

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 January 31, 2025

OR

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

For the transition period from _____ to _____

Commission File Number: 001-37493

Ooma, Inc.

(Exact name of registrant as specified in charter)

Delaware

(State or other jurisdiction of incorporation or organization)

06-1713274

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

525 Almanor Avenue, Suite 200, Sunnyvale, California 94085

(Address of principal executive offices and zip code)

Registrant's telephone number **(650) 566-6600**

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.0001	OOMA	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 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, or a smaller reporting company or 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	<input type="checkbox"/>	Accelerated Filer	<input checked="" type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Small reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised 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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of July 31, 2024, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$256 million, based upon the closing price reported for such date on the New York Stock Exchange.

27.6 million shares of common stock were issued and outstanding as of March 31, 2025.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for its 2025 Annual Meeting of Stockholders are incorporated by reference in Part III of this Annual Report on Form 10-K. Such Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates. Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as part of this Form 10-K.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K for the fiscal year ended January 31, 2025 (“Form 10-K”) contains forward-looking statements within the meaning of 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”). The words “believe,” “will,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “expect,” “predict,” “could,” “potentially” and variations of such words and similar expressions are intended to identify such forward-looking statements, which may include, but are not limited to, statements concerning the following:

- our future financial performance, including trends in revenue, cost of revenue, operating expenses and income taxes;
- our estimates of the size of our market opportunity and forecasts of market growth;
- our ability to attract and retain customers, including our ability to maintain adequate customer care and manage increases in our churn rate;
- our ability to develop, launch or acquire new products and services, improve our existing products and services, manage our supply chain, and increase the value of our products and services;
- our ability to successfully maintain our relationships with our key retailers and resellers;
- server or system failures that could affect the quality or disrupt the services we provide and our ability to maintain data security;
- changes to our business resulting from increased competition or changes in market trends;
- our ability to increase our revenue and our revenue growth rate, anticipate demand for our products, and effectively manage our future growth;
- our ability to successfully enter new markets, manage our international expansion, and identify, evaluate and consummate acquisitions;
- our ability to improve local number portability provisioning and obtain direct inward dialing numbers;
- the sufficiency of our cash and cash equivalents to meet our working capital and capital expenditure requirements;
- our ability to borrow funds and access capital markets, as well as our ability to comply with the terms of our indebtedness and the possibility that we may incur indebtedness in the future;
- the effects of industry trends on our results of operations;
- our ability to maintain, protect and enhance our brand and intellectual property;
- government regulation, including compliance with regulatory requirements and changes in market rules, rates and tariffs;
- our ability to comply with applicable FCC regulations, including those regarding E-911 services;
- increasing regulation of our services and the imposition of federal, state and municipal sales and use taxes, fees or surcharges on our services;
- the differences between our services, including emergency calling, compared to traditional phone services;
- the future trading prices of our common stock; and
- other risk factors included under the section titled “Risk Factors”

You should not rely upon forward-looking statements as predictions of future events. Such statements are based on management’s expectations as of the date of this filing and involve many risks and uncertainties that could cause our actual results, events or circumstances to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include those described throughout this report and particularly in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Readers are urged to carefully review and consider all of the information in this Form 10-K and in other documents we file from time to time with the Securities and Exchange Commission (“SEC”). We undertake no obligation to update any forward-looking statements made in this Form 10-K to reflect events or circumstances after the date of this filing or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

When we use the terms “Ooma,” the “Company,” “we,” “us” or “our” in this report, we are referring to Ooma, Inc. and its consolidated subsidiaries unless the context requires otherwise. Ooma, Ooma Telo, AirDial, Broadsmart, OnSIP, Talkatone, 2600Hz, and the Ooma logo referred to or displayed herein are trademarks of Ooma, Inc. and its consolidated subsidiaries. All other company and product names referred to herein may be trademarks of the respective companies with which they are associated.

PART I

Item 1. Business

Overview

Ooma provides leading communications services and related technologies that bring unique features, ease of use, and affordability to business and residential customers through our smart software-as-a-service (“SaaS”) and unified communications platforms. For businesses of all sizes, we deliver advanced voice and collaboration features including messaging, intelligent virtual attendants and video conferencing to help them run more efficiently. Ooma’s all-in-one replacement solution for analog phone lines helps businesses maintain mission-critical systems by moving connectivity to the cloud. For consumers, our residential phone service provides PureVoice high-definition voice quality, advanced functionality and integration with mobile devices.

We drive the adoption of our platforms by providing communications solutions to the large and growing markets for business, residential and mobile users, and then facilitate growth by offering new and innovative connected services to our user base. Our customers typically adopt our platforms by making a purchase or rental of our on-premise devices, connecting to the internet and activating services, for which they primarily pay on a monthly basis. We believe we have achieved high levels of customer satisfaction, retention and loyalty. Our business and residential phone service solutions are each top-ranked by our customers according to surveys by PC Mag and Consumer Reports.

Our services rely upon the following main elements: our multi-tenant cloud service, on-premise devices, desktop and mobile applications, and calling platforms. Ooma’s cloud provides a high-quality, secure, managed and reliable connection integrating every element of our platforms. Our platforms power all aspects of our business, providing a high-volume, low-cost infrastructure for our communications solutions, and enabling a number of other current and future applications and services for productivity, automation, monitoring, safety, security and networking infrastructure.

We generate revenues primarily from the sale of subscriptions and other services for our business and residential communications solutions. We generate our product and other revenue from the sale of our on-premise devices and end-point devices. We primarily offer our solutions in the United States and Canada, with limited offerings in certain other countries. We believe that our differentiated solutions and our long-term customer relationships uniquely position us to add new connected services and exploit adjacent markets. We believe that our platforms are particularly well-suited to enable the delivery of connected services because they are always on, monitored and interactive.

We have experienced strong revenue growth in recent periods. Our total revenue was \$256.9 million, \$236.7 million, and \$216.2 million in fiscal 2025, 2024, and 2023, respectively. As of January 31, 2025, our core users totaled 1,234,000 for Ooma Business and Ooma Residential. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” below.

We were incorporated in 2003 as a Delaware corporation and our stock is listed on the New York Stock Exchange under the symbol “OOMA.” Our corporate headquarters are located in Sunnyvale, California. Our primary website address is www.ooma.com.

Our Solutions

Ooma Business

Our mission is providing business communications services that are simple, easy to use, and deliver excellent value to small, medium-sized, and large companies. We offer a range of solutions to fit each business’ needs, along with personalized support to resolve any issues in deploying and maintaining Ooma services. We refer to Ooma Office, Ooma Enterprise, Ooma AirDial, 2600Hz, and OnSIP collectively as Ooma Business.

Ooma Office

Ooma Office is a cloud-based multi-user communications system for small and medium-sized businesses designed to manage communications in and out of the office with a suite of business features at affordable prices. Ooma Office is simple and intuitive to setup and use, mobile-friendly, scalable, and provides a variety of configurations to meet our customers’ specific needs. Customers have their choice of equipment for voice service, including IP phones, smartphones, PCs and traditional analog phones.

Ooma Office has three service plans, which are generally sold as monthly subscriptions:

Ooma Office Essentials provides a curated set of essential business phone features that enables teams to connect seamlessly with customers and co-workers, including: virtual receptionist, extension dialing, multi-device ring options, ring groups, call park, audio conferencing, digital fax, music-on-hold, intercom/paging, and voicemail-to-email audio files. The Office Mobile App allows virtual deployment without hardware, so users can make, receive and transfer phone calls, listen to voicemails, text, and manage their Ooma account on-the-go from any iOS or Android device.

Ooma Office Pro offers everything in Ooma Office Essentials while adding a set of more robust features including: HD video conferencing (Ooma Meetings), call recording, call analytics, caller info match, enhanced robocall blocking, voicemail transcription, and integrations with Google Workspace and Microsoft 365 applications. Additionally, the Office Pro Desktop App conveniently enables Pro users to have their complete business communications system on their PCs and Macs to make and receive calls, host and join video meetings, use SMS and MMS messaging, access company directories, access in-depth caller profiles for both inbound and outbound calls, and other capabilities. The Desktop App works anywhere the computer has an internet connection, keeping employees and teams connected while working from home, on the road, or in the office.

Ooma Office Pro Plus is our top-tier service plan that offers everything in Ooma Office Pro while adding powerful employee and customer tools, including: advanced call management, call queuing for satisfying basic call center needs, hot-desking to facilitate hybrid work environments and shared workspaces, online bookings to schedule appointments and meetings, expanded videoconferencing options for Ooma Meetings, and integrations with general CRM systems such as Salesforce and Microsoft Dynamics 365, and industry specific CRM systems such as Clio and AgencyZoom, and many others.

Ooma Connect delivers fixed wireless internet connectivity to replace or back-up slow and costly DSL, satellite, and cable services. This solution consists of the Ooma Connect Base Station, which provides wireless internet through a nationwide advanced cellular network. Our Continuous Voice technology for internet back-up improves call quality by sending redundant voice streams across both the primary and wireless Internet link.

Ooma Enterprise

Ooma Enterprise is a highly customizable, flexible, and scalable unified-communications-as-a-service (“UCaaS”) solution that complements Ooma Office and allows us to meet the needs of organizations of all sizes. Telecommunications and networking services available through Ooma Enterprise include mobile and softphone telephony, presence and instant messaging, multiparty audio, video and web conferencing, and call center capabilities with full Application Programming Interface (“API”) support.

Our enterprise UCaaS platform enables easy drag-and-drop call flow management, using modular applications that can be selectively enabled to suit customer needs. Some of these applications include WebRTC, Call Center, Mobile and Desktop applications, Team Chat, and a distinctive reporting portal for end users and administrators. For our call center customers, we offer agents and call center managers the ability to visualize their performance through their day or over time with custom reporting solutions. Additionally, Ooma Direct Routing for Microsoft Teams allows every device enabled with the Teams app – desktops, laptops, smart phones and tablets – to become a fully functional business phone that connects Teams users to external phone lines.

Our platform is built on an open API architecture that enables agility, customizations, and integrations into back-end solutions such as CRM, predictive analytics, accounting and customer renewal systems, either internally or via third party developers. Our global cloud-based network provides business-class security, redundancy, and failover, as well as uniquely routes calls through the shortest path to provide the highest voice quality. This gives Ooma Enterprise customers the ability to streamline business processes and ensure their customers are serviced faster, boosting satisfaction, repeat orders, referrals, and revenues in addition to enabling their users to improve productivity.

Ooma AirDial

Ooma AirDial is a complete integrated solution for businesses to address the decommissioning of legacy copper-wire analog phone service, also known as plain old telephone service (“POTS”). This “copper sunset” has created a significant challenge for maintaining safety communications devices and business-critical systems that today require a POTS line – ranging from fire alarm panels to elevator phones, fax machines, public safety phones, building access systems and more – that often cannot be migrated to voice over internet service. Ooma AirDial provides a turnkey replacement for POTS lines by combining the Ooma AirDial base station with virtual analog phone service and a data connection through a nationwide wireless network at one low monthly rate. Ooma AirDial also comes with an intuitive, web-based portal that enables users to view and manage remotely the status of all Ooma AirDial devices together. Each base station can support up to four safety devices. Ooma AirDial can be self-installed or professionally installed through Ooma or third parties.

OnSIP

OnSIP provides UCaaS solutions designed to make communications approachable for smaller sized business, much like Ooma Office, allowing customers to utilize modern communications tools to enhance their business while streamlining deployment and ongoing management. OnSIP customers can choose between unlimited monthly plans and metered “pay as you go” plans.

2600Hz

Ooma provides business communications applications targeted at resellers and carriers through a technology platform called 2600hz, Inc. (“2600Hz”). 2600Hz has a global customer base leveraging the 2600Hz communications solution that provides UCaaS, Communications Platform as a Service (“CPaaS”), Call Center as a Service (“CCaaS”) and carrier services applications. Additionally, the platform provides a robust set of APIs allowing extension integrations and customization.

Ooma Residential

Ooma Residential includes Ooma Telo basic and premier services as well as our smart security solutions. Our residential phone service provides PureVoice HD voice quality, advanced functionality and integration with mobile devices. Overall, our residential platform enables an ecosystem for connected services by integrating with other automation solutions to enable innovative and valuable features.

Home Phone Services

Ooma Basic offers unlimited personal calling within the United States and features such as: voicemail access, call waiting, caller ID, network address book and 911 calling, with text alerts when 911 is dialed from the home. Our Ooma Mobile HD app allows users to make and receive phone calls and access Ooma features and settings with any iOS or Android device over a Wi-Fi or cellular data connection. The app includes unlimited mobile domestic calls, subject to normal residential usage limitations, and enables users to make international calls on their mobile devices using Ooma’s low-cost international calling plan.

Ooma Premier offers a suite of advanced calling features on a monthly or annual subscription basis, including: custom and anonymous call blocking, robo-call blocking, receiving incoming calls on the Ooma Mobile HD App, call forwarding, three-way conference calling, and a backup number. We also offer other premium subscription services to our customers, independent of Ooma Premier, including an international calling plan and voicemail transcription service.

Home Phone Products

We offer three ways to connect to our residential phone services:

Ooma Telo is a complete home communications solution designed to serve as the primary phone line in the home, delivering high-quality voice communications, advanced calling features and connected services that are not offered by traditional landlines. Users make a one-time purchase of an Ooma Telo base station and plug it into a high-speed internet connection and standard home phone devices. Users have the option to transfer their existing phone number for a one-time fee or to select a new number at no cost. Once set up, users have access to free nationwide calling, international calling with low rates and the features described above.

Ooma Telo Air is a wireless Ooma Telo with built-in Wi-Fi and Bluetooth capabilities that connects to the internet using the home’s Wi-Fi network and can be paired with mobile phones to answer incoming calls from any phone in the home.

Ooma Telo LTE combines the Ooma Telo base station with the Ooma LTE Adapter and battery back-up to deliver an always-on home phone solution with all of the advanced features provided by our unique cloud-based residential platform.

Ooma also sells a variety of accessories including: handsets with smartphone-like features, remote phone jacks and battery backup, as well as a range of sensors for home security and monitoring.

Talkatone

Our Talkatone mobile app is available to anyone with an iOS or Android mobile device and can be downloaded from the Apple App Store or Google Play for free. Registered users choose their own phone number to make and receive free texts and calls to most United States and Canadian numbers using a Wi-Fi or cellular data connection within and out-of-network. Talkatone also enables users to call, text, chat and share with friends and family that do not have the app installed. Advertising is displayed within the mobile app and users can choose to purchase premium services such as ad-free usage and international calling plans.

Sales and Marketing

Our sales and marketing objectives are to grow our customer base and sell additional services to our existing customers using an integrated and multi-channel marketing approach. We continually test and refine our marketing and sales tactics to drive sales at a low customer acquisition cost.

Marketing and Advertising

Online. We use online marketing including search engine marketing, search engine optimization, online video, digital display advertising and social media to attract customers as they do online research for the products and services we offer. We continue to reach out to our prospect leads over time using e-mail and telemarketing.

Traditional. We use radio advertising to build awareness and interest for our products and services, which benefits both Ooma Business and Ooma Residential. We believe that radio advertising provides an opportunity to build the Ooma brand cost-effectively, educate prospects on Ooma's unique combination of quality and value, and capture prospects' attention. Businesses and consumers who hear our ads are directed to our web site, our inbound sales personnel, and/or to key retail partners.

Word-of-mouth. We actively mobilize our customers and brand advocates to spread word-of-mouth marketing by sharing Ooma news and information through social media and e-mail. We sell additional services to our existing customer base by offering free trials and promotional offers, as well as sending e-mail communications and leaving messages on their Ooma voicemail service.

Sales, Customers and Backlog

We have a diverse and growing customer base across a wide range of industries. Our business and residential products are sold through direct channels, retailers, value-added resellers, technology services distributors (TSDs) and other resellers. The direct channel, value-added resellers and master agents are our primary distribution channels for business customers. Direct channel and retail are our primary distribution channels for residential customers. Our direct sales force is focused on business sales and includes trained sales representatives located in the United States and Canada.

Our retail distribution includes national and regional consumer electronics, big box retailers and leading online retailers, including Amazon, Best Buy, Costco.com, Walmart.com and others. We also have strategic partnerships with third parties, such as T-Mobile, which enable us to sell our services and products to certain of their customers. No single customer accounted for 10% or more of our total revenue for fiscal 2025, 2024 and 2023.

Our service plans are generally sold as monthly subscriptions; however, certain plans are also offered as annual and multi-year subscriptions. Products are generally shipped and billed shortly after receipt of an order. We do not believe that our product backlog at any particular time is meaningful because it is not necessarily indicative of future revenue in any given period as such orders may be rescheduled or cancelled without penalty prior to shipment. The majority of our product revenue comes from orders that are received and shipped in the same quarter.

Customer Support

Our primary customer support objective is to satisfy our customers and educate them on the features and benefits of our products to optimize the overall user experience. We employ an active customer management strategy in which we drive incremental revenue through cross-selling of products and services. Our customer support teams also manage the porting process for our customers as well as billing and payment activities.

We maintain two customer contact centers: one operated by us in Newark, California, which primarily supports our business customers, and the other operated by a third-party provider in Manila, Philippines, which primarily supports our residential customers. Our offices located in Vancouver, British Columbia and Boca Raton, Florida support our enterprise and some business customers. We utilize a variety of communication media to serve the needs of our customers including telephone, online chat, online tutorials and e-mail.

Engineering, Research and Development

We take an integrated approach to the development of our technology. Our extensive engineering resources span both hardware and software, and our business scope encompasses the entire platform from user devices such as handsets to cloud infrastructure, giving us the ability to create unique features and services for our customers. We believe our integrated engineering and business strategy is a significant competitive advantage and makes it feasible for us to leverage our platforms to deliver a broad range of productivity, automation and infrastructure connected services.

We have invested significant time and resources into developing our engineering, research and development team, resulting in a group with diverse skills, ranging from digital and radio frequency hardware design to embedded software, network software, telecommunications, database architecture, operations support systems, billing, security, web design and mobile app development. Because our team develops and integrates our solutions, we are able to offer a solution that works seamlessly between software and hardware and responds to customer feedback to add in additional features and services that work across our platforms. Our team consists of a core set of engineers located primarily in the San Francisco Bay Area, augmented by development teams in several international locations.

Operations and Manufacturing

We currently serve most of our customers from three separate data center facilities located in Northern California, Texas and Virginia, where we lease space from Equinix, Inc. We also lease data center space from Equinix in certain cities in Europe, South Africa, and Asia Pacific. While our service operations are partially redundant, account provisioning and billing are operated out of the San Jose facility for most of our customers. Our network operations and carrier operations teams are responsible for designing our core routing and switching infrastructure, managing growth and maintenance (including the introduction of new services) and orchestrating vendor relationships for hosted services, IP transit and carrier services and daily operation of our cloud and other services. The design of these services, and the tools for monitoring and managing them, are developed in combination with our engineering team.

We primarily contract with manufacturers in Vietnam and other Asian countries to produce our on-premise and end-point devices, including Ooma AirDial. We configure and ship to our channel partners and end users through our internal manufacturing and logistics team based in Newark, California. Our internal logistics team also manages reverse logistics for channel and warranty returns and works closely with our engineering team to develop tooling and processes that bring new products into production.

Competition

The market for communications solutions and other connected services for business, home and mobile users is very large, complex, fragmented and defined by changing technology and customer demands. We expect competition to continue to increase in the future. We believe that the defining factors driving competition in our market include:

- Quality and consistency of communications services;
- Lifetime value of initial investment and ongoing cost of services;
- Breadth of features and capabilities;
- System reliability, availability and performance;
- Speed and ease of activation, setup, and configuration;
- Ownership and control of the proprietary technology;
- Integration with multiple end-point devices and mobile solutions;
- Customer satisfaction and brand loyalty; and
- Ability to effectively access reseller channels

We believe that we generally compete favorably on the basis of the factors listed above. We face competition from a broad range of providers of communications solutions and other connected services for business, home and mobile users. Some of these competitors include:

- Established communications providers, such as Comcast Corporation, Verizon Communications Inc. and Rogers Communications Inc;

- Other cloud-based communications companies such as RingCentral Inc., Vonage Holdings Corp. (acquired by Ericsson), 8x8 Inc., Nextiva, Inc., Intermedia.net Inc., Dialpad Inc., Microsoft Corporation, Zoom Video Communications, Inc., and Alphabet Inc. (Google Voice); and
- Traditional on-premise hardware business communications providers such as Cisco Systems, Inc. and Mitel, Inc.

All of these companies currently or may in the future host their solutions through the cloud.

Similarly, the market for our CPaaS and CCaaS 2600Hz solutions is rapidly evolving, significantly fragmented and highly competitive, with relatively low barriers to entry in some segments. Our competitors in this segment of the market are primarily (i) CPaaS companies that offer communications products and applications, such as Twilio Inc., Vonage Holdings Corp. (acquired by Ericsson), Plivo Inc., and Sinch Inc., and (ii) other software companies that compete with portions of these and CCaaS solutions, such as RingCentral Inc., 8x8 Inc., Dialpad Inc., Five9 Inc., and NICE Systems Ltd. Additionally, our AirDial product competes in the POTS replacement market, which is relatively new, rapidly developing and subject to change. We face competition from a range of companies, such as Verizon Communications Inc., Granite Telecommunications LLC, MetTel Inc., AT&T Inc. and Napco Security Technologies, Inc., as well as other service providers that bundle their offerings with POTS-related products from POTS replacement equipment manufacturers, such as DataRemote Inc.

See the section entitled "Risks Related to Our Business and Industry" in Item 1A. "Risk Factors" below for more information related to competition.

Human Capital

People and Culture. We view our people and our company culture as key to our success. We aim to attract and retain talented people representing diverse perspectives and skills, who are driven by our common core values encompassing the following:

We care that everyone loves their Ooma experience.

We think big to innovate and revolutionize markets.

We create smarter solutions that uniquely deliver both superior experiences and superior value.

We embrace diversity of thought to make the best decisions.

We respect that problems are best solved by fact-based discussions and positive intent.

We choose to be a force for good in the world.

From time to time during the year, we conduct confidential company-wide surveys to capture our employees' views of the organization, company goals and job satisfaction, which our senior leadership team reviews and acts upon, as appropriate. Our employees are encouraged to engage with company leadership and openly raise concerns and questions, via our quarterly employee communications meeting with the CEO and senior management team. The Company also hosts Ooma Connections sessions across the organization to create more opportunities for employees to communicate, share ideas and learn about Ooma.

Social Impact and Employee Belonging. Our commitment to fostering a workplace that is diverse and fair, where all employees belong, is an integral part of who we are and how we operate. We seek to build a strong and caring culture of inclusion and lead with both passion and compassion. We believe our diversity makes us strong and internal employee committees such as our "Culture Team" provide an open door to all of our personnel who would like to actively contribute to these efforts of enriching our employee experience.

Compensation and Benefits. We aim to provide our employees competitive salaries and benefit programs that help meet the varying needs of our workforce. These programs include an employee stock purchase plan, equity awards and bonuses, a 401(k) retirement plan with a company match, healthcare benefits, time off and family leave policy, and flexible work arrangements. We conduct annual benchmarking to assess our compensation and benefit programs against those of our peers and general industry trends.

Community Support. We believe in giving back and promoting community outreach through corporate giving and employee volunteerism. Through our "Culture Team", we partner with certain non-profit organizations to help support several local communities. Through our "Corporate Match Program", we support employee charitable donations by matching charitable donations of up to a certain amount per employee per fiscal year.

Employees and Contractors

As of January 31, 2025, we had a total of 1,186 employees and contractors, located primarily in the United States, Philippines and Canada. None of our employees is represented by a labor union or subject to a collective bargaining agreement.

Intellectual Property

We rely on a combination of patents, trade secrets, copyrights, trademarks, confidentiality and proprietary rights agreements with our employees, consultants and other third parties, as well as other contractual protections to establish and protect our intellectual property rights. We control access to our software, documentation and other proprietary information, and our software is protected by United States and international copyright laws. As of January 31, 2025, we had 51 issued patents and 1 patent application pending in the United States and no patent applications pending in foreign jurisdictions. Our issued patents will expire approximately between 2031 and 2040. We are also a party to various license agreements with third parties who typically grant us the right to use certain third-party technology in conjunction with our products and services, or to integrate software into our products, including open source software and other software available on commercially reasonable terms. Although our success depends, in part, on our ability to protect our proprietary technology and other intellectual property rights, we believe the technological and creative skills of our personnel, the development of new features and functionality and frequent enhancements to our products and services are the primary methods of establishing and maintaining our technology leadership position.

See the section entitled “Risks Related to Security, IT Systems and Intellectual Property” in Item 1A. “Risk Factors” below for more information on our intellectual property risks.

Regulatory Matters

Traditional telephone service historically has been subject to extensive federal and state regulation, while Internet services generally have been subject to less regulation. Because some elements of Voice-over-Internet Protocol (“VoIP”) resemble the services provided by traditional telephone companies and others resemble the services provided by internet service providers, the VoIP industry has not fit easily within the existing framework of telecommunications law. The Federal Communications Commission (“FCC”), the U.S. Congress, and various regulatory bodies in the states and in foreign countries have imposed regulations on VoIP providers and are continuing to consider new regulatory requirements on VoIP services.

Federal Regulation. As a provider of internet communications services, we are subject to a number of FCC regulations. Among others, these regulatory obligations include: contributing to the Federal Universal Service Fund (“USF”), the Telecommunications Relay Service Fund and federal programs related to phone number administration; providing access to E-911 services; protecting customer information; mitigating robocalls; tracing illegal calls; performing know-your-customer due diligence; and porting phone numbers upon a valid customer request.

State Regulation. The FCC has preempted much regulation of internet voice communications services. However, a number of states have ruled that non-nomadic internet voice communications services may or do fall within the definition of “telecommunications services” or are otherwise within state telecommunications regulatory jurisdiction and therefore those states assert that they have authority to regulate the service. Although no states currently require certification for nomadic internet voice communications service providers, a number of states have imposed certain traditional telecommunications requirements on such services. For example, a number of states require us to contribute to state USF and E-911 and pay other surcharges, which are passed through to our customers, while others are actively considering extending their public policy programs to include the services we provide. We expect that state public utility commissions will continue their attempts to apply state telecommunications regulations to internet voice communications services like ours.

International Regulation. Our international operations are subject to laws and regulations in the countries in which we offer our services. Regulatory treatment of internet communications services outside the United States varies from country to country, is often unclear, and may be more onerous than imposed on our services in the United States. In Canada, our service is regulated by the Canadian Radio-television and Telecommunications Commission (“CRTC”) which, among other things, imposes requirements similar to the United States related to the provision of E-911 services in all areas of Canada where the traditional telephone carrier offers such 911 services. Our regulatory obligations in foreign jurisdictions could have a material adverse effect on our ability to expand internationally, and on the use of our services in international locations.

See the section entitled "Risks Related to Regulatory and Tax Matters" in Item 1A. "Risk Factors" below for more information.

Available Information

Our filings with the SEC such as our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports are available free of charge at <http://investors.ooma.com> as soon as reasonably practical after they are electronically filed with, or furnished to, the SEC. The SEC's website, www.sec.gov, contains reports, proxy statements and other information regarding issuers that file electronically with the SEC. The content on any website referred to in this Form 10-K is not incorporated by reference in this Form 10-K unless expressly noted.

ITEM 1A. Risk Factors

Our current and prospective investors should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the "Cautionary Note Regarding Forward-Looking Statements," before making investment decisions regarding our common stock. The risks and uncertainties described below may not be the only ones we face but include the most significant factors currently known by us. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, also may become important factors that affect us. If any of the risks occur, our business, financial condition, results of operations could be materially and adversely affected. In that event, the trading price of our common stock could decline, and you could lose part or all of your investment.

Risk Factor Summary

Our business is subject to numerous risks and uncertainties, and the following is a summary of key risk factors when considering an investment. This summary should be read together with the more detailed description of each risk factor contained in the subheadings further below and should not be relied upon as an exhaustive summary of the material risks facing our business:

Risks Related to Our Business and Industry

- If we are unable to attract new users in a cost-effective manner, our business will be materially and adversely affected.
- Our customers may terminate their subscriptions for our services in most cases without penalty, and increased customer turnover, as well as costs we incur to retain our customers and induce them to add users and/or functionality could materially and adversely affect our financial performance.
- Interruptions in our software or services could harm our reputation, result in significant costs to us and impair our ability to sell our services.
- A significant portion of our revenues today come from small and medium-sized businesses, which may have fewer financial resources to weather an economic downturn, rising inflation, and defaults by financial institutions.
- If we are unable to develop, acquire and/or sell new, or enhance existing, products, services or applications on a timely and cost-effective basis, our business, financial condition, and results of operations may be materially and adversely affected.
- We rely significantly on retailers, reseller partnerships, and technology services distributors (TSDs) to sell our products; our failure to effectively develop, manage and maintain these sales channels could materially and adversely affect our revenue and business.
- We depend on several sole suppliers to provide the components for, and a small number of vendors to manufacture, certain on-premise devices and end-point devices we sell, and any delay or interruption in manufacturing, configuring and delivering by these third parties would result in delayed or reduced shipments to our customers and may increase our costs and harm our business and results of operations.
- If additional tariffs or other restrictions are placed on our goods imported from other countries, or if the United States were to withdraw from or modify existing trade agreements or regulations, our revenue, gross margin, and results of operations may be materially harmed.
- 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.

- A ransomware attack or other security breach could delay or interrupt service to our customers, compromise the integrity of our systems or data that we collect, result in the loss of our intellectual property or confidential information, harm our reputation, or subject us to significant liability.
- We face competition in our markets by our competitors (including mergers or other strategic transactions involving our competitors) and may lack sufficient financial or other resources to compete successfully.
- We may be exposed to significant risks in connection with our international operations.
- To deliver our services, we rely on third parties for our network connectivity and co-location facilities for certain features in our services and for certain elements of providing our services.
- We rely on third parties, including third parties located in Russia, for some of our software development, quality assurance and operations, and anticipate we will continue to do so for the foreseeable future.
- We rely on third parties to provide the majority of our customer service and support representatives. If these third parties do not provide our customers with reliable, high-quality service, our reputation and our business will be harmed, and we may be exposed to significant liability.
- Our business could suffer if we cannot obtain or retain direct inward dialing numbers, or DIDs, are prohibited from obtaining local or toll-free numbers, or are limited to distributing local or toll-free numbers to only certain customers.
- If we are unable to effectively process local number and toll-free number portability provisioning in a timely manner, our growth may be negatively affected.
- We may not be able to achieve or sustain profitability in the future and our rates of growth may decline.
- Our quarterly and annual results have fluctuated in the past and may continue to do so. As a result, we may fail to meet or to exceed the expectations of analysts or investors, which could cause our stock price to fluctuate.
- If we do not manage inventory levels and purchase commitments effectively, we may experience excess inventory levels, inventory obsolescence, or inventory shortages that could adversely affect our results of operations.
- Our existing credit agreement imposes operating and financial restrictions on us.

Risks Related to Security, IT Systems and Intellectual Property

- We have incurred, and expect to continue to incur, significant costs to protect against security breaches. We may incur significant additional costs in the future to address any actual or perceived security breaches.
- Failures in internet infrastructure or interference with broadband access, or providers of broadband services blocking or degrading our services, could cause current or potential customers to believe that our systems are unreliable, leading our current customers to switch to our competitors or potential customers to avoid using our services.
- If we experience excessive fraudulent activity or cannot meet evolving credit card association merchant standards, we could incur substantial costs and lose the right to accept credit cards for payment, which could cause our customer base to decline significantly.
- Any failure to obtain protection of our intellectual property rights could materially and adversely affect our business.

Risks Related to Regulatory and Tax Matters

- Future legislative or regulatory actions, such as the adoption of additional 911 requirements or new taxes, could increase our costs and adversely affect our business and expose us to liability.
- If we cannot comply with regulations, including communications and telecommunications laws and rules of the Federal Communications Commission ("FCC") imposing call signaling requirements on VoIP providers like us, we may be subject to fines, cease and desist orders, restrictions on our business, or other penalties.
- The FCC has continued to increase regulation of interconnected VoIP services and may at any time determine certain VoIP services are telecommunications services subject to traditional common carrier regulation.
- Reform of federal and state USF programs could increase the cost of our service to our customers, diminishing or eliminating our pricing advantage.
- We process, store, and use personal information and other data, which subjects us and our customers to a variety of evolving industry standards, contractual obligations and other legal rules related to privacy, which may increase our costs, decrease adoption and use of our products and services, and expose us to liability.

Risks Related to Our Business and Our Industry

If we are unable to attract new users in a cost-effective manner, our business will be materially and adversely affected.

In order to grow our business, we must continue to attract new users in a cost-effective manner. We use and periodically adjust the mix of advertising and marketing programs to promote our services. Significant increases in the pricing of one or more of our advertising channels could increase our advertising costs or may cause us to choose less expensive and perhaps less effective channels to promote our services. As we add to or change the mix of our advertising and marketing strategies, we may need to expand into channels with significantly higher costs than our current programs, which could materially and adversely affect our results of operations. We will incur advertising and marketing expenses in advance of when we anticipate recognizing any revenue generated by such expenses, and we may fail to experience an increase in revenue or brand awareness as a result of such expenditures. We have made in the past, and may make in the future, significant expenditures and investments in new advertising campaigns, and we cannot assure you that any such investments will lead to the cost-effective acquisition of additional customers. New users are drawn to our products and services by rankings circulated by organizations such as Amazon, Apple and Google app stores and highly regarded publications such as PCMag and Consumer Reports. If we are unable to maintain effective advertising programs and garner favorable rankings, our ability to attract new customers could be materially and adversely affected, which could lead us to increase our advertising and marketing expenditures substantially, and our results of operations may suffer.

