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: June 30, 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	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

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

On July 25, 2025, there were 37,122,182 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 June 30,		Nine months ended June 30,	
	2025	2024	2025	2024
	(in thousands, except per share data)			
Revenue:				
Product	$ 74,136	$ 74,618	$ 218,908	$ 230,300
Service	33,378	30,585	96,975	88,694
Total revenue	107,514	105,203	315,883	318,994
Cost of sales:				
Cost of product	31,537	35,846	95,268	111,506
Cost of service	6,756	6,147	20,157	18,954
Amortization	953	952	2,859	2,858
Total cost of sales	39,246	42,945	118,284	133,318
Gross profit	68,268	62,258	197,599	185,676
Operating expenses:				
Sales and marketing	23,019	21,501	66,817	61,688
Research and development	16,227	15,132	46,579	44,809
General and administrative	14,099	12,717	42,194	45,987
Total operating expenses	53,345	49,350	155,590	152,484
Operating income	14,923	12,908	42,009	33,192
Other expense, net:				
Interest expense, net	(932)	(3,234)	(4,562)	(12,592)
Debt issuance cost write-off	—	—	—	(9,722)
Other expense, net	(31)	(14)	(43)	(72)
Total other expense, net	(963)	(3,248)	(4,605)	(22,386)
Income before income taxes	13,960	9,660	37,404	10,806
Income tax provision (benefit)	3,717	(42)	6,581	164
Net income	$ 10,243	$ 9,702	$ 30,823	$ 10,642
Net income per common share:				
Basic	$ 0.28	$ 0.27	$ 0.84	$ 0.29
Diluted	$ 0.27	$ 0.26	$ 0.82	$ 0.29
Weighted average common shares:				
Basic	37,073	36,375	36,902	36,266
Diluted	37,653	37,026	37,623	36,921

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 June 30,		Nine months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Net income	$ 10,243	$ 9,702	$ 30,823	$ 10,642
Other comprehensive income (loss):				
Foreign currency translation adjustment	1,427	(65)	262	2,283
Other comprehensive income (loss)	1,427	(65)	262	2,283
Comprehensive income	$ 11,670	$ 9,637	$ 31,085	$ 12,925

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

DIGI INTERNATIONAL INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2025	September 30, 2024
	(in thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 20,104	$ 27,510
Accounts receivable, net	66,141	69,640
Inventories	35,439	53,357
Income taxes receivable	1,663	173
Prepaid expenses and other current assets	3,745	3,767
Total current assets	127,092	154,447
Property, equipment and improvements, net	35,018	34,915
Intangible assets, net	236,979	252,909
Goodwill	343,038	342,774
Operating lease right-of-use assets	8,669	10,207
Deferred tax assets	18,660	16,141
Other non-current assets	885	3,682
Total assets	$ 770,341	$ 815,075
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	29,391	23,759
Accrued compensation	13,679	13,995
Unearned revenue	33,569	30,556
Current portion of operating lease liabilities	2,928	2,973
Income taxes payable	—	2,549
Other current liabilities	9,142	15,505
Total current liabilities	88,709	89,337
Income taxes payable	2,929	2,749
Deferred tax liabilities	1,310	1,308
Long-term debt	40,085	123,185
Operating lease liabilities	9,323	11,228
Other non-current liabilities	6,478	6,233
Total liabilities	148,834	234,040
Commitments and Contingencies (See Note 11)		
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; 43,600,897 and 42,996,725 shares issued	436	430
Additional paid-in capital	432,582	420,413
Retained earnings	278,173	247,350
Accumulated other comprehensive loss	(23,482)	(23,744)
Treasury stock, at cost, 6,487,904 and 6,449,364 shares	(66,202)	(63,414)
Total stockholders' equity	621,507	581,035
Total liabilities and stockholders' equity	$ 770,341	$ 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)

