

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 10-Q**

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

For the quarterly period ended: **March 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: **001-34033**



**DIGI INTERNATIONAL INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

**41-1532464**

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

**9350 Excelsior Blvd. Suite 700**

**Hopkins Minnesota**

**55343**

(Address of principal executive offices)

(Zip Code)

**(952) 912-3444**

(Registrant's telephone number, including area code)

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 \$.01 per share	DGII	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

On April 30, 2025, there were 37,066,698 shares of the registrant's \$.01 par value Common Stock outstanding.

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**PART I. FINANCIAL INFORMATION**
**ITEM 1. UNAUDITED FINANCIAL STATEMENTS**

**DIGI INTERNATIONAL INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	Three months ended March 31,		Six months ended March 31,	
	2025	2024	2025	2024
	(in thousands, except per share data)			
<b>Revenue:</b>				
Product	\$ 71,987	\$ 78,432	\$ 144,772	\$ 155,682
Service	32,516	29,270	63,597	58,109
Total revenue	104,503	107,702	208,369	213,791
<b>Cost of sales:</b>				
Cost of product	31,758	37,894	63,731	75,660
Cost of service	6,859	6,537	13,401	12,807
Amortization	953	953	1,906	1,906
Total cost of sales	39,570	45,384	79,038	90,373
Gross profit	64,933	62,318	129,331	123,418
<b>Operating expenses:</b>				
Sales and marketing	22,041	20,540	43,798	40,187
Research and development	15,325	15,044	30,352	29,677
General and administrative	13,840	18,583	28,095	33,270
Total operating expenses	51,206	54,167	102,245	103,134
Operating income	13,727	8,151	27,086	20,284
<b>Other expense, net:</b>				
Interest expense, net	(1,336)	(3,697)	(3,630)	(9,358)
Debt issuance cost write-off	—	—	—	(9,722)
Other expense, net	(43)	(32)	(12)	(58)
Total other expense, net	(1,379)	(3,729)	(3,642)	(19,138)
Income before income taxes	12,348	4,422	23,444	1,146
Income tax provision	1,851	428	2,864	206
Net income	\$ 10,497	\$ 3,994	\$ 20,580	\$ 940
<b>Net income per common share:</b>				
Basic	\$ 0.28	\$ 0.11	\$ 0.56	\$ 0.03
Diluted	\$ 0.28	\$ 0.11	\$ 0.55	\$ 0.03
<b>Weighted average common shares:</b>				
Basic	36,956	36,296	36,816	36,212
Diluted	37,520	36,974	37,553	36,855

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

**DIGI INTERNATIONAL INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(UNAUDITED)**

	Three months ended March 31,		Six months ended March 31,	
	2025	2024	2025	2024
	(in thousands)			
Net income	\$ 10,497	\$ 3,994	\$ 20,580	\$ 940
Other comprehensive income (loss):				
Foreign currency translation adjustment	597	(600)	(1,165)	2,348
Other comprehensive income (loss)	597	(600)	(1,165)	2,348
Comprehensive income	<u>\$ 11,094</u>	<u>\$ 3,394</u>	<u>\$ 19,415</u>	<u>\$ 3,288</u>

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

**DIGI INTERNATIONAL INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

	March 31, 2025	September 30, 2024
	(in thousands, except share data)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 26,296	\$ 27,510
Accounts receivable, net	61,185	69,640
Inventories	38,601	53,357
Income taxes receivable	3,696	173
Prepaid expenses and other current assets	4,948	3,767
Total current assets	134,726	154,447
Property, equipment and improvements, net	35,485	34,915
Intangible assets, net	242,066	252,909
Goodwill	341,669	342,774
Operating lease right-of-use assets	9,230	10,207
Deferred tax assets	16,581	16,141
Other non-current assets	1,267	3,682
Total assets	\$ 781,024	\$ 815,075
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	25,303	23,759
Accrued compensation	11,019	13,995
Unearned revenue	36,711	30,556
Current portion of operating lease liabilities	2,891	2,973
Income taxes payable	1,771	2,549
Other current liabilities	7,974	15,505
Total current liabilities	85,669	89,337
Income taxes payable	2,953	2,749
Deferred tax liabilities	1,305	1,308
Long-term debt	70,018	123,185
Operating lease liabilities	10,041	11,228
Other non-current liabilities	5,820	6,233
Total liabilities	175,806	234,040
Commitments and Contingencies (See <a href="#">Note 11</a> )		
Stockholders' equity:		
Preferred stock, \$.01 par value; 2,000,000 shares authorized; none issued and outstanding	—	—
Common stock, \$.01 par value; 60,000,000 shares authorized; 43,561,862 and 42,996,725 shares issued	436	430
Additional paid-in capital	428,041	420,413
Retained earnings	267,930	247,350
Accumulated other comprehensive loss	(24,909)	(23,744)
Treasury stock, at cost, 6,505,612 and 6,449,364 shares	(66,280)	(63,414)
Total stockholders' equity	605,218	581,035
Total liabilities and stockholders' equity	\$ 781,024	\$ 815,075

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

**DIGI INTERNATIONAL INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	Six months ended March 31,	
	2025	2024
(in thousands)		
<b>Operating activities:</b>		
Net income	\$ 20,580	\$ 940
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, equipment and improvements	5,662	3,783
Amortization	11,134	12,754
Write-off of debt issuance costs	—	9,722
Stock-based compensation	7,504	6,579
Deferred income tax expense	(443)	(1,873)
Litigation accrual	—	6,253
Other	29	(1,819)
Changes in operating assets and liabilities	11,539	(4,612)
Net cash provided by operating activities	56,005	31,727
<b>Investing activities:</b>		
Purchase of property, equipment, improvements and certain other intangible assets	(1,135)	(803)
Proceeds from sale of property, equipment, improvements and certain other intangible assets	—	2,228
Net cash (used in) provided by investing activities	(1,135)	1,425
<b>Financing activities:</b>		
Proceeds from long-term debt	—	214,062
Payments on long-term debt	(53,300)	(256,025)
Proceeds from stock option plan transactions	2,731	944
Proceeds from employee stock purchase plan transactions	1,116	1,111
Taxes paid for net share settlement of share-based payment options and awards	(6,584)	(2,784)
Net cash used in financing activities	(56,037)	(42,692)
Effect of exchange rate changes on cash and cash equivalents	(47)	1,642
Net decrease in cash and cash equivalents	(1,214)	(7,898)
Cash and cash equivalents, beginning of period	27,510	31,693
Cash and cash equivalents, end of period	\$ 26,296	\$ 23,795
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	\$ 3,556	\$ 8,274
Income taxes paid, net	7,315	3,407
<b>Supplemental schedule of non-cash investing and financing activities:</b>		
Transfer of inventory to property, equipment and improvements	(5,131)	(4,046)
Accrual for purchase of property, equipment, improvements and certain other intangible assets	\$ (168)	\$ (25)

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

**DIGI INTERNATIONAL INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**

(in thousands)	Common Stock		Treasury Stock		Additional	Retained	Accumulated	Total
	Shares	Par Value	Shares	Value	Paid-In	Earnings	Other	Stockholders'
					Capital		(Loss) Income	Equity
Balances, December 31, 2023	42,749	\$ 427	6,500	\$ (63,410)	\$ 407,330	\$ 221,791	\$ (24,063)	\$ 542,075
Net income	—	—	—	—	—	3,994	—	3,994
Other comprehensive loss	—	—	—	—	—	—	(600)	(600)
Employee stock purchase plan issuances	—	—	(26)	260	321	—	—	581
Taxes paid for net share settlement of share-based payment awards	—	—	18	(533)	(84)	—	—	(617)
Issuance of stock under stock award plans	105	2	—	—	719	—	—	721
Stock-based compensation expense	—	—	—	—	3,473	—	—	3,473
Balances, March 31, 2024	42,854	\$ 429	6,492	\$ (63,683)	\$ 411,759	\$ 225,785	\$ (24,663)	\$ 549,627
Balances, September 30, 2023	42,501	\$ 425	6,436	\$ (61,506)	\$ 403,735	\$ 224,845	\$ (27,011)	\$ 540,488
Net income	—	—	—	—	—	940	—	940
Other comprehensive income	—	—	—	—	—	—	2,348	2,348
Employee stock purchase plan issuances	—	—	(50)	491	621	—	—	1,112
Taxes paid for net share settlement of share-based payment awards	—	—	106	(2,668)	(117)	—	—	(2,785)
Issuance of stock under stock award plans	353	4	—	—	941	—	—	945
Stock-based compensation expense	—	—	—	—	6,579	—	—	6,579
Balances, March 31, 2024	42,854	\$ 429	6,492	\$ (63,683)	\$ 411,759	\$ 225,785	\$ (24,663)	\$ 549,627
Balances, December 31, 2024	43,416	\$ 434	6,527	\$ (66,411)	\$ 424,725	\$ 257,433	\$ (25,506)	\$ 590,675
Net income	—	—	—	—	—	10,497	—	10,497
Other comprehensive income	—	—	—	—	—	—	597	597
Employee stock purchase plan issuances	—	—	(26)	273	326	—	—	599
Taxes paid for net share settlement of share-based payment options and awards	—	—	5	(142)	(1,902)	—	—	(2,044)
Issuance of stock under stock award plans	146	2	—	—	948	—	—	950
Stock-based compensation expense	—	—	—	—	3,944	—	—	3,944
Balances, March 31, 2025	43,562	\$ 436	6,506	\$ (66,280)	\$ 428,041	\$ 267,930	\$ (24,909)	\$ 605,218
Balances, September 30, 2024	42,997	\$ 430	6,449	\$ (63,414)	\$ 420,413	\$ 247,350	\$ (23,744)	\$ 581,035
Net income	—	—	—	—	—	20,580	—	20,580
Other comprehensive loss	—	—	—	—	—	—	(1,165)	(1,165)
Employee stock purchase plan issuances	—	—	(48)	500	616	—	—	1,116
Taxes paid for net share settlement of share-based payment awards	—	—	105	(3,366)	(3,218)	—	—	(6,584)
Issuance of stock under stock award plans	565	6	—	—	2,726	—	—	2,732
Stock-based compensation expense	—	—	—	—	7,504	—	—	7,504
Balances, March 31, 2025	43,562	\$ 436	6,506	\$ (66,280)	\$ 428,041	\$ 267,930	\$ (24,909)	\$ 605,218