We market our products and services principally to businesses and households. Some of these business customers and consumers are less technically knowledgeable and may be resistant to new technologies such as our cloud-based communications solutions and our connected services. Because our potential customers need to connect additional hardware at their location and take other steps not required for the use of traditional communications services such as telephone, fax and e-mail, these customers may be reluctant to use our service. These customers may also lack sufficient resources, financial or otherwise, to invest in learning about our services, and therefore may be unwilling to adopt them. If these customers choose not to adopt our services, our ability to grow our business could be negatively affected.

Our customers may terminate their subscriptions for our service in most cases without penalty, and increased customer turnover, as well as costs we incur to retain our customers, encourage them to add users and purchase additional functionalities and premium services, could materially and adversely affect our financial performance.

Our service plans are generally sold as monthly subscriptions and our customers may terminate their monthly subscription for convenience without any penalty. Certain of our service plans are also sold as annual and multi-year subscriptions, typically ranging up to three years. However, our customers have no obligation to renew their subscriptions for such services and may elect to terminate their subscription for any number of reasons. In addition, evolving state and federal laws, regulations, and rules, including the Federal Trade Commission's "Click-to-Cancel" Rule announced on October 16, 2024, aimed at making cancellation easier for customers, may result in greater numbers of customer terminations. As a result, we have no assurance that the revenue stream associated with a particular customer account will continue beyond the initial subscription term. Additionally, our Ooma Business customers may choose to reduce the number of lines or remove some of the solutions to which they subscribe. Given Ooma Business customers generally pay more for their subscriptions than residential or mobile customers, any increased churn in business customers could materially and adversely affect our core user growth, financial performance and results of operations, and thereby increase the costs we incur in our efforts to retain our customers and encourage them to upgrade their services and increase their number of users.

Our core user churn rate could increase significantly in the future if customers are not satisfied with our service, the value proposition of our services, our ability to otherwise meet their needs and expectations, and/or other factors beyond our control, including the impact of inflation and other macroeconomic developments. As a result, we may have to acquire new customers or new users within our existing customer base on an ongoing basis simply to maintain our existing level of revenue. If a significant number of customers, or one or more larger customers, terminate, reduce or fail to renew their subscriptions, we may need to incur significantly higher marketing expenditures than anticipated to maintain or increase our revenue, which could harm our business and results of operations. Our efforts to mitigate risk of customer churn due to any factor may divert management's time and focus away from efforts to address customer churn due to other factors. This broad-based susceptibility to churn could materially and adversely affect our financial performance.

Our future success also depends in part on our ability to sell additional subscriptions and functionalities to our current customer base, which may require increasingly sophisticated, costlier sales efforts and a longer sales cycle. Any increase in the costs necessary to upgrade, expand and retain existing customers could materially and adversely affect our financial performance. Such increased costs could cause us to increase our subscription rates, which could increase our customer turnover rate. If our efforts to convince customers to add users and, in the future, to purchase additional functionalities are not successful, our business may suffer.

Interruptions in our software or services could harm our reputation, result in significant costs to us and impair our ability to sell our services.

Because our technology platforms are complex, incorporate a variety of new computer hardware, and the platforms continue to evolve, our services may have errors, defects, bugs or other quality or reliability problems that can interfere with their intended operations or the intended operation of the systems in which our software and services are installed, or require updates that are identified after customers begin using such software or services, any of which could result in unanticipated service interruptions. Although we test our services to detect and correct errors, defects, bugs or other quality or reliability problems before shipment or their initial release and before we make updates or other changes to such software or services, we have occasionally experienced significant service interruptions as a result of undetected errors, defects, bugs or other quality or reliability problems and may experience future interruptions of service if we fail to detect and correct the same. There can be no assurance that our pre-shipment or pre-release testing programs will be adequate to detect all such quality or reliability problems. In addition, updates to our hardware and/or software due to changes in third-party service providers may be required from time to time. Furthermore, the costs incurred in correcting root causes for service outages and updating our hardware and/or software may be substantial and these and other related consequences could negatively impact our results of operations.

We currently serve the majority of our customers from data centers in Northern California, Texas and Virginia, where we lease space from Equinix, Inc. We also lease data center space in certain cities in Europe, South Africa, and Asia Pacific and serve some of our customers from cloud service providers. These facilities and the procedures we have implemented to restore services quickly in the event of a service outage, by themselves, will not prevent future outages. Any damage to, or failure of, these facilities, the communications network providers with whom we or they contract or with the systems by which our communications providers allocate capacity among their customers, including us, could result in interruptions in our service. Additionally, in connection with the expansion or consolidation of our existing data center facilities, we may move or transfer our data and our customers' data to other data centers. Despite precautions we take during this process, any unsuccessful data transfers may impair or cause disruptions in the delivery of our service.

Despite precautions taken at our hosting facilities, the occurrence of a natural disaster, cyberattack, or an act of terrorism or other unanticipated problems at these facilities could result in lengthy interruptions in our service. Even with the disaster recovery arrangements that we have in place, our service could be interrupted. Any errors, defects, bugs or other quality or reliability problems in, or unavailability of, the components of our platforms that cause interruptions in the intended operation of our software or services, or the intended operation of the systems in which our software or services are installed, could, among other things: cause a reduction in revenue or a delay in market acceptance of our services; require us to issue refunds to our customers or expose us to claims for damages or other legal liability; cause us to lose existing customers and make it more difficult to attract new customers; divert our development resources or require us to make extensive changes to our software, which would increase our expenses and slow innovation; increase our technical support costs; and harm our reputation and brand.

A significant portion of our revenues today come from small and medium-sized businesses, which may have fewer financial resources to weather an economic downturn, rising inflation, and defaults by financial institutions.

A significant portion of our revenues today comes from small and medium-sized businesses. These customers may be more susceptible to negative impact from economic downturns, rising inflation, and defaults by financial institutions than larger, more established businesses as these businesses typically have fewer financial resources than larger entities.

As the majority of our customers pay for our subscriptions through credit and debit cards, weakness in certain segments of the credit markets and in the United States and global economies has resulted in and may in the future result in increased numbers of rejected credit and debit card payments and business failures, which could materially affect our business by increased customer defaults or cancellations. If small and medium-sized businesses experience financial hardship or declare bankruptcy as a result of a weak economy, defaults by financial institutions, or for any other reason, the overall demand for our subscriptions could be materially and adversely affected.

If we are unable to develop, acquire and/or sell new, or enhance existing, products, services or applications on a timely and cost-effective basis, our business, financial condition, and results of operations may be materially and adversely affected.

The cloud-based communications and connected services industries are characterized by rapid changes in customer requirements, frequent introductions of new and enhanced services, and continuing and rapid technological advancement. To compete successfully in these emerging markets, we must anticipate and adapt to unpredictable technological changes and evolving industry standards and continue to design, develop, manufacture and sell new and enhanced services and products that provide increasingly higher levels of performance and reliability at lower cost. For fiscal 2025, we derived approximately 61% of our revenue from Ooma Business and approximately 36% from Ooma Residential and expect they will continue to account for most of our revenue for the foreseeable future.

However, our future success will also depend on our ability to introduce and sell new services, such as our fiscal 2023 launch of Ooma Office Pro Plus or our 2600Hz solutions, as well as products, features and functionality that enhance or are beyond the voice, fax, text and connected services we currently offer, as well as to improve usability and support and increase customer satisfaction. The success of new product introductions, such as our fiscal 2023 launch of AirDial, depends on a number of factors including, but not limited to: pricing, market and customer acceptance, the ability to successfully identify and anticipate product trends, effective forecasting and management of product demand, purchase commitments and inventory levels, availability of products in appropriate quantities to meet anticipated demand, ability to obtain timely and adequate delivery of components for our new products from third-party suppliers, management of manufacturing and supply costs, management of risks and delays associated with product design and production ramp-up, delays in customer readiness for AirDial installations, the quality of AirDial installations performed by third-parties, ability to maintain the levels of service uptime and performance required by our customers, and the risk that new products or enhanced versions of existing products, may have quality issues or other defects or bugs in the early stages of introduction including testing of new components and features. Moreover, the market for plain old telephone service ("POTS") line replacement is relatively new and characterized by long sales cycles, and Ooma AirDial may not result in long-term success or significant revenue for us. Our failure to develop solutions that satisfy customer preferences in a timely and cost-effective manner may harm our ability to renew our subscriptions with existing customers and to create or increase demand for our services and products and may materially and adversely impact our results of operations.

The introduction or announcement of new services and technologies by our competitors, including artificial intelligence ("AI") tools, could make our existing solutions obsolete, cause customers to defer purchases of our products and services, or otherwise adversely affect our business and results of operations. Further, we may experience higher product returns from retailers or reseller partners and may face challenges managing the inventory of new or existing products, which could lead to excess inventory charges and/or discounting of such products. In addition, new products may have varying selling prices and higher costs or different kinds of costs compared to legacy products, which could negatively impact our gross margins and operating results.

We may experience difficulties with software development, operations, design or marketing that could delay or prevent the introduction or implementation of new or enhanced products, services and applications. We have in the past experienced and may in the future experience delays in the planned release dates of new features and upgrades and have discovered defects in new services and applications after their introduction. New products, or new features or upgrades to existing products and services, may not be released according to schedule, or, when released, they may contain defects, bugs or other quality or reliability problems that can interfere with their intended operations or the intended operation of the systems in which our products or services are installed, and there can be no assurance that our pre-shipment or pre-release testing programs will be adequate to detect all such quality or reliability problems. Either of these situations could result in adverse publicity, loss of revenue, higher than expected costs, delay in market acceptance or legal liabilities for claims by customers against us, all of which could harm our reputation, business, results of operations and financial condition.

Moreover, the development of new or enhanced products, services or applications may require substantial investment, and we must continue to invest a significant amount of resources in our research and development efforts to remain competitive. We do not know whether these investments will be successful. If we are unable to develop, license or acquire new or enhanced products, services and applications on a timely and cost-effective basis, or if such new or enhanced products, services and applications do not achieve adequate market acceptance, we may not be able to realize a return on our investments and our business, financial condition and results of operations may be materially and adversely affected.

We rely significantly on retailers, reseller partnerships, and TSDs to sell our products; our failure to effectively develop, manage and maintain these sales channels could materially and adversely affect our revenue and business.

A significant portion of our Ooma Residential and Ooma Business product sales are made through a combination of direct sales and leading retailers such as Amazon, Costco.com, Best Buy and Walmart, as well as reseller partnerships. Our future success depends on our ability to effectively maintain, develop and expand our retail channel and reseller partnership sales as we seek to grow and expand our customer base. Generally, our agreements with our retailers and reseller partners are not long-term and do not impose minimum sales requirements, and we have in the past and may in the future experience a loss of or reduction in sales through any of these third parties, which could materially reduce our revenue and profit margins. Our competitors may in some cases be effective in causing our current and potential retailers, and reseller partners to favor their services or prevent or reduce sales of our services. If we fail to maintain or develop new relationships with retailers and reseller partners in new markets or expand the number of retailers and reseller partners in existing markets, fail to manage, train, or provide appropriate incentives to our existing retailers and reseller partners, or if they are not successful in their sales efforts, sales of our products and services may decrease and our results of operations would suffer.

Our Talkatone application relies significantly on the Apple and Google app stores for distribution. Its future success depends on our continued ability to distribute Talkatone through these app stores and increase its visibility therein. If Apple or Google determine that Talkatone is non-compliant with their app store vendor policies, they may revoke our rights to sell Talkatone through their app store at any time, which could adversely affect our revenue.

We depend on several sole suppliers to provide the components for, and a small number of vendors to manufacture, certain on-premise devices and end-point devices we sell, and any delay or interruption in manufacturing, configuring and delivering by these third parties would result in delayed or reduced shipments to our customers and may increase our costs and harm our business and results of operations.

We primarily contract with manufacturers in China, Vietnam and other Asian countries to produce our on-premise devices and end-point devices and our results of operations has been and could be further affected by slowdowns in manufacturing due to external factors such as global conflicts and other factors.

We currently do not have long-term contracts with our contract manufacturers and they are not obligated to provide products to, or perform services for, us for any specific period, in any specific quantities or at any specific price, except as may be provided in a particular purchase order. If these third parties are unable or unwilling to deliver products of acceptable quality or in a timely manner, our ability to bring services to market, the reliability of our services and our reputation could suffer. We expect that it could take several months to effectively transition to new third-party manufacturers or fulfillment agents. We may also decide to switch to or bring on additional contract manufacturers to better meet our needs. Switching to or bringing on a new contract manufacturer and commencing production is expensive and time-consuming and may cause delays in order fulfillment at our existing contract manufacturers or cause other disruptions.

Additionally, several components used in our on-premise devices, end-point devices and new products are “single sourced” and any interruption in the suppliers of such components or other impacts related to such sole suppliers, such as an increase in tariffs on goods imported from outside the United States, could cause our business and operating results to suffer as we identify and establish alternative sources of components. For example, we have in the past experienced longer lead times in the supply of some of these components as a result of global supply chain disruptions. We are also subject to the risk of shortages (including changes in the prioritization of our orders), price increases and the risk that our suppliers may discontinue or modify components used in our products. The occurrence of other events outside our control, such as public health crises, natural disasters or climate change, could impact our suppliers’ facilities and component providers, many of which are located in China, Vietnam and other countries in Asia. Furthermore, the geopolitical and economic uncertainty and/or instability that may result from changes in the relationship among the United States, Taiwan and China and related tensions, may, directly or indirectly, materially harm our business, financial condition and results of operations. For example, certain of our contract manufacturers and suppliers are dependent on products sourced from Taiwan which has been distinguished in its prevalence in certain global markets. Hence, greater restrictions and/or disruptions of our contract manufacturers’ suppliers’ ability to operate facilities and/or do business in and with Taiwan may increase the cost of certain materials and/or limit the supply of products sourced from Taiwan and may result in deterioration of our profit margins and a potential need to increase our pricing which may decrease demand for our products and thereby adversely impact our revenue or profitability.

If additional tariffs or other restrictions are placed on our goods imported from other countries, or if the United States were to withdraw from or modify existing trade agreements or regulations, our revenue, gross margin, and results of operations may be materially harmed.

Trade restrictions, including tariffs, quotas, embargoes, safeguards and customs restrictions, and uncertainty related to such restrictions, could increase the cost or reduce the supply of products available to us, or could increase the lead times of certain components and equipment that we may purchase from foreign vendors, have in the past and may in the future require us to modify our supply chain organization or other current business practices, any of which could harm our business, financial condition and results of operations. For example, the new U.S. administration recently announced tariffs on goods imported from China, where we source many of our products and components. Due to such increased or additional tariffs or other restrictions, quotas, embargoes, or safeguards being placed on goods imported into the United States, and any related counter-measures are taken by other countries, we may have to raise our prices or increase inventory levels, or find new sources of system assembly or other products that we import, any of which could negatively impact our revenue, gross margins, and results of operations may be materially harmed.

We are dependent on international trade agreements and regulations, such as the United States-Mexico-Canada Agreement, or USMC. If the United States were to withdraw from or materially modify certain international trade agreements or regulations, our business and operating results could be materially and adversely affected and our customer relationships in Canada and other countries could be harmed.

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 has in the past and may, from time to time in the future, include acquiring or investing in complementary services, technologies or businesses. We may not be able to find suitable acquisition candidates, and we may not be able to complete acquisitions on favorable terms, if at all. If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve our goals, and any acquisitions we complete could be viewed negatively by users, customers or investors. If we fail to successfully integrate such acquisitions, or the technologies associated with such acquisitions, the revenue and operating results of the combined company could be adversely affected. Acquisitions may disrupt our ongoing operations, divert management from their primary responsibilities, subject us to additional liabilities, increase our expenses and adversely impact our business, financial condition, operating results and cash flows. We may not successfully evaluate or utilize the acquired technology and accurately forecast the financial impact of an acquisition transaction, including accounting charges. We have recorded significant goodwill and intangible assets in connection with our acquisitions, and in the future, if our acquisitions do not yield expected revenue, we may be required to take material impairment charges that could adversely affect our results of operations.

We may have to pay cash, incur debt or issue equity securities to pay for any such acquisition, each of which could affect our financial condition or the value of our capital stock. The sale of equity to finance any such acquisitions could result in dilution to our stockholders. If we incur debt it would result in increased fixed obligations and could also subject us to covenants or other restrictions that would impede our ability to manage our operations. In addition, our future operating results may be impacted by performance earnouts or contingent payments. Furthermore, acquisitions may require large one-time charges and can result in increased debt, such as the borrowing under our Credit Agreement which we undertook for the 2600Hz acquisition, or contingent liabilities, adverse tax consequences, additional stock-based compensation expense and the recording and subsequent amortization or impairments of amounts related to certain purchased intangible assets or goodwill, any of which could negatively impact our future results of operations.

When we enter into strategic transactions in which we acquire other companies, we cannot guarantee we will be able to successfully integrate the teams, assets, technologies or business of these target companies into our business, that we will be able to fully recover the costs of such transactions, that we will retain existing key customer and partner relationships, that we will be successful in leveraging such strategic transactions into increased business for our products, or that we will otherwise be able to achieve the intended results of the acquisitions.

A ransomware attack or other security breach could delay or interrupt service to our customers, compromise the integrity of our systems or data that we collect, result in the loss of our intellectual property or confidential information, harm our reputation, or subject us to significant liability.

Our operations depend on our ability to protect our network from interruption or damage resulting from unauthorized access or entry, computer viruses or malware or other events beyond our control, and our ability to detect any such events. In the past, we have been subject to distributed denial-of-service ("DDOS cyberattacks"), and have been subject to other forms of attacks by hackers intent on bringing down our services or accessing confidential information. We may be subject to other DDOS and other forms of attacks in the future, undetected or otherwise. Recent developments in the threat landscape include use of AI and machine learning, as well as an increased number of cyber extortion and ransomware attacks, with higher financial ransom demand amounts and increasing sophistication and variety of ransomware techniques and methodology. For example, the industry experienced an increase in cyberattacks in connection with Russia's invasion of Ukraine. We cannot assure you that our backup systems, regular data backups, physical, technological and organizational security protocols and measures and other procedures that are currently in place, or that may be in place in the future, will be adequate to detect or prevent unauthorized access to our systems, significant damage, system interruption, degradation or failure, or data loss or to respond to a cyberattack once launched. Additionally, hackers may attempt to directly gain access to a customer's on-premise appliance, or their mobile phone, which may delay or interrupt services, or may subject our customers to further security risks, including in relation to any connected household devices a customer might have now or in the future, such as our connected smart security sensors and our partner's connected devices or to our network more generally. Also, our services are web-based, and the amount of data we store for our users on our servers has been increasing as our business has grown.

Despite our ongoing efforts to enhance security measures, our infrastructure and those of third parties we rely upon may be vulnerable to hackers, phishing, computer viruses, worms, ransomware other malicious software programs or similarly disruptive problems caused by our customers, employees, consultants or other internet users who attempt to invade public and private data networks. In some cases, we do not have in place disaster recovery facilities for certain ancillary services, such as email delivery of messages. Currently, a majority of our customers authorize us to bill their credit or debit card accounts directly for all transaction fees that we charge. We rely on encryption and authentication technology to ensure secure transmission of confidential information, including customer credit and debit card numbers. Despite our efforts to encrypt and secure transmission of confidential customer information, hackers with sufficiently sophisticated technology or methods may still be able to infiltrate our systems to gain unauthorized access to payment card information. Further, advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in a compromise or breach of the technology we use to protect transaction data. In addition, because the techniques used to obtain unauthorized access to the information systems change frequently, and may not be recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures.

Third parties may attempt to fraudulently induce employees, consultants or customers into disclosing sensitive information, such as user names, passwords, customer proprietary network information ("CPNI"), intellectual property or other information in order to gain access to our customers' data or to our data. CPNI includes information such as the phone numbers called by a customer, the frequency, duration, and timing of such calls, and any services purchased by the customer, such as call waiting, call forwarding and caller ID, in addition to other information that may appear on a customer's bill. In addition, because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, as noted above, due to political uncertainty and military actions associated with Russia's invasion of Ukraine, we and our vendors, business partners, and contractors may also be vulnerable to heightened risks of cyber-attacks, including from or affiliated with nation-state actors, which could materially disrupt our systems and operations, supply chain, and ability to produce, sell and distribute our services and products. Any compromise or perceived compromise of our security could damage our reputation, and could subject us to significant liability, as well as regulatory action, including financial penalties, which would materially adversely affect our brand, results of operations, financial condition, business and prospects.

See "Risks Related to Security, IT Systems and Intellectual Property" for further risks related to security breaches.

We face competition in our markets and may lack sufficient financial or other resources to compete successfully. Mergers or other strategic transactions involving our competitors could adversely affect our ability to compete effectively and harm our results of operations.

The cloud-based communications and connected services industries are highly competitive and we expect that competition will continue to be intense in the future. Increased competition may result in pricing pressures, reduced profit margins and may impede our ability to continue to increase the sales of our services and products or cause us to lose market share, any of which could substantially harm our business and results of operations. We face continued competition from established communications providers, such as Comcast Corporation, Verizon Communications Inc., AT&T Inc., Charter Communications Inc. and Rogers Communications Inc.; as well as from traditional on-premise, hardware business communications providers, mobile communications app companies providing “over-the-top” solutions, large internet companies that offer services with features that compete with some of what we offer, and certain other communications companies. These companies currently or may in the future host their solutions through the cloud.

Some of our competitors have been acquired, and may in the future consolidate with or be acquired by, other companies and competitors. Some of our competitors may also enter into new alliances with each other or may establish or strengthen cooperative relationships with systems integrators, third-party consulting firms or other parties. Any such consolidation, acquisition, alliance or cooperative relationship could adversely affect our ability to compete effectively and lead to downward pricing pressure and our loss of market share, and could result in a competitor with greater financial, technical, marketing, service and other resources, all of which could harm our business, results of operations and financial condition.

Furthermore, increased competition may result in aggressive business and pricing tactics by our competitors, including: offering products similar to our platforms and solutions on a bundled basis at no charge; announcing competing products combined with extensive marketing efforts; providing financial incentives to consumers; and asserting intellectual property rights irrespective of the validity of the claims. In addition, our retail partners may offer the products and services of competing companies, which would adversely affect our business. Competition from other companies may also adversely affect our negotiations with service providers and suppliers, including, in some cases, requiring us to lower our prices. We may not be able to compete successfully with the offerings and sales tactics of other companies, which could result in the loss of customers and, as a result, our revenue and profitability could be adversely affected.

The market for our CPaaS and CCaaS 2600Hz solutions is rapidly evolving, significantly fragmented and highly competitive, with relatively low barriers to entry in some segments. Our competitors in this segment of the market are primarily (i) CPaaS companies that offer communications products and applications, and (ii) other software companies that compete with portions of these and CCaaS solutions. Some of our competitors and potential competitors in this segment are larger and have greater name recognition, longer operating histories, more established customer relationships, larger budgets, lower operating costs, and significantly greater resources than we do. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, customer requirements or changing economic conditions. Our competitors may also offer products or services that address one or a limited number of functions at lower prices, with greater depth than our products or in different geographies. Our current and potential competitors may develop and market new products and services with comparable functionality to our products, and this could lead to us having to decrease prices in order to remain competitive. Additionally, in connection with our AirDial product offering, we face competition in the POTS replacement market from a range of other companies, such as Verizon Communications Inc., Granite Telecommunications LLC, MetTel Inc., AT&T Inc. and Napco Security Technologies, Inc., as well as other service providers that bundle their offerings with POTS-related products from POTS replacement equipment manufacturers, such as DataRemote Inc.

Our business, operating results and financial condition also depend, in part, on our ability to establish and maintain relationships through resellers, distributors, and strategic partners. A portion of our revenue is derived from sales made by these partners and any one of them may later decide to stop selling our products or to sell their own products or those of third parties that may be competitive with our products. A loss or reduction in sales of our products through these third-party intermediaries could adversely affect our revenue and other results of operations.

We may be exposed to significant risks in connection with our international operations.

To date, we have not generated significant revenue from outside of the United States and Canada, but we have expanded operations outside North America to provide services in certain countries internationally. The future success of our business will depend, in part, on our ability to expand our operations and customer base worldwide. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic and political risks different from those in the United States. Because of our limited experience with international operations and developing and managing sales and distribution channels in international markets, our expansion efforts may not succeed. We face risks in doing business internationally that could materially and adversely affect our business, including:

- our ability to comply with differing and evolving technical and environmental standards, telecommunications regulations, and certification requirements outside the United States;
- our ability to comply with different and evolving laws, rules, regulations and standards relating to data privacy, data protection, data localization and data security enacted in countries in which we operate or do business;
- potential contractual and other liability to our business partners if we fail to meet their aggressive expansion schedules in new locations;
- difficulties and costs associated with staffing and managing foreign operations;
- potentially greater difficulty collecting accounts receivable and longer payment cycles;
- the need to adapt and localize our services for specific countries;
- the need to offer customer care in various languages;
- reliance on third parties over which we have limited control for marketing and reselling our services;
- availability of reliable broadband connectivity and wide area networks in targeted areas for expansion;
- lower levels of adoption of credit or debit card usage for internet related purchases by foreign customers and compliance with various foreign regulations related to credit or debit card processing and data privacy;
- difficulties in understanding and complying with local laws, regulations, and customs in foreign jurisdictions;
- export controls and trade and economic sanctions administered by the Department of Commerce Bureau of Industry and Security and the Treasury Department's Office of Foreign Assets Control;
- tariffs and other non-tariff barriers, such as quotas and local content rules;
- uncertainty as to the impact of higher tariff rates imposed by the United States on goods from other countries and tariffs imposed by other countries on U.S. goods, including the tariffs implemented and additional tariffs that have been proposed by the U.S. government on various imports from China, Canada, Mexico and the EU, and by the governments of these jurisdictions on certain U.S. goods, and any other possible tariffs that may be imposed on services such as ours, the scope and duration of which, if implemented, remain uncertain;
- compliance with various anti-bribery and anti-corruption laws such as the U.S. Foreign Corrupt Practices Act of 1977, as amended, or the FCPA;
- more limited protection for intellectual property rights in some countries;
- adverse tax consequences;
- fluctuations in currency exchange rates, economic stability, and inflationary conditions which could increase the price of our services outside of the United States, increase the expenses of our international operations, including expenses related to foreign contractors, and expose us to foreign currency exchange rate risk;
- exchange control regulations, which might restrict or prohibit our conversion of other currencies into U.S. Dollars;
- restrictions on the transfer of funds;
- international conflict and sanctions, such as those resulting from Russia's ongoing invasion of Ukraine;
- deterioration of political relations between the United States and other countries; and
- political or social unrest or economic instability in a specific country or region, which could have an adverse impact on our third-party software development and quality assurance operations there.

Failure to manage any of these risks could harm our future international operations and our overall business.

To deliver our services, we rely on third parties for our network connectivity and co-location facilities for certain features in our services and for certain elements of providing our services.

We expect that we will continue to rely on third-party service providers for hosting, internet access and other services that are vital to our service offering for the foreseeable future. For example, Equinix, Inc. and others provide data center facilities, and Inteliquent and others provide origination services. Inteliquent is also our primary provider of 911 services. We also rely on third-party service providers or are unable to provide for our SMS and speech-to-text services which are sole-sourced. If any of these network service providers stop providing or are unable to provide us with access to their infrastructure, fail to provide these services to us on a cost-effective basis, cease operations, or otherwise terminate these services, the delay caused by qualifying and switching to another third-party network service provider, if one is available, could have a material adverse effect on our business and results of operations.

We may be required to transfer our servers to new data center facilities if we are unable to renew our leases on acceptable terms, if at all, or the owners of the facilities decide to close their facilities, and we may incur significant costs and possible service interruption in connection with doing so. Any financial difficulties, such as bankruptcy or foreclosure, faced by our third-party data center operators or any of the service providers with which we or they contract, may have negative effects on our business, the nature and extent of which are difficult to predict. Additionally, if our data centers are unable to keep up with our increasing needs for capacity, our ability to grow our business could be materially and adversely impacted.

If problems occur with any of these third-party network or service providers for any reason, including cyberattacks, it may cause errors or reduced quality in our services, and we could encounter difficulty identifying the source of the problem. The occurrence of errors or reduced quality in our service, whether caused by our systems or a third-party network or service provider, may result in the loss of our existing customers, delay or loss of market acceptance of our services, termination of our relationships and agreements with our resellers or liability for failure to meet service level agreements, and may seriously harm our business and results of operations.

We rely on purchased or leased hardware and software licensed from third parties in order to offer our services. In some cases, we integrate third-party licensed software components into our platforms. Failure to integrate successfully could result in increased expenses, errors, and delays. Third-party hardware and software, or future technology we may want to license, may not continue to provide competitive features and functionality or be available to us at reasonable prices or on commercially reasonable terms, or at all. Any loss of the right to use any of this hardware or software could significantly increase our expenses and otherwise result in delays in the provisioning of our service until equivalent technology is either developed by us, or, if available, is identified, obtained and integrated. Any errors or defects in third-party hardware or software could result in errors or a failure of our service which could harm our business.

We also contract with one or more third parties to provide enhanced 911, or E-911, services, including assistance in routing emergency calls and terminating E-911 calls. Our providers operate a national call center that is available 24 hours a day, seven days a week, to receive certain emergency calls and maintain public service answering point, or PSAP, databases for the purpose of deploying and operating E-911 services. On mobile devices, we generally rely on the underlying cellular or wireless carrier to provide E-911 services. Any failure to perform, including interruptions in service, by our vendors, could cause failures in our customers' access to E-911 services and expose us to significant liability and damage our reputation.

We rely on third parties, including third parties located in Russia, for some of our software development, quality assurance and operations, and anticipate we will continue to do so for the foreseeable future.

We outsource certain of our software development and design, quality assurance and operations activities to third-party contractors that have employees and consultants in a number of international locations, including Russia. Our dependence on third-party contractors creates numerous risks; in particular, international sanctions imposed as a result of the ongoing Russia-Ukraine war could limit our ability to transact with our third-party contractors in Russia, which could disrupt or delay current or future planned research and development activities, increase our costs, or force us to shift development efforts to resources in other geographies that may not possess the same level of cost efficiencies.

More generally, there is the risk that we may not maintain control or effective management with respect to these business operations. Our agreements with these third-party contractors are either not terminable by them (other than at the end of the term or upon an uncured breach by us) or require at least 30 days' prior written notice of termination. If we experience problems with our third-party contractors, the costs charged by our third-party contractors increase, or our agreements with our third-party contractors are terminated, we may not be able to develop new solutions, enhance or operate existing solutions or provide customer support in an alternate manner that is equally or more efficient and cost-effective. If we are unsuccessful in maintaining existing and, if needed, establishing new relationships with third parties, our ability to efficiently operate existing services or develop new services and provide adequate customer support could be impaired, and as a result, our competitive position or our results of operations could suffer.

We rely on third parties to provide the majority of our customer service and support representatives. If these third parties do not provide our customers with reliable, high-quality service, our reputation and our business will be harmed, and we may be exposed to significant liability.

We offer customer support through both our online account management website and our toll-free customer support number. Our customer support is currently provided via a third-party provider located in the Philippines, as well as by our U.S. employees. The ability to support our customers may be disrupted by natural disasters, inclement weather, civil unrest, strikes, terrorism, breaches of data security, and other adverse events. A significant service outage may cause a high volume of customer support inquiries, and our third-party customer service center may not be able to respond to such inquiries in a timely manner, which would adversely impact our ability to deliver on our customer commitments. We currently offer support almost exclusively in English. As we have expanded our operations internationally, we have made and will need to continue to make significant expenditures and investments in our customer service and support to adequately address the complex needs of international customers, such as support in multiple foreign languages. Industry consolidation among customer service providers may impact our ability to obtain these services or increase our costs for these services.

If we fail to continue developing our brand or our reputation is harmed, our business may suffer.

We believe that continuing to strengthen our current brand will be critical to achieving widespread acceptance of our services and will require continued focus on active marketing efforts. The demand for and cost of online and traditional advertising has been increasing and may continue to increase. 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. Brand promotion activities may not yield increased revenue, and even if they do, any increased revenue may not offset the expenses incurred in building our brand. If we fail to promote and maintain our brand, or if we incur substantial expense in an unsuccessful attempt to promote and maintain our brand, our business could be materially and adversely affected.

Our services, as well as those of our competitors, are regularly reviewed and commented upon by online and social media sources, as well as computer and other business publications. Negative reviews, or reviews in which our competitors' products and services are rated more highly than our solutions, could negatively affect our brand and reputation. From time to time, our customers have expressed dissatisfaction with our services, including dissatisfaction with our customer support, our billing policies and the way our services operate. If we do not handle customer complaints effectively, our brand and reputation may suffer, we may lose our customers' confidence, and they may choose to terminate, reduce or not to renew their subscriptions. In addition, many of our customers participate in social media and online blogs about internet-based services, including our services, 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 actions we take or changes we make to our services do not receive a favorable reception from these customers, their posts could negatively affect our brand and reputation. Complaints or negative publicity about our services or customer service could materially and adversely impact our ability to attract and retain customers and our business, financial condition and results of operations.

