting and regularly settling vested RSUs pursuant to the S-8 Registration Statement after the filing of this Form 10-K.

The following table presents the securities authorized for issuance under our equity compensation plans as of December 31, 2025. See Note 20. *Stock-Based Compensation*, in Part II, Item 8. "Financial Statements" for additional information about our equity compensation plans.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants, and Rights	(c) Number of Securities Remaining Available for Issuance Under Equity Compensation Plans (Excluding Securities Reflected in column (a))
Equity Compensation Plans Approved by Security Holders:			
Latch, Inc. 2021 Incentive Award Plan	9,866,287 (1)	$ 0.42 (2)	38,821,060 (3)
Equity Compensation Plans Not Approved by Security Holders:			
Latch, Inc. 2016 Stock Plan	12,013,397	$ 0.71	— (4)
Total	21,879,684		38,821,060

(1) Represents stock options and RSUs granted to service providers, net of forfeitures and releases.

(2) Represents the weighted average exercise price of outstanding stock options. The RSUs have no exercise price.

(3) The aggregate number of shares available for issuance under the 2021 Plan is equal to (i) 22,500,611 shares plus (ii) an annual increase for ten years on the first day of each calendar year beginning on January 1, 2022, equal to the lesser of (a) 5% of the aggregate number of shares of the Company's common stock outstanding on the last day of the immediately preceding calendar year and (b) such smaller amount of shares as determined by the Board. As of January 1, 2026, the total number of shares reserved for issuance under the 2021 Plan had increased by 39,647,714 as a result of such annual increases.

(4) Awards may no longer be granted under the Latch, Inc. 2016 Stock Plan (the "2016 Plan"), but outstanding awards will continue to be subject to the provisions thereof. Shares that are returned to the 2016 Plan are transferred and made available for award grants under the 2021 Plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required regarding certain relationships and related transactions and director independence required by Items 404 and 407(a) of Regulation S-K is incorporated herein by reference to the information under the captions "Certain Relationships and Related Party Transactions" and "Proposal 1—Election of Directors" in our Definitive Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information regarding principal accountant fees and services required by Item 9(e) of Schedule 14A of the Exchange Act is incorporated herein by reference to the information under the caption "Proposal 2—Ratification of the Appointment of BDO USA, P.C." in our Definitive Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements.

The consolidated financial statements of the Company are included in Part II, Item 8 of this Form 10-K.

(a)(2) Financial Statement Schedules.

All financial statement schedules for the Company have been included in the consolidated financial statements or the related footnotes, or are either inapplicable or not required.

(a)(3) Exhibits.

The following is a list of exhibits filed as part of this Form 10-K.

		Incorporated by Reference		
Exhibit	**Exhibit Description**	**Form**	**Exhibit**	**Filing Date**
2.1*	Agreement and Plan of Merger, dated as of January 24, 2021, by and among TSIA, Lionet Merger Sub Inc. and Legacy Latch.	S-4/A	2.1	5/12/2021
2.2	Agreement and Plan of Merger, dated as of May 15, 2023, by and among Latch, Inc., LS Key Merger Sub 1, Inc., LS Key Merger Sub 2, LLC and Honest Day's Work, Inc.	8-K	2.1	5/16/2023
2.3	Amendment to Agreement and Plan of Merger, dated as of June 23, 2023, by and among Latch, Inc., LS Key Merger Sub 1, Inc., LS Key Merger Sub.	10-K	2.3	12/19/2024
2.4*	Agreement and Plan of Merger, by and among Latch, Inc., LS HT Merger Sub, Inc. and HelloTech, Inc., dated as of June 21, 2024.	8-K	2.1	6/24/2024
3.1	Second Amended and Restated Certificate of Incorporation.	8-K	3.1	6/10/2021
3.2	Amended and Restated Bylaws.	8-K	3.2	6/10/2021
4.1	Specimen Common Stock Certificate.	S-1/A	4.2	10/30/2020
4.2	Specimen Warrant Certificate.	S-1/A	4.3	10/30/2020
4.3	Warrant Agreement, dated as of November 9, 2020, by and between TSIA and Continental Stock Transfer & Trust Company, as Warrant Agent.	8-K	4.1	11/13/2020
4.4	Description of the Registrant's Securities.	10-K	4.4	12/19/2024
4.5	Form of Promissory Note.	8-K	4.1	5/16/2023
4.6	Amendment to Promissory Notes, dated April 14, 2024.	8-K	4.1	4/15/2024
4.7	Warrant, dated as of July 15, 2024, by and between the Company and Customers Bank.	8-K	4.1	7/15/2024
10.1	Amended and Restated Registration Rights Agreement, dated as of June 4, 2021, by and among the Company, certain equityholders of TSIA named therein and certain equityholders of Legacy Latch named therein.	8-K	10.1	6/10/2021
10.2†	Latchable, Inc. 2014 Stock Incentive Plan.	S-4	10.12	3/10/2021
10.3†	Latch, Inc. 2016 Stock Plan.	S-4	10.13	3/10/2021
10.4†	Latch, Inc. 2021 Incentive Award Plan.	S-8	99.1	8/09/2021
10.5†	Form of Stock Option Grant Notice and Stock Option Agreement.	8-K	10.8	6/10/2021
10.6†	Form of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement.	8-K	10.9	6/10/2021
10.7	Letter Agreement, dated as of January 24, 2021, by and among the Company, certain equityholders of TSIA named therein and certain equityholders of Legacy Latch.	S-4	10.9	3/10/2021
10.8	Form of Subscription Agreement.	S-4	10.11	3/10/2021
10.9	Form of Indemnification Agreement.	S-4/A	10.15	3/30/2021
10.10	Investment Management Trust Agreement, dated as of November 9, 2020, by and between TSIA and Continental Stock Transfer & Trust Company, as trustee.	8-K	10.2	11/13/2020
10.11	Registration Rights Agreement, dated as of July 3, 2023, by and among Latch, Inc. and the other parties thereto.	8-K	10.1	7/03/2023
10.12*	Amended and Restated Loan and Security Agreement, by and among the Company, Latch Systems, Inc., HelloTech, Inc. and Customers Bank, dated as of July 15, 2024.	8-K	10.1	7/15/2024