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

**DIGI INTERNATIONAL INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**1. BASIS OF PRESENTATION OF UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

The unaudited condensed consolidated financial statements of Digi International Inc. ("we," "us," "our," "Digi" or "the Company") have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission applicable to interim financial statements. While these financial statements reflect all normal recurring adjustments that are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements. These financial statements should be read in conjunction with the financial statement disclosures in Part I, Item 1 of our Annual Report on [Form 10-K](#) for the year ended September 30, 2024. We use the same accounting policies in preparing quarterly and annual financial statements. The quarterly results of operations are not necessarily indicative of the results to be expected for the full year.

*Recently Issued Accounting Standards Not Yet Adopted*

In November 2024, FASB issued ASU 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40), "Disaggregation of Income Statement Expenses," which improves disclosures about a company's expenses and provides more detailed information about the types of expenses in commonly presented expense captions. This amendment is effective for our fiscal year ending September 30, 2028 and interim periods within our fiscal year ending September 30, 2029. We are currently assessing the impact of this guidance on our disclosures.

In December 2023, FASB issued ASU 2023-09, Income Taxes (Topic 740), "Improvements to Income Tax Disclosures," which enhances the transparency and decision usefulness of income tax disclosures. This amendment is effective for our fiscal year ending September 30, 2028 and interim periods within our fiscal year ending September 30, 2029. We are currently assessing the impact of this guidance on our disclosures.

In November 2023, FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This amendment is effective for our fiscal year ending September 30, 2025 and interim periods within our fiscal year ending September 30, 2026. We are currently assessing the impact of this guidance on our disclosures.

## 2. EARNINGS PER SHARE

The following table is a reconciliation of the numerators and denominators in the net income per common share calculations (in thousands, except per common share data):

	Three months ended March 31,		Six months ended March 31,	
	2025	2024	2025	2024
<b>Numerator:</b>				
Net income	\$ 10,497	\$ 3,994	\$ 20,580	\$ 940
<b>Denominator:</b>				
Denominator for basic net income per common share — weighted average shares outstanding	36,956	36,296	36,816	36,212
Effect of dilutive securities:				
Stock options and restricted stock units	564	678	737	643
Denominator for diluted net income per common share — adjusted weighted average shares	37,520	36,974	37,553	36,855
Net income per common share, basic	\$ 0.28	\$ 0.11	\$ 0.56	\$ 0.03
Net income per common share, diluted	\$ 0.28	\$ 0.11	\$ 0.55	\$ 0.03

Digi excludes certain stock options and restricted stock unit awards that would have an anti-dilutive effect on our diluted net income per share calculation. For the three months ended March 31, 2025 and 2024, 348,553 and 583,062 shares outstanding were excluded, respectively. For the six months ended March 31, 2025 and 2024, 271,328 and 676,456 shares outstanding were excluded, respectively.

## 3. SELECTED BALANCE SHEET DATA

The following table shows selected balance sheet data (in thousands):

	March 31, 2025	September 30, 2024
<b>Accounts receivable, net:</b>		
Accounts receivable	\$ 70,951	\$ 78,672
Less allowance for credit losses	4,783	1,562
Less reserve for future credit returns and pricing adjustments	4,983	7,470
Accounts receivable, net	\$ 61,185	\$ 69,640
<b>Inventories:</b>		
Raw materials	\$ 13,712	\$ 18,669
Work in process	293	52
Finished goods	24,596	34,636
Inventories	\$ 38,601	\$ 53,357

#### 4. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Amortizable intangible assets were (in thousands):

	March 31, 2025			September 30, 2024		
	Gross carrying amount	Accum. amort.	Net	Gross carrying amount	Accum. amort.	Net
Purchased and core technology	\$ 84,928	\$ (65,448)	\$ 19,480	\$ 85,041	\$ (63,654)	\$ 21,387
License agreements	112	(112)	—	112	(112)	—
Patents and trademarks	40,714	(23,684)	17,030	40,335	(22,047)	18,288
Customer relationships	309,173	(103,617)	205,556	309,223	(95,989)	213,234
Non-compete agreements	600	(600)	—	600	(600)	—
Order backlog	1,000	(1,000)	—	1,000	(1,000)	—
<b>Total</b>	<b>\$ 436,527</b>	<b>\$ (194,461)</b>	<b>\$ 242,066</b>	<b>\$ 436,311</b>	<b>\$ (183,402)</b>	<b>\$ 252,909</b>

Amortization expense for intangible assets was \$5.2 million and \$6.1 million for the three months ended March 31, 2025 and 2024, respectively. Amortization expense for intangible assets was \$11.0 million and \$12.3 million for the six months ended March 31, 2025 and 2024, respectively. Amortization expense is recorded on our condensed consolidated statements of operations within cost of sales and in general and administrative expense.

Estimated amortization expense related to intangible assets for the remainder of fiscal 2025 and the five succeeding fiscal years is (in thousands):

2025 (six months)	\$ 10,381
2026	20,709
2027	20,709
2028	20,447
2029	18,701
2030	18,297

The changes in the carrying amount of goodwill by reportable segments are (in thousands):

	Six months ended March 31, 2025		
	IoT Products & Services	IoT Solutions	Total
Balance on September 30, 2024	\$ 175,093	\$ 167,681	\$ 342,774
Foreign currency translation adjustment	(525)	(580)	(1,105)
<b>Balance on March 31, 2025</b>	<b>\$ 174,568</b>	<b>\$ 167,101</b>	<b>\$ 341,669</b>

Goodwill represents the excess of cost over the fair value of net identifiable assets acquired. Goodwill is quantitatively tested for impairment on an annual basis as of June 30, or more frequently if events or circumstances occur which could indicate impairment. We have two reportable segments, IoT Products & Services and IoT Solutions (see [Note 6](#)). Our IoT Products & Services segment is structured to include four reporting units for goodwill testing purposes: Cellular Routers, Console Servers, OEM Solutions and Infrastructure Management. Following our acquisition of Ventus in November 2021, we have two reporting units within IoT Solutions: SmartSense and Ventus. Each of these reporting units was tested individually for impairment during our annual impairment test completed as of the end of the third fiscal quarter of fiscal 2024.

Assumptions and estimates to determine fair values under the income and market approaches are complex and often subjective. They can be affected by a variety of factors. These include external factors such as industry and economic trends. They also include internal factors such as changes in our business strategy and our internal forecasts. Changes in circumstances or a potential event could affect the estimated fair values negatively. If our future operating results do not meet current forecasts or if we experience a sustained decline in our market capitalization that is determined to be indicative of a reduction in fair value of one or more of our reporting units within either of our segments, we may be required to record future impairment charges for goodwill.

## 5. INDEBTEDNESS

On December 7, 2023, Digi entered into a credit agreement (the "Credit Agreement") with BMO Bank N.A. ("BMO"), as administrative and collateral agent, BMO Capital Markets Corp., BofA Securities, Inc. and MUFG Bank, Ltd., as joint lead arrangers and joint bookrunners, and the several banks and other financial institutions or entities from time to time party thereto as lenders (the "Lenders"). The Credit Agreement provides Digi with a senior secured credit facility (the "Credit Facility"). The Credit Facility includes a \$250 million senior secured revolving credit facility (the "Revolving Loan"), with an uncommitted accordion feature that provides for additional borrowing capacity of up to the greater of \$95 million or one hundred percent of trailing twelve month adjusted earnings before interest, taxes, depreciation, and amortization ("EBITDA"). The Credit Facility also contains a \$10 million letter of credit sublimit and \$10 million swingline sub-facility. Digi may use the proceeds of the Credit Facility in the future for general corporate purposes.

Digi borrowed a total of \$215 million under the Credit Facility to repay all obligations and to pay related fees and expenses under the Third Amended and Restated Credit Agreement dated as of December 22, 2021 (the "Prior Credit Facility"), by and among Digi, as the borrower, BMO, as administrative agent and collateral agent, BMO Capital Markets Corp., as sole lead arranger and bookrunner, and the other lenders from time-to-time party thereto. The Prior Credit Facility consisted of a \$350 million term loan B secured loan and a \$35 million revolving credit facility that included a \$10 million letter of credit subfacility and \$10 million swingline subfacility.