We may not be able to effectively manage our growth and the increased complexity of our business, which could negatively impact our brand, financial performance and increase the risk of investing in our stock.

We continue to experience significant growth in our business, including through our expansion domestically and internationally, as well as through our acquisitions of 2600Hz in October 2023 and OnSIP in July 2022. This growth has placed and may continue to place significant demands on our management and our operational and financial infrastructure. As our operations grow in size, scope and complexity, we will need to increase our sales and marketing efforts and personnel worldwide, and improve and upgrade our systems and infrastructure to attract, service, and retain an increasing number of users. For example, we expect the volume of simultaneous calls to increase significantly as our user base grows, and our network hardware and software may not be able to accommodate this additional simultaneous call volume. The expansion of our systems and infrastructure will require us to commit substantial financial, operational and technical resources in advance of an increase in the volume of business, with no assurance that the volume of business will increase. Any such additional capital investments will increase our cost base. Continued growth could also strain our ability to maintain reliable service levels for our users, develop and improve our operational, financial and management controls, enhance our reporting systems and procedures and recruit, train, and retain highly skilled personnel. If we fail to achieve the necessary level of efficiency in our organization as we grow, and if the current and future members of our management team do not effectively scale with this growth, our business, results of operations and financial condition could be materially and adversely affected.

Our business could suffer if we cannot obtain or retain direct inward dialing numbers ("DIDs"), are prohibited from obtaining local or toll-free numbers, or are limited to distributing local or toll-free numbers to only certain customers.

Our future success depends on our ability to procure large quantities of local and toll-free DIDs in the United States and foreign countries in desirable locations at a reasonable cost and without restrictions. Our ability to procure and distribute DIDs depends on factors outside of our control, such as applicable regulations, the practices of the communications carriers that provide DIDs, the cost of these DIDs, and the level of demand for new DIDs. Due to their limited availability, there are certain popular area code prefixes we generally cannot obtain. Our inability to acquire DIDs for our operations would make our services less attractive to potential customers in the affected local geographic areas, which could adversely affect our revenue growth. In addition, future growth in our customer base and the customer bases of our competitors will increase our dependence on needing sufficiently large quantities of DIDs.

If we are unable to effectively process local number and toll-free number portability provisioning in a timely manner, our growth may be negatively affected.

We support local number and toll-free number portability, which allows our customers to transfer to us and thereby retain their existing phone numbers when subscribing to our services. During the number transfer process, our new customers must maintain both our service and their existing phone service. We depend on third-party carriers to transfer phone numbers, a process we do not control, and these third-party carriers may refuse or substantially delay the transfer of these numbers to us. Local number portability is considered an important feature by many potential customers, and if we fail to reduce any related delays, we may experience increased difficulty in acquiring new customers. Moreover, the FCC requires us to comply with specified number porting timeframes when customers leave our service for the services of another provider. In Canada, the CRTC has imposed a similar number portability requirement on service providers like us. If we, or our third-party carriers, are unable to process number portability requests within the requisite timeframes, we could be subject to fines and penalties. Additionally, in the United States, both customers and carriers may seek relief from the relevant state public utility commission, the FCC, or in state or federal court for violation of local number portability requirements.

We may not be able to achieve or sustain profitability in the future and our rates of growth may decline.

We have incurred net losses since our inception, including net loss of approximately \$6.9 million in fiscal 2025. We have expended significant resources to develop, market, promote, grow our customer base and sell our products and solutions and we expect to continue investing for future growth. Although we generated cash from operations of \$26.6 million for fiscal 2025, we cannot assure you that our operating cash flow will remain positive in the future as we continue to invest in efforts to scale our business. Achieving profitability will require us to increase revenue, manage our cost structure and avoid significant liabilities. Revenue growth and growth of our active user base may slow, revenue 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), our achievement of greater market penetration, a decrease in the growth of the markets in which we compete, or failure for any reason to continue capitalizing on growth opportunities. Additionally, we may encounter unforeseen operating expenses, difficulties, complications, delays, service delivery and quality problems and 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, investors' perceptions of our business may be adversely affected, our financial performance will be harmed and our stock price could be volatile or decline.

Our quarterly and annual results have fluctuated in the past and may continue to do so. As a result, we may fail to meet or to exceed the expectations of analysts or investors, which could cause our stock price to fluctuate.

Our quarterly and annual results of operations and cash flows have varied historically from period to period, and we expect that they will continue to fluctuate due to a variety of factors, many of which are outside of our control, including:

- fluctuations in demand for, pricing of, or usage of, our products, including due to the effects of global macroeconomic conditions, tariffs and other trade restrictions, competition, and differing levels of demand for our products based on changing customer priorities, resources, financial conditions and economic outlook;
- our ability to retain existing customers, resellers, expand our existing customers' user base, and attract new customers, sell premium solutions to our existing customers and introduce new solutions;
- the actions of our competitors, including pricing changes or the introduction of new solutions and products;
- our ability to effectively manage our growth and successfully penetrate the communications and connected services markets for businesses, residential and mobile;
- the number of monthly, annual and multi-year subscriptions at any given time and the timing of recognition of subscription revenue;
- the impact of worldwide economic, industry, and market conditions, such as liquidity constraints and higher levels of inflation;
- the timing, cost and effectiveness of our advertising and marketing efforts;
- the timing, operating cost and capital expenditures for the operation, maintenance, and expansion of our business;
- delays or disruptions in our supply chain;
- the timing of our decisions with regard to product resource allocation;
- increased component costs;
- seasonality of consumers' purchasing patterns and seasonality of advertising patterns;
- service outages or security breaches and any related impact on our reputation;
- our ability to accurately forecast revenue and appropriately plan our expenses;
- costs associated with defending and resolving intellectual property infringement and other claims;
- changes in tax laws, regulations, or accounting rules;
- the timing and cost of developing or acquiring technologies, services or businesses and our ability to successfully manage any such acquisitions;
- how well we execute on our strategy and operating plans and the impact of changes in our business model that could adversely impact our results of operations and financial condition; and
- quarantines, travel limitations, or business disruptions in regions affecting our operations, including our field sales and installation services teams, or the operations of third parties upon which we rely, stemming from the actual, imminent or perceived outbreaks of epidemics or pandemics.

Any one of the factors above, or the cumulative effect of some or all of the factors referred to above, may result in significant fluctuations in our quarterly and annual results of operations and cash flows. This variability and unpredictability could result in our failure to meet our internal operating plan or the expectations of securities analysts or investors for any period, which could cause our stock price to decline. In addition, a significant percentage of our operating expenses is fixed in nature and is based on forecasted revenue trends. Accordingly, in the event of revenue shortfalls, we may not be able to mitigate the negative impact on net loss and margins in the short term. If we fail to meet or exceed the expectations of securities analysts or investors, the market price of our shares could fall substantially and we could face costly lawsuits, including securities class-action suits.

If we do not manage inventory levels and purchase commitments effectively, we may experience excess inventory levels, inventory obsolescence, or inventory shortages that could adversely affect our results of operations.

Our vendor-supplied on-premise devices and end-point devices, as well as materials and components for new products such as AirDial and enhanced versions of existing products, frequently have lead times of several months or longer for delivery and are built based on our estimates of future demand. If we overestimate our requirements, we may incur liabilities for excess or obsolete inventory, which could negatively affect our gross margins. Conversely, if we underestimate our requirements, our suppliers may have inadequate supplies of the devices or materials and components required to assemble our products, which could result in an interruption of the assembly of our products, delays in shipments or installations and deferral or loss of revenue. Our ability to accurately forecast demand is affected by many factors, including an increase or decrease in customer demand for our products and services, changes in consumer preferences and length of sales cycle, market acceptance of new product and service introductions by us and our competitors, levels of inventory held by channel partners, sales promotional activities by us or our competitors, and unanticipated changes in general market demand and macro-economic conditions. In addition, because we rely on third-party contract manufacturers and other vendors for the supply of our devices and components, our inventory levels are subject to the conditions regarding the timing of purchase orders and delivery dates not within our control.

In past periods, we have increased our inventory levels to mitigate supply disruptions caused by component shortages, longer lead times and increased transportation uncertainty. Additionally, we experienced higher unit costs for some products that have been impacted by supply chain constraints and inflationary pressure in the past global macroeconomic environment as well as certain components being subject to end-of-life. We may have to increase inventory levels in the future in anticipation of new or increased tariffs on goods imported into the United States. Increased inventory levels have in the past and may in the future result in write-down charges from excess or obsolete inventory, charges from excess purchase commitments, the sale of inventory at discounted prices, and other actions, which may cause our gross margin to decline and harm our reputation and brand.

Conversely, insufficient levels of inventory could interrupt the assembly of our products, delay shipments or installations and cause deferral or loss of revenue, any of which may negatively affect relations with customers. For instance, our customers rely upon our ability to meet committed delivery dates, and any disruption in the supply of our services could result in loss of customers or harm to our ability to attract new customers. Additionally, retailers may elect to return any unsold inventory without any penalty, which could result in excess inventory charges. Any of these factors could have a material adverse effect on our business, financial condition or results of operations.

We may lose key members of our management team and other key employees, and may be unable to attract and retain employees we need to support our operations and growth.

Our future performance depends on the continued services and contributions of our senior management and other key employees to execute on our business plan, and to identify and pursue opportunities and services innovations. The loss of services of senior management or other key employees could significantly delay or prevent the achievement of our development and strategic objectives. The replacement of any of these senior management personnel would likely involve significant time and costs, and such loss could significantly delay or prevent the achievement of our business objectives. Many members of our senior management have been our employees for many years and therefore have significant experience and understanding of our business that would be difficult to replace. Our inability to attract and retain the necessary personnel could adversely affect our business, financial condition or results of business. We do not maintain key person insurance for any of our personnel.

We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs.

We intend to continue making expenditures and investments to support the growth of our business. In the future, we may require additional capital to pursue our business objectives and to respond to business opportunities, challenges, or unforeseen circumstances, including the need to develop new solutions or enhance our existing solutions, enhance our operating infrastructure, and acquire complementary businesses and technologies. Accordingly, we may decide to engage in equity or debt financings, draw down under our existing credit facility or enter into new credit facilities to secure additional funds. However, additional funds may not be available when we need them on terms acceptable to us, or at all, due to among other factors, general macro-economic conditions, including rising interest rates, volatile credit markets, inflation, and bank defaults or other disruptions in the financial services industry. Any debt financing we secure in the future could contain affirmative and negative covenants relating to our capital raising activities and other financial and operational matters, including covenants which may limit our ability to, among other things, incur additional indebtedness and liens, make certain investments, merge or consolidate with other entities and make certain dispositions, which may make it more difficult for us to obtain additional capital and to pursue business opportunities.

If we raise additional funds through the issuance of equity or convertible debt securities, our existing stockholders could suffer significant dilution. Any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our common stock. If we are unable to obtain adequate financing or financing terms satisfactory to us, our ability to continue pursuing our business objectives and to respond to business 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, and the trading price of our common stock would likely decline.

Our level of indebtedness could adversely affect our financial condition.

As of January 31, 2025, we had \$30.0 million available for borrowing under our revolving credit facility under our three-year credit and security agreement ("Credit Agreement") with Citizens Bank, N.A., with no outstanding indebtedness. Additionally, from time to time, we may request incremental term loans and/or additional revolving commitments in an aggregate principal amount of up to \$20.0 million under the Credit Agreement. Our ability to pay interest and repay principal for any future indebtedness we incur will be dependent on our ability to manage our business operations, generate sufficient cash flows to service such debt and the other factors discussed in this section. There can be no assurance that we will be able to manage any of these risks successfully.

Any future level of indebtedness could have important consequences, including the following:

- We may use a portion of our cash flow from operations to pay interest and principal on the revolving credit facility or any term loans, which will reduce funds available to us for other purposes such as working capital, capital expenditures, other general corporate purposes and potential acquisitions;
- Our ability to refinance such indebtedness or to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes may be impaired;
- We may be exposed to fluctuations in interest rates because borrowings under our Credit Agreement bears interest at variable rates;
- Our leverage may be greater than that of some of our competitors, which may put us at a competitive disadvantage and reduce our flexibility in responding to current and changing industry and financial market conditions;
- We may be more vulnerable to the current economic downturn and adverse developments in our business; and
- We may be unable to comply with financial and other restrictive covenants in our debt agreements, which could result in an event of default that, if not cured or waived, may result in acceleration of certain of our debt and would have an adverse effect on our business and prospects and could force us into bankruptcy or liquidation.

Our ability to access additional funding under our revolving credit facility will depend upon, among other things, the absence of a default under such facility, including any default arising from a failure to comply with the related covenants. If we are unable to comply with such covenants, our liquidity may be adversely affected.

In addition, we and our subsidiaries may be able to incur substantial indebtedness in the future, subject to the restrictions contained in the Credit Agreement and the terms of our other indebtedness. Our ability to remain in compliance with our covenants under our debt instruments and to make future principal and interest payments in respect of our debt depends on, among other things, our operating performance, competitive developments and financial market conditions, all of which are significantly affected by financial, business, economic and other factors. We are not able to control many of these factors. Accordingly, our cash flow may not be sufficient to allow us to pay principal and interest on our debt, including the notes, and meet our other obligations.

Our existing credit agreement imposes operating and financial restrictions on us.

The Credit Agreement imposes various operating and financial restrictions on us, including covenants that limit our ability and the ability of certain subsidiaries to:

- Incur debt;
- Create liens on certain assets to secure debt;
- Consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- Make certain investments or acquisitions or dispositions of assets;
- Enter into certain sale and leaseback transactions;

- Enter into certain swap agreements;
- Pay dividends on or make other distributions in respect of our capital stock or make other restricted payments;
- Enter into certain transactions with affiliates; and
- Make certain material amendments to any subordinated debt agreement or our certificate of incorporation or bylaws.

In addition, we have agreed that we will not permit our recurring revenue or our liquidity to decrease below certain specified levels. All of these covenants may adversely affect our ability to finance our operations, meet or otherwise address our capital needs, pursue business opportunities, react to market conditions or otherwise restrict activities or business plans. A breach of any of these covenants could result in a default in respect of any related indebtedness. If a default occurs, our lender could elect to declare the indebtedness, together with accrued interest and other fees, to be immediately due and payable and, to the extent such indebtedness is secured in the future, proceed against any collateral securing that indebtedness.

Our ability to make payments on and to refinance any future indebtedness will depend on our ability to generate cash in the future. Our ability to generate cash will be subject to general economic, financial, competitive, legislative, regulatory and other factors, some of which are beyond our control. If prevailing interest rates or other factors at the time of refinancing result in higher interest rates upon refinancing, then the interest expense related to that refinanced indebtedness would increase. Our future cash flow, cash on hand or available borrowings may not be sufficient to meet our obligations and commitments. If we are unable to generate sufficient cash flow from operations in the future to service or repay our indebtedness and to meet our other commitments, we will be required to adopt one or more alternatives, such as refinancing or restructuring our indebtedness, selling material assets or operations or seeking to raise additional debt or equity capital. These actions may not be effected on a timely basis or on satisfactory terms or at all, or these actions may not enable us to continue to satisfy our capital requirements. In addition, the Credit Agreement contains, and any of future debt agreements may contain, restrictive covenants that may prohibit us from adopting any of these alternatives. Our failure to comply with these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all our debts.

Our level of indebtedness could adversely affect our financial condition.

As of January 31, 2025, we had no outstanding indebtedness under our three-year credit and security agreement (“Credit Agreement”) with Citizens Bank, N.A. We may incur indebtedness in the future. As of January 31, 2025, we had \$30.0 million available for borrowing under our revolving credit facility under the Credit Agreement, and from time to time, we may request incremental term loans and/or additional revolving commitments in an aggregate principal amount of up to \$20.0 million under the Credit Agreement. Our ability to pay interest and repay principal for any future level of indebtedness will be dependent on our ability to manage our business operations, generate sufficient cash flows to service such debt and the other factors discussed in this section. There can be no assurance that we will be able to manage any of these risks successfully.

Any future level of indebtedness could have important consequences, including the following:

- We may use a portion of our cash flow from operations to pay interest and principal on the revolving credit facility or any term loans, which will reduce funds available to us for other purposes such as working capital, capital expenditures, other general corporate purposes and potential acquisitions;
- Our ability to refinance such indebtedness or to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes may be impaired;
- We may be exposed to fluctuations in interest rates because borrowings under our Credit Agreement bears interest at variable rates;
- Our leverage may be greater than that of some of our competitors, which may put us at a competitive disadvantage and reduce our flexibility in responding to current and changing industry and financial market conditions;
- We may be more vulnerable to the current economic downturn and adverse developments in our business; and
- We may be unable to comply with financial and other restrictive covenants in our debt agreements, which could result in an event of default that, if not cured or waived, may result in acceleration of certain of our debt and would have an adverse effect on our business and prospects and could force us into bankruptcy or liquidation.

Our ability to access additional funding under our revolving credit facility will depend upon, among other things, the absence of a default under such facility, including any default arising from a failure to comply with the related covenants. If we are unable to comply with such covenants, our liquidity may be adversely affected.

In addition, we and our subsidiaries may be able to incur substantial indebtedness in the future, subject to the restrictions contained in the Credit Agreement and the terms of our other indebtedness. Our ability to remain in compliance with our covenants under our debt instruments and to make future principal and interest payments in respect of our debt depends on, among other things, our operating performance, competitive developments and financial market conditions, all of which are significantly affected by financial, business, economic and other factors. We are not able to control many of these factors. Accordingly, our cash flow may not be sufficient to allow us to pay principal and interest on our debt, including the notes, and meet our other obligations.

Our success depends, in part, on increased acceptance of our connected services, applications and products.

Our future growth depends on our ability to significantly increase revenue generated from our Ooma Business and Ooma Residential communications solutions and other connected services. The markets for cloud-based communications and other connected services are evolving rapidly and are characterized by an increasing number of market entrants. If these markets fail to develop, develop more slowly than we anticipate or develop in a manner different than we expect, our services could fail to achieve market acceptance, which in turn could materially and adversely affect our business.

Our future growth in the small and medium-sized business and enterprise markets depends on the continued use of voice communications by businesses, as compared to e-mail and other data-based methods. A decline in the overall rate of voice communications by businesses would harm our business. Furthermore, our continued growth depends on future demand for and adoption of internet voice communications systems and services and on future demand for connected communications services. Although the number of broadband subscribers worldwide has grown significantly in recent years, only a small percentage of businesses have adopted internet voice communications services to date. For demand and adoption of internet voice communications services by businesses to increase, internet voice communications networks must improve the quality of their service for real-time communications by managing the effects of and reducing packet loss, packet delay, and packet jitter, as well as unreliable bandwidth, so that high-quality service can be consistently provided. Additionally, the cost and feature benefits of internet voice communications must be sufficient to cause customers to switch from traditional phone service providers. We must devote substantial resources to educate potential customers about the benefits of internet voice communications solutions, in general, and of our services in particular. If any or all of these factors fail to occur, our business may be materially and adversely affected.

Our Ooma Residential products and services are sold primarily to individuals and families. With the growth of mobile technologies, many consumers have chosen to eliminate their home telephone service as alternative services have proliferated. Our ability to continue growing our user base depends on our ability to convince customers and potential customers that our service is sufficiently useful and cost-effective, that it makes sense to maintain or establish home telephone services with us over other alternatives. Our growth could slow as it has in recent periods and our financial condition could be adversely affected if the trend of eliminating home telephone service continues or accelerates.

Our mobile platform, available to any consumer with a Wi-Fi® or cellular data connected mobile device, operates in a market that is fragmented and where it is difficult to gain consumer awareness. Many of our competitors in this market have been able to establish a significant user base and reputation in the market, which may make it more difficult for our products to be adopted. Furthermore, as new mobile devices are released, we may encounter difficulties supporting these devices and services, and we may need to devote significant resources to the creation, support, and maintenance of our mobile applications. Additionally, our competitors may allocate additional resources to marketing and promotion of their products, making it even more difficult to be noticed. It is also unclear how the adoption of “over-the-top” based communications will continue to grow. If the number of consumers using “over-the-top” based communications stagnates or declines, such movement may result in an intensified competition for consumers in this space.

Risks Related to Security, IT Systems and Intellectual Property

We have incurred, and expect to continue to incur, significant costs to protect against security breaches. We may incur significant additional costs in the future to address any actual or perceived security breaches.

Any system failure or security breach that causes interruptions or data loss in our operations or in the computer systems of our customers or leads to the misappropriation of our or our customers' CPNI could result in significant liability to us.

We could incur significant costs, both monetary and with respect to management's time and attention, to investigate and remediate a data security breach. Because our onboarding and billing functions are conducted primarily through a single data center, any security breach in that data center may cause an interruption in our business operations. If any of these events occurs, or is believed to occur, our reputation and brand could be damaged, our business may suffer, we could be required to expend significant capital and other resources to alleviate problems caused by such actual or perceived breaches and improve and enhance our security measures, we could be exposed to a risk of loss, litigation or regulatory action and possible liability, and our ability to operate our business, including our ability to provide maintenance and support services to our channel partners and end-customers, may be impaired. If current or prospective channel partners and end-customers believe that our systems and solutions do not provide adequate security for their businesses' needs, our business and our financial results could be harmed. Actual, potential or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees and engage third-party experts and consultants.

Although we maintain privacy, data breach and network security liability insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all. In addition, although we have developed an information security program, we cannot guarantee these measures would be sufficient to protect us from a network security incident. Any actual or perceived compromise or breach of our security measures, or those of our third-party service providers, or any unauthorized access to, misuse or misappropriation of personally identifiable information, channel partners' or end-customers information, or other information, could violate applicable laws and regulations, contractual obligations or other legal obligations and cause significant legal and financial exposure, adverse publicity and a loss of confidence in our security measures, any of which could have a material adverse effect on our business, financial condition and operating results.

Failures in internet infrastructure or interference with broadband access could cause current or potential customers to believe that our systems are unreliable, leading our current customers to switch to our competitors or potential customers to avoid using our services.

Many of our services depend on our customers' broadband access to the internet, usually provided through a cable or digital subscriber line, or DSL, connection. In addition, users who access our services and applications through mobile devices, such as smartphones and tablets, must have a high-speed connection, such as Wi-Fi, 3G, 4G, 5G or LTE, to use our services and applications. Currently, this access is provided by companies that have significant and increasing market power in the broadband and internet access marketplace, including incumbent phone companies, cable companies and wireless companies. Increasing numbers of users and increasing bandwidth requirements may degrade the performance of internet and mobile infrastructure, resulting in outages or deteriorations in connectivity and negatively impacting the quality with which we can deliver our solutions. As our customer base grows and their usage of communications capacity increases, we will be required to make additional investments in network capacity to maintain adequate data transmission speeds, the availability of which may be limited, or the cost of which may be on terms unacceptable to us. If adequate capacity is not available to us as our customers' usage increases, our network may be unable to achieve or maintain sufficiently high data transmission capacity, reliability or performance. Furthermore, as the rate of adopting new technologies increases, the networks on which our services and applications rely may not be able to sufficiently adapt to the increased demand for these services, including ours. In the past, we have experienced disruptions to our service and were able to restore service without incurring material expenses. Outages to date have not materially affected our results of operations. However, the costs incurred in correcting root causes for service outages may be substantial and these and other related consequences such as being required to issue refunds to our customers or to defend against customer claims for damages or other legal liability could negatively impact our results of operations.

Some of the providers of broadband internet access and high-speed mobile access, such as AT&T and Verizon, market and sell products and services to our current and potential customers that directly compete with our own offerings, which can potentially give such providers a competitive advantage. Broadband providers also may take measures that affect their customers' ability to use our service, such as degrading the quality of the data packets we transmit over their lines, giving those packets low priority, giving other packets higher priority than ours, blocking our packets entirely or attempting to charge their customers more for also using our services. A number of states have enacted or are considering legislation or executive actions that would regulate the conduct of broadband providers. We cannot predict whether state initiatives will be modified, overturned, or vacated by legal action of the court, federal or state legislation, or the FCC.

The FCC's orders could affect the market for broadband internet access service in a way that impacts our business, for example by increasing the cost of broadband internet service and thereby depressing demand for our services, by increasing the costs of services we purchase or by creating tiers of internet access service and by either charging us for or prohibiting us from being available through these tiers, and we cannot predict the impact of these events upon our business and results of operations.

Frequent or persistent interruptions could cause current or potential users to believe that our systems or services are unreliable, leading them to switch to our competitors or to avoid our services, and could permanently harm our reputation and brands. Because some of our services rely on integration between features that use both wired and wireless infrastructures, any of the aforementioned problems with either wired or wireless infrastructure may result in the inability of customers to take advantage of our integrated services and therefore may decrease the attractiveness of our collective services to current and potential customers.

If we experience excessive fraudulent activity or cannot meet evolving credit card association merchant standards, we could incur substantial costs and lose the right to accept credit cards for payment, which could cause our customer base to decline significantly.

A majority of our customers authorize us to bill their credit card accounts directly for service fees that we charge. If people pay for our services with stolen credit cards, we have in the past and may in the future incur substantial third-party vendor costs for which we may not be reimbursed. Further, our customers provide us with credit card billing information online or over the phone, and we do not review the physical credit cards used in these transactions, which increases our risk of exposure to fraudulent activity. We also incur charges, which we refer to as chargebacks, from the credit card companies' claims that the customer did not authorize the credit card transaction to purchase our service. If the number of unauthorized credit card transactions becomes excessive, we could be assessed substantial fines for excess chargebacks and we could lose the right to accept credit cards for payment. We have also been affected by the credit card breaches at various retail stores, which have caused millions of consumers to cancel credit cards as a result of the breach. We have found that some consumers do not renew their services after a card cancellation, which can have a material negative impact on our revenue. In addition, credit card issuers may change merchant standards, including data protection and documentation standards, required to utilize their services from time to time.

While Ooma Inc. is currently in compliance with the applicable requirements of the Payment Card Industry Data Security Standard, or PCI, certain of Ooma's subsidiaries are currently not in compliance with all of the applicable technical PCI requirements. If we fail to become fully compliant or maintain compliance with current merchant standards, such as PCI, or fail to meet new standards, the credit card associations may fine us or, while unusual, may impose certain restrictions on our ability to accept credit cards or terminate our agreements with them, rendering us unable to accept credit cards as payment for our services. Our services have been in the past, and may also be in the future, subject to fraudulent or abusive usage in violation of applicable law or our acceptable use policies, including but not limited to revenue share fraud, domestic traffic pumping, subscription fraud, premium text message scams, and other fraudulent schemes, any of which could result in our incurring substantial costs for the completion of calls. Although our customers are required to set passwords and Personal Identification Numbers, or PINs, to protect their accounts and may configure in which destinations international calling is enabled from their extensions, third parties have accessed and used our customers' accounts and extensions through fraudulent means in the past, and they may do so in the future, which also could result in substantial call completion and other costs for us. In addition, third parties may have attempted in the past, and may attempt in the future, to fraudulently induce employees or consultants into disclosing customer credentials and other account information. Communications fraud can result in unauthorized access to customer accounts and data, unauthorized use of customers' services, and charges to customers for fraudulent usage and expenses we must pay to carriers. We may be required to pay for these charges and expenses with no reimbursement from the customer, and our reputation may be harmed if our services are subject to fraudulent usage.

Although we have implemented multiple fraud prevention and detection controls, we cannot assure you that these controls will be adequate to protect against fraud. Substantial losses due to fraud or our inability to accept credit card payments, which could cause our paid customer base to significantly decrease, could have a material adverse effect on our results of operations, financial condition and ability to grow our business.

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

There has been substantial litigation in the sectors in which we operate regarding intellectual property rights. In the past, we have been sued by third parties claiming infringement of their intellectual property rights and we were able to settle such litigation. However, we remain subject to infringement lawsuits from time to time, and we cannot assure you that we will be able to settle any such claims or, if we are able to settle any such claims, that the settlement will be on favorable terms. Our broad range of technology in our business may increase the likelihood that third parties will claim that we infringe their intellectual property rights.

We have in the past received, and may in the future receive, notices of claims of infringement, misappropriation or misuse of other parties' proprietary rights. Notwithstanding their merits, accusations and lawsuits like these often 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 services may, in fact, be patented by other parties either now or in the future. If such technology were validly patented by another person, we would 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 products and services incorporating the technology, which could materially and adversely affect our business and results of operations. If we 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. Among other negative consequences, we could also be prohibited from using or selling certain products or services, prohibited from using certain processes, or required to redesign certain products or services, each of which could have a material adverse effect on our business and results of operations.

Any failure to obtain registration or protection of our intellectual property rights could materially and adversely affect our business.

We rely, in part, on patent, trademark, copyright and trade secret law to protect our intellectual property in the United States and abroad. We cannot assure you that the particular forms of intellectual property protection we seek, including business decisions about when to file patents and when to maintain trade secrets, will be adequate to protect our business. We seek to protect our technology, software, documentation and other information under trade secret and copyright law, which afford only limited protection. For example, improper disclosure of trade secret information by our current or former employees, consultants, third-party contractors, customers or vendors to the public or others who could make use of the trade secret information would likely preclude that information from being protected as a trade secret. Furthermore, any use of AI tools to create content or code that may be incorporated into our products or services may also impact our ability to obtain or successfully defend certain intellectual property rights.

We cannot predict whether our pending patent applications will result in issued patents or whether any issued patents will effectively protect our intellectual property. Even if a pending patent application results in an issued patent, the patent may be circumvented or its validity may be challenged in various proceedings in U.S. District Court, before the U.S. Patent and Trademark Office or before their foreign equivalents, such as reexamination, which may require legal representation and involve substantial costs and diversion of management time and resources. In addition, we cannot assure you that every significant feature of our solutions is protected by our patents, or that we will mark our products with any or all patents they embody. As a result, we may be prevented from seeking damages in whole or in part for infringement of our patents.

The unlicensed use of our brand, including domain names, by third parties could harm our reputation, cause confusion among our customers and impair our ability to market our products and services. Though we have registered numerous trademarks and service marks, have applied for registration of additional trademarks and service marks and have acquired a number of domain names in and outside the United States, if our applications receive objections or are successfully opposed by third parties, it will be difficult for us to prevent third parties from using our brand without our permission. Moreover, successful opposition to our applications might encourage third parties to make additional oppositions or commence trademark infringement proceedings against us, which could be costly and time consuming to defend against. There have been in the past, and may be in the future, instances where third parties have used our trade names, or have adopted confusingly similar trade names to ours. If we are not successful in protecting our trademarks, our trademark rights may be diluted and subject to challenge or invalidation, which could materially and adversely affect our brand.

We may not be able to protect or enforce our proprietary rights in the United States or internationally. We typically enter into confidentiality and invention assignment agreements with our employees, consultants, third-party contractors (including contractors located in Russia and the Philippines), customers and vendors in an effort to control access to use and distribution of our technology, software, documentation and other information. These agreements may not effectively prevent unauthorized use or disclosure of confidential information and may not provide an adequate remedy in the event of such unauthorized use or disclosure, and it may be possible for a third party to legally reverse engineer, copy or otherwise obtain and use our technology without authorization. In addition, such agreements may not adequately protect our proprietary rights in foreign countries, where effective intellectual property protection may be unavailable or limited. Our competitors may independently develop technologies similar or superior to our technology, duplicate our technology in a manner that does not infringe our intellectual property rights or design around any of our patents. Furthermore, detecting and policing unauthorized use of our intellectual property is difficult and resource-intensive. Moreover, litigation may be necessary in the future to enforce our intellectual property rights, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Such litigation, whether successful or not, could result in substantial costs and diversion of management time and resources and could have a material adverse effect on our business, financial condition and results of operations.

Potential problems with our information systems could interfere with our business and operations.

We rely on our information systems and those of third parties for processing customer orders, distribution of our services, billing our 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. All information systems, both internal and external, are potentially vulnerable to damage or interruption from a variety of sources, including without limitation, computer viruses, ransomware attacks or other security breaches, energy blackouts, natural disasters, terrorism, war, telecommunication failures, and employee or other theft, as well as third-party provider failures. Any disruption in our information systems and those of the third parties upon which we rely could have a significant impact on our business.

We may implement enhanced 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 could come with its own set of cybersecurity risks. The implementation of new systems and enhancements to existing systems is frequently disruptive to the underlying business of an enterprise, and can be time-consuming and expensive, increase management responsibilities and divert management attention. Any disruptions relating to our systems enhancements or any problems with the implementation, particularly any disruptions impacting our operations or our ability to accurately report our financial performance on a timely basis during the implementation period, could materially and adversely affect our business. Even if we do not encounter these material and adverse effects, the implementation of these enhancements may be much costlier than we anticipated. If we are unable to successfully implement the information systems enhancements as planned, our financial position, results of operations and cash flows could be negatively impacted.

Our use of open source technology could impose limitations on our ability to commercialize our services.