	Nine months ended June 30,	
	2025	2024
	(in thousands)	
Operating activities:		
Net income	$ 30,823	$ 10,642
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, equipment and improvements	8,723	5,977
Amortization	16,441	18,925
Write-off of debt issuance costs	—	9,722
Stock-based compensation	11,378	10,093
Deferred income tax expense	(2,518)	(2,970)
Litigation accrual	—	6,253
Other	44	(1,817)
Changes in operating assets and liabilities	15,067	(168)
Net cash provided by operating activities	79,958	56,657
Investing activities:		
Purchase of property, equipment, improvements and certain other intangible assets	(2,148)	(1,282)
Proceeds from sale of property, equipment, improvements and certain other intangible assets	—	2,229
Net cash (used in) provided by investing activities	(2,148)	947
Financing activities:		
Proceeds from long-term debt	—	214,062
Payments on long-term debt	(83,300)	(276,225)
Proceeds from stock option plan transactions	3,097	952
Proceeds from employee stock purchase plan transactions	1,665	2,061
Taxes paid for net share settlement of share-based payment options and awards	(6,753)	(3,466)
Net cash used in financing activities	(85,291)	(62,616)
Effect of exchange rate changes on cash and cash equivalents	75	1,656
Net decrease in cash and cash equivalents	(7,406)	(3,356)
Cash and cash equivalents, beginning of period	27,510	31,693
Cash and cash equivalents, end of period	$ 20,104	$ 28,337
Supplemental disclosures of cash flow information:		
Interest paid	$ 4,764	$ 11,780
Income taxes paid, net	12,919	4,559
Supplemental schedule of non-cash investing and financing activities:		
Transfer of inventory to property, equipment and improvements	(6,859)	(8,354)
Accrual for purchase of property, equipment, improvements and certain other intangible assets	$ (179)	$ (128)

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 Shares	Common Stock Par Value	Treasury Stock Shares	Treasury Stock Value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
Balances, March 31, 2024	42,854	$ 429	6,492	$ (63,683)	$ 411,759	$ 225,785	$ (24,663)	$ 549,627
Net income	—	—	—	—	—	9,702	—	9,702
Other comprehensive loss	—	—	—	—	—	—	(65)	(65)
Employee stock purchase plan issuances	—	—	(25)	242	327	—	—	569
Taxes paid for net share settlement of share-based payment awards	—	—	7	(176)	(505)	—	—	(681)
Issuance of stock under stock award plans	28	—	—	—	388	—	—	388
Stock-based compensation expense	—	—	—	—	3,514	—	—	3,514
Balances, June 30, 2024	42,882	$ 429	6,474	$ (63,617)	$ 415,483	$ 235,487	$ (24,728)	$ 563,054
Balance on September 30, 2023	42,501	$ 425	6,436	$ (61,506)	$ 403,735	$ 224,845	$ (27,011)	$ 540,488
Net income	—	—	—	—	—	10,642	—	10,642
Other comprehensive income	—	—	—	—	—	—	2,283	2,283
Employee stock purchase plan issuances	—	—	(75)	733	948	—	—	1,681
Taxes paid for net share settlement of share-based payment awards	—	—	113	(2,844)	(622)	—	—	(3,466)
Issuance of stock under stock award plans	381	4	—	—	1,329	—	—	1,333
Stock-based compensation expense	—	—	—	—	10,093	—	—	10,093
Balances, June 30, 2024	42,882	$ 429	6,474	$ (63,617)	$ 415,483	$ 235,487	$ (24,728)	$ 563,054
Balances, March 31, 2025	43,562	$ 436	6,506	$ (66,280)	$ 428,041	$ 267,930	$ (24,909)	$ 605,218
Net income	—	—	—	—	—	10,243	—	10,243
Other comprehensive income	—	—	—	—	—	—	1,427	1,427
Employee stock purchase plan issuances	—	—	(23)	248	301	—	—	549
Taxes paid for net share settlement of share-based payment options and awards	—	—	5	(170)	—	—	—	(170)
Issuance of stock under stock award plans	39	—	—	—	366	—	—	366
Stock-based compensation expense	—	—	—	—	3,874	—	—	3,874
Balances, June 30, 2025	43,601	$ 436	6,488	$ (66,202)	$ 432,582	$ 278,173	$ (23,482)	$ 621,507
Balances, September 30, 2024	42,997	$ 430	6,449	$ (63,414)	$ 420,413	$ 247,350	$ (23,744)	$ 581,035
Net income	—	—	—	—	—	30,823	—	30,823
Other comprehensive income	—	—	—	—	—	—	262	262
Employee stock purchase plan issuances	—	—	(71)	748	917	—	—	1,665
Taxes paid for net share settlement of share-based payment awards	—	—	110	(3,536)	(3,218)	—	—	(6,754)
Issuance of stock under stock award plans	604	6	—	—	3,092	—	—	3,098
Stock-based compensation expense	—	—	—	—	11,378	—	—	11,378
Balances, June 30, 2025	43,601	$ 436	6,488	$ (66,202)	$ 432,582	$ 278,173	$ (23,482)	$ 621,507