Borrowings under the Credit Facility bear interest at a rate per annum equal to Term SOFR with a floor of 0.00% for an interest period of one, three, or six months as selected by Digi, reset at the end of the selected interest period (or a replacement benchmark rate if Term SOFR is no longer available) plus the applicable margin or a base rate plus the applicable margin. The base rate is determined by reference to the highest of BMO's prime rate, the rate determined by BMO to be the average rate of Federal funds in the secondary market plus 0.50%, or one-month SOFR plus 1.00%. The applicable margin for loans under the Credit Facility is in a range of 1.75% to 2.75% for Term SOFR loans and 0.75% to 1.75% for base rate loans, depending on Digi's total net leverage ratio. All borrowings in the period were made at Term SOFR for a one-month interest election period plus an applicable margin of 2.25% through February 13, 2025 and at Term SOFR for a one-month interest election period plus an applicable margin of 1.75% following that date. Our weighted average interest rate for our Credit Facility was 6.10% as of March 31, 2025.

In addition to paying interest on the outstanding principal, Digi is required to pay a commitment fee on the unutilized commitments under the Credit Facility. The commitment fee is between 0.20% and 0.35% depending on Digi's total net leverage ratio. Our weighted average Revolving Loan commitment fee was 0.20% as of March 31, 2025. The Credit Facility is secured by substantially all of the property of Digi and its domestic subsidiaries.

The debt issuance costs and remaining balance under the Prior Credit Facility totaling \$9.7 million at December 7, 2023 were written off and included in other expenses upon the entry into the Credit Agreement. Digi incurred an additional \$1.3 million in debt issuance costs upon entry into the Credit Agreement, with this amount amortized over the term of the Credit Agreement and reported in interest expense.

The Revolving Loan is due in a lump sum payment at maturity December 7, 2028, if any amounts are drawn. The fair value of the Revolving Loan approximated carrying value at March 31, 2025.

The following table is a summary of our long-term indebtedness at March 31, 2025 and September 30, 2024 (in thousands):

	Balance on March 31, 2025	Balance on September 30, 2024
Revolving Loan	\$ 71,000	\$ 124,300
Less unamortized issuance costs	(982)	(1,115)
Total long-term debt, net of unamortized issuance costs	<u>\$ 70,018</u>	<u>\$ 123,185</u>

## 5. INDEBTEDNESS (CONTINUED)

### *Covenants and Security Interest*

The Credit Agreement requires Digi to maintain a minimum interest coverage ratio of 3.00 to 1.00 and a total net leverage ratio not to exceed 3.00 to 1.00, with certain exceptions for a covenant holiday of up to 3.50 to 1.00 after certain material acquisitions. The total net leverage ratio is defined as the ratio of Digi's consolidated total funded indebtedness minus unrestricted cash as of such date up to a maximum amount not to exceed \$50 million, to consolidated EBITDA for such period. The Credit Agreement also contains other customary affirmative and negative covenants, including covenants that restrict the ability of Digi and its subsidiaries to incur additional indebtedness, dispose of significant assets, make certain investments, including any acquisitions other than permitted acquisitions, make certain restricted payments, enter into sale and leaseback transactions or grant additional liens on its assets, subject to certain limitations. Amounts borrowed under the Credit Facility are secured by substantially all of our assets.

## 6. SEGMENT INFORMATION

We have a single segment manager over IoT Products & Services and a single manager over IoT Solutions. As a result we have two operating segments. These two operating segments also serve as our reportable segments: IoT Products & Services and IoT Solutions. Each operating segment is led by a single segment manager. IoT Products & Services derives revenue from the sale of products and services that help original equipment manufacturers ("OEMs"), enterprise and government customers create and deploy, secure IoT connectivity solutions. IoT Solutions derives revenue from the sale of software-based services that are enabled through the use of connected devices that utilize cellular communications.

Our CEO is our Chief Operating Decision Maker ("CODM"). The measures the CODM uses to measure profitability within each of our reportable segments is segment gross profit.

Summary operating results for each of our segments were (in thousands):

	Three months ended March 31,		Six months ended March 31,	
	2025	2024	2025	2024
<b>Revenue</b>				
IoT Products & Services	\$ 77,783	\$ 83,390	\$ 155,606	\$ 165,413
IoT Solutions	26,720	24,312	52,763	48,378
Total revenue	<u>\$ 104,503</u>	<u>\$ 107,702</u>	<u>\$ 208,369</u>	<u>\$ 213,791</u>
<b>Gross Profit</b>				
IoT Products & Services	\$ 45,852	\$ 45,061	\$ 91,455	\$ 88,920
IoT Solutions	19,081	17,257	37,876	34,498
Total gross profit	<u>\$ 64,933</u>	<u>\$ 62,318</u>	<u>\$ 129,331</u>	<u>\$ 123,418</u>

Total depreciation and amortization expense was (in thousands):

	Three months ended March 31,		Six months ended March 31,	
	2025	2024	2024	2023
IoT Products & Services	\$ 2,919	\$ 3,107	\$ 6,346	\$ 6,205
IoT Solutions	5,243	4,958	10,316	9,911
Total depreciation and amortization	<u>\$ 8,162</u>	<u>\$ 8,065</u>	<u>\$ 16,662</u>	<u>\$ 16,116</u>

Total expended for property, plant and equipment was (in thousands):

	Six months ended March 31,	
	2025	2024
IoT Products & Services	\$ 597	\$ 336
IoT Solutions*	378	333
Total expended for property, plant and equipment	<u>\$ 975</u>	<u>\$ 669</u>

\* Excluded from these amounts are \$5,131 and \$4,046 of transfers of inventory to property plant and equipment for subscriber assets for the six months ended March 31, 2025 and 2023, respectively.

## 6. SEGMENT INFORMATION (CONTINUED)

Total assets for each of our segments were (in thousands):

	March 31, 2025	September 30, 2024
IoT Products & Services	\$ 357,153	\$ 376,998
IoT Solutions	397,575	410,567
Unallocated*	26,296	27,510
Total assets	<u>\$ 781,024</u>	<u>\$ 815,075</u>

\*Unallocated consists of cash and cash equivalents.

## 7. REVENUE

### Revenue Disaggregation

The following table summarizes our revenue by geographic location of our customers (in thousands):

	Three months ended March 31,		Six months ended March 31,	
	2025	2024	2025	2024
North America, primarily the United States	\$ 83,542	\$ 72,398	\$ 162,554	\$ 152,093
Europe, Middle East & Africa	14,989	19,485	32,999	33,875
Rest of world	5,972	15,819	12,816	27,823
Total revenue	<u>\$ 104,503</u>	<u>\$ 107,702</u>	<u>\$ 208,369</u>	<u>\$ 213,791</u>

The following table summarizes our revenue by the timing of revenue recognition (in thousands):

	Three months ended March 31,		Six months ended March 31,	
	2025	2024	2025	2024
Transferred at a point in time	\$ 73,802	\$ 80,574	\$ 148,405	\$ 159,968
Transferred over time	30,701	27,128	59,964	53,823
Total revenue	<u>\$ 104,503</u>	<u>\$ 107,702</u>	<u>\$ 208,369</u>	<u>\$ 213,791</u>

### Contract Balances

#### Contract Related Assets

Our contract related assets consist of subscriber assets. Subscriber assets are equipment that we provide to customers pursuant to subscription-based contracts. In these cases, we retain the ownership of the equipment a customer uses and charge the customer subscription fees to receive our end-to-end solutions. The total net book value of subscriber assets of \$24.7 million and \$23.6 million as of March 31, 2025 and September 30, 2024, respectively, are included in property, equipment and improvements, net. Depreciation expense for these subscriber assets, which is included in cost of sales, was \$2.1 million and \$1.2 million for the three months ended March 31, 2025 and 2024, respectively. Depreciation expense for these subscriber assets, which is included in cost of sales, was \$4.0 million and \$2.2 million for the six months ended March 31, 2025 and 2024, respectively.

#### Contract Assets

Contract assets at Digi consist of products and services that have been fulfilled, but for which revenue has not yet been recognized. Our contract asset balances were immaterial as of March 31, 2025 and September 30, 2024.

#### Contract Liabilities

Contract liabilities consist of unearned revenue related to annual or multi-year contracts for subscription services and related implementation fees, as well as product sales that have been invoiced, but not yet fulfilled. The timing of revenue recognition may differ from the timing of invoicing to customers. Customers are invoiced for subscription services on a monthly, quarterly or annual basis.

## 7. REVENUE (CONTINUED)

Our contract liabilities were \$42.5 million and \$38.0 million at March 31, 2025 and 2024, respectively.

There were contract liability balances of \$41.6 million and \$35.0 million as of December 31, 2024 and 2023, respectively. Of these balances, Digi recognized \$10.2 million and \$8.3 million as revenue in the three months ended March 31, 2025 and 2024, respectively. There were contract liability balances of \$36.8 million and \$27.9 million as of September 30, 2024 and 2023, respectively. Digi recognized \$16.4 million and \$13.3 million as revenue in the six months ended March 31, 2025 and 2024, respectively.

### Remaining Performance Obligation

As of March 31, 2025, we had approximately \$160.8 million of remaining performance obligations on contracts with an original duration of one year or more. We expect to recognize revenue on approximately \$76.2 million of remaining performance obligations over the next 12 months. We expect to recognize revenue from the remaining performance obligations over a range of two to five years.

## 8. INCOME TAXES

Our income tax expense was \$2.9 million for the six months ended March 31, 2025. Included in this was a net tax benefit of \$0.5 million discretely related to the six months ended March 31, 2025. This benefit was the result of recognized stock compensation tax benefits in excess of book stock compensation tax benefits.