We use open source software in our platforms on which our services operate. There is a risk that the owners of the copyrights in such software may claim that such licenses impose unanticipated conditions or restrictions on our ability to market or provide our services. If such owners prevail in such claim, we could be required to make the source code for our proprietary software (which contains our valuable trade secrets) generally available to third parties, including competitors, at no cost, to seek licenses from third parties in order to continue offering our services, to re-engineer our technology, or to discontinue offering our services in the event re-engineering cannot be accomplished on a timely basis or at all, any of which could cause us to discontinue our services, harm our reputation, result in customer losses or claims, increase our costs or otherwise materially and adversely affect our business and results of operations. If a copyright holder of such open source software were to allege we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from the sale of our solutions that contained the open source software and required to comply with the foregoing conditions, which could disrupt the distribution and sale of some of our solutions.

Regulatory and Tax Matters

Our services are subject to regulation and future legislative or regulatory actions could adversely affect our business and expose us to liability.

Federal Regulation. Our business is regulated by the FCC. As a communication services provider, we are subject to FCC regulations relating to privacy, disability access, law enforcement access, porting of numbers, revenue reporting, Federal USF contributions and other regulatory assessments, E-911, outage notifications, robocall mitigation, call traceback and know your customer requirements, and other matters. We may also be subject to potential liability for the illegal or fraudulent activities of our customers and end users. Although our terms and conditions prohibit illegal and fraudulent use of our services, our customers and end users may nonetheless engage in prohibited activities in violation of applicable law. If we do not comply with FCC rules and regulations, or if our customers and end users engage in illegal activity using our services, we could be subject to FCC enforcement actions, substantial fines, loss of licenses, repayment of funds, potential private right of actions and possibly restrictions on our ability to operate or offer certain of our services. Any enforcement action by the FCC, which may include a public process, would hurt our reputation in the industry, possibly impair our ability to sell our services to customers and could have a materially adverse impact on our revenue.

State Regulation. We are also subject to state consumer protection laws, as well as U.S. state, municipal and local sales, use, excise, utility user and ad valorem taxes, fees or surcharges. The imposition of such regulatory obligations or the imposition of additional taxes on our services could increase our cost of doing business and limit our growth.

International Regulation. Our international operations subject us to telecommunications, consumer protection, data privacy and other laws and regulations in the foreign countries where we offer our services. Our international operations are potentially subject to country-specific government regulation and related actions that may increase our costs and prevent us from offering or providing our products and services in certain countries. Certain of our services may be used by customers located in countries where VoIP and other forms of IP communications may be illegal or require special licensing. In countries where local laws and regulations prohibit (or come to prohibit) the use of our products, users may continue to use our products and services, which could subject us to costly penalties or governmental action adverse to our business and damaging to our brand and reputation, our international expansion efforts, or our business and operating results.

The adoption of additional 911 requirements by the FCC could increase our costs that could make our service more expensive, decrease our profit margins, or both.

We may not be able to comply with additional 911 requirements adopted by the FCC for interconnected VoIP providers, providers of enterprise telephone services, non-interconnected VoIP providers and texting providers. For example, beginning January 6, 2022, providers of non-fixed interconnected VoIP services were required to supply automated dispatchable location, if technically feasible, or either registered location information obtained by the customer or alternative location information. At present, we have no means to automatically identify the physical location of our customers. Our obligation to comply with the FCC's VoIP E-911 order and related costs puts us at a competitive disadvantage to VoIP service providers who are either not subject to the requirements or have chosen not to comply with the FCC's mandates. We cannot guarantee emergency calling service consistent with the VoIP E-911 order will be available to all of our customers, especially those accessing our services on a mobile device or from outside of the United States. The FCC's current E-911 requirements and changes to those requirements, including their impact on our customers due to service price increases or other factors, could have a material adverse effect on our business, financial condition or operating results. For example, we may incur additional costs in order to comply with the FCC's outage notification requirements effective April 15, 2025. In addition, customers may attempt to hold us responsible for any loss, damage, personal injury, or death suffered as a result of delayed, misrouted, or uncompleted emergency service calls or text messages, subject to any limitations on a provider's liability provided by applicable laws, regulations, and our customer agreements.

If we cannot comply with the FCC's rules imposing call signaling requirements on VoIP providers, we may be subject to fines, cease and desist orders, or other penalties.

The FCC's rules regarding the system of compensation for various types of traffic require, among other things, interconnected VoIP providers who originate interstate or intrastate traffic destined for the PSTN, to transmit the telephone number associated with the calling party to the next provider in the call path. Intermediate providers must pass unaltered calling party number or charge number signaling information they receive from other providers to subsequent providers in the call path. In addition, effective June 30, 2021, voice service providers in the United States were required to either fully implement "STIR/SHAKEN" technology on their entire networks or implement a robocall mitigation program on those portions of their networks that are not STIR/SHAKEN-enabled. Canada is also currently in the process of implementing STIR/SHAKEN requirements. Although we have implemented STIR/SHAKEN in the United States and are in the process of implementing STIR/SHAKEN in Canada, to the extent that we inadvertently pass traffic that does not have appropriate calling party number or charge number information, we could be subject to fines, cease and desist orders, or other penalties. Similarly, to the extent that we cannot authenticate our customers, their traffic may be more likely to be blocked or adversely labeled. Additionally, as a VoIP provider, we rely on the FCC to design rules that do not disadvantage our service relative to those of incumbent local exchange carriers and competitive local exchange carriers. Should the FCC decide to do so, it could result in an inferior user experience for Ooma's service, which may negatively impact our business.

We may not be able to comply with FCC rules governing completion of calls to rural areas and related reporting requirements.

The FCC's rules governing the completion of calls to rural areas and related reporting requirements require us, among other things, to monitor the performance of our intermediate providers – telecom companies we use to help complete telephone calls to rural areas and take steps to prevent rural call completion problems that may be caused by our intermediate providers, such as persistent low answer or completion rates, unexplained anomalies in performance, or repeated complaints to the FCC. Under certain circumstances, if our routing choices, meaning the intermediate providers we chose to help us complete calls to rural areas, result in lower quality service, we may be held liable for the actions taken by our intermediate providers. If we cannot comply with these rules, we could be subject to investigation and enforcement action and could be exposed to substantial liability. The FCC also has increased enforcement activity related to completion of calls to rural customers, and we could be subject to substantial fines and to conduct requirements that could increase our costs if we are the subject of an enforcement proceeding and cannot demonstrate calls from our customers to rural customers are completed at a satisfactory rate.

Failure to comply with communications and telemarketing laws could result in significant fines or place significant restrictions on our business.

We rely on a variety of marketing techniques in connection with our sales efforts, including telemarketing and email marketing campaigns. We also record certain telephone calls between our customers or potential customers and our sales and service representatives for training and quality assurance purposes. These activities are subject to a variety of state and federal laws such as the Telephone Consumer Protection Act of 1991 (also known as the Federal Do-Not-Call law, or the TCPA), the Telemarketing Sales Rule, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (also known as the CAN-SPAM Act) and various U.S. state laws regarding telemarketing and telephone call recording. The FCC continues to adopt and consider additional rules related to robocalling, robotexting, and autodialing. For example, in December 2023, the FCC adopted a one-to-one consent rule requiring companies to obtain consent from consumers to receive automated or robotic calls or texts only from one specific good or service provider at a time. These laws are subject to varying interpretations by courts and governmental authorities and often require subjective interpretation, making it difficult to predict their application and therefore making our compliance efforts more challenging. For example, on January 24, 2025, the FCC postponed the one-to-one consent requirements until January 26, 2026, due to challenges to the new rule in the United States Court of Appeals for the Eleventh Circuit. We cannot be certain our efforts to comply with these laws, rules and regulations will be successful, or, if they are successful, that the cost of such compliance will not be material to our business. Changes to these or similar laws, or to their application or interpretation, or new laws, rules and regulations governing our communication and marketing activities could adversely affect our business. In the event that any of these laws, rules or regulations significantly restrict our business, we may not be able to develop adequate alternative communication and marketing strategies. Further, non-compliance with these laws, rules and regulations carries significant financial penalties and the risk of class action litigation, which would adversely affect our financial performance and significantly harm our reputation and our business.

The FCC has continued to increase regulation of interconnected VoIP services and may at any time determine certain VoIP services are telecommunications services subject to traditional common carrier regulation.

The FCC is considering, in various proceedings, issues arising from the transition from traditional copper networks to IP networks. The FCC is also considering whether interconnected VoIP services should be treated as telecommunications services, which could subject interconnected VoIP services to additional common carrier regulation. The FCC's efforts may result in additional regulation of IP network and service providers, which may negatively affect our business.

Reform of federal and state Universal Service Fund ("USF") programs could increase the cost of our service to our customers, diminishing or eliminating our pricing advantage.

The FCC and a number of states are considering modifications to USF programs, including the manner in which companies, like us, contribute to the federal USF program, and whether certain non-interconnected VoIP providers and broadband providers, among others, should contribute to the USF. If the FCC or certain states modify contribution obligations that continue to increase our contribution burden, we will either need to absorb the increased costs or raise the amount we currently collect from some of our customers to cover these obligations, which would either reduce our profit margins or diminish our price advantage. A number of states require us to contribute funds to state USF programs, while others are actively considering extending their programs to include the services we provide. We currently charge our customers certain fees and other surcharges, which may result in our services becoming less competitive as compared to those provided by others. If our pricing advantage is diminished or eliminated, or if we are required to absorb these increased costs and not pass-through to our customers, our results of operations would be negatively impacted.

Our products must comply with industry standards, FCC regulations, state, local, country-specific and international regulations, and changes may require us to modify existing products and/or services.

In addition to reliability and quality standards, the market acceptance of telephony over broadband IP networks is dependent upon the adoption of industry standards so that products from multiple manufacturers are able to communicate with each other. Our unique hybrid SaaS connectivity platforms rely on communication standards such as SIP, SRTP and network standards such as TCP/IP and UDP to interoperate with other vendors' equipment. There is currently a lack of agreement among industry leaders about which standard should be used for a particular application and about the definition of the standards themselves. We also must comply with certain rules and regulations of the FCC regarding electromagnetic radiation and safety standards established by Underwriters Laboratories ("UL"), as well as similar regulations and standards applicable in other countries. In addition, the market acceptance of POTS replacement products such as Ooma AirDial will depend on compliance with industry standards such as National Fire Protection Association NFPA 72, UL 864 and American Society of Mechanical Engineers ASME A17.1B. As standards evolve, we may be required to modify our existing products or develop and support new versions of our products. We must comply with certain federal, state and local requirements regarding how we interact with our customers, including marketing practices, consumer protection, privacy, and billing issues, the provision of 9-1-1 emergency service and the quality of service we provide to our customers. The failure of our products and services to comply, or delays in compliance, with various existing and evolving standards could delay or interrupt volume production of our VoIP telephony products, subject us to fines or other imposed penalties, or harm the perception and adoption rates of our service, any of which would have a material adverse effect on our business, financial condition or operating results.

We process, store, and use personal information and other data, which subjects us and our customers to a variety of evolving industry standards, contractual obligations and other legal rules related to privacy, which may increase our costs, decrease adoption and use of our products and services, and expose us to liability.

There are numerous U.S. federal, state and local, and foreign laws and regulations, as well as contractual obligations and industry standards, that provide for certain obligations and restrictions with respect to data privacy and security, and the collection, storage, retention, protection, use, processing, transmission, sharing, disclosure, and protection ("Processing") of personal information and other customer data. The scope of these obligations and restrictions is changing, subject to differing interpretations, and may be inconsistent among jurisdictions or conflict with other rules, and their status remains uncertain.

In the United States and in other jurisdictions, a variety of regulations are currently being proposed that would increase restrictions on online service providers in the field of data privacy and security, and we believe that the adoption of such increasingly restrictive regulation is likely. For example, the California Consumer Privacy Act (the "CCPA") regulates the processing of personal data, which could result in civil penalties for violations. In addition, the California Privacy Rights Act ("CPRA") took effect on January 1, 2023 and an increasing number of states are adopting similar privacy laws. We will continue to monitor developments related to new privacy laws like the CPRA which will require us to incur additional costs and expenses in an effort to monitor and comply with such laws. Legislators and regulators in the United States and elsewhere are also increasingly focused on privacy protections for minors under 18 years of age. While we do not knowingly provide products or services directly to children under the age of 16, proposed legislation may impose new obligations on online services which may be accessed by older teens, including, in some cases, 16- and 17-year-old children.

In Canada, penalties for non-compliance with certain Canadian anti-spam legislation are considerable, including administrative monetary penalties of up to \$10 million and a private right of action.

The EU has implemented strict laws that apply in connection with the Processing of personal information, and other customer data. Data protection regulators within the EU and other jurisdictions have the power to fine non-compliant organizations significant amounts and seek injunctive relief, including the cessation of certain data processing activities. For example, the EU's General Data Protection Regulation, or GDPR, provides for significant penalties for violations, including fines of up to 4% of the violating company's worldwide revenue. While the United Kingdom's Data Protection Act substantially implements the GDPR, the United Kingdom's exit from the European Union has created regulatory uncertainty, including the cross-border transfer of data. Such uncertainty may adversely impact the operations of our U.K. subsidiary by adding operational complexities and expenses. In addition, there is uncertainty about data transfer to the United States. For example, although the new U.S. Data Privacy Framework was formally approved by the European Commission in July 2023, the framework may still be invalidated by the Court of Justice of the European Union, which invalidated the framework's predecessor, the Privacy Shield Program, in 2020.

We have taken administrative, contractual and other measures designed to achieve compliance with applicable privacy laws and standards, but we cannot guarantee these measures are sufficient. Obligations and restrictions imposed by current and future applicable laws, regulations, contracts and industry standards, in particular as we continue to expand our international operations, may increase the cost of our operations, affect our ability to provide all the current features of our business, residential and mobile products and services and our customers' ability to use our products and services, and could require us to modify the features and functionality of our products and services. Such obligations and restrictions may limit our ability to Process data, and to allow our customers to Process data with others through our products and services. Failure to comply with such obligations could subject us to lawsuits, fines, criminal penalties, statutory damages, consent decrees, injunctions, adverse publicity and other losses that could harm our business.

Our customers may use our services to transmit and store protected health information, or PHI, that is protected under HIPAA. Noncompliance with laws and regulations relating to privacy such as HIPAA may lead to significant fines, penalties or liabilities. Our actual compliance, our customers' perception of our compliance, costs of compliance with such regulations and customer concerns regarding their own compliance obligations (whether factual or in error) may limit the use and adoption of our service and reduce overall demand. Furthermore, privacy concerns, including the inability or impracticality of providing advance notice to customers of privacy issues related to the use of our services, may cause our customers' customers to resist providing the personal data necessary to allow our customers to use our services effectively. Even the perception of privacy concerns, whether or not valid, may inhibit market adoption of our service in certain industries.

In addition to government activity, privacy advocacy groups and industry groups have adopted and are considering the adoption of various self-regulatory standards and codes of conduct that may place additional burdens on us and our customers, which may further reduce demand for our services and harm our business. Our employees and personnel may also use generative AI technologies to perform their work, and the disclosure and use of personal information in such technologies is subject to various data privacy and security laws and obligations. Governments have passed and are likely to pass additional laws regulating generative AI. Our use of this technology could result in additional compliance costs and regulatory investigations and actions. If we are unable to use generative AI, it could make our business less efficient and result in competitive disadvantages.

Any failure by us to protect our users' privacy and data, including as a result of our systems being compromised by hacking or other malicious activity, could result in a loss of user confidence in our services and ultimately in a loss of users, which could materially and adversely affect our business. Our customers may also accidentally disclose their passwords, store them on a mobile device that is lost or stolen, or otherwise fall prey to attacks outside our system, creating the perception that our systems are not secure against third-party access. If our third-party contractors or vendors violate applicable laws or our policies, such violations may also put our customers' information at risk and could in turn have a material and adverse effect on our business.

Use or delivery of our services may become subject to new or increased regulatory requirements, taxes or fees.

The increasing growth and popularity of internet voice communications heighten the risk that governments will regulate or impose new or increased fees or taxes on internet voice communications services. To the extent the use of our services continues to grow, regulators may be more likely to seek to regulate or impose new or additional taxes, surcharges or fees on our services. Similarly, advances in technology, such as improvements in locating the geographic origin of internet voice communications or applications of AI to our products and services, could cause our services to become subject to additional regulations, fees or taxes, or could require us to invest in or develop new technologies, which may be costly. In addition, as we continue to expand our user base and offer more services, we may become subject to new regulations, taxes, surcharges or fees. Increased regulatory requirements, taxes, surcharges or fees on internet voice communications services, which could be assessed by governments retroactively or prospectively, would substantially increase our costs, and, as a result, our business would suffer. Development and use of AI is subject to increasing regulation and scrutiny. Several jurisdictions around the globe, including certain U.S. states and the EU, have proposed, enacted, or are considering laws governing the development and use of AI. For example, the Federal Trade Commission has required other companies to turn over (or disgorge) insights or trainings generated through the use of AI where they allege the company has violated privacy and consumer protection laws. If we do not develop or incorporate AI in a manner in compliance with applicable and evolving regulations, and consistent with customer expectations, it may result in an adverse impact to our reputation, our business may be less efficient, or we may be at a competitive disadvantage. In addition, the tax status of our services could subject us to conflicting taxation requirements and complexity with regard to the collection and remittance of applicable taxes. Any such additional taxes could harm our results of operations.

We are subject to anti-corruption and anti-money laundering laws with respect to our operations and non-compliance with such laws can subject us to criminal and/or civil liability and harm our business.

We are subject to the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, and other anti-bribery and anti-money laundering laws in countries in which we conduct activities. Anti-corruption laws are interpreted broadly and prohibit companies and their employees and third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector. We use third-party representatives for product testing, customs, export, and import matters outside of the United States. As we increase our international sales and business, we may engage with business partners and third-party intermediaries to sell our products and services. We or our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We can be held liable for the corrupt or other illegal activities of these third-party intermediaries, our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities.

While we devote resources to our U.S. and international compliance programs and have implemented policies, training, and internal controls designed to reduce the risk of corrupt payments, such as controls over expenditures for foreign contractors, and collusive activity, our employees, partners, vendors, or agents may violate our policies. Noncompliance with anti-corruption and anti-money laundering laws could subject us to whistleblower complaints, investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, suspension and/or debarment from contracting with certain persons, the loss of export privileges, reputational harm, adverse media coverage, and other collateral consequences. If any subpoenas or investigations are launched, or governmental or other sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, results of operations and financial condition could be materially harmed. In addition, responding to any action will likely result in a materially significant diversion of management's attention and resources, significant defense costs and other professional fees. Enforcement actions and sanctions could further harm our business, results of operations, and financial condition.

We are subject to governmental sanctions and export and import controls, economic embargoes and trade sanctions that could impair our ability to expand our business to, and compete in, international markets and could subject us to liability if we are not in compliance with applicable laws.

Our products and services are subject to export 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 Controls. U.S. export control laws and economic sanctions programs generally prohibit the export of certain products and services to countries, governments and persons subject to U.S. economic embargoes and trade sanctions unless a license, approval, or other authorization is obtained from the U.S. Government. Obtaining the necessary authorizations and licenses for a particular sale may be time-consuming, is not guaranteed and may result in the delay or loss of sales opportunities. 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, government investigations, reputational harm, fines which may be imposed on us and responsible employees or managers, and, in extreme cases, the incarceration of responsible employees or managers.

In addition, any changes in our products or services, or changes in applicable export, import, embargo and trade sanctions regulations, may create delays in the introduction and sale of our products and services in international markets or, in some cases, prevent the export or import of our products and services to certain countries, governments, or persons altogether. Any change in export, import, embargo, or trade sanctions regulations, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could also result in decreased use of our products and services, or in our decreased ability to export or sell our products and services to existing or potential customers with international operations. Any decreased use of our products and services or limitation on our ability to export or sell our products and services would likely adversely affect our business.

We may be subject to liabilities on past services for taxes, surcharges and fees.

We collect and remit state or municipal sales, use, excise, utility user and ad valorem taxes, fees, or surcharges on the charges to our customers for our services or goods in only those jurisdictions where we believe we have a legal obligation to do so or for business reasons to reduce risk. In addition, we have historically substantially complied with the collection of certain California sales/use taxes and financial contributions to the California 9-1-1 system (the Emergency Telephone Users Surcharge) and federal USF. With limited exceptions, we believe we are generally not subject to taxes, fees, or surcharges imposed by other state and municipal jurisdictions or that such taxes, fees, or surcharges do not apply to our services. There is uncertainty as to what constitutes sufficient "in-state presence" for a state or local municipality to levy taxes, fees and surcharges for sales made over the internet. Taxing authorities have in the past, and likely will in the future, challenge our position on the lack of enforceability of such taxes, fees and surcharges where we have no relevant presence, and audit our business and operations with respect to sales, use, telecommunications and other taxes, which could result in increased tax liabilities for us or our customers, which could materially and adversely affect our results of operations and our relationships with our customers. Finally, the application of other indirect taxes (such as sales and use tax, value added tax, or VAT, goods and services tax, business tax, and gross receipt tax) to e-commerce businesses, such as ours, is a complex and evolving area. The application of existing, new, or future laws, whether in the United States or internationally, could have adverse effects on our business, prospects, and results of operations. There have been, and will continue to be, substantial ongoing costs associated with complying with the various indirect tax requirements in the numerous markets in which we conduct or will conduct business.

Changes in effective tax rates, 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;
- certain non-deductible expenses as a result of acquisitions;
- expansion into new jurisdictions;
- potential challenges to and costs related to implementation and ongoing operation of our intercompany arrangements; and
- changes in tax laws and regulations and accounting principles, or interpretations or applications thereof.

Our international operations are subject to U.S. tax laws, including limitations on the ability to defer U.S. taxation on earnings outside of the United States until those earnings are repatriated to the United States could affect the tax treatment of our foreign earnings. Any changes in our effective tax rate could adversely affect our results of operations.

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 January 31, 2025, we had federal net operating loss carryforwards of approximately \$25.1 million available to offset future income, of which the entirety may be carried forward indefinitely. We also had state net operating loss carryforwards of \$70.5 million which will expire in various amounts beginning in fiscal 2030. Additionally, we have federal and research and development tax credit carryforwards that will begin to expire in fiscal 2030 and California research and development tax credit carryforwards with no expiration date. Realization of these net operating loss and research tax credit carryforwards depends on future income, and there is a risk that our existing carryforwards could expire unused and be unavailable to offset future income tax liabilities, which could materially and adversely affect our results of operations. No deferred tax assets have been recognized on our balance sheet related to these NOLs, as they are fully reserved by a valuation allowance. If we have previously had, or have in the future, one or more Section 382 "ownership changes", or if we do not generate sufficient taxable income, 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.

Risks Related to Being a Public Company

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results in a timely manner, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.

Pursuant to Section 404 of the Sarbanes-Oxley Act, we are required to make a formal assessment and provide an annual management report on the effectiveness of our internal control over financial reporting. We expect that the requirements of these rules and regulations will continue to increase our compliance costs, make some activities more difficult, time-consuming and costly, and place significant demands on our financial and operational resources, as well as IT systems. Our control environment may not be sufficient to remediate or prevent future material weaknesses or significant deficiencies from occurring. A control system, no matter how well designed and operated, can provide only reasonable assurance that the control system's objectives will be met. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and all instances of fraud will be detected.

Our independent registered public accounting firm is required to and has issued an attestation report on the effectiveness of our internal control over financial reporting as of January 31, 2025. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors could lose confidence in the accuracy and reliability of our financial reports, which would cause the price of our common stock to decline, and we could be subject to sanctions or investigations by regulatory authorities, including the SEC and the NYSE.

Our actual operating results may differ significantly from our guidance.

From time to time, we plan to release earnings guidance in our quarterly earnings conference calls, quarterly earnings releases, or otherwise, regarding our future performance that represents our management's estimates as of the date of release. This guidance, which will include forward-looking statements, will be based on projections prepared by our management. Projections are based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. We intend to state possible outcomes as high and low ranges which are intended to provide a sensitivity analysis as variables are changed but are not intended to imply that actual results could not fall outside of the suggested ranges. The principal reason that we release guidance is to provide a basis for our management to discuss our business outlook with analysts and investors. Accordingly, we do not accept any responsibility for any projections or reports published by any such third parties.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the guidance furnished by us will not materialize or will vary significantly from actual results. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results may vary from our guidance and the variations may be material. In light of the foregoing, investors are urged not to rely upon our guidance in making an investment decision regarding our common stock.

Any failure to successfully implement our operating strategy or the occurrence of any of the events or circumstances set forth in this "Risk Factors" section in this report could result in the actual operating results being different from our guidance, and the differences may be adverse and material.

Risks Related to Ownership of Our Common Stock

Our stock price has been and may continue to be volatile, or may fluctuate or decline, resulting in a substantial loss of your investment.

Our stock price may fluctuate in response to a number of events and factors, such as quarterly operating results; changes in our financial projections provided to the public or our failure to meet those projections; our operating and financial performance and prospects and the performance of other similar companies; the public's reaction to our press releases, other public announcements and filings with the SEC; significant transactions, or new features, products or services by us or our competitors; changes in financial estimates and recommendations by securities analysts; failure of securities analysts to cover or track our common stock; media coverage of our business and financial performance; trends in our industry; any significant change in our management; sales of common stock by us, our investors or members of our management team; and changes in general market, economic and political conditions in the United States and global economies or financial markets, including as a result of public health crises and global conflicts, such as Russia's ongoing invasion of Ukraine.

The market price of our common stock could be subject to wide fluctuations in response to, among other things, the factors described in this “Risk Factors” section or otherwise, and other factors beyond our control, such as fluctuations in the valuations of companies perceived by investors to be comparable to us. In addition, the stock market in general, and the market prices for companies in our industry, have experienced volatility that often has been unrelated to operating performance. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance. In the past, many companies that have experienced volatility in their stock price have become subject to securities class action litigation. We have been subject to this type of litigation in the past and may continue to be a target in the future. Securities litigation against us has resulted and could result in substantial costs and has and would divert our management’s attention from other business concerns, any of which could harm our business.

If we fail to meet expectations related to future growth, profitability, or other market expectations, our stock price may decline significantly, which could have a material adverse impact on investor confidence and employee retention.

Sales of a substantial number of shares of our common stock in the public market, or the perception these sales might occur, could cause our stock price to decline.

Sales of a substantial number of shares of our common stock in the public market, or the perception these sales might occur, could cause the market price of our common stock to decline and could impair our ability to raise capital through the sale of additional equity securities. In addition, we have registered shares of common stock which we may issue under our employee stock plans and they may be sold freely in the public market upon issuance. We may issue our shares of common stock or securities convertible into our common stock from time to time in connection with a financing, acquisition, and investments or otherwise. Any such issuance could result in substantial dilution to our existing stockholders and cause the trading price of our common stock to decline.

If securities analysts do not publish or cease publishing research or reports about our business or if they publish negative evaluations of our stock, the price of our stock could decline.

We expect that the trading price for our common stock will be affected by any research or reports that industry or financial analysts publish about us or our business. If one or more of the analysts who elect to cover us downgrade their evaluations of our stock or provide more favorable relative recommendations about our competitors, the price of our stock could decline. If one or more of these analysts cease coverage of our company, our stock may lose visibility in the market, which in turn could cause its price to decline.

We have never paid cash dividends and do not anticipate paying any cash dividends on our common stock.

We do not anticipate paying any cash dividends on our common stock in the foreseeable future. If we do not pay cash dividends, stockholders would receive a return on their investment in our common stock only if the market price of our common stock increases before they sell their shares.

Our charter documents and Delaware law could prevent a takeover that stockholders consider favorable and could also reduce the market price of our stock.

Our Amended and Restated Certificate of Incorporation and our Amended and Restated Bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it more difficult for stockholders to elect directors and take other corporate actions. These provisions include:

- providing for a classified board of directors with staggered, three-year terms;
- authorizing the issuance of “blank check” preferred stock that our board of directors could issue to increase the number of outstanding shares to discourage a takeover attempt;
- prohibiting cumulative voting in the election of directors;
- providing that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum;
- prohibiting stockholder action by written consent;
- limiting the persons who may call special meetings of stockholders; and
- requiring advance notification of stockholder nominations and proposals.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, the provisions of Section 203 of the Delaware General Corporation Law may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a certain period of time without the consent of our board of directors. These and other provisions in our amended and restated certificate of incorporation and our bylaws and under Delaware law could discourage potential takeover attempts, reduce the price investors might be willing to pay for shares of our common stock and result in the market price of our common stock being lower than it would be without these provisions.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware will be the 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 other employees.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the sole and exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, any action asserting a claim against us arising pursuant to any provisions of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws, or any action asserting a claim against us that is governed by the internal affairs doctrine. 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. While the Delaware Supreme Court determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring such a claim arising under the Securities Act of 1933, as amended, against us, our directors, officers, or other employees in a venue other than in the federal district courts of the United States. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation, and this may require significant additional costs associated with resolving such action in other jurisdictions.

We have been subject to class action litigation in the past, and may be subject to other litigation in the future.

The Company, its directors, and certain officers were named as defendants in a consolidated securities class action in connection with its initial public offering, and in October 2019, the Court dismissed the lawsuit with prejudice. In addition, in February 2021 the Company and Ooma Canada Inc. were named as defendants in a class action complaint in the Federal Court of Canada, alleging violations of Canada's Trademarks Act and Competition Act. In the future, especially following periods of volatility in the market price of our shares, additional purported class action or derivative complaints may be filed against us. The outcome of any pending and potential future litigation is difficult to predict and quantify and the defense of such claims or actions can be costly. In addition to diverting financial and management resources and general business disruption, we may suffer from adverse publicity that could harm our brand or reputation, regardless of whether the allegations are valid or whether we are ultimately held liable. A judgment or settlement that is not covered by or is significantly in excess of our insurance coverage for any claims, or our obligations to indemnify the underwriters and the individual defendants, could materially and adversely affect our financial condition, results of operations and cash flows.

General Risk Factors

If we are unable to hire, retain and motivate qualified personnel, our business will suffer.

Our future growth and success depends, in part, on our continued ability to hire and retain highly skilled personnel. We believe there is, and will continue to be, intense competition for highly skilled technical, sales and other personnel with experience in our industry in the San Francisco Bay Area, where our headquarters is located, and in other parts of the United States and Canada. We have from time to time experienced, and we expect to continue to experience, challenges in hiring and retaining skilled personnel with appropriate qualifications. We must provide competitive compensation packages and a high-quality work environment to hire, retain and motivate employees. If we and/or our partners are unable to hire, retain and motivate the existing workforce or attract qualified personnel to fill key positions, we may be unable to manage our business effectively, including the development, marketing and sale of existing and new services, which could have a material adverse effect on our business, financial condition, and results of operations. To the extent we hire personnel from competitors, we may be subject to allegations such personnel have been improperly solicited or divulged proprietary or other confidential information.

The impact of any future global health crisis or pandemics could disrupt and cause harm to our business, operating results, or financial condition.

The occurrence of any global health crisis or pandemic could result in suspending travel and restrict the ability to do business in person, which could impact our sales and marketing efforts and our ability to attract new customers and successfully implement our services in a timely manner. In addition, any future global health crisis or pandemic could disrupt the operations of our customers, partners, contract manufacturers, suppliers and other third-party providers. If we are not able to respond to and manage the impact of such events effectively and if the macroeconomic conditions of the general economy or the industry in which we operate do not improve, or worsen from present levels, our business, operating results, financial condition and cash flows could be adversely affected.

Catastrophic events or political instability could disrupt and cause harm to our business, operating results, or financial condition.

Our corporate headquarters, offices, warehouses and one of our data center facilities are located in Northern California, a region that frequently experiences earthquakes. We also maintain an office in Boca Raton, Florida, an area that is prone to severe weather events, such as hurricanes. In addition, our third-party contract manufacturer facilities in China, Vietnam and other Asian countries and our sole third-party customer service and support facility in the Philippines are located on the Pacific Rim near known earthquake fault zones that are vulnerable to damage from earthquakes, tsunamis, volcanic eruptions and/or typhoons. We and our contractors are also vulnerable to other types of disasters, such as power loss, fire, floods, pandemics, cyber-attack, war (including ongoing geopolitical tensions related to Russia's actions in Ukraine), political or civil unrest and terrorist attacks and similar events that are beyond our control. In particular, we depend on third-party contractors located in Russia for engineering and software development services. We cannot assure you that our ability to continue transacting with third-party contractors in Russia will not be impacted by the effects of Russia's ongoing invasion of Ukraine and resulting international sanctions. If any disasters were to occur, our ability to operate our business could be seriously impaired, and we may endure system interruptions, reputational harm, loss of intellectual property, delays in our services development, lengthy interruptions in our services, breaches of data security and loss of critical data, all of which could harm our future results of operations. Such events may also reduce demand for our products and services because of reduced global or national economic activity and can cause disruptions and extreme volatility in global financial markets, increase rates of default and bankruptcy, and impact levels of business and consumer spending. In addition, we do not carry earthquake insurance and we may not have adequate insurance to cover our losses resulting from other disasters or other similar significant business interruptions. Any significant losses not recoverable under our insurance policies could seriously impair our business and financial condition.

Climate change may have an impact on our business.