10.13†	Form of Performance-Based Option Agreement.	8-K	10.1	8/13/2024
10.14†	Form of Performance-Based Restricted Stock Unit Agreement.	8-K	10.2	8/13/2024
10.15†	Separation and Advisory Agreement and Release, dated as of November 18, 2024, by and between Latch Systems, Inc. and Jamie Siminoff.	8-K	10.1	11/19/2024
10.16†	Amended and Restated Common Stock Restriction Agreement, dated as of November 18, 2024, by and between Latch, Inc. and Jamie Siminoff.	8-K	10.2	11/19/2024
10.17†	Amended and Restated Employment Agreement, dated as of February 5, 2025, by and between the Company and David Lillis.	8-K	10.1	2/06/2025
10.18†	Amended and Restated Employment Agreement, dated as of February 5, 2025, by and between the Company and Jeff Mayfield.	8-K	10.2	2/06/2025
10.19†	Amended and Restated Employment Agreement, dated as of February 5, 2025, by and between the Company and Priyen Patel.	8-K	10.3	2/06/2025
14.1	Code of Business Conduct and Ethics of Latch, Inc.	10-K	14.1	12/19/2024
16.1	Letter from Deloitte & Touche LLP dated April 9, 2025.	8-K	16.1	4/09/2025
19.1	Amended and Restated Insider Trading Compliance Policy.	10-K	19.1	3/26/2025
21.1	List of Subsidiaries of Latch, Inc (filed herewith).			
23.1	Consent of BDO USA, P.C. (filed herewith).			
31.1	Certification of Principal Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).			
31.2	Certification of Principal Financial Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).			
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).			
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).			
97.1	Latch, Inc. Policy for Recovery of Erroneously Awarded Compensation.	10-K	97.1	12/19/2024
101	The following financial information from Latch, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2025, formatted in Inline XBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations and Comprehensive Loss, (iii) the Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (v) the Notes to Consolidated Financial Statements (submitted electronically herewith).			
104	Cover Page Interactive Data File, formatted in Inline XBRL (included as Exhibit 101).			

* Certain of the exhibits and schedules to this Exhibit have been omitted in accordance with Regulation S-K Item 601(a)(5). The Company agrees to furnish a copy of all omitted exhibits and schedules to the SEC upon its request.

† Indicates a management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

LATCH, INC.

By: /s/ David Lillis
David Lillis
Chief Executive Officer

March 31, 2026

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ David Lillis David Lillis	Chief Executive Officer (Principal Executive Officer)	March 31, 2026
/s/ Jeff Mayfield Jeff Mayfield	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 31, 2026
/s/ Peter Campbell Peter Campbell	Director	March 31, 2026
/s/ Patricia Han Patricia Han	Director	March 31, 2026
/s/ Raju Rishi Raju Rishi	Director	March 31, 2026
/s/ J. Allen Smith J. Allen Smith	Director	March 31, 2026
/s/ Robert J. Speyer Robert J. Speyer	Director	March 31, 2026
/s/ Andrew Sugrue Andrew Sugrue	Director	March 31, 2026