Our effective tax rate will vary based on a variety of factors. These factors include our overall profitability, the geographical mix of income before taxes and related statutory tax rate in each jurisdiction, and tax items discretely related to the period, such as tax impacts of stock compensation, as there are no open audits during the period. We may record other benefits or expenses in the future that are specific to a particular quarter such as expiration of statutes of limitation, the completion of tax audits, or legislation that is enacted in both U.S. and foreign jurisdictions.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is (in thousands):

Unrecognized tax benefits as of September 30, 2024	\$	3,602
Decreases related to:		
Expiration of statute of limitations		(57)
Unrecognized tax benefits as of March 31, 2025	\$	<u>3,545</u>

The total amount of unrecognized tax benefits at March 31, 2025 that, if recognized, would affect our effective tax rate was \$3.4 million, after considering the impact of interest and deferred benefit items. We expect that the total amount of unrecognized tax benefits will decrease by approximately \$0.4 million over the next 12 months.

## 9. PRODUCT WARRANTY OBLIGATION

The following tables summarize the activity associated with the product warranty accrual (in thousands) and is included on our condensed consolidated balance sheets within other current liabilities:

	Three months ended March 31,	
	2025	2024
Balance at beginning of period	\$ 1,104	\$ 781
Warranties accrued	180	76
Net settlements	(180)	(83)
Balance at end of period	<u>\$ 1,104</u>	<u>\$ 774</u>

  

	Six months ended March 31,	
	2025	2024
Balance at beginning of period	\$ 933	\$ 772
Warranties accrued	387	170
Settlement made	(216)	(168)
Balance at end of period	<u>\$ 1,104</u>	<u>\$ 774</u>

## 10. LEASES

All of our leases are operating leases and primarily consist of leases for office space. For any lease with an initial term in excess of 12 months, the related lease assets and lease liabilities are recognized on the condensed consolidated balance sheets as either operating or financing leases at the inception of an agreement where it is determined that a lease exists. We have lease agreements that contain both lease and non-lease components. We have elected to combine lease and non-lease components for all classes of assets. Leases with an expected term of 12 months or less are not recorded on the condensed consolidated balance sheets. Instead we recognize lease expense for these leases on a straight-line basis over the lease term.

Operating lease assets represent the right to use an underlying asset for the lease term and operating lease liabilities represent the obligation to make lease payments. These assets and liabilities are recognized based on the present value of future payments over the lease term at the commencement date. We generally use a collateralized incremental borrowing rate based on information available at the commencement date, including the lease term, in determining the present value of future payments. When determining our right-of-use assets, we generally do not include options to extend or terminate the lease unless it is reasonably certain that the option will be exercised.

Our leases typically require payment of real estate taxes and common area maintenance and insurance. These components comprise the majority of our variable lease cost and are excluded from the present value of our lease obligations. Fixed payments may contain predetermined fixed rent escalations. We recognize the related rent expense on a straight-line basis from the commencement date to the end of the lease term.

The following table shows the supplemental balance sheet information related to our leases (in thousands):

	Balance Sheet Location	March 31, 2025	September 30, 2024
<b>Assets</b>			
Operating leases	Operating lease right-of-use assets	\$ 9,230	\$ 10,207
Total lease assets		<u>\$ 9,230</u>	<u>\$ 10,207</u>
<b>Liabilities</b>			
Operating leases	Current portion of operating lease liabilities	\$ 2,891	\$ 2,973
Operating leases	Operating lease liabilities	10,041	11,228
Total lease liabilities		<u>\$ 12,932</u>	<u>\$ 14,201</u>

The following were the components of our lease cost which is recorded in both cost of goods sold and selling, general and administrative expense (in thousands):

	Three months ended March 31,		Six months ended March 31,	
	2025	2024	2025	2024
Operating lease cost	\$ 844	\$ 930	\$ 1,716	\$ 1,821
Variable lease cost	332	316	617	633
Short-term lease cost	29	28	58	55
Total lease cost	<u>\$ 1,205</u>	<u>\$ 1,274</u>	<u>\$ 2,391</u>	<u>\$ 2,509</u>

At March 31, 2025, the weighted average remaining lease term of our operating leases was 5.6 years and the weighted average discount rate for these leases was 4.7%.

## 10. LEASES (CONTINUED)

The table below reconciles the undiscounted cash flows for each of the first five years as well as all the remaining years to the operating lease liabilities recorded on the condensed consolidated balance sheet as of March 31, 2025 (in thousands):

Fiscal year	Amount
2025 (six months)	\$ 1,813
2026	3,353
2027	2,099
2028	1,898
2029	1,840
2030	1,880
Thereafter	1,984
Total future undiscounted lease payments	14,867
Less imputed interest	(1,935)
Total reported lease liability	\$ 12,932

## 11. COMMITMENTS AND CONTINGENCIES

We lease certain of our buildings and equipment under non-cancelable lease agreements. Please refer to [Note 10](#) to our condensed consolidated financial statements for additional information.

In addition to the matter discussed above, in the normal course of business, we are presently, and expect in the future to be, subject to various claims and litigation with third parties such as non-practicing intellectual property entities as well as customers, vendors and/or employees. There can be no assurance that any claims by third parties, if proven to have merit, will not materially adversely affect our business, liquidity or financial condition.

## 12. STOCK-BASED COMPENSATION

Stock-based awards granted in the first six months of fiscal 2025 and 2024 were granted under the Digi International Inc. 2021 Omnibus Incentive Plan (as amended and restated, the "2021 Plan"). Shares subject to awards under the 2021 Plan or any prior plans that are forfeited, canceled, returned to us for failure to satisfy vesting requirements, settled in cash or otherwise terminated without payment also will be available for grant under the 2021 Plan. The authority to grant options under the 2021 Plan and set other terms and conditions rests with the Compensation Committee of the Board of Directors.

As of March 31, 2025, there were approximately 3,361,849 shares available for future grants under the 2021 Plan.

Cash received from the exercise of stock options was \$2.7 million and \$0.9 million for the six months ended March 31, 2025 and 2024, respectively.

Our equity plans and corresponding forms of award agreements generally have provisions allowing employees to elect to satisfy tax withholding obligations through the delivery of shares. When employees make this election, we retain a portion of shares issuable under the award. Tax withholding obligations are otherwise fulfilled by the employee paying cash to us for the withholding. During the six months ended March 31, 2025 and 2024, our employees forfeited 104,068 shares and 106,227 shares, respectively, in order to satisfy withholding tax obligations of \$3.4 million and \$2.7 million, respectively.

## 12. STOCK-BASED COMPENSATION (CONTINUED)

We sponsor an Employee Stock Purchase Plan as amended and restated as of December 10, 2019, October 29, 2013, December 4, 2009 and November 27, 2006 (the "ESPP"), covering all domestic employees with at least 90 days of continuous service and who are customarily employed at least 20 hours per week. The ESPP allows eligible participants the right to purchase common stock on a quarterly basis at the lower of 85% of the market price at the beginning or end of each three-month offering period. The most recent amendments to the ESPP, ratified by our stockholders on January 29, 2020, increased the total number of shares that may be purchased under the ESPP to 3,425,000. ESPP contributions by employees were \$1.1 million for the six months ended March 31, 2025 and 2024. Pursuant to the ESPP, 47,820 and 50,171 common shares were issued to employees during the six months ended March 31, 2025 and 2024, respectively. Shares are issued under the ESPP from treasury stock. As of March 31, 2025, 320,677 common shares were available for future issuances under the ESPP.

The following table shows stock-based compensation expense that is included in the consolidated results of operations (in thousands):

	Three months ended March 31,		Six months ended March 31,	
	2025	2024	2025	2024
Cost of sales	\$ 202	\$ 175	\$ 389	\$ 356
Sales and marketing	1,358	1,208	2,619	2,376
Research and development	611	501	1,157	931
General and administrative	1,773	1,589	3,339	2,916
Stock-based compensation before income taxes	3,944	3,473	7,504	6,579
Income tax benefit	(840)	(751)	(1,601)	(1,414)
Stock-based compensation after income taxes	\$ 3,104	\$ 2,722	\$ 5,903	\$ 5,165

### Stock Options

The following table summarizes our stock option activity (in thousands, except per common share amounts):

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Contractual Term (in years)	Aggregate Intrinsic Value (1)
Balance on September 30, 2024	1,382	\$19.01		
Granted	63	31.56		
Exercised	(515)	24.54		
Forfeited / Canceled	(12)	28.47		
Balance on March 31, 2025	918	\$21.58	3.3	\$ 6,594
Exercisable on March 31, 2025	684	\$19.73	2.7	\$ 6,001

(1) The aggregate intrinsic value represents the total pre-tax intrinsic value, based on our closing stock price of \$27.83 as of March 31, 2025, which would have been received by the option holders had all option holders exercised their options as of that date.

## 12. STOCK-BASED COMPENSATION (CONTINUED)

The intrinsic value of an option is the amount by which the fair value of the underlying stock exceeds its exercise price. The total intrinsic value of all options exercised during the six months ended March 31, 2025 and 2024 was \$17.4 million and \$1.8 million, respectively.

The following table shows the weighted average fair value, which was determined based upon the fair value of each option on the grant date utilizing the Black-Scholes option-pricing model and the related assumptions:

	Six months ended March 31,	
	2025	2024
Weighted average per option grant date fair value	\$16.23	\$12.44
Assumptions used for option grants:		
Risk free interest rate	4.31% - 4.38%	4.45% - 4.68%
Expected term	6.00 years	6.00 years
Expected volatility	48%	46%
Weighted average volatility	48%	46%
Expected dividend yield	—	—

The fair value of each option award granted during the periods presented was estimated using the Black-Scholes option valuation model that uses the assumptions noted in the above table. Expected volatilities are based on the historical volatility of our stock. We use historical data to estimate option exercise and employee termination information within the valuation model. The expected term of options granted is derived from the vesting period and historical information and represents the period of time that options granted are expected to be outstanding. The risk-free rate used is the zero-coupon U.S. Treasury bond rate in effect at the time of the grant whose maturity equals the expected term of the option.