Any of our primary locations may be vulnerable to the adverse effects of climate change. For example, our offices and facilities in California have experienced, and are projected to continue to experience, climate-related events at an increasing frequency, including drought, heat waves, wildfires and power shutoffs associated with wildfire prevention. Changing market dynamics, global policy developments and the increasing frequency and impact of extreme weather events on critical infrastructure in the U.S. and elsewhere have the potential to disrupt our business, our third-party suppliers and our customers, and may cause us to experience higher churn, losses and additional costs to maintain or resume operations.

Additionally, climate change concerns and the potential resulting environmental impact may result in new or more stringent environmental, health, and safety laws and regulations that may affect us, our suppliers, and our customers. Such laws or regulations could cause us to incur additional direct costs for compliance, as well as increased indirect costs resulting from our customers, suppliers, or both incurring additional compliance costs that are passed on to us. These costs may adversely impact our results of operations and financial condition.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 1C. Cybersecurity

Risk Management, Governance and Strategy

We recognize the importance of assessing, identifying, and managing material risks associated with cybersecurity threats. These risks include, among other things: operational risks, intellectual property theft, fraud, extortion, harm to employees or customers and violation of data privacy or security laws.

Our board of directors as a whole oversees the Company's privacy and data security, including cybersecurity, risk exposures, policies and practices, and the steps management has taken to prevent, detect, monitor and control such risks and the potential impact of those exposures on our business, financial results, operations, and reputation. We have tools and protocols in place designed to prevent, detect and escalate security incidents within the Company.

Identifying and assessing cybersecurity risk is integrated into our overall risk management systems and processes. This process is owned by the Chief Information Security Officer ("CISO") and is supported by both management and our board of directors. Our CISO has served in various information technology and security leadership roles for over 30 years. He has a Master of Science degree in Electrical Engineering from Stanford University.

Cybersecurity risks related to our business, technical operations, privacy and compliance issues are identified and addressed through a multi-faceted approach including third party assessments and reviews. As part of our risk assessment process, we may perform cybersecurity risk evaluations when selecting applicable third-party vendors, suppliers, and other service providers. To defend, detect and respond to cybersecurity incidents, we, among other things: conduct proactive cybersecurity reviews of systems and applications, conduct employee phishing training, and monitor emerging laws and regulations related to data protection and information security.

We have implemented incident response and breach management processes. Notifications are made based on the level of threat of the incident. Incidents are evaluated to determine materiality as well as operational and business impact. Depending on the nature and severity of an incident, this process provides for escalating notification to our CEO and the board of directors.

The "Risk Factors" section includes further detail about the material cybersecurity risks we face. We believe that risks from prior cybersecurity threats, including as a result of any previous cybersecurity incidents, have not materially affected our business to date.

Although we continue to invest in cybersecurity and to enhance our internal controls and processes, we cannot guarantee these measures will be sufficient to protect us from a network security incident. For further information regarding the risks we face from cybersecurity threats refer to the "Risk Factors" within this Form 10-K.

ITEM 2. Properties

Our corporate headquarters are located in Sunnyvale, California and consists of leased office space totaling approximately 33,400 square feet. We lease additional office and warehouse space in the San Francisco Bay Area for various product development, operational and customer support purposes. We also lease offices in Boca Raton, Florida and several other locations throughout the United States as well as Vancouver, British Columbia.

We lease space from third-party data centers under co-location agreements that support our cloud infrastructure, the most significant locations being San Jose, California; Dallas, Texas; Ashburn, Virginia; as well as several locations domestically and internationally.

We believe our existing facilities are adequate to meet our current requirements. If we were to require additional space, we believe that we will be able to obtain such space on acceptable, commercially reasonable terms. See Note 7: Operating Leases of the accompanying notes of our consolidated financial statements for more information about our lease commitments.

ITEM 3. Legal Proceedings

For a discussion of legal proceedings, see Note 11: Commitments and Contingencies – Legal Proceedings in the notes to our consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Form 10-K, which information is incorporated herein by reference.

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 for Common Stock. Our common stock has been trading on the NYSE under the symbol “OOMA” since July 17, 2015.

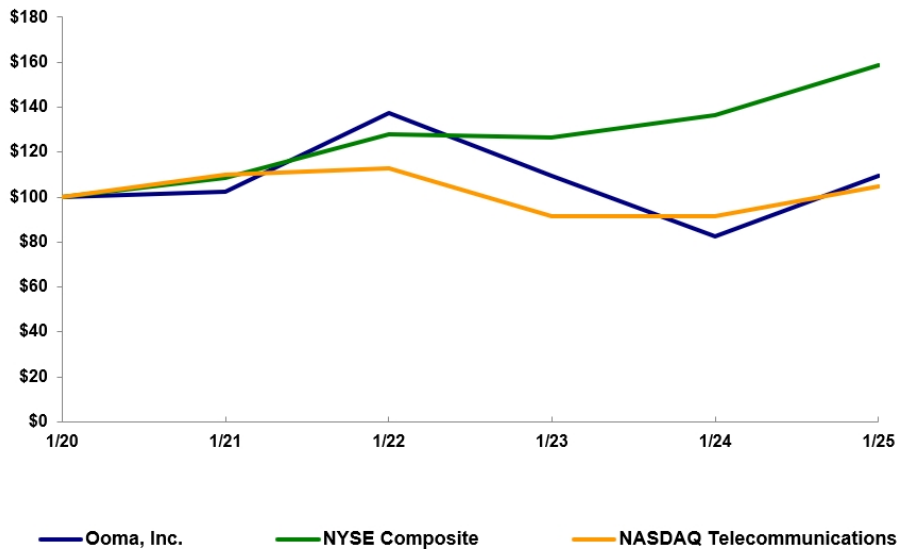
Holders of Record. As of March 31, 2025, there were approximately 53 holders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Dividend Policy. We have not declared or paid, and do not anticipate declaring or paying in the foreseeable future, any cash dividends on our capital stock.

Stock Price Performance Graph. The graph below compares the cumulative total return on our common stock with that of the NASDAQ Telecommunications Index and the NYSE. The graph assumes \$100 was invested at the close of market on the last trading day of fiscal 2020 in our common stock, the NASDAQ Telecommunications Index and the NYSE, and its relative performance is tracked through January 31, 2025, the last trading day of our fiscal year 2025.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Ooma, Inc., the NYSE Composite Index
and the NASDAQ Telecommunications Index



This performance graph shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or incorporated by reference into any filing of Ooma, Inc. under the Securities Act of 1933, as amended, or the Securities Act, except as shall be expressly set forth by specific reference in such filing. The stock price performance on this performance graph is not necessarily indicative of future stock price performance.

Sales of Unregistered Securities. Not applicable.

Use of Proceeds. Not applicable.

Purchases of Equity Securities by Issuer and Affiliated Purchasers.

The following table presents information with respect to our repurchase of common stock during the quarter ended January 31, 2025.

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share ⁽²⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands) ⁽¹⁾⁽³⁾
November 1, 2024 to November 30, 2024	—	\$ —	—	\$ 1,964
December 1, 2024 to December 31, 2024	162,616	\$ 14.85	162,616	\$ 9,550
January 1, 2025 to January 31, 2025	—	\$ —	—	\$ 9,550
Total	<u>162,616</u>	<u>\$ 14.85</u>	<u>162,616</u>	

⁽¹⁾ In June 2024, our board of directors authorized a common stock repurchase program of up to \$4.0 million. In December 2024, our board of directors approved an increase to our share repurchase program of an additional \$10.0 million. For further information, see Note 8. Stockholders' Equity to our financial statements for the fiscal year ended January 31, 2025. The Company withholds shares of common stock on behalf of certain employees in connection with the vesting of restricted stock unit awards issued to such employees to satisfy the minimum statutory tax withholding requirements. Although these withheld shares are not issued or considered common stock repurchases under our stock repurchase program and therefore are not included in the preceding table, they are treated as common stock repurchases in our financial statements as they reduce the number of shares that would have been issued upon vesting.

⁽²⁾ Average price per share excludes excise taxes and broker's commissions.

⁽³⁾ Amounts presented excludes excise taxes and broker's commissions on share repurchases.

ITEM 6. [Reserved]

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our consolidated financial statements and the related notes to those statements included elsewhere in this Form 10-K. In addition to historical financial information, the following discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under "Risk Factors" and elsewhere in this Form 10-K. The last day of our fiscal year is January 31, and we refer to our fiscal year ended January 31, 2025 as fiscal 2025, our fiscal year ended January 31, 2024 as fiscal 2024 and our fiscal year ended January 31, 2023 as fiscal 2023. All other references to years are references to calendar years.

This section of this Form 10-K generally discusses fiscal 2025 and 2024 items and year-to-year comparisons between fiscal 2025 and 2024. Discussion regarding our financial condition and results of operations for fiscal 2024 as compared to 2023 is included in Item 7 of our Annual Report on Form 10-K for the year ended January 31, 2024, filed with the SEC on April 2, 2024 (the "FY2024 Form 10-K").

Executive Overview

Ooma provides leading communications services and related technologies that bring unique features, ease of use, and affordability to businesses and residential customers through our smart SaaS and unified communications platforms. For businesses of all sizes, we deliver advanced voice and collaboration features including messaging, intelligent virtual attendants, and video conferencing to help them run more efficiently. For consumers, our residential phone service provides PureVoice high-definition voice quality, advanced functionality and integration with mobile devices.

We generate revenues primarily from the sale of subscriptions and other services for our business and residential communications solutions. We generate our product and other revenue from the sale of our on-premise devices and end-point devices. We primarily offer our solutions in the United States and Canada, with limited offerings in certain other countries.

We refer to Ooma Office, Ooma Enterprise, Ooma AirDial, 2600Hz, and OnSIP collectively as Ooma Business. Ooma Residential includes Ooma Telo basic and premier services, as well as Ooma Telo LTE services. See Item 1. Business above for additional information regarding our business, including products and services offered, competitive market and regulatory matters.

Fiscal 2025 Financial Performance

- Total revenue was \$256.9 million, up 8% year-over-year, primarily driven by the continued growth of Ooma Business and the acquisition of 2600Hz in late October 2023.
- Subscription and services revenue from Ooma Business grew 13% year-over-year, driven by user growth.
- Total gross margin was 61%, down from 62% in fiscal 2024.
- GAAP net loss was \$6.9 million, compared to a net loss of \$0.8 million in fiscal 2024,
- GAAP net loss for fiscal 2024 includes tax benefit for the release of a \$3.1 million valuation allowance resulting from the recording of certain intangible assets associated with the acquisition of 2600Hz, as well as a \$1.0 million gain on consolidation of facility costs, partially offset by \$0.7 million in acquisition related costs and \$0.5 million of certain restructuring costs, which did not recur in fiscal 2025.
- Non-GAAP net income was \$18.0 million, compared to \$15.4 million in fiscal 2024.
- Adjusted EBITDA was \$23.3 million, or 9% of revenue, compared to \$19.8 million in fiscal 2024.
- Cash flow provided by operating activities was \$26.6 million, compared to \$12.3 million in fiscal 2024.
- As of January 31, 2025, we had total cash and cash equivalents of \$17.9 million, up \$0.4 million from \$17.5 million as of January 31, 2024.
- As of January 31, 2025, we had no outstanding debt, compared to \$16.0 million as of January 31, 2024.

Reconciliations of non-GAAP adjusted measures to the most directly comparable GAAP measures are presented below under Adjusted EBITDA and Non-GAAP Financial Measures.

Key Factors Affecting Our Performance

Our historical financial performance and key business metrics have been, and we expect that our financial performance and key business metrics in the future will be, primarily driven by the following factors:

Core user growth. Our growth in the number of core users, a key business metric defined below, is a key indicator of our market penetration, the growth of our business and our anticipated future subscription and services revenue, especially Ooma Business.

Low core user churn. We believe that maintaining our current low core user churn for Ooma Business and Ooma Residential is an important factor in our ability to continue to improve our financial performance and is a distinguishing advantage over many of our competitors. We focus on providing high-quality services and support to our users so they remain with us.

Growth in additional services and products. We believe that there is significant opportunity for us to increase the additional subscription and services that our customers purchase from us in both the business and residential markets, which generates more value to Ooma over the life of our customer relationship. We are investing in Ooma Business to develop additional features to continue our momentum serving businesses of all sizes and further increase our average revenue per user. We continue to see a large market opportunity to capitalize on Ooma AirDial as an integrated solution for businesses to replace legacy copper-wire analog phone service.

Investing in long-term revenue growth. We believe that our total addressable market opportunity is large and we intend to continue significantly investing in sales and marketing to grow our user base in multiple verticals and channels. We expect the domestic and international markets in which we conduct our business will remain highly competitive. We plan to work together with our strategic partners to explore and pursue potential growth opportunities related to the market transition to 5G internet. We expect to continue investing in research and development to enhance our platforms and develop additional connected services and products, as well as launch our Ooma Business services in a number of international countries. We may evaluate additional possible acquisitions of businesses, products and technologies that are complementary to our business.

Key Business Metrics

We review the key metrics below to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions (in thousands, except percentages):

	As of January 31,		
	2025	2024	2023
Core users	1,234	1,243	1,210
Annualized exit recurring revenue (AERR)	\$ 234,086	\$ 227,500	\$ 206,700
Net dollar subscription retention rate ⁽¹⁾	98 %	99 %	99 %
Adjusted EBITDA	\$ 23,257	\$ 19,842	\$ 17,395

⁽¹⁾ Revised January 31, 2023 due to new methodology as described below

Core Users decreased year-over-year, which was primarily driven by a decline in Ooma Residential users, partially offset by an increase in Ooma Business users. As of January 31, 2025, Ooma Business users comprised approximately 41% of our total core users, up from 39% as of January 31, 2024. We believe that the number of our core users is an indicator of our market penetration, the growth of our business and our anticipated future subscription and services revenue. We define our core users as the number of active residential user accounts and business user extensions (excluding Talkatone and 2600Hz users). We believe that the relationship that we establish with our core users positions us to sell additional premium communications services and other new connected services to them.

Annualized Exit Recurring Revenue ("AERR") grew year-over-year due to an increase in the average revenue per core user, which was largely driven by an increasing mix of business users. We believe that AERR is an indicator of recurring subscription and services revenue for near-term future periods. We estimate our AERR by dividing our recurring quarterly subscription revenue from our core users by the average number of core users each quarter and annualize by multiplying by four. We then multiply that result by the number of core users at the end of the period to calculate AERR. Beginning in the third quarter of fiscal 2024, AERR includes annual recurring revenue from 2600Hz.

Net Dollar Subscription Retention Rate

Effective in the first quarter of fiscal 2024, we transitioned to a new calculation methodology for our net dollar subscription retention rate (“NDRR”) as discussed below. Since the majority of our subscription revenue is now generated from Ooma Business customers, we believe the new methodology better reflects our operational performance during the reporting period and is more in alignment with the reporting of our industry peers. We believe that our net dollar subscription retention rate provides insight into our ability to retain and grow our subscription and services revenue and is an indicator of the long-term value of our customer relationships and the stability of our revenue base.

Prior to fiscal 2024, we calculated NDRR as a function of the year-over-year growth in average revenue per user and churn as further discussed in the FY2023 Form 10-K. Under the new methodology, we define our NDRR as (i) one plus (ii) the quotient of Net Dollar Change (as defined below) divided by Average Monthly Recurring Subscription Revenue (as defined below). We define “Net Dollar Change” as the quotient of (i) the difference of our Monthly Recurring Subscription Revenue (as defined below) at the end of a period minus our Monthly Recurring Subscription Revenue at the beginning of a period minus our Monthly Recurring Subscription Revenue at the end of the period from new customers we added during the period, all divided by (ii) the number of months in the period. We define our Average Monthly Recurring Subscription Revenue as the average of the Monthly Recurring Subscription Revenue at the beginning and end of the measurement period. “Monthly Recurring Subscription Revenue” is defined as recurring subscription amounts from Ooma Residential and Ooma Business customers at the end of the most recent month, excluding recurring revenue from 2600Hz.

For example, if our Monthly Recurring Subscription Revenue was \$115 at the end of a quarterly period and \$100 at the beginning of the period, and \$18 at the end of the period from new customers we added during the period, then the Net Dollar Change would be equal to (\$1.00), or the amount equal to the difference of \$115 minus \$100 minus \$18, all divided by three months. Our Average Monthly Recurring Subscription Revenue would equal \$107.5, or the sum of \$115 plus \$100, divided by two. Our NDRR would then equal 99.1%, or approximately 99%, or one plus the quotient of the Net Dollar Change divided by the Average Monthly Recurring Subscriptions.

NDRR declined slightly year-over-year due to user churn offset by an increase in Average Monthly Recurring Subscription Revenue.

Adjusted EBITDA increased year-over-year in line with our revenue growth, representing approximately 9% and 8% of our total revenues for fiscal 2025 and fiscal 2024, respectively. We use Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) to manage our business, evaluate our performance and make planning decisions. We consider this metric to be a useful measure of our operating performance, because it contains adjustments for unusual events or factors that do not directly affect what management considers being the core operating performance, and are used by our management for that purpose. We also believe this measure enables us to better evaluate our performance by facilitating a meaningful comparison of our core operating results in a given period to those in prior and future periods. Investors often use similar measures to evaluate the operating performance with competitors. Adjusted EBITDA represents net income before interest and other income, income taxes, depreciation and amortization of capital expenditures, amortization of intangible assets and acquisition related costs, stock-based compensation and related taxes, litigation costs, restructuring costs, gain on note conversion, and facilities consolidation (gain) charges.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not consider the impact of income tax provisions or benefits, other income/expense, stock-based compensation and related taxes, amortization of intangible assets and acquisition-related costs, restructuring costs and costs that are not recurring in nature; and
- Adjusted EBITDA does not consider any expenses for assets being depreciated and amortized that are necessary to our business; although these are non-cash charges, the property and equipment being depreciated and amortized often will have to be replaced in the future, and Adjusted EBITDA does not reflect any cash capital expenditure requirements for such replacements;
- Other companies, including companies in our industry, may calculate Adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including net loss and our other GAAP results.

The following table provides a reconciliation of GAAP net loss to Adjusted EBITDA for the periods indicated (in thousands):

	Fiscal Year Ended January 31,		
	2025	2024	2023
GAAP net loss	\$ (6,901)	\$ (835)	\$ (3,655)
Reconciling items:			
Interest and other income, net	181	(1,188)	(332)
Income tax provision (benefit)	760	(1,978)	(1,770)
Depreciation and amortization of capital expenditures	4,294	4,318	3,771
Amortization of intangible assets and acquisition-related costs	5,767	4,594	3,824
Stock-based compensation and related taxes	18,217	15,110	14,155
Litigation costs	340	300	—
Restructuring costs	1,579	477	—
Gain on note conversion	(980)	—	—
Facilities consolidation (gain) charges	—	(956)	1,402
Adjusted EBITDA	<u>\$ 23,257</u>	<u>\$ 19,842</u>	<u>\$ 17,395</u>

Components of Results of Operations

Revenue

Subscription and services revenue is derived primarily from recurring subscription fees related to service plans such as Ooma Business, Ooma Residential and other communications services and, to a lesser extent, from payments associated with our Talkatone mobile application and prepaid international calls. We expect our subscription and services revenue to grow as we expand our core user base, driven primarily by growth in Ooma Business. We expect revenues from Ooma Business will continue to account for most of our revenue for the foreseeable future.

Product and other revenue consists primarily of sales of our on-premise devices and end-point devices used in connection with our services, including shipping and handling fees for our direct customers.

Cost of revenue and gross margin

Cost of subscription and services revenue includes payments made for third-party network operations and telecommunications services; certain telecom taxes and fees, including Federal Universal Service Fund (“USF”) contributions; credit card processing fees; costs to build out and maintain data centers; depreciation and maintenance of servers and equipment; personnel costs associated with customer care and network operations support; amortization of certain acquired intangible assets, and allocated overhead costs.

Cost of product and other revenue includes the costs associated with the manufacturing of our on-premise devices and end-point devices, including Ooma AirDial, as well as personnel costs for employees and contractors, costs related to porting our customers’ phone numbers to our service, shipping and handling costs, tariffs imposed on imported product and allocated overhead costs.

Subscription and services gross margin may fluctuate from period-to-period based on the interplay of a number of factors, including revenue mix and fluctuations in the costs described above. We expect our subscription and services gross margin to increase over the long-term, primarily as we achieve scale efficiencies and as Ooma Business revenue becomes a larger majority of total subscription revenue.

Product and other gross margin may fluctuate from period-to-period based on a number of factors, including total units shipped as compared to the direct costs of production and relatively fixed personnel costs incurred. We sell our on-premise devices at aggressive price points to facilitate the adoption of our platforms and services. Additionally, some product costs have become subject to significantly higher pricing due to supply chain constraints in the global macroeconomic environment and increasing tariffs, as well as certain components becoming subject to end-of-life, and we may not be able to fully offset such higher costs through price increases. Another factor is the high AirDial installation costs due to ramp up efforts. Accordingly, we expect our product and other gross margin will continue to be negatively impacted by these higher component costs and AirDial installation costs. We expect our product and other gross margin to continue to be negative for the foreseeable future.

Our subscription and services gross margin is significantly higher than product and other gross margin. As a result, any significant change in revenue mix will cause our total gross margin to change. For example, in periods where we sell significantly more on-premise devices or other products, we would expect our total gross margin to be impacted.

Operating expenses

Sales and marketing expenses consist primarily of personnel costs for employees and contractors, advertising and marketing costs, sales commissions paid to internal sales personnel and third parties, amortization of capitalized sales commissions, amortization of acquired customer relationship intangible assets, travel expenses and allocated overhead costs. We expect our sales and marketing expenses to increase in absolute dollars as we continue to grow our business.

Research and development expenses are focused on developing new and expanded features for our solutions and improvements to our platforms and backend architecture. Research and development expenses consist primarily of personnel costs for employees and contractors, including third-party development, and allocated overhead costs. We expect our research and development expenses to increase in absolute dollars as we continue to grow our business.

General and administrative expenses consist of personnel costs for our finance, legal, human resources and other administrative employees and contractors, as well as professional service fees, certain acquisition-related costs, and allocated overhead costs. We expect our general and administrative expenses to increase in absolute dollars as we continue to grow our business.

Consolidated Results of Operations

The following table sets forth selected consolidated statements of operations data for each of the periods indicated (in thousands):

	Fiscal Year Ended January 31,		
	2025	2024	2023
Revenue:			
Subscription and services	\$ 238,641	\$ 221,624	\$ 199,105
Product and other	18,211	15,113	17,060
Total revenue	256,852	236,737	216,165
Cost of revenue:			
Subscription and services	71,199	63,667	54,499
Product and other	29,635	25,838	24,018
Total cost of revenue	100,834	89,505	78,517
Gross profit	156,018	147,232	137,648
Operating expenses:			
Sales and marketing	77,325	73,503	69,671
Research and development	54,287	49,935	45,939
General and administrative	31,346	27,795	27,795
Total operating expenses	162,958	151,233	143,405
Loss from operations	(6,940)	(4,001)	(5,757)
Interest and other income, net	799	1,188	332
Loss before income taxes	(6,141)	(2,813)	(5,425)
Income tax (provision) benefit	(760)	1,978	1,770
Net loss	\$ (6,901)	\$ (835)	\$ (3,655)

Cost of revenue and operating expenses included stock-based compensation expense and related payroll taxes as follows (in thousands):

	Fiscal Year Ended January 31,		
	2025	2024	2023
Cost of revenue	\$ 1,049	\$ 1,026	\$ 986
Sales and marketing	3,969	2,276	2,068
Research and development	5,589	4,876	4,713
General and administrative	7,610	6,932	6,388
Total stock-based compensation expense	\$ 18,217	\$ 15,110	\$ 14,155

Comparison of fiscal years 2025, 2024 and 2023 (dollars in tables are in thousands):

Revenue

	Fiscal Year Ended January 31,			Change	
	2025	2024	2023	2025 vs. 2024	
Revenue:					
Subscription and services	\$ 238,641	\$ 221,624	\$ 199,105	\$ 17,017	8 %
Product and other	18,211	15,113	17,060	3,098	20 %
Total revenue	<u>\$ 256,852</u>	<u>\$ 236,737</u>	<u>\$ 216,165</u>	<u>\$ 20,115</u>	<u>8 %</u>
Percentage of revenue:					
Subscription and services	93 %	94 %	92 %		
Product and other	7 %	6 %	8 %		
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>		

Fiscal 2025 Compared to Fiscal 2024

We derived approximately 61% and 58% of our total revenue from Ooma Business and approximately 36% and 40% from Ooma Residential in fiscal 2025 and 2024, respectively.

Subscription and services revenue increased \$17.0 million or 8% year-over-year, primarily attributable to an increase in the average revenue per core user, driven by organic growth, which was in part due to higher sales to our Office and Enterprise customers, revenue contributed from 2600Hz, which we acquired at the end of third quarter of fiscal 2024, and an increase in AirDial lines.

Product and other revenue increased \$3.1 million or 20% year-over-year, primarily attributable to the increase of AirDial units shipped, sale of accessories to Ooma Enterprise customers, and professional service revenue from 2600Hz.

Cost of Revenue and Gross Margin

	Fiscal Year Ended January 31,			Change	
	2025	2024	2023	2025 vs. 2024	
Cost of revenue:					
Subscription and services	\$ 71,199	\$ 63,667	\$ 54,499	\$ 7,532	12 %
Product and other	29,635	25,838	24,018	3,797	15 %
Total cost of revenue	<u>\$ 100,834</u>	<u>\$ 89,505</u>	<u>\$ 78,517</u>	<u>\$ 11,329</u>	<u>13 %</u>
Gross margin:					
Subscription and services	70 %	71 %	73 %		
Product and other	(63)%	(71)%	(41)%		
Total	<u>61 %</u>	<u>62 %</u>	<u>64 %</u>		

Fiscal 2025 Compared to Fiscal 2024

Subscription and services gross margin of 70% decreased year-over-year from 71%. Cost of subscription and services revenue increased \$7.5 million or 12% year-over-year, primarily due to a \$2.7 million increase in infrastructure costs, a \$1.6 million increase in personnel and contractor related costs, a \$1.6 million increase in regulatory fees, a \$1.8 million increase in intangible amortization expense and a \$0.5 million increase in credit card processing fees, partially offset by a \$0.5 million decrease in software and license costs and a \$0.2 million decrease in travel costs. Overall, the year-over-year increase in the cost of subscription and services reflects both organic growth and growth related to our acquisition of 2600Hz in fiscal 2025.

Product and other revenue gross margin improved to negative 63% from negative 71% in the prior year period, primarily due to the depletion of certain higher cost components that we procured in prior fiscal years to stay ahead of pandemic driven supply chain issues.

Operating Expenses

	Fiscal Year Ended January 31,			Change	
	2025	2024	2023	2025 vs. 2024	
Sales and marketing	\$ 77,325	\$ 73,503	\$ 69,671	\$ 3,822	5 %
Research and development	54,287	49,935	45,939	4,352	9 %
General and administrative	31,346	27,795	27,795	3,551	13 %
Total operating expenses	\$ 162,958	\$ 151,233	\$ 143,405	\$ 11,725	8 %

Fiscal 2025 Compared to Fiscal 2024

Sales and marketing expenses increased \$3.8 million or 5% year-over-year, primarily due to a \$4.7 million increase in personnel and contractor related costs, and a \$0.6 million increase in commission costs, partially offset by a \$1.5 million decrease in advertising and marketing expense.

Research and development expenses increased \$4.4 million or 9% year-over-year, primarily due to a \$3.8 million increase in personnel and contractor related costs, driven by higher headcount, a \$0.7 million increase in restructuring costs, and a \$0.1 million increase in allocated overhead costs, partially offset by a \$0.2 million decrease in hosting costs.

General and administrative expenses increased \$3.6 million or 13% year-over-year, primarily due to a \$2.9 million increase in personnel-related costs, driven by higher headcount, an absence of a \$1.0 million facility consolidation gain which did not recur in fiscal year 2025, a \$0.3 million increase in restructuring costs, and a \$0.3 million increase in allocated overhead costs, partially offset by a \$0.9 million decrease in acquisition-related costs.

A significant portion of the year-over-year increase in personnel-related costs and amortization of intangible assets for operating expenses was due to the 2600Hz acquisition near the end of the third quarter of fiscal 2024.

Income Taxes

We recorded an income tax benefit of \$3.1 million in fiscal 2024, offset by \$1.1 million of income tax expense in fiscal 2024. The income tax benefits were related to certain preexisting deferred tax assets realized because of deferred tax liabilities assumed in our acquisition of 2600Hz in fiscal 2024, which did not recur in fiscal 2025.

Other Non-GAAP Financial Measures

This Form 10-K contains certain non-GAAP financial measures, including non-GAAP net income and Adjusted EBITDA. These non-GAAP financial measures are presented to provide investors with additional information regarding our financial results and core business operations. Non-GAAP financial measures are presented for supplemental informational purposes only to aid an understanding of our operating results and should not be considered a substitute for financial information presented in accordance with GAAP and may be different from non-GAAP financial measures presented by other companies. A limitation of the non-GAAP financial measures presented is that the adjustments relate to items that the Company generally expects to continue to recognize. The adjustment of these items should not be construed as an inference that the adjusted expenses or gains are unusual, infrequent or non-recurring. Therefore, both GAAP financial measures of Ooma's financial performance and the respective non-GAAP measures should be considered together. See page 57 for a discussion of Adjusted EBITDA.

The following table presents a reconciliation of GAAP net loss to non-GAAP net income for the periods indicated (in thousands):

	Fiscal Year Ended January 31,		
	2025	2024	2023
GAAP net loss	\$ (6,901)	\$ (835)	\$ (3,655)
Stock-based compensation and related taxes	18,217	15,110	14,155
Amortization of intangible assets and acquisition-related costs	5,767	4,403	3,824
Litigation costs	340	300	—
Restructuring costs	1,579	477	—
Gain on note conversion	(980)	—	—
Acquisition-related income tax benefit	—	(3,131)	(2,133)
Facilities consolidation (gain) charges	—	(956)	1,402
Non-GAAP net income	<u>\$ 18,022</u>	<u>\$ 15,368</u>	<u>\$ 13,593</u>

Liquidity and Capital Resources

Our material cash requirements are discussed below under “Contractual Obligations and Commitments.” As of January 31, 2025, we had \$17.9 million of total cash and cash equivalents and borrowing capacity of \$30.0 million under our Credit Agreement, which we believe will be sufficient to meet our cash needs for at least the next 12 months. Our future capital requirements will depend on many factors, including our growth rate, the introduction of new and enhanced offerings, the timing and extent of our sales and marketing activities and research and development expenditures, the expansion of our business internationally and other factors. We may in the future make investments in or acquisitions of businesses or technologies, which may require the use of cash.

The following table summarizes cash flow information for the periods indicated (in thousands):

	Fiscal Year Ended		
	January 31, 2025	January 31, 2024	January 31, 2023
Net cash provided by operating activities	\$ 26,606	\$ 12,273	\$ 8,773
Net cash used in investing activities	(6,447)	(35,328)	(6,146)
Net cash (used in) provided by financing activities	(19,824)	16,454	1,843
Net increase (decrease) in cash and cash equivalents	<u>\$ 335</u>	<u>\$ (6,601)</u>	<u>\$ 4,470</u>

Operating Activities

The following table provides selected cash flow information for the periods indicated (in thousands):

	Fiscal Year Ended		
	January 31, 2025	January 31, 2024	January 31, 2023
Net loss	\$ (6,901)	\$ (835)	\$ (3,655)
Non-cash charges	30,313	21,735	22,245
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable	1,824	(2,587)	434
Decrease (increase) in inventories and deferred inventory costs	6,639	6,341	(12,333)
Increase in prepaid expenses and other assets	(2,659)	(2,280)	(2,460)
(Decrease) increase in accounts payable, accrued expenses and other liabilities	(2,163)	(9,579)	4,509
(Decrease) Increase in deferred revenue	(447)	(522)	33
Net cash provided by operating activities	<u>\$ 26,606</u>	<u>\$ 12,273</u>	<u>\$ 8,773</u>

For fiscal 2025, our net loss of \$6.9 million included non-cash items of \$30.3 million primarily related to stock-based compensation, operating lease expense, depreciation and amortization expense and gain on note conversion. Operating asset and liability changes for fiscal 2025 included:

- a decrease of \$1.8 million in accounts receivable due to the timing of cash collections;
- a decrease of \$6.6 million in inventories and deferred inventory costs;

- an increase of \$2.7 million in prepaid expenses and other current and non-current assets primarily due to the capitalization of sales commissions and the timing of prepayments; and
- a net decrease of \$2.2 million in accounts payable, accrued expenses and other liabilities due to the timing of payments
- a decrease of \$0.4 million in deferred revenue.

Cash provided by operating activities for fiscal 2025 increased \$14.3 million year-over-year, which primarily reflected working capital impacts resulting from the timing of payments. Although we have generated cash from operations in recent periods, our operating cash flow may not remain positive in the future as we continue to invest in efforts to scale our business.

Investing Activities

Cash used in investing activities was \$6.4 million for fiscal 2025, which consisted of capital expenditures of \$6.4 million. Cash used in investing activities was \$35.3 million for fiscal 2024, which consisted of cash consideration paid for the 2600Hz business acquisition of \$32.2 million, and capital expenditures of \$6.2 million, partly offset by proceeds of \$2.8 million from maturities of short-term investments. We did not have any acquisitions in fiscal 2025.