As of March 31, 2025, the total unrecognized compensation cost related to non-vested stock options was \$2.7 million and the related weighted average period over which it is expected to be recognized is approximately 1.9 years.

### *Non-vested Stock Units*

The following table presents a summary of our non-vested restricted stock units and performance stock units as of March 31, 2025 and changes during the six months then ended (in thousands, except per common share amounts):

	RSUs		PSUs	
	Number of Awards	Weighted Average Grant Date Fair Value	Number of Awards	Weighted Average Grant Date Fair Value
Nonvested on September 30, 2024	846	\$ 30.15	220	\$ 30.55
Granted	428	32.16	162	32.64
Vested	(249)	27.33	(54)	30.57
Canceled	(34)	30.63	(4)	19.78
Nonvested on March 31, 2025	991	\$ 31.71	324	\$ 31.71

As of March 31, 2025, the total unrecognized compensation cost related to non-vested restricted stock units and performance stock units was \$25.4 million and \$1.4 million, respectively. The related weighted average period over which these costs are expected to be recognized was approximately 2.2 years and 0.5 years, respectively.

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

Our management's discussion and analysis should be read in conjunction with our Annual Report on [Form 10-K](#) for the fiscal year ended September 30, 2024, as well as our subsequent reports on Form 10-Q and Form 8-K and any amendments to such reports.

### SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Quarterly Report on Form 10-Q contains certain statements that are "forward-looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995, and within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

#### *Forward-Looking Statements*

This report contains forward-looking statements, which are statements based on management's current expectations and assumptions. These statements often can be identified by the use of forward-looking terminology such as "assume," "believe," "continue," "estimate," "expect," "intend," "may," "plan," "potential," "project," "should," or "will" or the negative thereof or other variations thereon or similar terminology. Among other items, these statements relate to expectations of the business environment in which Digi operates, projections of future performance, inventory levels, perceived marketplace opportunities, debt repayments, attributions of potential acquisitions and statements regarding our mission and vision. Such statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions. Among others, these include risks related to ongoing and varying inflationary and deflationary pressures around the world and the monetary and trade policies of governments globally as well as present and ongoing concerns about a potential recession, the potential for longer than expected sales cycles, the ability of companies like us to operate a global business in such conditions as well as negative effects on product demand and the financial solvency of customers and suppliers in such conditions, risks related to ongoing supply chain challenges that continue to impact businesses globally, regulatory risks that include, but are not limited to, the potential expansion of tariffs, risks related to cybersecurity, risks arising from the present military conflicts in Ukraine and the Middle East, the highly competitive market in which we operate, rapid changes in technologies that may displace products sold by us, declining prices of networking products, our reliance on distributors and other third parties to sell our products, the potential for significant purchase orders to be canceled or changed, delays in product development efforts, uncertainty in user acceptance of our products, the ability to integrate our products and services with those of other parties in a commercially accepted manner, potential liabilities that can arise if any of our products have design or manufacturing defects, our ability to integrate and realize the expected benefits of acquisitions, our ability to defend or settle satisfactorily any litigation, the impact of natural disasters and other events beyond our control that could negatively impact our supply chain and customers, potential unintended consequences associated with restructuring, reorganizations or other similar business initiatives that may impact our ability to retain important employees or otherwise impact our operations in unintended and adverse ways, and changes in our level of revenue or profitability which can fluctuate for many reasons beyond our control.

These and other risks, uncertainties and assumptions identified from time to time in our filings with the United States Securities and Exchange Commission, including without limitation, those set forth in Item 1A, Risk Factors, of our Annual Report on [Form 10-K](#) for the year ended September 30, 2024, subsequent filings, as well as this Quarterly Report on Form 10-Q and other filings, could cause our actual results to differ materially from those expressed in any forward-looking statements made by us or on our behalf. Many of such factors are beyond our ability to control or predict. These forward-looking statements speak only as of the date for which they are made. Except to the extent required by law, we do not undertake, and expressly disclaim, any intent or obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

### CRITICAL ACCOUNTING ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, the disclosure of contingent assets and liabilities and the values of purchased assets and assumed liabilities in acquisitions. We base our estimates on historical experience and various other assumptions that we believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

A description of our critical accounting estimates was provided in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our [Annual Report](#) on [Form 10-K](#) for the fiscal year ended September 30, 2024.

## OVERVIEW

We are a leading global provider of business and mission-critical IoT connectivity products, services and solutions. Our business is comprised of two reporting segments: IoT Products & Services and IoT Solutions.

In fiscal 2025, our key operating objectives include:

- continuing to transition to complete solutions with software and service offerings included with our products, as this drives Annualized Recurring Revenue ("ARR"), which provides more predictable and higher margin revenue; and
- delivering a higher level of customer service across our businesses.

We utilize many financial, operational, and other metrics to evaluate our financial condition and financial performance. Below we highlight the metrics for the second quarter of fiscal 2025 that we feel are most important in these evaluations, with comparisons to the second quarter of fiscal 2024:

- Consolidated revenue was \$105 million, a decrease of 3%.
- Consolidated gross profit was \$65 million, an increase of 4%.
- Gross profit margin was 62.1%, an increase of 420 basis points.
- Net income was \$10 million, compared to \$4 million.
- Net income per diluted share was \$0.28, compared to a net loss per diluted share of \$0.11.
- Adjusted net income and adjusted net income per share was \$19 million, or \$0.51 per diluted share, respectively, compared to \$18 million, or \$0.49 per diluted share, respectively.
- Adjusted EBITDA was \$26 million, or 24.9% of revenue, compared to \$24 million or 22.1% of revenue.
- Annualized Recurring Revenue (ARR) was \$123 million at quarter end, an increase of 12%.

In recent periods, we have experienced longer than expected sales cycles with respect to many contracts and projects of potential significance. We believe this is related to macroeconomic conditions and are uncertain as to when and to what degree sales cycles will return to more normal conditions, but expect this may adversely impact our results for at least the remainder of fiscal 2025.

In addition, like many companies we are monitoring the impact recently announced tariffs by governments around the world may have on our business. Given the fluidity of these announcements and their ability to be changed, the exact impact of tariffs on our future results is not certain.

## CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth selected information derived from our interim condensed consolidated statements of operations:

(\$ in thousands)	Three months ended March 31,				% incr. (decr.)	Six months ended March 31,				% incr. (decr.)
	2025		2024			2025		2024		
Revenue	\$ 104,503	100.0 %	\$ 107,702	100.0 %	(3.0)%	\$ 208,369	100.0 %	\$ 213,791	100.0 %	(2.5)%
Cost of sales	39,570	37.9	45,384	42.1	(12.8)	79,038	37.9	90,373	42.3	(12.5)
Gross profit	64,933	62.1	62,318	57.9	4.2	129,331	62.1	123,418	57.7	4.8
Operating expenses	51,206	49.0	54,167	50.3	(5.5)	102,245	49.1	103,134	48.2	(0.9)
Operating income	13,727	13.1	8,151	7.6	68.4	27,086	13.0	20,284	9.5	33.5
Other expense, net	(1,379)	(1.3)	(3,729)	(3.5)	(63.0)	(3,642)	(1.7)	(19,138)	(9.0)	(81.0)
Income before income taxes	12,348	11.8	4,422	4.1	179.2	23,444	11.3	1,146	0.5	NM
Income tax expense	1,851	1.8	428	0.4	332.5	2,864	1.4	206	0.1	NM
Net income	\$ 10,497	10.0 %	\$ 3,994	3.7 %	162.8	\$ 20,580	9.9 %	\$ 940	0.4 %	NM

NM means not meaningful

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
(CONTINUED)**
**REVENUE BY SEGMENT**

(\$ in thousands)	Three months ended March 31,				% incr. (decr.)	Six months ended March 31,				% incr. (decr.)
	2025		2024			2025		2024		
<b>Revenue</b>										
IoT Products & Services	\$ 77,783	74.4 %	\$ 83,390	77.4 %	(6.7)%	\$ 155,606	74.7 %	\$ 165,413	77.4 %	(5.9)%
IoT Solutions	26,720	25.6	24,312	22.6	9.9	52,763	25.3	48,378	22.6	9.1
Total revenue	\$ 104,503	100.0 %	\$ 107,702	100.0 %	(3.0)%	\$ 208,369	100.0 %	\$ 213,791	100.0 %	(2.5)%

**IoT Products & Services**

IoT Products & Services revenue decreased \$5.6 million for the three months ended March 31, 2025, as compared to the same period in the prior fiscal year. The decrease consisted of a \$6.8 million decline in one-time sales, with no material impact from pricing. This was driven by lower demand for some products, as some customers are bleeding down inventory stockpiled from when supply chains were stressed, partially offset by increased demand for some products from new project-based customer initiatives. This decrease was partially offset by \$1.2 million of recurring revenue growth.

IoT Products & Services revenue decreased \$9.8 million for the six months ended March 31, 2025, as compared to the same period in the prior fiscal year. The decrease consisted of a \$11.5 million decline in one-time sales, with no material impact from pricing. This was driven by lower demand for some products, as some customers are bleeding down inventory stockpiled from when supply chains were stressed, partially offset by increased demand for some products from new project-based customer initiatives. This decrease was partially offset by \$1.7 million of recurring revenue growth.

**IoT Solutions**

IoT Solutions revenue increased \$2.4 million for the three months ended March 31, 2025, as compared to the same period in the prior fiscal year. The increase consisted of a \$2.4 million increase in recurring revenue, driven by growth in both SmartSense and Ventus.

IoT Solutions revenue increased \$4.4 million for the six months ended March 31, 2025, as compared to the same period in the prior fiscal year. The increase consisted of a \$4.5 million increase in recurring revenue, driven by growth in both SmartSense and Ventus, partially offset by a \$0.1 million decrease in one-time sales.

**ARR**

ARR was \$123 million as of March 31, 2025, compared to \$110 million as of March 31, 2024. IoT Products & Services ARR was \$28 million as of March 31, 2025, compared to \$23 million as of March 31, 2024. This increase was due to growth in the subscription base across remote management platforms and extended warranty offerings. IoT Solutions ARR was \$95 million as of March 31, 2025, compared to \$87 million as of March 31, 2024, driven by growth in both SmartSense and Ventus.

**COST OF GOODS SOLD AND GROSS PROFIT BY SEGMENT**

Below are our segments' cost of goods sold and gross profit as a percentage of their respective total revenue:

(\$ in thousands)	Three months ended March 31,				Basis point inc. (decr.)
	2025		2024		
<b>Cost of Goods Sold</b>					
IoT Products & Services	\$ 31,931	41.1 %	\$ 38,329	46.0 %	(490)
IoT Solutions	7,639	28.6	7,055	29.0	(40)
Total cost of goods sold	\$ 39,570	37.9 %	\$ 45,384	42.1 %	(420)
<b>Gross Profit</b>					
IoT Products & Services Operating Segments Gross Profit	\$ 45,852	58.9 %	\$ 45,061	54.0 %	490
IoT Solutions Operating Segments Gross Profit	19,081	71.4	17,257	71.0	40
Total gross profit	\$ 64,933	62.1 %	\$ 62,318	57.9 %	420

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
(CONTINUED)**

(\$ in thousands)	Six months ended March 31,				Basis point inc. (decr.)
	2025		2024		
<b>Cost of Goods Sold</b>					
IoT Products & Services	\$ 64,151	41.2 %	\$ 76,493	46.2 %	(500)
IoT Solutions	14,887	28.2	13,880	28.7	(50)
Total cost of goods sold	<u>\$ 79,038</u>	<u>37.9 %</u>	<u>\$ 90,373</u>	<u>42.3 %</u>	<u>(440)</u>
<b>Gross Profit</b>					
IoT Products & Services Operating Segments Gross Profit	\$ 91,455	58.8 %	\$ 88,920	53.8 %	500
IoT Solutions Operating Segments Gross Profit	37,876	71.8	34,498	71.3	50
Total gross profit	<u>\$ 129,331</u>	<u>62.1 %</u>	<u>\$ 123,418</u>	<u>57.7 %</u>	<u>440</u>

**IoT Product & Services**

IoT Products & Services gross profit margin increased 490 basis points for the three months ended March 31, 2025 as compared to the same period in the prior fiscal year. This increase was driven by a favorable margin mix among product sales partially offset by an increase in inventory related adjustments.

IoT Products & Services gross profit margin increased 500 basis points for the six months ended March 31, 2025 as compared to the same period in the prior fiscal year. This increase was driven by a favorable margin mix among product sales partially offset by an increase in inventory related adjustments.

**IoT Solutions**

The IoT Solutions gross profit margin increased 40 basis points for the three months ended March 31, 2025 as compared to the same period in the prior fiscal year. This increase was the result of growth in higher margin ARR subscription revenues.

The IoT Solutions gross profit margin increased 50 basis points for the six months ended March 31, 2025 as compared to the same period in the prior fiscal year. This increase was the result of growth in higher margin ARR subscription revenues.

**OPERATING EXPENSES**

Below are our operating expenses and operating expenses as a percentage of total revenue:

(\$ in thousands)	Three months ended March 31,				\$ incr. (decr.)	% incr. (decr.)	Six months ended March 31,				\$ incr. (decr.)	% incr. (decr.)
	2025		2024				2025		2024			
<b>Operating Expenses</b>												
Sales and marketing	\$ 22,041	21.1 %	\$ 20,540	19.0 %	\$ 1,501	7.3 %	\$ 43,798	21.0 %	\$ 40,187	18.7 %	\$ 3,611	9.0 %
Research and development	15,325	14.7	15,044	14.0	281	1.9	30,352	14.6	29,677	13.9	675	2.3
General and administrative	13,840	13.2	18,583	17.3	(4,743)	(25.5)	28,095	13.5	33,270	15.6	(5,175)	(15.6)
Total operating expenses	<u>\$ 51,206</u>	<u>49.0 %</u>	<u>\$ 54,167</u>	<u>50.3 %</u>	<u>\$ (2,961)</u>	<u>(5.5)%</u>	<u>\$ 102,245</u>	<u>49.1 %</u>	<u>\$ 103,134</u>	<u>48.2 %</u>	<u>\$ (889)</u>	<u>(0.9)%</u>

The \$3.0 million decrease in operating expenses for the three months ended March 31, 2025, as compared to the same period in the prior fiscal year was due to a \$6.3 million litigation reserve increase in the second fiscal quarter of fiscal 2024 that did not reoccur, partially offset by a \$2.1 million gain on the sale of an intangible asset in the second fiscal quarter of fiscal 2024 that did not reoccur and a \$1.2 million increase in non-labor expenses. The \$0.9 million decrease in operating expenses for the six months ended March 31, 2025, as compared to the same period in the prior fiscal year was due to a \$6.3 million litigation reserve increase in the second fiscal quarter of fiscal 2024 that did not reoccur, partially offset by a \$2.1 million gain on the sale of an intangible asset in the second fiscal quarter of fiscal 2024 that did not reoccur and a \$2.9 million increase in labor expenses and a \$0.4 million increase in non-labor expenses.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
(CONTINUED)**

**OTHER EXPENSE, NET**

Below are our other expenses, net, and other expenses, net as a percentage of total revenue:

(\$ in thousands)	Three months ended March 31,				\$ incr. (decr.)	% incr. (decr.)	Six months ended March 31,				\$ incr. (decr.)	% incr. (decr.)
	2025		2024				2025		2024			
<b>Other expense, net</b>												
Interest expense, net	\$ (1,336)	(1.3)%	\$ (3,697)	(3.5)%	\$ 2,361	(63.9)%	(3,630)	(1.7)%	(9,358)	(4.5)%	5,728	(61.2)%
Debt issuance cost write-off	—	—	—	—	—	NM	—	—	(9,722)	(4.5)	9,722	(100.0)
Other expense, net	(43)	—	(32)	—	(11)	34.4 %	(12)	—	(58)	—	46	(79.3)%
<b>Total other expense, net</b>	<b>\$ (1,379)</b>	<b>(1.3)%</b>	<b>\$ (3,729)</b>	<b>(3.5)%</b>	<b>\$ 2,350</b>	<b>(63.0)%</b>	<b>\$ (3,642)</b>	<b>(1.7)%</b>	<b>\$ (19,138)</b>	<b>(9.0)%</b>	<b>\$ 15,496</b>	<b>(81.0)%</b>

NM means not meaningful

Other expense, net, decreased \$2.4 million for the three months ended March 31, 2025, as compared to the same period in the prior fiscal year. Other expense, net, decreased \$15.5 million for the six months ended March 31, 2025, as compared to the same period in the prior fiscal year. These decreases were driven by a write-off of debt issuance costs in 2024 and a reduction in interest expense due to a decrease in average debt outstanding and our effective interest rate (see [Note 5](#) to the condensed consolidated financial statements for additional information).

**INCOME TAXES**

See [Note 8](#) to the condensed consolidated financial statements for discussion of income taxes.

**KEY BUSINESS METRIC**

Annualized Recurring Revenue (ARR) represents the annualized monthly value of all billable subscription contracts, measured at the end of any fiscal period. ARR should be viewed independently of revenue and deferred revenue and is not intended to replace or forecast either of these items. Digi management uses ARR to manage and assess the growth of our subscription revenue business. We believe ARR is an indicator of the scale of our subscription business.

**GOODWILL**

If our future operating results do not meet current forecasts or if we experience a sustained decline in our market capitalization that is determined to be indicative of a reduction in fair value of one or more of our reporting units within either of our segments, we may be required to record future impairment charges for goodwill.

See [Note 4](#) to the condensed consolidated financial statements for additional discussion of goodwill.

**NON-GAAP FINANCIAL INFORMATION**

This report includes adjusted net income, adjusted net income per diluted share and adjusted earnings before interest, taxes and amortization ("Adjusted EBITDA"), each of which is a non-GAAP financial measure.