Financing Activities

Cash used in financing activities was \$19.8 million for fiscal 2025, which consisted of \$16.0 million in debt repayments, payments of \$4.4 million related to shares repurchased for tax withholdings on vesting of RSUs, and payments of \$4.5 million under our stock repurchase plan, offset by proceeds of \$5.1 million from the issuance of common stock from our ESPP and stock option exercises. Cash used in financing activities increased \$36.3 million year-over-year, which primarily reflected a borrowing of \$18.0 million under our Credit Agreement for the 2600Hz acquisition in fiscal 2024, which did not recur in fiscal 2025, and repayments of borrowings outstanding under our Credit Agreement in fiscal 2025.

Revolving Credit Facility

In October 2023, we entered into a credit and security agreement with certain banks that provides for a secured revolving credit facility under which we may borrow up to an aggregate of \$30.0 million and, subject to certain conditions, may be increased to up to \$50.0 million. As of January 31, 2025, we had zero outstanding borrowings and were in compliance with all loan covenants.

Contractual Obligations and Commitments

Our principal commitments consist of obligations under operating leases for our headquarters located in Sunnyvale, California, as well as office space and co-location data center facilities in several locations. As of January 31, 2025, our total future expected payment obligations under non-cancelable operating leases with initial terms longer than one year were approximately \$19.1 million, with payments of \$3.8 million due in the next 12 months and \$15.3 million due thereafter. See Note 7: *Operating Leases* in the notes to our consolidated financial statements.

As of January 31, 2025 and 2024, non-cancelable inventory purchase commitments to our contract manufacturers and other suppliers totaled approximately \$6.2 million and \$1.1 million, respectively. Additionally, we have a non-cancelable service agreement with a telecommunications provider pursuant to which we are obligated to total minimum purchase commitments of \$11.9 million between March 2024 and February 2029, of which \$10.2 million was outstanding as of January 31, 2025, and a non-cancelable service agreement with a cloud service provider pursuant to which we are obligated to total annual minimum purchase commitments of \$1.1 million between March 2024 and February 2025, of which \$0.1 million was outstanding as of January 31, 2025.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, cash flows and the related disclosures. We base our estimates on historical experience and on other assumptions we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates. Note 2 to the notes to consolidated financial statements of this Form 10-K describes the significant accounting policies and methods used in the preparation of the consolidated financial statements. We believe that the accounting policies discussed below are critical to understanding our historical and future performance as these policies involve a greater degree of judgment and complexity.

Revenue Recognition

Subscription and services revenue is derived primarily from recurring subscription fees related to service plans such as Ooma Business, Ooma Residential and other communications services. Subscription revenue is generally recognized ratably over the contractual service term. Product and other revenue is primarily generated from the sale of on-premise devices and end-point devices, including shipping and handling fees for our direct customers. We recognize product and other revenue from sales to direct end-customers and channel partners at the point in time that control transfers.

Our contracts with customers typically contain multiple performance obligations that consist of communications services and related products. Judgment is required to properly identify the accounting units of multiple performance obligations and to determine the manner in which revenue should be allocated among the obligations. Individual performance obligations are accounted for separately if they are distinct. The contract transaction price is then allocated to the separate performance obligations on a relative stand-alone selling price ("SSP") basis. We determine the SSP for our communications services based on observable historical stand-alone sales to customers, for which we require that a substantial majority of selling prices fall within a reasonably narrow pricing range. We determine the SSP for our on-premise devices and end-point devices based upon our best estimates and judgments, considering company-specific factors such as pricing strategies, discounting practices, and estimated product and other costs. The determination of SSP is made through consultation with and approval by our management. As our business offerings evolve over time, we may be required to modify our estimated selling prices in subsequent periods, and the timing of our revenue recognition could be affected.

Our distribution agreements with channel partners typically contain clauses for price protection and right of return. We record reductions to revenue for estimated product returns from end users and customer sales incentives at the time the related revenue is recognized. Product returns and customer sales incentives are estimated based on our historical experience, current trends and expectations regarding future experience. Trends are influenced by product life cycles, new product introductions, market acceptance of products, the type of customer, seasonality and other factors. Product return and sales incentive rates may fluctuate over time but are sufficiently predictable to allow our management to estimate expected future amounts. If actual future returns and sales incentives differ from past experience, additional reserves may be required. To date, actual results have not been materially different from our estimates.

Inventories

Inventories consist of raw materials and finished goods and are stated at the lower of actual cost and net realizable value on a first-in, first-out basis. At each balance sheet date, we determine excess or obsolete inventory write-downs based on multiple factors, including: forecast demand for our products within a specified time horizon, generally 12 months, product acceptance and competitiveness in the marketplace, product life cycles, product development plans, and current and historical sales levels. Inventory write-downs for excess and obsolete inventory are recorded in cost of goods sold within the consolidated statement of operations during the period in which such write-downs are determined as necessary by management. If actual future demand or market conditions are less favorable than those projected by management, additional inventory write-downs may be required. This would have a negative impact on our gross margin in that period. If in any period we are able to sell inventories that were not valued or that had been written down in a previous period, related revenues would be recorded without any offsetting charge to cost of product and other revenue resulting in a net benefit to our gross margin in that period.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rates

Our exposure to market risk for changes in interest rates primarily relates to our cash and cash equivalents. Due to the nature of these instruments, we do not believe that an immediate 10% shift in interest rates would have a material effect on interest income or expense.

Foreign Currencies

To date, our revenue has been primarily denominated in U.S. dollars with a small portion denominated in Canadian dollars. As a result, some of our revenue is subject to fluctuations due to changes in the Canadian dollar relative to the U.S. dollar. Substantially all of our operating expenses have been denominated in U.S. dollars. The functional currency for all of our entities is the U.S. dollar. To date, gains and losses from foreign currency transactions have not been material to our consolidated financial statements, and we have not engaged in any foreign currency hedging transactions. A hypothetical 10% increase or decrease in overall foreign currency rates would not have had a material impact on our consolidated financial statements. As our international operations grow, we will continue to reassess our approach to managing the risks relating to fluctuations in currency rates.

ITEM 8. Consolidated Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors
Ooma, Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Ooma, Inc. and subsidiaries (the Company) as of January 31, 2025 and 2024, the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended January 31, 2025, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of January 31, 2025, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 31, 2025 and 2024, and the results of its operations and its cash flows for each of the years in the three-year period ended January 31, 2025, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2025 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting 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 audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements 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 audits 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates 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 a critical audit matter 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 matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Sufficiency of audit evidence over subscription revenue

As discussed in Note 2 to the consolidated financial statements, the Company derives its revenue from subscription and services revenue as well as product and other revenue. The Company's subscription revenue recognition process is automated, and revenue is recorded through reliance on customized and proprietary information technology (IT) systems. The Company recorded \$238.6 million of subscription and services revenue for the year ended January 31, 2025.

We identified the evaluation of the sufficiency of audit evidence over certain subscription revenue as a critical audit matter. This matter required especially subjective auditor judgment because the revenue recognition process is automated and reliant upon complex IT systems. Involvement of IT professionals with specialized skills and knowledge was required to assist with the determination of IT systems subject to testing and the performance of certain procedures.

The following are the primary procedures we performed to address this critical audit matter. We applied auditor judgment to determine the nature and extent of procedures to be performed over subscription revenue, including the determination of the IT systems subject to testing. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's subscription revenue process. We involved IT professionals with specialized skills and knowledge, who assisted in the determination and testing of certain IT general and application controls that are used by the Company in its subscription revenue recognition process. We assessed the recorded subscription revenue by comparing revenue to underlying cash receipts. We evaluated the sufficiency of audit evidence obtained by assessing the results of procedures performed, including the appropriateness of such evidence.

/s/ KPMG LLP

We have served as the Company's auditor since 2021.

Santa Clara, California
April 1, 2025

OOMA, INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share data)

	January 31, 2025	January 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 17,871	\$ 17,536
Accounts receivable, net	8,040	9,864
Inventories	13,068	19,782
Other current assets	17,198	16,497
Total current assets	<u>56,177</u>	<u>63,679</u>
Property and equipment, net	11,982	9,897
Operating lease right-of-use assets	15,311	17,041
Intangible assets, net	22,184	27,952
Goodwill	23,069	23,069
Other assets	20,472	17,615
Total assets	<u>\$ 149,195</u>	<u>\$ 159,253</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 6,007	\$ 7,848
Accrued expenses and other current liabilities	29,067	26,586
Deferred revenue	16,586	17,041
Total current liabilities	<u>51,660</u>	<u>51,475</u>
Long-term operating lease liabilities	12,234	13,676
Debt, net of current portion	—	16,000
Other long-term liabilities	23	15
Total liabilities	<u>63,917</u>	<u>81,166</u>
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock \$0.0001 par value: 10 million shares authorized; none issued and outstanding	—	—
Common stock \$0.0001 par value: 100 million shares authorized; 27.2 million and 26.0 million shares issued and outstanding, respectively	5	5
Additional paid-in capital	225,452	211,361
Accumulated other comprehensive loss	—	(1)
Accumulated deficit	<u>(140,179)</u>	<u>(133,278)</u>
Total stockholders' equity	<u>85,278</u>	<u>78,087</u>
Total liabilities and stockholders' equity	<u>\$ 149,195</u>	<u>\$ 159,253</u>

See notes to consolidated financial statements.

OOMA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except shares and per share data)

	Fiscal Year Ended January 31,		
	2025	2024	2023
Revenue:			
Subscription and services	\$ 238,641	\$ 221,624	\$ 199,105
Product and other	18,211	15,113	17,060
Total revenue	<u>256,852</u>	<u>236,737</u>	<u>216,165</u>
Cost of revenue:			
Subscription and services	71,199	63,667	54,499
Product and other	29,635	25,838	24,018
Total cost of revenue	<u>100,834</u>	<u>89,505</u>	<u>78,517</u>
Gross profit	156,018	147,232	137,648
Operating expenses:			
Sales and marketing	77,325	73,503	69,671
Research and development	54,287	49,935	45,939
General and administrative	31,346	27,795	27,795
Total operating expenses	<u>162,958</u>	<u>151,233</u>	<u>143,405</u>
Loss from operations	(6,940)	(4,001)	(5,757)
Interest and other income, net	799	1,188	332
Loss before income taxes	(6,141)	(2,813)	(5,425)
Income tax (provision) benefit	(760)	1,978	1,770
Net loss	<u>\$ (6,901)</u>	<u>\$ (835)</u>	<u>\$ (3,655)</u>
Net loss per share of common stock:			
Basic and diluted	<u>\$ (0.26)</u>	<u>\$ (0.03)</u>	<u>\$ (0.15)</u>
Weighted-average shares of common stock outstanding:			
Basic and diluted	<u>26,685,598</u>	<u>25,573,288</u>	<u>24,506,525</u>

See notes to consolidated financial statements.

OOMA, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Amounts in thousands, except shares and share data)

	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Loss	Accumulated Deficit	Stockholders' Equity
	Shares	Amount			
BALANCE - January 31, 2022	23,936,193	\$ 179,864	\$ (20)	\$ (128,788)	\$ 51,056
Issuance of common stock under equity-based plans	1,174,532	3,397	—	—	3,397
Shares repurchased for tax withholdings on vesting of restricted stock units ("RSU")	(114,633)	(1,554)	—	—	(1,554)
Stock-based compensation	—	13,903	—	—	13,903
Other comprehensive loss	—	—	(3)	—	(3)
Net loss	—	—	—	(3,655)	(3,655)
BALANCE - January 31, 2023	<u>24,996,092</u>	<u>\$ 195,610</u>	<u>\$ (23)</u>	<u>\$ (132,443)</u>	<u>\$ 63,144</u>
Issuance of common stock under equity-based plans	1,116,166	2,664	—	—	2,664
Shares repurchased for tax withholdings on vesting of RSUs	(137,387)	(1,741)	—	—	(1,741)
Stock-based compensation	—	14,833	—	—	14,833
Other comprehensive income	—	—	22	—	22
Net loss	—	—	—	(835)	(835)
BALANCE - January 31, 2024	<u>25,974,871</u>	<u>\$ 211,366</u>	<u>\$ (1)</u>	<u>\$ (133,278)</u>	<u>\$ 78,087</u>
Issuance of common stock under equity-based plans	2,048,283	5,056	—	—	5,056
Shares repurchased for tax withholdings on vesting of RSUs	(399,798)	(4,410)	—	—	(4,410)
Repurchases of common stock	(366,825)	(4,470)	—	—	(4,470)
Stock-based compensation	—	17,915	—	—	17,915
Other comprehensive income	—	—	1	—	1
Net loss	—	—	—	(6,901)	(6,901)
BALANCE - January 31, 2025	<u>27,256,531</u>	<u>\$ 225,457</u>	<u>\$ —</u>	<u>\$ (140,179)</u>	<u>\$ 85,278</u>

See notes to consolidated financial statements.

OOMA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Fiscal Year Ended		
	January 31, 2025	January 31, 2024	January 31, 2023
Cash flows from operating activities:			
Net loss	\$ (6,901)	\$ (835)	\$ (3,655)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Stock-based compensation expense	17,915	14,833	13,903
Depreciation and amortization of capital expenditures	4,294	4,317	3,771
Amortization of intangible assets	5,767	3,711	2,286
Amortization of operating lease right-of-use assets	3,074	2,966	2,978
Gain on note conversion	(980)	—	—
Deferred income tax benefit	—	(3,131)	(2,133)
Facilities consolidation (gain) charge	—	(956)	1,402
Other	243	(5)	38
Changes in operating assets and liabilities:			
Accounts receivable, net	1,824	(2,587)	434
Inventories and deferred inventory costs	6,639	6,341	(12,333)
Prepaid expenses and other assets	(2,659)	(2,280)	(2,460)
Accounts payable, accrued expenses and other liabilities	(2,163)	(9,579)	4,509
Deferred revenue	(447)	(522)	33
Net cash provided by operating activities	26,606	12,273	8,773
Cash flows from investing activities:			
Capital expenditures	(6,447)	(6,159)	(5,211)
Business acquisition	—	(31,919)	(9,771)
Proceeds from maturities of short-term investments	—	2,750	12,705
Purchases of short-term investments	—	—	(3,869)
Net cash used in investing activities	(6,447)	(35,328)	(6,146)
Cash flows from financing activities:			
Proceeds from issuance of common stock	5,056	2,664	3,397
Shares repurchased for tax withholdings on vesting of RSUs	(4,410)	(1,741)	(1,554)
Payments for repurchases of common stock	(4,470)	—	—
Repayment of long-term debt	(16,000)	(2,000)	—
Proceeds from issuance of long-term debt	—	18,000	—
Credit facility issuance costs	—	(469)	—
Net cash (used in) provided by financing activities	(19,824)	16,454	1,843
Net increase (decrease) in cash and cash equivalents	335	(6,601)	4,470
Cash and cash equivalents at beginning of period	17,536	24,137	19,667
Cash and cash equivalents at end of period	<u>\$ 17,871</u>	<u>\$ 17,536</u>	<u>\$ 24,137</u>
Supplementary cash flow disclosure:			
Cash paid for income taxes, net	\$ 643	\$ 765	\$ 409
Non-cash investing and financing activities:			
Capital expenditures included in accounts payable at period-end	\$ 205	\$ 188	\$ 243
Purchase price receivable for business acquisition (see Note 13)	\$ —	\$ —	\$ 300

See notes to consolidated financial statements.

Note 1: Overview and Basis of Presentation

Ooma, Inc. and its wholly-owned subsidiaries (collectively, “Ooma” or the “Company”) provides leading communications services and related technologies for businesses and consumers, delivered from its smart SaaS and unified communications platforms. The Company is headquartered in Sunnyvale, California.

Principles of Presentation and Consolidation. The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. In the opinion of the Company’s management, the consolidated financial statements reflect all adjustments, which are normal and recurring in nature, necessary for fair financial statement presentation.

Fiscal Year. The Company’s fiscal year ends on January 31. References to fiscal 2025, fiscal 2024, and fiscal 2023 refer to the fiscal years ended January 31, 2025, January 31, 2024, and January 31, 2023, respectively.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Company’s consolidated financial statements and accompanying notes. Significant estimates include, but are not limited to, those related to revenue recognition, inventory valuation, deferred sales commissions, valuation of goodwill and intangible assets, operating lease assets and liabilities, regulatory fees and indirect tax accruals, loss contingencies, stock-based compensation and income taxes (including valuation allowances). The Company bases its estimates and assumptions on historical experience, where applicable, and other factors that it believes to be reasonable under the circumstances. These estimates are based on information available as of the date of the consolidated financial statements, and assumptions are inherently subjective in nature. Therefore, actual results could differ from management’s estimates.

Comprehensive Loss. For all periods presented, comprehensive loss approximated net loss in the consolidated statements of operations and differences were not material. Therefore, the Consolidated Statements of Comprehensive Loss have been omitted.

Segment Reporting. The chief operating decision maker for the Company is the chief executive officer, who reviews the Company’s financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. Accordingly, management has determined that the Company operates in a single reportable segment.

Revenue was principally derived from customers located in the United States for all periods presented, with a small portion attributable to customers located in Canada and other countries. Long-lived assets located outside of the United States were not significant.

Foreign currency. The U.S. dollar is the functional currency of the Company’s foreign subsidiaries. Remeasurement and transaction gains and losses are included in interest and other income, net and were not material for any periods presented.

Note 2: Significant Accounting Policies

Revenue Recognition

The Company derives its revenue from two sources: (1) subscription and services revenue, which is derived primarily from the sale of subscription plans for communications services and other connected services; and (2) product and other revenue. Subscriptions and services are sold directly to end-customers. Products are sold to end-customers through several channels, including but not limited to distributors, retailers and resellers (collectively “channel partners”), and Ooma sales representatives.

The Company determines revenue recognition through the following steps:

- identification of the contract(s) with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, the Company satisfies a performance obligation.

Ooma, Inc.
Notes to Consolidated Financial Statements

Subscription and Services Revenue. Most of the Company's revenue is derived from recurring subscription fees related to service plans such as Ooma Business, Ooma Residential and other communications services. Service plans are generally sold as monthly subscriptions; however, certain plans are also offered as annual or multi-year subscriptions. Subscription revenue is generally recognized ratably over the contractual service term. A small portion of revenue is recognized on a point-in-time basis from services such as prepaid international calls, directory assistance, and advertisements displayed through the Talkatone mobile application.

Product and Other Revenue. Product and other revenue is generated primarily from the sale of on-premise devices and end-point devices, including Ooma AirDial, professional services revenue, and to a lesser extent from porting fees that enable customers to transfer their existing phone numbers. The Company recognizes product and other revenue from sales to direct end-customers and channel partners at the point-in-time that control is transferred. The Company's distribution agreements with channel partners typically contain clauses for price protection and right of return. Credits and/or rebates issued for expected product returns and customer sales incentives are deemed to be variable consideration, which the Company estimates and records as a reduction to revenue at the point of sale. Product returns and sales incentives are estimated based on the Company's historical experience, current trends and expectations regarding future experience. As of January 31, 2025 and 2024, total reserves for product returns and sales incentives were approximately \$1.1 million and \$0.8 million, respectively.

Revenue is recorded net of any sales and telecommunications taxes collected from customers to be remitted to government authorities. Amounts billed to customers related to shipping and handling are classified as product and other revenue. Shipping and handling costs are expensed as incurred and classified as cost of product and other revenue.

Multiple performance obligations. The Company's contracts with customers typically contain multiple performance obligations that consist of communications services and related product(s). For these contracts, individual performance obligations are accounted for separately if they are distinct. The contract transaction price is then allocated to the separate performance obligations on a relative stand-alone selling price basis. The Company determines the stand-alone selling price ("SSP") for its communications services based on observable historical stand-alone sales to customers, for which a substantial majority of selling prices must fall within a reasonably narrow pricing range. The Company determines the SSP for its on-premise devices and end-point devices based upon management's best estimates and judgments, considering company-specific factors such as pricing strategies, discounting practices, and estimated product and other costs.

Cash Equivalents and Short-term Investments. All highly liquid investments with an original maturity of three months or less at the date of purchase are classified as cash equivalents. Short-term investments are classified as available-for-sale and carried at fair value, with unrealized gains and losses, net of tax, recorded as a separate component of stockholders' equity within accumulated other comprehensive loss. The cost of securities sold is based upon the specific identification method.

Fair Value of Financial Instruments. The Company records its financial assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. The Company estimates and categorizes the fair value of its financial assets by applying the following hierarchy:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Observable prices based on inputs not quoted in active markets but are corroborated by market data.
- Level 3: Unobservable inputs that are supported by little or no market activity.

The carrying value of the Company's financial instruments, including cash equivalents, accounts receivable, inventory, accounts payable and other current assets and current liabilities approximates fair value due to their short maturities. The carrying value of debt approximates its fair value.

Concentrations. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments, accounts receivable and convertible note receivable (Note 5). The Company's cash, cash equivalents and short-term investments are held by financial institutions that management believes are of high-credit quality although the balances, at times, may exceed federally insured limits. The Company performs credit evaluations of its customers' financial condition and generally does not require collateral for sales made on credit.

Ooma, Inc.
Notes to Consolidated Financial Statements

Customers who represented 10% or more of net accounts receivable were as follows:

	As of	
	January 31, 2025	January 31, 2024
Customer A	23%	33%

Accounts Receivable. Accounts receivable are recorded net of an allowance for doubtful accounts for expected credit losses. Allowances are recorded based upon assessment of several factors, including historical experience, aging of receivable balances and economic conditions. As of January 31, 2025 and 2024, the allowance for doubtful accounts was \$0.3 million and \$0.3 million, respectively. Bad debt expense recorded in the consolidated statement of operations was not material for the periods presented.

Inventories. Inventories, which consist of raw materials and finished goods, include the cost to purchase manufactured products, allocated labor and overhead. Inventories are stated at the lower of actual cost and net realizable value on a first-in, first-out basis. The Company writes down the carrying value of inventory to net realizable value for estimated excess and obsolete inventory based upon assumptions about forecast demand and market conditions. Inventory carrying value adjustments are recognized as a component of cost of product and other revenue in the consolidated statement of operations.

Customer Acquisition Costs. Sales commissions and other costs paid to internal sales personnel, third-party sales entities and value-added resellers are considered incremental and recoverable costs of obtaining customer contracts. The resellers are selling agents for the Company and earn sales commissions that are directly tied to the value of the contracts that the Company enters with the end-user customers. These costs are capitalized and amortized on a systematic basis over the expected period of benefit of five years, or customer contractual term for multi-year contracts. The Company has determined the period of benefit taking into consideration both qualitative and quantitative factors, such as expected subscription term and expected renewal periods of its customer contracts, product life cycles and customer attrition. Amortization expense is recorded in sales and marketing expenses in the consolidated statement of operations.

The Company pays sales commissions on initial contracts, contracts for increased purchases with existing customers (expansion contracts) and certain contract renewals. The Company periodically evaluates whether there have been any changes in its business, the market conditions in which it operates or other events which would indicate that its amortization period should be changed or if there are potential indicators of impairment. To date, there have been no material impairment losses related to the costs capitalized.

Property and Equipment, net. Property and equipment, net is stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of those assets, generally two to five years. Capitalized costs related to development of the Company's customer-facing websites are amortized on a straight-line basis over an estimated useful life of three to five years. Leasehold improvements are amortized over the shorter of the lease term or estimated useful lives of the respective assets. Repairs and maintenance costs that do not extend the life or improve the asset are expensed as incurred.

Operating Leases. Right-of-use lease assets and lease liabilities are recognized at the lease commencement date based upon the present value of the remaining lease payments over the lease term. The Company uses its incremental borrowing rate in determining the present value of lease payments, as the discount rates implicit in the Company's leases cannot be readily determined. Lease agreements that contain both lease and non-lease components are combined and accounted for as a single component.

Business Combinations. The Company accounts for its business combinations using the acquisition method of accounting. The purchase consideration is allocated to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair value of these assets acquired and liabilities assumed is recorded as goodwill. Management is required to make significant estimates and assumptions in determining fair values, especially with respect to acquired intangible assets, which include but are not limited to: the selection of valuation methodologies, expected future revenue and cash flows, expected customer attrition rates from acquired customers, future changes in technology, and discount rates. These estimates are inherently uncertain and, therefore, actual results may differ from the estimates made. As a result, during the measurement period of up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill as information on the facts and circumstances that existed as of the acquisition date becomes available. Upon the conclusion of the measurement period, any subsequent adjustments are recorded in the consolidated statements of operations. Acquisition-related expenses are recognized separately from business combinations and are expensed as incurred.

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Notes to Consolidated Financial Statements

Intangible Assets. Acquired intangible assets, which primarily consist of customer relationships, are amortized over their estimated useful lives. Each period, the Company evaluates the estimated remaining useful life of its intangible assets and whether events or changes in circumstances warrant a revision to the remaining period of amortization.

Impairment Assessment. Long-lived assets, such as property and equipment, capitalized website development costs, intangible assets, goodwill, operating lease right-of-use assets, and non-marketable equity investments, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

The Company evaluates goodwill for impairment annually during its fourth quarter of each fiscal year, or more frequently if and when circumstances indicate that goodwill may not be recoverable. The Company has a single reporting unit and consequently evaluates goodwill for impairment based on an evaluation of the fair value of the Company as a whole.

See Note 7: *Leases* for disclosure of impairment charges recorded in fiscal 2023. The Company did not record any material impairment charges for fiscal 2025 or fiscal 2024.

Advertising. Advertising costs are expensed as incurred, except for production costs associated with television and radio advertising, which are expensed on the first date of airing. Advertising costs are included in sales and marketing expense and were \$15.9 million, \$16.5 million and \$16.4 million in fiscal 2025, 2024 and 2023, respectively.

Stock-Based Compensation. The majority of the Company's stock-based compensation is derived from RSUs granted to employees and non-employee directors. Stock-based compensation is generally measured based on the closing market price of the Company's common stock on the date of grant and recognized on a straight-line basis over the vesting period. Forfeitures are recorded in the period in which they occur.

Income Taxes. Income taxes are recorded using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the 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 (loss) 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.

Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. A tax position is recognized when it is more-likely-than-not that the tax position will be sustained upon examination, including resolution of any related appeals or litigation processes. A tax position that meets the more likely than not recognition threshold is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority.

Interest and penalties associated with unrecognized tax benefits are classified as income tax expense. The Company had no interest or penalty accruals associated with uncertain tax benefits in its consolidated balance sheets and statements of operations for any periods presented.

Recent Accounting Pronouncements Not Yet Adopted. In December 2023, the FASB issued ASU 2023-09, which focuses on income tax disclosures by requiring public business entities, on an annual basis, to disclose specific categories in the rate reconciliation, provide information for reconciling items that meet a quantitative threshold, and certain information about income taxes paid. The standard is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The amendments should be applied on a prospective basis. Retrospective application is permitted. The Company is evaluating the new standard.

In November 2024, the FASB issued ASU 2024-03: Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses, which requires disaggregation of certain costs in a separate note to the financial statements, such as the amounts of employee compensation, depreciation and intangible asset amortization, included in each relevant expense caption in annual and interim consolidated financial statements. The ASU also requires disclosure of the total amount of selling expenses and our definition of selling expenses. The standard is effective for annual periods beginning after December 15, 2026 and for interim periods beginning after December 15, 2027 on a retrospective or prospective basis, with early adoption permitted. The Company is evaluating the new standard.

Recently Adopted Accounting Pronouncements.

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ASU 2023-07, which is intended to improve reportable segment disclosure requirements, primarily through additional disclosures about significant segment expenses. The standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements. The Company adopted ASU 2023-07 effective February 1, 2024. While the adoption of this guidance did not have a material impact on the Company's consolidated financial statements, it did result in additional disclosures. For more details, refer to Note 16 - Segment Information of this Annual Report on Form 10-K.

Note 3: Revenue and Deferred Revenue

Disaggregated revenue

Revenue disaggregated by revenue source consisted of the following (in thousands):

	Fiscal Year Ended January 31,		
	2025	2024	2023
Subscription and services revenue	\$ 238,641	\$ 221,624	\$ 199,105
Product and other revenue	18,211	15,113	17,060
Total revenue	\$ 256,852	\$ 236,737	\$ 216,165

The Company derived approximately 61%, 58% and 53% of its total revenue from Ooma Business and approximately 36%, 40% and 45% of its total revenue from Ooma Residential in fiscal 2025, 2024, and 2023, respectively.

No individual country outside of the United States represented 10% or more of total revenue for the periods presented. No single customer accounted for 10% or more of total revenue for the periods presented.

Deferred revenue primarily consists of billings or payments received in advance of meeting revenue recognition criteria. Deferred services revenue is recognized on a ratable basis over the term of the contract as the services are provided.

	As of	
	January 31, 2025	January 31, 2024
Subscription and services	\$ 16,601	\$ 17,034
Product and other	8	22
Total deferred revenue	\$ 16,609	17,056
Less: current deferred revenue	16,586	17,041
Non-current deferred revenue included in other long-term liabilities	\$ 23	\$ 15

During fiscal 2025, the Company recognized revenue of approximately \$17.0 million pertaining to amounts deferred as of January 31, 2024. As of January 31, 2025, the majority of the Company's deferred revenue balance was composed of subscription contracts that were invoiced during the fourth quarter of fiscal 2025.

Remaining performance obligations. As of January 31, 2025, contract revenue that had not yet been recognized for open contracts with an original expected length of greater than one year was approximately \$32.7 million. The Company expects to recognize revenue on approximately 45% of this amount over the next 12 months, with the balance to be recognized thereafter.

Note 4: Fair Value Measurements

As of January 31, 2025 and 2024, the Company had \$17.9 million and \$17.5 million in cash, respectively.

Non-Marketable Equity Investments. As of January 31, 2025, the total amount of non-marketable equity investments in privately held companies included in other assets in the Company's consolidated balance sheets was \$3.3 million. This balance represents investments in preferred shares of Global Telecom Corporation ("GTC"), a privately-held technology company.

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The Company's non-marketable equity investments do not have readily determinable fair values. Under the measurement alternative election, the Company accounts for these non-marketable equity securities at cost and remeasures to fair value upon observable price changes in orderly transactions for the identical or similar investment of the same issuer or upon impairment. These investments are not eligible for the net-asset-value practical expedient from fair value measurement. The measurement alternative election is reassessed each reporting period to determine whether the non-marketable equity investments continue to be eligible for this election. The Company classifies these non-marketable equity investments as Level 3 within the fair value hierarchy.

Note 5: Balance Sheet Components

The following sections and tables provide details of selected balance sheet items (in thousands):

Inventories

	As of	
	January 31, 2025	January 31, 2024
Finished goods	\$ 9,156	\$ 12,024
Raw materials	3,912	7,758
Total inventory	\$ 13,068	\$ 19,782

Property and equipment, net

	Estimated life (in years)	As of	
		January 31, 2025	January 31, 2024
Computer hardware and software	3-4	\$ 6,979	\$ 6,995
Network and engineering equipment	3-5	9,391	7,504
Website development costs	3-5	11,782	9,046
Customer premise equipment	3-5	6,342	7,466
Office furniture and fixtures	5	204	204
Leasehold improvements	1-5	708	637
Total property and equipment		35,406	31,852
Less: accumulated depreciation and amortization		(23,424)	(21,955)
Property and equipment, net		\$ 11,982	\$ 9,897

Depreciation and amortization of property and equipment totaled \$4.3 million, \$4.3 million and \$3.8 million in fiscal 2025, 2024 and 2023, respectively.

Other current and non-current assets

	As of	
	January 31, 2025	January 31, 2024
Deferred sales commissions, current	\$ 9,301	\$ 8,579
Prepaid expenses and other	5,613	4,177
Convertible note receivable (see "GTC" below)	—	2,257
Other current assets	2,284	1,484
Total other current assets	\$ 17,198	\$ 16,497
Deferred sales commissions, non-current	\$ 14,635	\$ 15,257
Other assets	5,837	2,358
Total other non-current assets	\$ 20,472	\$ 17,615

Customer Acquisition Costs. Amortization of deferred sales commissions was \$9.8 million, \$9.0 million and \$7.6 million in fiscal 2025, 2024 and 2023, respectively.

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Notes to Consolidated Financial Statements

Global Telecom Corporation. In December 2018, the Company invested \$1.3 million in cash in GTC, a privately-held technology company, in exchange for a convertible promissory note that would convert to shares of GTC stock upon the occurrence of certain future events. As amended, the promissory note and accrued interest are due and payable upon the Company's demand at any time after June 30, 2023. GTC was a variable interest entity for accounting purposes and the Company did not consolidate GTC into its financial statements because the Company was not the primary beneficiary. The Company made total payments to GTC for inventory purchases and related shipping costs of approximately \$1.0 million and \$0.4 million in fiscal 2025 and 2024, respectively. As of January 31, 2025 and 2024, the Company had \$0.2 million and no non-cancelable inventory purchase commitments to GTC, respectively.