Non-GAAP measures are not substitutes for GAAP measures for the purpose of analyzing financial performance. The disclosure of these measures does not reflect all charges and gains that actually were recognized by Digi. These non-GAAP measures are not in accordance with, or, an alternative for measures prepared in accordance with GAAP and may be different from non-GAAP measures used by other companies or presented by us in prior reports. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. We believe that non-GAAP measures have limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP. We believe these measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures. Additionally, Adjusted EBITDA does not reflect our cash expenditures, the cash requirements for the replacement of depreciated and amortized assets, or changes in or cash requirements for our working capital needs. We believe that providing historical and adjusted net income and adjusted net income per diluted share, respectively, exclusive of such items as reversals of tax reserves, discrete tax benefits, restructuring charges and reversals, intangible amortization, stock-based compensation, other non-operating income/expense, adjustments to estimates of contingent consideration, acquisition-related expenses and interest expense related to acquisition permits investors to compare results with prior periods that did not

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
(CONTINUED)**

include these items. Management uses the aforementioned non-GAAP measures to monitor and evaluate ongoing operating results and trends and to gain an understanding of our comparative operating performance. In addition, certain of our stockholders have expressed an interest in seeing financial performance measures exclusive of the impact of these matters, which while important, are not central to the core operations of our business. Management believes that Adjusted EBITDA, defined as EBITDA adjusted for stock-based compensation expense, acquisition-related expenses, restructuring charges and reversals and changes in fair value of contingent consideration, is useful to investors to evaluate our core operating results and financial performance because it excludes items that are significant non-cash or non-recurring expenses reflected in the consolidated statements of operations. We believe that the presentation of Adjusted EBITDA as a percentage of revenue is useful because it provides a reliable and consistent approach to measuring our performance from year to year and in assessing our performance against that of other companies. We believe this information helps compare operating results and corporate performance exclusive of the impact of our capital structure and the method by which assets were acquired.

Below are reconciliations from GAAP to non-GAAP information that we feel are important to our business:

**Reconciliation of Net Income to Adjusted EBITDA**  
(In thousands)

	Three months ended March 31,		Six months ended March 31,					
	2025	2024	2025	2024				
	% of total revenue	% of total revenue	% of total revenue	% of total revenue				
Total revenue	\$ 104,503	100.0 %	\$ 107,702	100.0 %	\$ 208,369	100.0 %	\$ 213,791	100.0 %
Net income	\$ 10,497	\$ 3,994	\$ 20,580	\$ 940				
Interest expense, net	1,336	3,697	3,630	9,358				
Debt issuance cost write-off	—	—	—	9,722				
Income tax provision	1,851	428	2,864	206				
Depreciation and amortization	8,162	8,066	16,662	16,117				
Stock-based compensation	3,944	3,473	7,504	6,579				
Litigation accrual	—	6,253	—	6,253				
Gain on asset sale	—	(2,129)	—	(2,129)				
Restructuring charge	225	43	384	146				
Acquisition expense, net	—	—	—	(61)				
Adjusted EBITDA	\$ 26,015	24.9 %	\$ 23,825	22.1 %	\$ 51,624	24.8 %	\$ 47,131	22.0 %

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
(CONTINUED)**

**Reconciliation of Net Income and Net Income per Diluted Share to  
Adjusted Net Income and Adjusted Net Income per Diluted Share**  
(In thousands, except per share amounts)

	Three months ended March 31,				Six months ended March 31,			
	2025		2024		2025		2024	
Net income and net income per diluted share	\$ 10,497	\$ 0.28	\$ 3,994	\$ 0.11	\$ 20,580	\$ 0.55	\$ 940	\$ 0.03
Amortization	5,235	0.14	6,097	0.16	11,000	0.29	12,335	0.33
Stock-based compensation	3,944	0.11	3,473	0.09	7,504	0.20	6,579	0.18
Other non-operating expense	43	—	32	—	12	—	58	—
Acquisition expense, net	—	—	—	—	—	—	(61)	—
Litigation accrual	—	—	6,253	0.17	—	—	6,253	0.17
Gain on asset sale	—	—	(2,129)	(0.06)	—	—	(2,129)	(0.06)
Restructuring charge	225	0.01	43	—	384	0.01	146	—
Interest expense, net	1,336	0.04	3,697	0.10	3,630	0.10	9,358	0.25
Debt issuance cost write-off	—	—	—	—	—	—	9,722	0.26
Tax effect from the above adjustments <sup>(1)</sup>	(2,164)	(0.07)	(3,593)	(0.10)	(4,900)	(0.14)	(7,506)	(0.20)
Discrete tax benefits <sup>(2)</sup>	(149)	—	81	—	(511)	(0.01)	(101)	—
Adjusted net income and adjusted net income per diluted share <sup>(3)</sup>	<u>\$ 18,967</u>	<u>\$ 0.51</u>	<u>\$ 17,948</u>	<u>\$ 0.49</u>	<u>\$ 37,699</u>	<u>\$ 1.00</u>	<u>\$ 35,594</u>	<u>\$ 0.97</u>
Diluted weighted average common shares		<u>37,520</u>		<u>36,974</u>		<u>37,553</u>		<u>36,855</u>

(1) The tax effect from the above adjustments assumes an estimated effective tax rate of 18.0% for fiscal 2025 and fiscal 2024 based on adjusted net income.

(2) For the three and six months ended March 31, 2025 and 2024, discrete tax benefits are a result of changes in excess tax benefits recognized on stock compensation.

(3) Adjusted net income per diluted share may not add due to the use of rounded numbers.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

### LIQUIDITY AND CAPITAL RESOURCES

Historically we have financed our operations and capital expenditures principally with funds generated from operations. In fiscal 2022 we issued debt to fund our acquisition of Ventus. Our liquidity requirements arise from our working capital needs, and to a lesser extent, our need to fund capital expenditures to support our current operations and facilitate growth and expansion.

On December 7, 2023, we entered into a credit agreement. The Credit Agreement provides Digi with a \$250 million senior secured revolving credit facility, with an uncommitted accordion feature that provides for additional borrowing capacity of up to the greater of \$95 million or one hundred percent of trailing twelve month adjusted earnings before interest, taxes, depreciation, and amortization. The Credit Facility also contains a \$10 million letter of credit sublimit and \$10 million swingline sub-facility. Digi used the proceeds to retire the remaining balance of the prior credit agreement and may use the proceeds in the future for general corporate purposes. For additional information regarding the terms of our Credit Facility, including the Revolving Loan and its subfacilities, see [Note 5](#) to our condensed consolidated financial statements.

The Credit Agreement replaced our prior credit agreement that consisted of a \$350 million term loan B secured loan and a \$35 million revolving credit facility. The \$35 million revolving credit facility included a \$10 million letter of credit subfacility and \$10 million swingline subfacility.

We expect positive cash flows from operations for the foreseeable future. We believe that our current cash and cash equivalents balances, cash generated from operations and our ability to borrow under our credit facility will be sufficient to fund our business operations and capital expenditures for the next 12 months and beyond.

Our condensed consolidated statements of cash flows for the six months ended March 31, 2025 and 2024 are summarized as follows:

(\$ in thousands)	Six months ended March 31,	
	2025	2024
Operating activities	\$ 56,005	\$ 31,727
Investing activities	(1,135)	1,425
Financing activities	(56,037)	(42,692)
Effect of exchange rate changes on cash and cash equivalents	(47)	1,642
Net decrease in cash and cash equivalents	\$ (1,214)	\$ (7,898)

*Cash flows from operating activities increased \$24.3 million as a result of:*

- a \$19.6 million increase in net income in the first half of fiscal 2025,
- a \$11.5 million decrease in net operating assets for the first six months of fiscal 2025 compared to a \$4.6 million increase in the first six months of fiscal 2024,
- a one-time \$2.2 million gain on the sale of assets in the second quarter of fiscal 2024,
- and a \$0.4 million increase in deferred income tax benefit for the first six months of fiscal 2025 compared to a \$1.9 million increase in the first six months of fiscal 2024.

*These were partially offset by:*

- a \$9.7 million debt issuance cost write-off included in net income in the first quarter of fiscal 2024,
- and a \$6.3 million accrual for litigation expense in the second quarter of fiscal 2024.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
(CONTINUED)**

Cash flows used in investing activities decreased \$2.6 million as a result of:

- a \$2.2 million decrease in proceeds from the sale of intangible assets,
- and a \$0.3 million increase in purchases of property, equipment, improvements and certain other intangible assets.

Cash flows used in financing activities increased \$13.3 million as a result of:

- net proceeds of \$214.1 million from the issuance of a new credit facility in the first quarter of fiscal 2024 that did not repeat in 2025,
- and a \$3.8 million increase in taxes paid to satisfy tax withholding obligations of holders of options to purchase common shares and restricted stock unit awards in connections with net share settlements.

These were partially offset by:

- debt payments of \$53.3 million in the first half of fiscal 2025, compared to debt payments of \$256.0 million in the first half of fiscal 2024
- and a \$1.7 million increase in proceeds from stock option exercises and employee stock purchase plan transactions.

**CONTRACTUAL OBLIGATIONS**

The following table summarizes our contractual obligations at March 31, 2025:

(\$ in thousands)	Payments due by fiscal period				
	Total	Less than 1 year	1-3 years	3-5 years	Thereafter
Operating leases	\$ 14,867	\$ 3,489	\$ 4,724	\$ 3,729	\$ 2,925
Revolving loan	71,000	—	—	71,000	—
<b>Total</b>	<b>\$ 85,867</b>	<b>\$ 3,489</b>	<b>\$ 4,724</b>	<b>\$ 74,729</b>	<b>\$ 2,925</b>

The operating leases included above primarily relate to office space. The table above does not include possible payments for uncertain tax positions. Our reserve for uncertain tax positions, including accrued interest and penalties, was \$0.1 million as of March 31, 2025. Due to the nature of the underlying liabilities and the extended time often needed to resolve income tax uncertainties, we cannot make reliable estimates of the amount or timing of future cash payments that may be required to settle these liabilities. The table above also does not include those obligations for royalties under license agreements as these royalties are calculated based on future sales of licensed products and we cannot make reliable estimates of the amount of cash payments.

**RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

None.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to ongoing market risk related to changes in interest rates and foreign currency exchange rates.

**INTEREST RATE RISK**

We are exposed to market risks related to fluctuations in interest rates on amounts borrowed under the Credit Facility. As of March 31, 2025, we had \$71.0 million outstanding under our Revolving Loan. Borrowings under the Credit Facility bear interest at a rate per annum equal to Term SOFR with a floor of 0.00% for an interest period of one, three, or six months as selected by Digi, reset at the end of the selected interest period (or a replacement benchmark rate if Term SOFR is no longer available) plus the applicable margin or a base rate plus the applicable margin. The base rate is determined by reference to the highest of (1) BMO's prime rate, (2) the rate determined by BMO to be the average rate of Federal funds in the secondary market plus 0.50%, or (3) one-month SOFR plus 1.00%. The applicable margin for loans under the Credit Facility is in a range of 1.75 to 2.75% for Term SOFR loans and 0.75% to 1.75% for base rate loans, depending on Digi's total net leverage ratio.

The initial borrowings were made at Term SOFR for a one-month interest period plus an applicable margin of 2.50%. Our weighted average interest rate for our Credit Facility as of March 31, 2025 was 6.10%.

Digi bases the interest period election described above on an assessment of the interest rate environment conducted on a monthly basis. Based on the balance sheet position for the Revolving Loan at March 31, 2025, the annualized effect of a 25 basis point change in interest rates would increase or decrease our interest expense by \$0.2 million. For additional information, see [Note 5](#) to our condensed consolidated financial statements. For our Credit Facility, interest rate changes generally do not affect the fair value of the debt instruments, but do impact future earnings and cash flows, assuming other factors are held constant. If interest rates remain elevated, we will continue to see interest expenses that are higher than historical amounts.

#### FOREIGN CURRENCY RISK

We are not exposed to foreign currency transaction risk associated with sales transactions as the majority of our sales are denominated in U.S. Dollars. We are exposed to foreign currency translation risk as the financial position and operating results of our foreign subsidiaries are translated into U.S. Dollars for consolidation. We manage our net asset or net liability position for non-functional currency accounts, primarily the U.S. Dollar accounts in our foreign locations to reduce our foreign currency risk. We have not implemented a formal hedging strategy.

A 10% change in the average exchange rate for the Euro, British Pound, Australian Dollar and Canadian Dollar to the U.S. Dollar during the first six months of fiscal 2025 would have resulted in a 0.9% increase or decrease in stockholders' equity due to foreign currency translation.

#### CREDIT RISK

We have exposure to credit risk related to our accounts receivable portfolio. Exposure to credit risk is controlled through regular monitoring of customer financial status, credit limits and collaboration with sales management and customer contacts to facilitate payment.

### ITEM 4. CONTROLS AND PROCEDURES

#### EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to our management, including the principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

#### CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting that occurred during the six months ended March 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

The disclosure set forth in [Note 11](#) to the condensed consolidated financial statements in Part I, Item 1 of this Form 10-Q is incorporated herein by reference.

### **ITEM 1A. RISK FACTORS**

Except as set forth below, there have been no material changes in our risk factors from those previously disclosed in Item 1A of Part I of our Annual Report on [Form 10-K](#) for the year ended September 30, 2024.

*Our dependence on new product development, rapid technological change, competitors' product introductions and enhancements, and regulatory changes make us susceptible to potential fluctuations in demand or loss of market share for our products.*

Our industry is characterized by rapidly changing technologies, evolving industry standards, frequent new product introductions, short product life cycles in certain instances and rapidly changing customer requirements. One example of new technology that could impact the markets in which we sell products and customer requirements could be the introduction of artificial intelligence features into products or solutions offerings. The introduction of products and enhancements embodying new technologies, whether via competitors' products or just changes in markets where we sell products because of other changes in technology more generally, can disrupt one or more markets in which we compete. In addition, the emergence of new or changed industry standards or regulations impacting our industry can also cause demand for our products to fluctuate or render our products obsolete or unmarketable.

Our future success will depend on our ability to enhance our existing products, to introduce new products to meet changing customer requirements and emerging technologies as well as potential regulatory changes, and to demonstrate the performance advantages and cost-effectiveness of our products over competing products. This could be impacted not only by the features we offer in our products, but also by our ability to operate efficiently relative to those with whom we compete. For instance, if competitors with more resources than us are able to deploy efficiency enhancements into their operations more quickly than us (whether via significant investments in artificial intelligence or otherwise) they may be better positioned than us to more quickly enhance existing products or introduce new products that meet customer requirements or market demands. Failure by us to modify our products to support new alternative technologies or failure to achieve widespread customer acceptance of such modified products could cause us to lose market share and cause our revenue to decline. Further, if our competitors offer better service capabilities associated with the implementation and use of their products, our business could be impacted negatively.

We may experience delays in developing and marketing product enhancements or new products that respond to technological change, evolving industry standards or regulations and changing customer requirements. There can be no assurance that we will not experience difficulties that could delay or prevent the successful development, introduction, and marketing of these products or product enhancements, or that our new products and product enhancements will meet the requirements of the marketplace adequately and achieve any significant or sustainable degree of market acceptance in existing or additional markets. Further, demand for products can fluctuate because of changes in technology generally which could also impact our sales of products. In addition, the future introductions or announcements of products by us or one of our competitors embodying new technologies or changes in industry standards or regulations or customer requirements could render our then-existing products obsolete or unmarketable. This risk may become more pronounced as new competitors emerge in markets where we sell our products, especially if these competitors have more resources than us to develop and market new products and technologies and provide related services. There can be no assurance that the introduction or announcement of new technologies into markets where we sell products or the introduction or announcement of product offerings by us or one or more of our competitors will not cause customers to defer their purchase of our existing products, which could cause our revenue to decline.

*Potential new or incremental international tariffs could materially and adversely affect our business and results of operations.*

Due to the global reach of our operations, changes in international trade policy could result in an adverse effect on our results of operations, financial condition and cash flows. Additional or new tariffs imposed by various governments globally have the potential to disrupt existing supply chains and impose additional costs on our business. Existing and future retaliatory trade actions imposed by other governments, as well as possible price increases we may elect to charge, could make our products more expensive for customers, and, in turn, could make our products less competitive. Any existing or new, substantial tariff increases on imports within our supply chain or involving countries in which our contract manufacturers are located, should they be implemented and sustained for an extended period of time, could have a significant adverse effect on our business and our supply chain.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following table presents the information with respect to purchases made by or on behalf of Digi or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act), of our common stock during the second quarter of fiscal 2025:

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program
January 1, 2025 - January 31, 2025	35	\$ 32.15	—	\$ —
February 1, 2025 - February 28, 2025	4,022	34.94	—	—
March 1, 2025 - March 31, 2025	—	—	—	—
	<u>4,057</u>	<u>\$ 34.91</u>	<u>—</u>	<u>\$ —</u>

(1) All shares reported were forfeited by employees in connection with the satisfaction of tax withholding obligations related to the vesting of restricted stock units.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

None.

**ITEM 5. OTHER INFORMATION**

During the three months ended March 31, 2025, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, modified or terminated any contract, instruction, or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act or any non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K).

**ITEM 6. EXHIBITS**

Exhibit No.	Description	Method of Filing
3 (a)	Restated Certificate of Incorporation of the Company, as amended (1)	Incorporated by Reference
3 (b)	<a href="#">Amended and Restated By-Laws of the Company</a> (2)	Incorporated by Reference
10 (a)	<a href="#">Digi International Inc. 2021 Omnibus Incentive Plan (as amended and restated on February 3, 2025)</a> (3)	Incorporated by Reference
31 (a)	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer</a>	Filed Electronically
31 (b)	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer</a>	Filed Electronically
32	<a href="#">Section 1350 Certification</a>	Furnished Electronically
101	The following materials from Digi International Inc.'s Quarterly Report on Form 10-Q for the fiscal period ended March 31, 2025, as filed with the Security and Exchange Commission, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Operations; (ii) Condensed Consolidated Statements of Comprehensive Income; (iii) Condensed Consolidated Balance Sheets; (iv) Condensed Consolidated Statements of Cash Flows; (v) Condensed Consolidated Statements of Stockholders' Equity; (vi) the Notes to the Condensed Consolidated Financial Statements; and (vii) the information set forth in Part II, Item 5.	Filed Electronically
104	The cover page from Digi International Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2025 is formatted in iXBRL (included in Exhibit 101).	

(1) Incorporated by reference to Exhibit 3(a) to the Company's Annual Report on Form 10-K for the year ended September 30, 1993.

(2) Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 30, 2020.

(3) Incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q filed on February 5, 2025.



**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ronald E. Konezny, certify that:

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

May 7, 2025

/s/ Ronald E. Konezny  
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Ronald E. Konezny  
President and Chief Executive Officer

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James J. Loch, certify that:

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

May 7, 2025

/s/ James J. Loch

James J. Loch

Senior Vice President, Chief Financial Officer and Treasurer

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Digi International Inc. (the Registrant) on Form 10-Q for the fiscal quarter ended March 31, 2025 as filed with the Securities and Exchange Commission on the date hereof, each of the undersigned certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report on Form 10-Q complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

May 7, 2025

/s/ Ronald E. Konezny

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Ronald E. Konezny  
President and Chief Executive Officer

/s/ James J. Loch

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James J. Loch  
Senior Vice President, Chief Financial Officer and Treasurer