On March 8, 2024 ("Financing Date"), GTC completed an equity financing which qualified as a conversion event under the convertible promissory note. Per the terms of the note, in the event of an equity financing all of the outstanding principal and accrued but unpaid interest would be converted to a number of shares of standard preferred stock equal to the Conversion Amount divided by the Conversion Price. "Conversion Amount" is defined as outstanding principal plus unpaid accrued interest. "Conversion Price" is 70% of the per share price for the preferred stock. As of the Financing Date, the carrying value of the convertible promissory note of \$2.3 million, including accrued interest, was converted to 8.2 million shares of preferred stock of GTC. Upon the conversion event, GTC is no longer a variable interest entity for accounting purposes. The Company recorded a gain on note conversion of \$1.0 million to other income in the consolidated statements of operations. The Company recorded the fair value of GTC preferred stock of \$3.3 million as of January 31, 2025 to other assets in the consolidated balance sheets.

Accrued expenses and other current liabilities

	As of	
	January 31, 2025	January 31, 2024
Payroll and related expenses	\$ 15,415	\$ 12,301
Regulatory fees and taxes	5,371	4,598
Short-term operating lease liabilities	3,713	3,742
Customer-related liabilities	1,401	1,118
Other	3,167	4,827
Total accrued expenses and other current liabilities	<u>\$ 29,067</u>	<u>\$ 26,586</u>

Note 6: Acquired Intangible Assets

The gross value, accumulated amortization and carrying values of intangible assets were as follows (in thousands):

	Estimated life (in years)	As of January 31, 2025		
		Gross Value	Accumulated Amortization	Carrying Value
Developed technology	2-7	\$ 20,618	\$ (5,591)	\$ 15,027
Customer relationships	5-7	16,545	(10,131)	6,414
Trade names	2-5	1,685	(942)	743
Total intangible assets		<u>\$ 38,848</u>	<u>\$ (16,664)</u>	<u>\$ 22,184</u>

	Estimated life (in years)	As of January 31, 2024		
		Gross Value	Accumulated Amortization	Carrying Value
Developed technology	2-7	\$ 20,618	\$ (2,865)	\$ 17,753
Customer relationships	5-7	16,545	(7,336)	9,209
Trade names	2-5	1,685	(695)	990
Total intangible assets		<u>\$ 38,848</u>	<u>\$ (10,896)</u>	<u>\$ 27,952</u>

Amortization expense was \$5.8 million, \$3.7 million and \$2.3 million in fiscal 2025, 2024 and 2023, respectively.

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At January 31, 2025, the estimated future amortization expense for intangible assets was as follows (in thousands):

Fiscal Years Ending January 31,	Total	
2026	\$	5,624
2027		5,068
2028		3,950
2029		3,030
2030		2,629
Thereafter		1,883
Total	\$	22,184

Note 7: Operating Leases

The Company leases its headquarters located in Sunnyvale, California, as well as office space and data center facilities in several locations under non-cancelable operating lease agreements, with expiration dates through fiscal 2033. The lease agreements often include escalating rent payments, renewal provisions and other provisions which require the Company to pay common area maintenance costs, property taxes and insurance. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Operating lease right-of-use assets and long-term operating lease liabilities are included on the face of the consolidated balance sheet. Short-term operating lease liabilities are presented within accrued expenses and other current liabilities.

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

	As of	
	January 31, 2025	January 31, 2024
Assets		
Operating lease right-of-use assets	\$ 15,311	\$ 17,041
Total leased assets	<u>\$ 15,311</u>	<u>\$ 17,041</u>
Liabilities		
Short-term operating lease liabilities	\$ 3,713	\$ 3,742
Long-term operating lease liabilities	12,234	13,676
Total lease liabilities	<u>\$ 15,947</u>	<u>\$ 17,418</u>
Weighted-average remaining lease term	5.2 years	6.0 years
Weighted-average discount rate	6.3%	6.2%

The components of lease expense were as follows (in thousands):

	Fiscal Year Ended January 31,		
	2025	2024	2023
Operating lease costs ⁽¹⁾	\$ 5,025	\$ 4,581	\$ 4,030
Variable lease costs ⁽²⁾	1,427	1,217	1,117
Total lease cost	<u>\$ 6,452</u>	<u>\$ 5,798</u>	<u>\$ 5,147</u>

(1) Recognized on a straight-line basis over the lease term. Includes rent for leases with initial terms of twelve months or less, which were not material.

(2) Primarily included common area maintenance, utilities and property taxes and insurance, which were expensed as incurred.

Additionally, in the third quarter of fiscal 2023, the Company recorded facilities consolidation charges of \$1.4 million to general and administrative expense, in connection with the leased office facilities assumed in the OnSIP acquisition that the Company subsequently determined were not needed to support the future growth of its business. In July 2023, upon the lessor's sale of the property, the Company wrote off the remaining \$1.0 million lease liability related to the lease as facilities consolidation gain in general and administrative expense in the consolidated statements of operations.

Ooma, Inc.
Notes to Consolidated Financial Statements

Supplemental cash flow information related to leases was as follows (in thousands):

	Fiscal Year Ended January 31,		
	2025	2024	2023
Cash payments for operating leases	\$ 3,845	\$ 3,895	\$ 3,563
Right-of-use assets recognized in exchange for new operating lease obligations	\$ 1,344	\$ 7,303	\$ 2,599

As of January 31, 2025, maturities of operating lease liabilities were as follows (in thousands):

Fiscal Years Ending January 31,	January 31, 2025
2026	\$ 3,810
2027	4,229
2028	3,697
2029	2,742
2030	1,296
Thereafter	3,333
Total future minimum lease payments	19,107
Less: imputed interest	(3,160)
Present value of lease liabilities	\$ 15,947

Note 8: Stockholders' Equity

Common Stock Reserved for Future Issuance

The Company had shares of common stock reserved for issuance as follows (in thousands):

	As of	
	January 31, 2025	January 31, 2024
Restricted stock units outstanding	1,856	2,075
Options to purchase common stock	653	1,161
Shares available for future issuance under stock plans	3,249	2,601
Shares reserved under ESPP	2,156	1,909
Total shares reserved for issuance	7,914	7,746

Stock Options. Under the Company's 2015 Equity Incentive Plan, or the 2015 Plan, options to purchase shares of common stock may be granted to employees, non-employee directors and consultants. These options vest from the date of grant to up to four years and expire ten years from the date of grant. Options may be exercised anytime during their term in accordance with the vesting/exercise schedule specified in the recipient's stock option agreement and in accordance with the 2015 Plan provisions.

Stock option activity for fiscal 2025 was as follows:

	Shares (in thousands)	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value (in thousands)
Balance as of January 31, 2024	1,161	\$ 10.14	\$ 2,522
Exercised	(494)	\$ 6.18	
Canceled	(14)	\$ 9.71	
Balance as of January 31, 2025	653	\$ 13.14	\$ 1,325
Vested and exercisable as of January 31, 2025	617	\$ 12.94	\$ 1,325

The aggregate intrinsic value of vested options exercised during fiscal 2025, 2024 and 2023 was \$2.9 million, \$0.5 million and \$1.7 million, respectively. The weighted-average grant date fair value of options granted during fiscal 2023 was \$8.06. No options were granted in fiscal 2024 and 2025.

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Notes to Consolidated Financial Statements

Restricted Stock Units. Under the 2015 Plan, RSUs may be granted to employees, non-employee directors and consultants. These RSUs vest ratably over a period ranging from one to four years, and are subject to the participant's continuing service to the Company over that period. Until vested, RSUs do not have the voting and dividend participation rights of common stock and the shares underlying the awards are not considered issued and outstanding.

RSU activity for fiscal 2025 was as follows:

	Shares (in thousands)	Weighted-Average Grant Date Fair Value Per Share
Balance as of January 31, 2024	2,075	\$ 13.74
Granted	1,126	\$ 8.72
Vested	(1,283)	\$ 12.72
Canceled	(62)	\$ 12.63
Balance as of January 31, 2025	<u>1,856</u>	<u>\$ 11.44</u>

Vested RSUs included shares of common stock that the Company withheld on behalf of certain employees to satisfy the minimum statutory tax withholding requirements, as defined by the Company. The Company withheld an aggregate amount of \$4.4 million, \$1.7 million and \$1.6 million in fiscal 2025, 2024 and 2023, respectively, which were classified as financing cash outflows in the consolidated statements of cash flows. The Company canceled and returned these shares to the 2015 Plan, which became available under the plan terms for future issuance.

Employee Stock Purchase Plan

The ESPP allows eligible employees to purchase shares of common stock at a discount through payroll deductions of up to 15% of their eligible compensation, subject to plan limitations. The ESPP provides for a 24-month offering period comprised of four purchase periods of approximately six months. Employees are able to purchase shares at 85% of the lower of the fair market value of the Company's common stock as of the first date or the ending date of each six-month offering period. The offering periods are scheduled to start on the first trading day on or after March 15 and September 15 of each year. During each of the fiscal years 2025, 2024 and 2023, employees purchased 0.3 million, 0.2 million, and 0.2 million shares at a weighted-average purchase price of \$7.35, \$10.60 and \$10.44 per share, respectively.

Stock Repurchase Plan. In June 2024, the Company's Board of Directors authorized a stock repurchase plan of repurchasing up to \$4.0 million of the Company's common stock. In December 2024, our board of directors approved an increase to our share repurchase program of an additional \$10.0 million. Repurchases of our common stock may be effected, from time to time, in open market, negotiated or block transactions, or other means, in accordance with applicable securities laws. The timing and the amount of any repurchased common stock will be determined by our management based on its evaluation of market conditions and other factors. The repurchase plan will be funded using our cash. Any repurchased shares of common stock will be retired. The plan does not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares of our common stock. During fiscal year 2025, we repurchased in the open market 366,825 shares of common stock for an aggregate amount of \$4.4 million. As of January 31, 2025, approximately \$9.6 million remained authorized and available under the Company's share repurchase plan for future share repurchases.

The purchase price for shares of common stock repurchased is reflected as a reduction to common stock and additional paid-in capital.

Note 9: Stock-Based Compensation

Total stock-based compensation recognized in the consolidated statements of operations was as follows (in thousands):

	Fiscal Year Ended January 31,		
	2025	2024	2023
Cost of revenue	\$ 1,022	\$ 1,000	\$ 956
Sales and marketing	3,895	2,226	2,019
Research and development	5,479	4,760	4,623
General and administrative	7,519	6,847	6,305
Total stock-based compensation expense	<u>\$ 17,915</u>	<u>\$ 14,833</u>	<u>\$ 13,903</u>

Ooma, Inc.
Notes to Consolidated Financial Statements

The income tax benefit related to stock-based compensation expense was zero for all periods presented due to a full valuation allowance on the Company's deferred tax assets (see Note 10: Income Taxes below). As of January 31, 2025, there was \$19.7 million of unrecognized compensation expense related to unvested RSUs, stock options and stock purchase rights under the ESPP, which is expected to be recognized over a weighted-average vesting period of 2.3 years.

The fair value of employee stock options and ESPP was estimated using the Black-Scholes model with the following assumptions:

	Fiscal Year Ended January 31,		
	2025 ⁽¹⁾	2024 ⁽¹⁾	2023
Stock Options:			
Expected volatility	NA	NA	49%
Expected term (in years)	NA	NA	6.1
Risk-free interest rate	NA	NA	1.6%
Dividend yield	NA	NA	NA

(1) No options were granted in fiscal 2025 and fiscal 2024.

	Fiscal Year Ended January 31,		
	2025	2024	2023
ESPP:			
Expected volatility	39%-57%	32%-43%	41%-55%
Expected term (in years)	0.5-2.0	0.5-2.0	0.5-2.0
Risk-free interest rate	3.6%-5.4%	3.9%-5.5%	0.9%-4.0%
Dividend yield	NA	NA	NA

The expected term of options granted to employees was based on the simplified method, and the expected term of the ESPP is based on the contractual term. For fiscal years presented, expected volatility was derived from the average historical volatility of the Company's own common stock. The risk-free interest rate was based on the yields of U.S. Treasury securities with maturities similar to the expected term.

Note 10: Income Taxes

The domestic and foreign components of loss before income taxes were as follows (in thousands):

	Fiscal Year Ended January 31,		
	2025	2024	2023
United States	\$ (6,126)	\$ (491)	\$ (2,557)
Foreign	(15)	(2,322)	(2,868)
Loss before income taxes	<u>\$ (6,141)</u>	<u>\$ (2,813)</u>	<u>\$ (5,425)</u>

Income tax provision (benefit) consisted of the following:

	Fiscal Year Ended January 31,		
	2025	2024	2023
Current:			
Federal	\$ 168	\$ —	\$ —
State	592	1,153	363
Foreign	—	—	—
Total current	<u>760</u>	<u>1,153</u>	<u>363</u>
Deferred:			
Federal	—	(2,661)	(1,783)
State	—	(470)	(350)
Foreign	—	—	—
Total deferred	<u>—</u>	<u>(3,131)</u>	<u>(2,133)</u>
Income tax provision (benefit)	<u>\$ 760</u>	<u>\$ (1,978)</u>	<u>\$ (1,770)</u>

The income tax benefit of \$2.0 million for fiscal 2024 was primarily attributable to the release of a \$3.1 million valuation allowance on certain preexisting deferred tax assets realized as a result of deferred tax liabilities assumed in the Company's acquisition of 2600Hz.

Ooma, Inc.
Notes to Consolidated Financial Statements

Income tax provision (benefit) differed from the amount computed by applying the U.S. federal income tax rate to pre-tax loss as a result of the following (dollars in thousands):

	Fiscal Year Ended January 31,					
	2025	Rate	2024	Rate	2023	Rate
Federal tax at statutory rate	\$ (1,290)	21 %	\$ (603)	21 %	\$ (1,139)	21 %
State taxes, net of federal benefit	(402)	7 %	(128)	4 %	(40)	1 %
Foreign income and withholding taxes	284	(5)%	(139)	5 %	(172)	3 %
Permanent tax adjustment	(167)	3 %	294	(10)%	543	(10)%
Section 162(m)	808	(13)%	802	(28)%	843	(16)%
Stock-based compensation	881	(14)%	812	(28)%	530	(10)%
Change in valuation allowance	2,669	(44)%	(1,015)	35 %	(1,566)	29 %
Research and development credit	(1,355)	22 %	(2,095)	73 %	(1,288)	24 %
Provision to return adjustments	(834)	14 %	4	—	533	(10)%
Other	166	(3)%	90	(3)%	(14)	1 %
Income tax provision (benefit) at effective tax rate	<u>\$ 760</u>	<u>(12)%</u>	<u>\$ (1,978)</u>	<u>69 %</u>	<u>\$ (1,770)</u>	<u>33 %</u>

The tax effects of temporary differences that give rise to significant portions of the Company's deferred tax assets and liabilities are as follows (in thousands):

	As of January 31,	
	2025	2024
Deferred tax assets:		
Net operating loss carryforwards	\$ 13,409	\$ 18,486
Tax credit carryover	15,790	14,928
Operating lease liabilities	3,993	4,405
Stock-based compensation	626	1,095
Capitalized research and development	23,148	17,131
State Taxes	187	232
Deferred revenue	3	4
Gross deferred tax assets	<u>57,156</u>	<u>56,281</u>
Valuation allowance	(45,199)	(42,530)
Net deferred tax assets	<u>\$ 11,957</u>	<u>\$ 13,751</u>
Deferred tax liabilities:		
Operating lease right-of-use assets	\$ (3,833)	\$ (4,309)
Deferred sales commissions and other	(2,138)	(2,119)
Acquired intangible assets	(4,716)	(6,100)
Fixed assets depreciation	(1,270)	(1,223)
Gross deferred tax liabilities	<u>\$ (11,957)</u>	<u>\$ (13,751)</u>
Net deferred taxes	<u>\$ —</u>	<u>\$ —</u>

Under the Tax Cuts and Jobs Act of 2017, research and development costs are no longer fully deductible and are required to be capitalized and amortized for U.S. tax purposes effective January 1, 2022. As of January 31, 2025, the mandatory capitalization requirement resulted in an increase to the Company's gross deferred tax assets above, which was fully offset by the valuation allowance, and increases the Company's cash tax liabilities.

Management believes that, based upon the available evidence, both positive and negative, it is more likely than not that the deferred tax assets will not be utilized, such that a full valuation allowance has been recorded. The net change in the total valuation allowance was an increase of \$2.7 million and a decrease of \$1.0 million for fiscal 2025 and 2024, respectively.

As of January 31, 2025, the Company had federal net operating loss carryforwards of approximately \$25.1 million available to offset future income, of which the entirety may be carried forward indefinitely. As of January 31, 2025, the Company had state net operating loss carryforwards of \$70.5 million which will expire in various amounts beginning in fiscal 2030. In addition, the Company had research and development tax credits for federal and state tax purposes of approximately \$15.7 million and \$14.0 million, respectively, available to offset future taxes. If not utilized, the available federal credits will begin to expire in fiscal 2030 and the state credits can be carried forward indefinitely.

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Notes to Consolidated Financial Statements

The Company's ability to utilize the domestic net operating losses (NOLs) and tax credit carryforwards may be limited due to ownership change limitations that may have occurred or that could occur in the future, as required by Internal Revenue Code Section 382, as well as similar state provisions. An "ownership change," as defined by the code, results from a transaction or series of transactions over a three-year period resulting in an ownership change of more than 50 percentage points of the outstanding stock of a company by certain stockholders or public groups. Any limitation may result in expiration of all or a portion of the NOL or tax credit carryforwards before utilization.

Uncertain Tax Positions

The Company has unrecognized tax benefits of approximately \$12.1 million as of January 31, 2025. Deferred tax assets associated with these unrecognized tax benefits are fully offset by a valuation allowance. If recognized, these benefits would not affect the effective tax rate before consideration of the valuation allowance.

The following table summarizes the activity related to unrecognized tax benefits (in thousands):

	Fiscal Year Ended January 31,		
	2025	2024	2023
Unrecognized tax benefits, beginning of fiscal year	\$ 11,043	\$ 9,060	\$ 8,090
(Decrease) Increase related to prior year tax positions	(252)	670	(331)
Increase related to current year tax positions	1,343	1,313	1,301
Unrecognized tax benefits, end of fiscal year	<u>\$ 12,134</u>	<u>\$ 11,043</u>	<u>\$ 9,060</u>

The Company had no interest or penalty accruals associated with uncertain tax benefits in its balance sheets and statements of operations. The Company does not have any tax positions for which it is reasonably possible the total amount of gross unrecognized benefits will significantly increase or decrease within 12 months of the year ended January 31, 2025. Because the Company has net operating loss and credit carryforwards, there are open statutes of limitations in which federal, state and foreign taxing authorities may examine the Company's tax returns for all tax years from the fiscal year ended January 31, 2010 through the current period.

Note 11: Commitments and Contingencies

Purchase Commitments

As of January 31, 2025 and 2024, non-cancelable inventory purchase commitments to contract manufacturers and other parties were approximately \$6.2 million and \$1.1 million, respectively. Additionally, the Company has a non-cancelable service agreement with a telecommunications provider pursuant to which the Company is obligated to total minimum purchase commitments of \$11.9 million between March 2024 and February 2029, of which \$10.2 million was outstanding as of January 31, 2025, and a non-cancelable service agreement with a cloud service provider pursuant to which the Company is obligated to total annual minimum purchase commitments of \$1.1 million between March 2024 and February 2025, of which \$0.1 million was outstanding as of January 31, 2025.

Legal Proceedings

In addition to the litigation matters described below, from time to time, the Company may be involved in a variety of other claims, lawsuits, investigations, and proceedings relating to contractual disputes, intellectual property rights, employment matters, regulatory compliance matters, and other litigation matters relating to various claims that arise in the normal course of business. Defending such proceedings is costly and can impose a significant burden on management and employees, the Company may receive unfavorable preliminary or interim rulings in the course of litigation, and there can be no assurances that favorable final outcomes will be obtained.

The Company determines whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. The Company assesses its potential liability by analyzing specific litigation and regulatory matters using reasonably available information. The Company develops its views on estimated losses in consultation with inside and outside counsel, which involves a subjective analysis of potential results and outcomes, assuming various combinations of appropriate litigation and settlement strategies. Legal fees are expensed in the period in which they are incurred. As of January 31, 2025 and 2024, the Company did not have any accrued liabilities recorded for loss contingencies in its consolidated financial statements.

Canadian Litigation

On February 3, 2021, plaintiff Fiona Chiu filed a class action complaint against the Company and Ooma Canada Inc. in the Federal Court of Canada, alleging violations of Canada's Trademarks Act and Competition Act. The complaint seeks monetary and other damages and/or injunctive relief enjoining the Company from describing and marketing its Basic Home Phone using the word "free" or otherwise representing that it is free. On November 9, 2021, the Federal Court of Canada removed Ms. Chiu and substituted John Zanin as the new plaintiff in the proceeding. In connection with the substitution of Mr. Zanin as the new plaintiff, the Federal Court of Canada deemed the proceeding as having commenced on November 8, 2021 instead of February 3, 2021. In January 2022, the Federal Court of Canada heard arguments from counsel representing each of the Company and Mr. Zanin regarding jurisdiction and class action certification issues. In January 2025, the Federal Court of Canada ruled in favor of the Company by denying class action certification and compelling individual arbitration in California; however, plaintiff's counsel has filed an appeal of certain portions of the judgment and related motions. The Company intends to continue to defend itself vigorously against this complaint. Based on the Company's current knowledge, the Company has determined that the amount of any reasonably possible loss resulting from the Canadian Litigation is not estimable.

Indemnification

The Company enters into standard indemnification arrangements in the ordinary course of business. Pursuant to these arrangements, the Company indemnifies, holds harmless and agrees to reimburse the indemnified parties for certain losses suffered or incurred by the indemnified party. In some cases, the term of these indemnification agreements is perpetual. The maximum potential amount of future payments the Company could be required to make under these agreements is not determinable because it involves claims that may be made against the Company in the future but have not yet been made.

The Company has entered into indemnification agreements with its directors and officers that may require the Company to indemnify its directors and officers against liabilities that may arise by reason of their status or service as directors or officers, other than liabilities arising from willful misconduct of the individual. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has director and officer insurance coverage that reduces the Company's exposure and enables the Company to recover a portion of any future amounts paid. To date the Company has not incurred costs to defend lawsuits or settle claims related to these indemnification agreements. No liability associated with such indemnifications has been recorded to date.

Note 12: Financing Arrangements

Revolving Credit Facility

On October 20, 2023, the Company, as borrower, entered into a three-year credit and security agreement ("Credit Agreement") with Citizens Bank N.A., as Administrative Agent ("Agent") and lender. The Credit Agreement provides for a secured revolving credit facility ("Credit Facility") under which the Company may borrow up to an aggregate amount of \$30.0 million, which includes a \$10.0 million sub-facility for letters of credit. The Company and its lenders may increase the total commitments under the Credit Facility to up to an aggregate amount of \$50.0 million, subject to certain conditions. Funds borrowed under the Credit Agreement may be used for acquisition, working capital and other general corporate purposes.

Loans under the Credit Agreement will bear interest, at the Company's option, at either a rate equal to the Alternate Base Rate plus the Applicable Margin (as defined in the Credit Agreement) or Term Secure Overnight Financing Rate ("SOFR") plus the Applicable Margin (as defined in the Credit Agreement). The Alternate Base Rate is the highest of (i) the Agent's prime rate, (ii) the federal funds effective rate plus 0.50% per annum, and (iii) the Daily SOFR rate plus 1.00% per annum. The SOFR Rate is a rate equal to the secured overnight financing rate as published by the SOFR Administrator and displayed on CME Group Benchmark Administration Limited's Market Data Platform. The Applicable Margin for Alternative Base Rate Loans is 1.25% and the Applicable Margin for the SOFR Loans is 2.00%. Upon the occurrence of any event of default, the interest rate on the borrowings increases by 5.00%. The Company is required to pay a commitment fee on the unused portion of the Credit Facility of 0.25% per annum.

Ooma, Inc.
Notes to Consolidated Financial Statements

The Credit Agreement contains customary representations, warranties, affirmative and negative covenants, events of default and indemnification provisions in favor of the Agent, lenders and their affiliates. Among other covenants, the Credit Agreement includes restrictive financial covenants that require the Company to meet minimum recurring revenue levels and maintain specified amounts of available liquidity on a quarterly basis. In December 2024, the Company entered into an amendment to the Credit Agreement which permits the Company to undertake open market repurchases of its equity interests not exceeding \$15.0 million in the aggregate, subject to certain conditions.

As of January 31, 2025, the Company had zero outstanding borrowings and was in compliance with the covenants contained in the Credit Agreement. Accordingly, \$30.0 million of borrowing capacity was available for the purposes permitted by the Credit Agreement.

On January 8, 2021, the Company, as borrower, entered into a credit and security agreement ("Key Bank Credit Agreement") with KeyBank National Association ("Key Bank") as Administrative Agent ("Agent") and lender, and KeyBanc Capital Markets Inc. as sole lead arranger and sole book runner. Prior to its termination as described below, the Key Bank Credit Agreement provided for a secured revolving credit facility under which the Company could have borrowed up to an aggregate amount of \$25.0 million, which included a \$10.0 million sub-facility for letters of credit. The Company and its lenders were able to increase the total commitments under the credit facility to up to an aggregate amount of \$45.0 million, subject to certain conditions. Permitted uses of funds borrowed under the Key Bank Credit Agreement included working capital and other general corporate purposes.

The Key Bank Credit Agreement contained customary representations, warranties, affirmative and negative covenants, events of default and indemnification provisions in favor of the Agent, lenders and their affiliates. Among other covenants, the Key Bank Credit Agreement included restrictive financial covenants that required the Company to meet minimum recurring revenue levels and maintain specified amounts of available liquidity on a quarterly basis.

The Company terminated the Key Bank Credit Agreement on June 7, 2023.

Note 13: Business Acquisition

On October 20, 2023, the Company acquired all outstanding stock of 2600Hz, a provider of business communications applications targeted at resellers and carriers. The Company acquired 2600Hz for total cash consideration of approximately \$32.2 million (net of \$1.8 million in cash acquired), subject to certain working capital adjustments. The acquisition did not have any contingency related payments.

The following table summarizes the preliminary purchase price allocation, as adjusted (in thousands):

	Fair Value
Cash and cash equivalents	\$ 1,829
Accounts receivable	440
Other current and non-current assets	588
Property plant and equipment, net	195
Intangible assets	21,200
Goodwill	14,414
Accounts payable and other liabilities	(1,487)
Deferred tax liability	(3,131)
Total purchase consideration	\$ 34,048

Intangible assets acquired primarily consisted of developed technology of \$18.4 million, which represented the estimated fair values of the acquired 2600Hz developed platform technology and have an estimated useful life of seven years as of the date of acquisition. The goodwill recognized was primarily attributable to the assembled workforce and is not expected to be deductible for income tax purposes.

Revenues of 2600Hz included in the Company's consolidated statements of operations from the acquisition date of October 20, 2023, to January 31, 2024 was approximately \$2.3 million. The Company believes it is not practicable to separately identify earnings of 2600Hz on a stand-alone basis due to the integrated nature of the Company's operations. On a pro forma basis, had the 2600Hz acquisition been included in the Company's consolidated results of operations beginning February 1, 2022, the Company's total revenue would have approximated \$243.7 million and \$226.5 million for fiscal 2024 and 2023. These pro forma revenue amounts do not necessarily represent what would have occurred if the business combination had taken place on February 1, 2022, nor do these amounts represent the results that may occur in the future. Pro forma net income (losses) have not been presented because the impact was not material to the consolidated statements of operations.

Ooma, Inc.
Notes to Consolidated Financial Statements

In connection with the acquisition, the Company issued approximately 423,000 restricted stock units that were subject to on-going service conditions and vested over an 18-month period. The estimated fair value of these awards of \$4.3 million is recorded as stock compensation expense over the service period.

Acquisition-related costs charged to general and administrative expense during fiscal 2024 were approximately \$0.9 million.

During the second quarter of fiscal 2023, the Company acquired Junction Networks, Inc. which does business as OnSIP for \$9.5 million. During the nine months ended October 31, 2023, the Company received \$0.3 million from the seller for certain working capital adjustments, which is recorded in investing activities in the Company's consolidated statement of cash flows.

Revenues of OnSIP included in the Company's consolidated statements of operations from the acquisition date of July 22, 2022 to January 31, 2023 was approximately \$6.5 million. The Company believes it is not practicable to separately identify earnings of OnSIP on a stand-alone basis due to the integrated nature of the Company's operations. On a pro forma basis, had the OnSIP acquisition been included in the Company's consolidated results of operations beginning February 1, 2022, the Company's total revenue would have approximated \$222.2 million for fiscal 2023. This pro forma revenue amount does not necessarily represent what would have occurred if the business combination had taken place on February 1, 2022, nor do these amounts represent the results that may occur in the future. Pro forma net losses have not been presented because the impact was not material to the consolidated statements of operations.

Note 14: Net Loss Per Share

Basic and diluted net loss per share of common stock is calculated by dividing the net loss allocable to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net loss per share of common stock is the same as basic net loss per share because the effects of potentially dilutive securities are antidilutive because the Company reported net losses for all periods presented.

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

	Fiscal Year Ended January 31,		
	2025	2024	2023
Numerator			
Net loss	\$ (6,901)	\$ (835)	\$ (3,655)
Denominator			
Weighted-average common shares	26,685,598	25,573,288	24,506,525
Basic and diluted net loss per share	<u>\$ (0.26)</u>	<u>\$ (0.03)</u>	<u>\$ (0.15)</u>

Potentially dilutive securities of approximately 0.8 million, 0.6 million and 0.7 million in fiscal 2025, 2024 and 2023, respectively, were excluded from the computation of diluted net loss per share as their inclusion would have been anti-dilutive. These shares included the Company's unvested RSUs, outstanding stock options and shares to be purchased under the ESPP.

Note 15: Retirement Plan

The Company offers a qualified 401(k) defined contribution plan to eligible full-time employees that provides for discretionary employer matching and profit-sharing contributions. The Company matches the lower of 50% of employee contributions or 50% of the first 6% of each employee's eligible compensation that is contributed to the 401(k) plan. Contributions made by the Company vest 100% upon contribution and are expensed as incurred as compensation costs. The Company's matching contributions to the plan were \$1.2 million, \$1.1 million and \$0.9 million for fiscal 2025, 2024 and 2023, respectively.

Note 16: Segment Information

The Company has a single reportable segment. The CODM uses consolidated net loss for purposes of allocating resources and evaluating financial performance, including monitoring actual results versus historical periods. Adjusted cost of revenue, adjusted sales and marketing, adjusted research and development and adjusted general and administrative expenses are considered significant segment expenses that are regularly provided to the CODM and included within consolidated net loss. The measure of segment assets is the total assets on the Company's consolidated balance sheets. Capital expenditures are reported on a consolidated basis on the Company's consolidated statements of cash flows. The following tables include the Company's segment revenue, significant segment expenses, and other segment items to reconcile to net loss (in thousands):

	Fiscal Year Ended January 31,		
	2025	2024	2023
Revenue from external customers	\$ 256,852	\$ 236,737	\$ 216,165
Less:			
Cost of revenue ⁽¹⁾	96,772	87,328	77,101
Sales and marketing ⁽¹⁾	70,506	68,654	65,747
Research and development ⁽¹⁾	47,506	44,609	40,800
General and administrative ⁽¹⁾	23,105	20,622	18,893
Other segment expenses	25,903	19,525	19,381
Interest and other income, net	(799)	(1,188)	(332)
Provision (benefit) for income taxes	760	(1,978)	(1,770)
Consolidated net loss	<u>\$ (6,901)</u>	<u>\$ (835)</u>	<u>\$ (3,655)</u>

(1) Amounts exclude other segment expenses as follows:

	Fiscal Year Ended January 31,		
	2025	2024	2023
Amortization of intangible assets and acquisition-related costs	\$ 5,767	\$ 4,594	\$ 3,824
Stock-based compensation and related taxes	18,217	15,110	14,155
Litigation costs	340	300	—
Restructuring costs	1,579	477	—
Facilities consolidation (gain) charge	—	(956)	1,402
Total other segment expenses	<u>\$ 25,903</u>	<u>\$ 19,525</u>	<u>\$ 19,381</u>

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

None.

ITEM 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. Our Management, with the participation of our chief executive officer and our chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of January 31, 2025. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of January 31, 2025, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management’s Annual Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on the assessment, management has concluded that our internal control over financial reporting was effective as of January 31, 2025 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP. The effectiveness of our internal control over financial reporting as of January 31, 2025 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which appears in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting. There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended January 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any significant impact to our internal controls over financial reporting despite the fact that most of our employees who are involved in our financial reporting processes and controls are continuing to work remotely.

Inherent Limitations on Effectiveness of Controls. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements and projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

ITEM 9B. Other Information

On December 31, 2024, Jenny Yeh, our Senior Vice President, Chief Legal Officer, and Secretary, and a member of our board of directors, adopted a Rule 10b5-1 trading arrangement (as that term is defined in Regulation S-K, Item 408), providing for the sale from time to time of up to 14,829 shares of common stock. The trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c). The duration of the trading arrangement is until March 31, 2026, or earlier if all transactions under the trading arrangement are completed.

On December 30, 2024, Shig Hamamatsu, our Senior Vice President, Chief Financial Officer, and Treasurer, adopted a Rule 10b5-1 trading arrangement, as amended on March 12, 2025, providing for the sale from time to time of up to 36,472 shares of common stock. The trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c). The duration of the trading arrangement is until December 30, 2026, or earlier if all transactions under the trading arrangement are completed.

No other directors or officers, as defined in Rule 16a-1(f), have adopted and/or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” each as defined in Regulation S-K Item 408, during the fiscal quarter ended January 31, 2025.

ITEM 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Board of Directors

Our board of directors currently consists of eight directors and is divided into three classes with each class serving for three years, and with the terms of office of the respective classes expiring in successive years. Our board of directors currently expects to nominate three Class I directors for election at our 2025 annual meeting of stockholders. The terms of office of directors in Class II and Class III do not expire until the annual meetings of stockholders to be held in 2026 and 2027, respectively. The names, ages and positions of our directors as of April 1, 2025 are as follows:

Name	Age	Position	Director Class	Director Since
Susan Butenhoff	65	Director ⁽¹⁾	II	2016
Andrew H. Galligan	68	Director ⁽³⁾	III	2014
Peter Goettner	61	Director ⁽¹⁾⁽³⁾	I	2013
Judi A. Hand	63	Director ⁽¹⁾⁽²⁾	III	2020
Russ Mann	56	Director ⁽²⁾⁽³⁾	II	2009
William D. Pearce	62	Director ⁽²⁾	III	2013
Eric Stang	65	Director, President and Chief Executive Officer	I	2009
Jenny Yeh	51	Director, Senior Vice President and Chief Legal Officer	I	2021

(1) Member of Nominating and Governance Committee

(2) Member of Compensation Committee

(3) Member of Audit Committee

Susan Butenhoff has served on our Board of Directors since July 2016. She also serves on the board of Hall Wines, a privately held winery in the U.S. Ms. Butenhoff is a strategic consultant specializing in risk mitigation and market positioning for some of Silicon Valley's largest technology companies. Previously, Ms. Butenhoff was the Founder and CEO of Access Communications, one of the largest independent technology public relations firms in the U.S., later acquired by Omnicom Group, from its founding in 1991 to February 2018. From August 2014 to January 2017, Ms. Butenhoff also served as the Global Technology Director for Ketchum Public Relations, a global PR and marketing firm. Ms. Butenhoff holds a Bachelor of Arts from University of Sussex, England and an M.Phil. in International Relations from the University of Cambridge.

Our Board of Directors considers Ms. Butenhoff highly qualified to serve as an independent director due to her extensive experience helping technology companies identify and enhance their competitive market positions and build their brands and revenues. Additionally, her operational experience leading a global marketing firm and her strong consulting and communication skills make her a valuable contributor to the Board of Directors.

Andrew H. Galligan has served on our Board of Directors since December 2014. Mr. Galligan also serves on the board of Arcellx, Inc., a publicly held biotechnology company, since March 2025. Mr. Galligan is currently a private investor. From May 2010 to July 2020, Mr. Galligan served as Chief Financial Officer of Nevro Corp., a publicly traded medical device company. Previously, he served as our Chief Financial Officer from February 2009 to May 2010, and as a consultant for our Company from September 2010 to December 2014. From 2007 to 2008, Mr. Galligan served as Chief Financial Officer of Reliant Technologies, Inc., a medical device company (later acquired by Solta Medical, Inc.). Mr. Galligan has also held the top financial executive position at several other medical device companies. Mr. Galligan began his career in various financial positions at KPMG LLP and Raychem Corp. Mr. Galligan received a B.B.S. in Business and Finance from Trinity College, Dublin University (Ireland). He is also a Fellow of the Institute of Chartered Accountants in Ireland.

Our Board of Directors believes that Mr. Galligan's financial expertise, including his years of experience as chief financial officer and financial consultant of publicly traded and privately held companies, brings deep financial and accounting knowledge to our Board of Directors and qualifies him to serve as one of our directors.

Peter J. Goettner has served on our Board of Directors since March 2013. Mr. Goettner has been a General Partner at Worldview Technology Partners, Inc., a venture capital firm, since June 2004. He is the Founder of Crosschq, Inc., an IT security company, and has been its Chairman since November 2017. Mr. Goettner was previously Chief Executive Officer of DigitalThink, Inc., a SaaS e-learning solutions company which he founded, for seven years. Mr. Goettner holds a B.S. in Computer Engineering from the University of Michigan and an M.B.A. from the Haas School of Business at the University of California, Berkeley.

Our Board of Directors believes that Mr. Goettner brings extensive experience in the technology industry to our Board of Directors. His service on a number of boards provides an important perspective on operations and corporate governance matters, and qualifies him to serve as one of our directors.

Judi A. Hand has served on our Board of Directors since June 2020. Ms. Hand also serves on the board of SOVRN, an advertising, publisher, and commerce software company, since February 2022. Ms. Hand previously served on the board of Manitoba Telecom Services / Allstream, from May 2014 to May 2017. Since January 2017, Ms. Hand has been the Executive Vice President and Chief Revenue Officer of TTEC Holdings, a global customer experience technology and services company serving many of the world's most well-known brands, with 62,000 employees on six continents. In addition, from April 2007 to December 2017, Ms. Hand was President and General Manager of TTEC Customer Growth Services (formerly Revana and Direct Alliance). With more than 25 years of sales and marketing experience, she has held senior positions at telecom industry leaders including AT&T, Northwestern Bell, and at US West and Qwest, where she ran the Consumer and Small Business division. She holds an M.S. degree in management from Stanford University and a B.A. in communications and marketing from the University of Nebraska.

Our Board of Directors believes that Ms. Hand's deep experience in the communications industry and her years of leadership experience in go-to-market roles make her uniquely qualified to advise the Company on market and revenue growth strategies and execution.

Russ Mann has served on our Board of Directors since September 2009. He has served as a Senior Operating Partner at Diversis Capital, a private equity firm focused on B2B SaaS software companies, since July 2024. Mr. Mann has also served as a board member of Thinkific Labs Inc., a publicly held online learning management and payments platform, since September 2024, as a board member of Ignite Visibility LLC, a privately held digital marketing agency, since March 2023, and as a board member of Flume Water, Inc., a privately held IOT device and data company, since November 2023. Mr. Mann's previous roles include CEO and board member of WineBid, an online auction market for vintage wine, from January 2019 to November 2022, Chairman of the board of Demandstar, a B2B marketplace, from June 2018 to May 2022, and CEO and board member of Onvia, a publicly traded company providing B2G commerce intelligence and database information services, from January 2017 until its acquisition in November 2017 by Deltek, a Roper company. Additionally, Mr. Mann served as Chief Marketing Officer and SVP of Outerwall's EcoATM kiosk network and as General Manager of Gazelle.com, a leader in the purchase and sale of used cell phones and electronics, from May 2016 until Outerwall's acquisition by Apollo Management Group in January 2017, and as CMO of Nintex USA LLC, a B2B software company, from November 2014 to November 2015, and as Chief Executive Officer of Covario, Inc., an advertising technology and digital marketing agency with a specialty in telecom services and communications and computing devices marketing, from January 2006 to May 2014. Mr. Mann holds a B.A. in Asian Studies from Cornell University and an M.B.A. from Harvard Business School.

Our Board of Directors believes Mr. Mann is qualified to serve as an independent director based on his experience as a multi-time CEO and Chairman of public and private companies that have had numerous M&A events and financings. He also has significant experience in companies with hardware, software, and data revenue lines, including direct and channel sales and marketing expertise for both B2B software and data companies and consumer electronics companies.

William D. Pearce has served on our Board of Directors since March 2013, and as our Lead Non-Management Director since June 2017. He is currently Chairman of the board for RichRelevance, Inc., a personalized shopping experience firm. Mr. Pearce is also a Marketing Faculty member at the Haas School of Business at the University of California, Berkeley. From 2012 to 2014, Mr. Pearce was Partner and Marketing Practice Director at The Partnering Group, a global consumer products and retail management consulting firm. From 2008 to 2011, he was Senior Vice President and Chief Marketing Officer at Del Monte Foods, Inc., a food production and distribution company. Mr. Pearce previously served as President and Chief Executive Officer of Foresight Medical Technology LLC, a medical device company, from 2007 to 2008; Chief Marketing Officer at Taco Bell Corp., a fast food restaurant company and subsidiary of the firm Yum! Brands, Inc., from 2004 to 2007; and Vice President Marketing at Campbell Soup Company, a food manufacturer, from 2003 to 2004. Mr. Pearce holds a B.A. in Economics from Syracuse University and an M.B.A. from the S.C. Johnson Graduate School of Management, Cornell University.

Our Board of Directors believes that Mr. Pearce is qualified to serve as a director based on his prior experience as an executive at several publicly traded companies and his considerable experience as a board member of several privately held companies.

Eric B. Stang has served as our President, Chief Executive Officer, and Board of Directors member since January 2009. He has been Chairman of our Board of Directors since December 2014. Mr. Stang is also a member of the board of Rambus Inc., a publicly traded company providing industry-leading chips, silicon IP, and technology licensing, where he serves as the Chair of its Compensation and Human Resources Committee and a member of its Corporate Governance/Nominating Committee. Mr. Stang was previously a director of InvenSense, Inc., a publicly traded MEMS semiconductor company, from 2014 to 2017, and Solta Medical, Inc., a medical aesthetics company, from 2008 to 2014. From 2006 to 2008, Mr. Stang was President and Chief Executive Officer and a member of the board of directors of Reliant Technologies, a privately held developer of medical technologies for aesthetic applications. From 2001 to 2006, he was President and Chief Executive Officer of Lexar Media, Inc., a solid-state memory products company and currently a subsidiary of Micron Technology. Previously, he was Chairman, President and Chief Executive Officer of Lexar Media, Inc., a publicly traded solid-state memory products company, now a subsidiary of Micron Technology. He occasionally serves on the boards of private companies. Mr. Stang holds an A.B. in Economics from Stanford University and an M.B.A. from Harvard Business School.

Our Board of Directors believes that Mr. Stang is qualified to serve as a director because of his operational and historical expertise gained from serving as our President and Chief Executive Officer, his extensive public and private company board experience, and his experience as an executive in the technology industry. Our Board of Directors also believes that he brings strong continuity to the Board of Directors.

Jenny C. Yeh has served on our Board of Directors since January 2021, and has served as our Chief Legal Officer since December 2024, including as Senior Vice President since February 2024. She previously served as our General Counsel from December 2018 to December 2024 and as Vice President from December 2018 to February 2024. With over 25 years of experience in general corporate law, transactions, and litigation, Ms. Yeh's career includes Senior Vice President & General Counsel at Sphere 3D Corp. from October 2015 to November 2017, and as Executive Counsel, Transactions and Finance at General Electric from September 2011 to March 2015, where Ms. Yeh led multi-billion dollar transactions across various business units. Prior to GE, she was a partner at Baker & McKenzie from 2007 to 2011, specializing in complex cross-border M&A transactions and general corporate matters. Earlier in her career, Ms. Yeh worked at Wilson Sonsini Goodrich & Rosati, representing technology and emerging growth companies on securities laws matters, corporate governance, venture financings, securities offerings, public reporting, M&A, and initial public offerings. Ms. Yeh holds a B.A. from the University of California, Berkeley, and a J.D. from Georgetown University Law Center.

Our Board of Directors believes Ms. Yeh is highly qualified to serve as a director due to her deep understanding of the Company's operations and extensive expertise in navigating complex legal issues. Additionally, her strategic and business acumen brings valuable multi-dimensional thinking to the Board of Directors.

Executive Officers

The names, ages and positions of our executive officers as of April 1, 2025 are as follows:

Name	Age	Position
Eric B. Stang	65	President and Chief Executive Officer
Shig Hamamatsu	52	Chief Financial Officer
Namrata Sabharwal	54	Chief Accounting Officer
Jenny Yeh	51	Senior Vice President and Chief Legal Officer

Background information for Mr. Stang and Ms. Yeh is included above under "Board of Directors."

Shig Hamamatsu has served as our Senior Vice President and Chief Financial Officer since February 2024 and Vice President and Chief Financial Officer from September 2021 to February 2024. Prior to joining us, he worked for Accuray Incorporated, a publicly traded medical device company, where he served as Chief Financial Officer from November 2018 to September 2021, as Interim Chief Financial Officer from October 2018 to November 2018 and as Vice President, Finance and Chief Accounting Officer from September 2017 to September 2018. Prior to joining Accuray, Mr. Hamamatsu served as VP, Corporate Controller at Cepheid, a publicly traded molecular diagnostics company that was acquired by Danaher Corporation, from November 2015 to May 2017. From June 2014 to November 2015, he served as VP, Finance and Corporate Controller at Cypress Semiconductor Corporation, a publicly traded global semiconductor manufacturer. From May 2012 until May 2014, Mr. Hamamatsu served as VP, Finance at RPX Corporation, a publicly traded patent risk management solutions provider. Mr. Hamamatsu began his career as an auditor at PricewaterhouseCoopers LLP. Mr. Hamamatsu holds a B.A. Business Administration, concentration in accounting, from the University of Washington. He is a certified public accountant in the state of California (inactive).

Namrata Sabharwal has been our Chief Accounting Officer since June 2022. Prior to that, Ms. Sabharwal served as our Vice President, Corporate Controller since May 2016, during which time she also served as our interim Chief Financial Officer from June 2021 to September 2021. From March 2015 to May 2016, she served as our Director of SEC Reporting & SOX. Prior to joining us, Ms. Sabharwal served as Assistant Controller and Senior Director of Finance at Gigamon Inc. from July 2012 to March 2015. Ms. Sabharwal started her career with Deloitte & Touche LLP as a certified public accountant. She holds a Bachelor of Commerce degree in accounting and finance from Mumbai University, India.

There are no family relationships among any of our directors or executive officers.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires directors, certain officers and ten percent stockholders to file reports of ownership and changes in ownership with the SEC. Each of the following forms were filed late due to clerical error: Mr. Stang's Form 4 to report the grant of 250,000 restricted stock units; Mr. Hamamatsu's Form 4 to report the grant of 70,000 restricted stock units; Ms. Sabharwal's Form 4 to report the grant of 20,000 restricted stock units; Mr. Gustke's Form 4 to report the grant of 32,000 restricted stock units; and Ms. Yeh's Form 4 to report the grant of 53,000 restricted stock units. Based upon a review of filings with the SEC and/or written representations that no other reports were required, we believe that all other reports for the Company's officers and directors that were required to be filed under Section 16 of the Exchange Act were timely filed for 2024.

Code of Ethics

The Company has a "Code of Ethics and Business Conduct for Employees, Officers and Directors" that applies to all of our employees, including our Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer and our Board of Directors. A copy of this code is available on our website at <http://investors.ooma.com>. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of our Code of Ethics and Business Conduct for Employees, Officers and Directors by posting such information on our investor relations website under the heading "Corporate Governance—Governance Documents" at <http://investors.ooma.com>.

Insider Trading Policies and Procedures

We maintain insider trading policies and procedures applicable to the Company and our directors, officers, and employees, in accordance with Item 408(b) under Regulation S-K, reasonably designed to promote compliance with insider trading laws, rules and regulations, and applicable listing exchange requirements. This prohibition encompasses transactions that would hedge the risk of ownership of our equity securities, including transactions in publicly-traded options, such as puts and calls, and other derivative securities. In addition, with regard to the Company's trading in its own securities, it is the Company's policy to comply with the federal securities laws and the applicable exchange listing requirements.

Identification of Audit Committee and Financial Expert

We have a separately-designated Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee, including each member that our Board of Directors has determined is an "audit committee financial expert" under SEC rules and regulations, are identified below.

Members: Andrew H. Galligan
Peter Goettner
Russ Mann

Financial Experts: Our Board of Directors has unanimously determined that each member of our audit committee meets the requirements for independence of audit committee members and financial literacy under the current listing standards of the New York Stock Exchange ("NYSE"). In addition, our Board of Directors has determined that Mr. Galligan is an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K under the Securities Act.

The other information required by this item will be included under the captions "Directors, Executive Officers and Corporate Governance" and "Communication With Our Board of Directors" in the 2025 Proxy Statement and is incorporated herein by reference.

ITEM 11. Executive Compensation

The information required by this item will be included under the captions "Executive Compensation" and under the subheading "Compensation Committee Interlocks and Insider Participation" under the caption "Directors, Executive Officers and Corporate Governance" in the 2025 Proxy Statement and is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be included under the captions “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” under the heading “Executive Compensation” in the 2025 Proxy Statement and is incorporated herein by reference.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be included under the captions “Certain Relationships and Related Transactions” and “Directors, Executive Officers and Corporate Governance—Director Independence” in the 2025 Proxy Statement and is incorporated herein by reference.

ITEM 14. Principal Accounting Fees and Services

The information required by this item will be included under the caption “Proposal Two: Ratification of Selection of Independent Registered Public Accountants” in the 2025 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules

Documents filed as part of this report are as follows:

(a) Consolidated Financial Statements

Our Consolidated Financial Statements are listed in the “Index” Under Part II, Item 8 of this Form 10-K

(b) Consolidated Financial Statement Schedules

All financial statement schedules are omitted because the information called for is not required or is shown either in the consolidated financial statements or in the notes thereto.

(c) Exhibits

The exhibits filed or incorporated by reference as part of this Form 10-K are listed in the Exhibit Index below. We have identified in the Exhibit Index each management contract and compensation plan filed as an exhibit to this Annual Report on Form 10-K in response to Item 15(a) of Form 10-K.

The documents listed in the Exhibit Index of this report are incorporated by reference or are filed with this Form 10-K, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

ITEM 16. Form 10-K Summary

None.

EXHIBITS

Exhibit Number	Description	Incorporated by Reference		
		Form	Exhibit Number	Date Filed
3.1	<u>Sixteenth Amended and Restated Certification of Incorporation</u>	10-Q	3.1	9/16/2024
3.2	<u>Amended and Restated Bylaws</u>	10-Q	3.1	12/8/2023
4.1	<u>Form of common stock certificate</u>	S-1/A	4.1	7/6/2015
4.2	<u>Form of Indenture</u>	S-3	4.2	12/09/2022
4.5	<u>Description of Securities</u>	10-K	4.5	4/14/2020
10.1+	<u>2005 Stock Incentive Plan and forms of agreements thereunder</u>	S-1	10.1	6/15/2015
10.2+	<u>2015 Equity Incentive Plan and forms of agreements thereunder</u>	S-1/A	10.2	7/6/2015
10.3+	<u>2015 Employee Stock Purchase Plan and form of agreement thereunder</u>	S-1/A	10.3	7/6/2015
10.4+	<u>Executive Incentive Bonus Plan</u>	S-1	10.4	6/15/2015
10.5+	<u>Executive Change in Control and Severance Agreement by and between the Company and Eric B. Stang, dated June 9, 2015</u>	S-1	10.5	6/15/2015
10.6+	<u>Offer Letter by and between the Company and James A. Gustke, dated July 30, 2010</u>	S-1	10.7	6/15/2015
10.7	<u>Change in Control Letter Agreement between the Company and James A. Gustke, dated August 31, 2016</u>	10-K	10.8	4/11/2017
10.8	<u>Form of Indemnification Agreement between the Registrant and each of its directors and executive officers</u>	S-1	10.8	6/15/2015
10.9+	<u>Form of Restricted Stock Unit Agreement under the 2015 Equity Incentive Plan (effective for grants made on or after March 14, 2018)</u>	10-Q	10.1	06/08/2018
10.10*	<u>Sublease Agreement dated as of August 6, 2019 by and among the Company and Alibaba Group (U.S.) Inc.</u>	10-Q	10.1	12/06/2019
10.12*	<u>First Amendment to the Sublease Agreement by and among the Company and Alibaba Group (U.S.) Inc.</u>	10-Q	10.13	06/09/2021
10.14+	<u>Letter Agreement by and between the Company and Shig Hamamatsu, dated July 3, 2021</u>	10-Q	10.14	12/08/2021
10.15+	<u>Executive Change in Control and Severance Agreement by and between the Company and Shig Hamamatsu, dated September 7, 2021</u>	10-Q	10.15	12/08/2021
10.16+	<u>Amendment No. 1 to the Executive Change in Control and Severance Agreement by and between the Company and Eric Stang, dated September 20, 2021</u>	10-Q	10.16	12/08/2021

Exhibit Number	Description	Incorporated by Reference		
		Form	Exhibit Number	Date Filed
10.17+	<u>Amendment No. 1 to the Executive Change in Control and Severance Agreement by and between the Company and Jenny Yeh, dated September 20, 2021</u>	10-Q	10.17	12/08/2021
10.18+	<u>Amended Form of Executive Change in Control and Severance Agreement</u>	10-Q	10.18	12/08/2021
10.20	<u>Agreement and Plan of Merger by and among Geneva Merger Sub, Inc., 2600hz, Inc. and Fortis Advisors LLC, dated as of October 20, 2023</u>	10-Q	2.1†#	12/08/2023
10.21	<u>Credit Agreement by and among the Company and Citizens Bank, N.A., dated as of October 20, 2023</u>	10-Q	10.1	12/08/2023
10.22	<u>Executive Change in Control Agreement by and between the Company and Namrata Sabharwal dated April 9, 2024</u>	10-Q	10.1	6/7/2024
10.23+	<u>First Amendment to Credit Agreement by and between the Company and Citizens Bank, N.A.</u>	10-Q	10.1	9/6/2024
10.24+	<u>Second Amendment to Credit Agreement by and between the Company and Citizens Bank, N.A.</u>	Filed herewith.		
19.1	<u>Ooma, Inc. Insider Trading Policy, adopted May 20, 2015</u>	10-K	19.1	4/2/2024
21.1	<u>List of subsidiaries of the Registrant</u>	Filed herewith.		
23.1	<u>Consent of KPMG LLP, Independent Registered Public Accounting Firm</u>	Filed herewith.		
31.1	<u>Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Rule 13(a)-14(a)/15d-14(a), by President and Chief Executive Officer</u>	Filed herewith.		
31.2	<u>Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Rule 13(a)-14(a)/15d-14(a), by Chief Financial Officer</u>	Filed herewith.		
32.1	<u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by President and Chief Executive Officer</u>	Furnished herewith.		
32.2	<u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Chief Financial Officer</u>	Furnished herewith.		
97.1	<u>Ooma, Inc. Compensation Recovery Policy, adopted September 8, 2023</u>	10-K	97.1	4/2/2024
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File as XBRL tags are embedded within the Inline XBRL document	Filed herewith.		
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents	Filed herewith.		
104	Cover Page formatted as Inline XBRL and contained in Exhibit 101	Filed herewith.		

+ Indicates a management contract or compensatory plan.

- † Certain information in this exhibit has been excluded pursuant to Item 601(b)(2) of Regulation S-K. The registrant agrees to furnish supplementally such information to the SEC upon request.
- * Pursuant to Item 601(b)(10) of Regulation S-K, certain confidential portions of this exhibit were omitted by means of marking such portions with an asterisk because the identified confidential portions (i) are not material and (ii) would be competitively harmful if publicly disclosed.
- # The exhibits and schedules to this exhibit have been omitted in accordance with Regulation S-K Item 601(b)(2). The registrant agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon its request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

April 1, 2025

Ooma, Inc.

By: /s/ Eric B. Stang
Eric B. Stang
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Eric B. Stang</u> Eric B. Stang	President and Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	April 1, 2025
<u>/s/ Shig Hamamatsu</u> Shig Hamamatsu	Chief Financial Officer and Treasurer (Principal Financial Officer)	April 1, 2025
<u>/s/ Namrata Sabharwal</u> Namrata Sabharwal	Chief Accounting Officer (Principal Accounting Officer)	April 1, 2025
<u>/s/ Susan Butenhoff</u> Susan Butenhoff	Director	April 1, 2025
<u>/s/ Andrew Galligan</u> Andrew Galligan	Director	April 1, 2025
<u>/s/ Peter J. Goettner</u> Peter J. Goettner	Director	April 1, 2025
<u>/s/ Judi A. Hand</u> Judi A. Hand	Director	April 1, 2025
<u>/s/ Russell Mann</u> Russell Mann	Director	April 1, 2025
<u>/s/ William D. Pearce</u> William D. Pearce	Lead Director	April 1, 2025
<u>/s/ Jenny Yeh</u> Jenny Yeh	Senior Vice President, Chief Legal Officer and Director	April 1, 2025

SECOND AMENDMENT TO CREDIT AGREEMENT

This SECOND AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is entered into as of December 10, 2024 by and among OOMA, INC. (the "Borrower"), each Lender party hereto and CITIZENS BANK, N.A., as administrative agent (in such capacity, the "Administrative Agent").

WITNESSETH:

WHEREAS, the Borrower, the Administrative Agent and the Lenders are parties to the Credit Agreement, dated as of October 20, 2023 (as amended, restated, supplemented, or otherwise modified from time to time, the "Credit Agreement"); and

WHEREAS, the Borrower has requested that the Administrative Agent and the Lenders party hereto amend certain provisions of the Credit Agreement, and, subject to the satisfaction of the conditions set forth herein, the Administrative Agent and the Lenders party hereto are willing to do so, on the terms and conditions set forth herein.

SECTION 1. Defined Terms. Capitalized terms used but not defined herein (including in the recitals hereto) shall have the meanings assigned to them in the Credit Agreement, as amended hereby.

SECTION 2. Amendments to Credit Agreement. Upon the effectiveness hereof, the Credit Agreement is amended as follows:

(a) by amending Section 1.1 thereof by adding the following defined term in appropriate alphabetical order:

"Specified Period" means the period of four consecutive fiscal quarters of the Borrower and its Subsidiaries commencing on November 1, 2024.

(b) by restating the first sentence of Section 2.1(a), such that it reads in its entirety as follows:

Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, each Revolving Lender agrees, severally and not jointly, to make Revolving Loans to the Borrower in Dollars from time to time during the Availability Period in an aggregate principal amount that will not result in (i) such Revolving Lender's Revolving Exposure exceeding such Revolving Lender's Revolving Commitment, (ii) the Total Revolving Outstandings exceeding the aggregate Revolving Commitments or, (iii) during the Specified Period only, the Total Revolving Outstandings exceeding \$10,000,000.

(c) by restating Section 7.8(g) to read in its entirety as follows:

(g) so long as (i) no Specified Event of Default shall have occurred and be continuing both before and after giving effect thereto and (ii) the Borrower is in compliance on a Pro Forma Basis with Section 7.12 after giving effect thereto, the Borrower may make board approved open market share repurchases in respect of its Equity Interests in an aggregate amount for all such share repurchases made in reliance on this clause (g) not to exceed (A) \$6,000,000 plus (B) the amount of Restricted Payments, not to exceed \$9,000,000 in the aggregate, made in reliance on this clause (g) during the Specified Period.

SECTION 3. Effectiveness. This Amendment shall be effective upon the execution and delivery hereof by the Administrative Agent, the Borrower and Lenders constituting the Required Lenders.

SECTION 4. Representations and Warranties. To induce the other parties hereto to enter into this Agreement, each Loan Party that is party hereto represents and warrants to the Administrative Agent and the Lenders as follows:

(a) Such Loan Party has all requisite power and authority to execute, deliver and perform this Amendment and all documents and instruments delivered in connection herewith, such Loan Party has taken all necessary organizational action to authorize the execution, delivery and performance of this Amendment and all documents and instruments delivered in connection herewith, and this Amendment has been duly executed and delivered on behalf of such Loan Party.

(b) This Amendment constitutes a legal, valid and binding obligation of each such Loan Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(c) Each of the representations and warranties by the Loan Parties in the Loan Documents to which they are party is true and correct in all material respects (or, if qualified as to materiality or as to a Material Adverse Effect, in all respects) as of the date hereof (or, to the extent any such representation or warranty refers specifically to an earlier date, as of such earlier date) and before and after giving effect to this Amendment.

SECTION 5. Effect of this Amendment.

(a) Except as specifically amended hereby, all terms, conditions, covenants, representations and warranties contained in the Credit Agreement and the other Loan Documents, all rights of the Administrative Agent, the Lenders and the other Secured Parties and all of the Obligations shall remain in full force and effect. The Borrower and the other Loan Parties hereby confirm that the Loan Documents are in full force and effect and that the Loan Parties have no right of setoff, recoupment or other offset or any defense as of the date hereof with respect to any of the Obligations or any such Loan Document.

(b) The execution, delivery and effectiveness of this Amendment shall not directly or indirectly constitute (i) a novation of any of the Obligations under the Credit Agreement or the other Loan Documents or (ii) constitute a course of dealing or, except as expressly amended hereby, other basis for altering any Obligations or any other contract or instrument (including, without limitation, the Credit Agreement and the other Loan Documents).

(c) From and after the date hereof, (i) the term "Agreement" in the Credit Agreement, and all references to the Credit Agreement in any other Loan Document, shall mean the Credit Agreement as amended hereby, and (ii) the term "Loan Documents" in the Credit Agreement and the other Loan Documents shall include, without limitation, this Amendment and any agreements, instruments and other documents executed and/or delivered in connection herewith. This Amendment is a Loan Document.

SECTION 6. Counterparts, etc. The provisions of Section 10.6 of the Credit Agreement are hereby incorporated herein by reference as if fully set forth herein, *mutatis mutandis*.

SECTION 7. Reaffirmation. Subject to any limitations on its obligations expressly stated in the Loan Documents to which it is a party, each Loan Party (a) acknowledges and agrees, as of the effectiveness of this Amendment, that all of its obligations under the Loan Documents to which it is a party are reaffirmed and remain in full force and effect on a continuous basis, and (b) reaffirms each Lien granted by each Loan Party pursuant to the Collateral Documents, all of which obligations and Liens remain in full force and effect after giving effect to this Amendment.

SECTION 8. No Actions, Claims, Etc. As of the date hereof, each of the Loan Parties hereby acknowledges and confirms that it has no knowledge of any actions, causes of action, claims, demands, damages and liabilities of whatever kind or nature, in law or in equity, against the Administrative Agent, any other Credit Party, or any of their respective officers, employees, representatives, agents, advisors, consultants, counsel or directors arising from any action by such Persons, or failure of such Persons to act on or prior to the date hereof, in each case in connection with the Credit Agreement.

SECTION 9. Governing Law; Jurisdiction; Service of Process.

(a) This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) Each of the parties hereto irrevocably and unconditionally submits, for itself and its property, to the non-exclusive jurisdiction of the courts of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Amendment, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by applicable law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Amendment shall affect any right that any Credit Party may otherwise have to bring any action or proceeding relating to this Amendment or any other Loan Document against any Loan Party or its properties in the courts of any jurisdiction.

(c) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Amendment in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each of the parties hereto irrevocably consents to service of process in the manner provided for notices in the Credit Agreement. Nothing in this Amendment will affect the right of any party to this Amendment to serve process in any other manner permitted by law.

SECTION 10. Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AMENDMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 11. Headings. Section headings used herein are for convenience of reference only, are not part of this Amendment and shall not affect the construction of, or be taken into consideration in interpreting, this Amendment.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

Borrower:

OOMA, INC.

By: /s/ Shig Hamamatsu
Name: Shig Hamamatsu
Title: CFO

Guarantors:

TALKATONE, LLC

By: /s/ Shig Hamamatsu
Name: Shig Hamamatsu
Title: Manager

BROADSMART GLOBAL, INC.

By: /s/ Shig Hamamatsu
Name: Shig Hamamatsu
Title: President

JUNCTION NETWORKS INC.

By: /s/ Shig Hamamatsu
Name: Shig Hamamatsu
Title: Treasurer

ARUBA ACQUISITION SUBSIDIARY INC

By: /s/ Shig Hamamatsu
Name: Shig Hamamatsu
Title: President

2600HZ, INC.

By: /s/ Shig Hamamatsu
Name: Shig Hamamatsu
Title: Treasurer

CITIZENS BANK, N.A., as Administrative Agent and Lender

By: /s/ Earl Kwak

Name: Earl Kwak

Title: Senior Vice President

List of Subsidiaries

<u>Name</u>	<u>Jurisdiction of Incorporation</u>
Talkatone, LLC	Delaware
Ooma International Operations, LLC	Delaware
Ooma International Ltd.	United Kingdom
Ooma Australia Pty Ltd.	Australia
Voxter Communications, Inc.	British Columbia, Canada
Broadsmart Global, Inc.	Florida
Ooma Canada, Inc.	British Columbia, Canada
Ooma Ireland Limited	Ireland
Oomazing Telecom	South Africa
Ooma Colombia S.A.S.	Colombia
Aruba Acquisition Subsidiary Inc.	Delaware
Junction Networks Inc.	Pennsylvania
2600hz, Inc.	Delaware
Desktop Communications, LLC	Delaware
Trunking.IO, LLC	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the registration statement (No. 333-268733) on Form S-3, and in the registration statements (Nos. 333-278476, 333-271194, 333-264217, 333-255093, 333-237662, 333-230693, 333-224086, 333-217254, 333-210717, 333-205719) on Form S-8, of our report dated April 1, 2025, with respect to the consolidated financial statements of Ooma, Inc. and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Santa Clara, California
April 1, 2025

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

I, Eric B. Stang, certify pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Ooma, Inc. for the fiscal year ended January 31, 2025, fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that the information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Ooma, Inc.

Date: April 1, 2025

By: _____ /s/ Eric B. Stang
Eric B. Stang
Chief Executive Officer
(Principal Executive Officer)