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, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 June 30,		Nine months ended June 30,	
	2025	2024	2025	2024
Numerator:				
Net income	$ 10,243	$ 9,702	$ 30,823	$ 10,642
Denominator:				
Denominator for basic net income per common share — weighted average shares outstanding	37,073	36,375	36,902	36,266
Effect of dilutive securities:				
Stock options and restricted stock units	580	651	721	655
Denominator for diluted net income per common share — adjusted weighted average shares	37,653	37,026	37,623	36,921
Net income per common share, basic	$ 0.28	$ 0.27	$ 0.84	$ 0.29
Net income per common share, diluted	$ 0.27	$ 0.26	$ 0.82	$ 0.29

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 June 30, 2025 and 2024, 337,179 and 646,564 shares outstanding were excluded, respectively. For the nine months ended June 30, 2025 and 2024, 206,008 and 710,370 shares outstanding were excluded, respectively.

3. SELECTED BALANCE SHEET DATA

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

	June 30, 2025	September 30, 2024
Accounts receivable, net:		
Accounts receivable	$ 78,244	$ 78,672
Less allowance for credit losses	6,037	1,562
Less reserve for future credit returns and pricing adjustments	6,066	7,470
Accounts receivable, net	$ 66,141	$ 69,640
Inventories:		
Raw materials	$ 12,287	$ 18,669
Work in process	224	52
Finished goods	22,928	34,636
Inventories	$ 35,439	$ 53,357

4. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Amortizable intangible assets were (in thousands):

	June 30, 2025			September 30, 2024		
	Gross carrying amount	Accum. amort.	Net	Gross carrying amount	Accum. amort.	Net
Purchased and core technology	$ 85,018	$ (66,491)	$ 18,527	$ 85,041	$ (63,654)	$ 21,387
License agreements	112	(112)	—	112	(112)	—
Patents and trademarks	40,871	(24,252)	16,619	40,335	(22,047)	18,288
Customer relationships	309,213	(107,380)	201,833	309,223	(95,989)	213,234
Non-compete agreements	600	(600)	—	600	(600)	—
Order backlog	1,000	(1,000)	—	1,000	(1,000)	—
Total	$ 436,814	$ (199,835)	$ 236,979	$ 436,311	$ (183,402)	$ 252,909

Amortization expense for intangible assets was $5.2 million and $6.1 million for the three months ended June 30, 2025 and 2024, respectively. Amortization expense for intangible assets was $16.2 million and $18.4 million for the nine months ended June 30, 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 (three months)	$ 5,268
2026	20,760
2027	20,760
2028	20,447
2029	18,701
2030	18,297

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

	Nine months ended June 30, 2025		
	IoT Products & Services	IoT Solutions	Total
Balance on September 30, 2024	$ 175,093	$ 167,681	$ 342,774
Foreign currency translation adjustment	382	(118)	264
Balance on June 30, 2025	$ 175,475	$ 167,563	$ 343,038

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 that are also reporting units, IoT Products & Services and IoT Solutions (see Note 6). 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 2025.

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.

4. GOODWILL AND OTHER INTANGIBLE ASSETS, NET (CONTINUED)

Results of our Fiscal 2025 Annual Impairment Test

As of June 30, 2025, we had a total of $175.5 million of goodwill for the IoT Products & Services reporting unit and $167.6 million of goodwill for the IoT Solutions reporting unit. At June 30, 2025, the fair value of goodwill exceeded the carrying value for each reporting units and no impairment was recorded.

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 six-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 June 30, 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 June 30, 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 June 30, 2025.

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

	Balance on June 30, 2025	Balance on September 30, 2024
Revolving Loan	$ 41,000	$ 124,300
Less unamortized issuance costs	(915)	(1,115)
Total long-term debt, net of unamortized issuance costs	$ 40,085	$ 123,185

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. 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 CODM uses segment gross profit to measure profitability within each of our reportable segments.

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

	Three months ended June 30,		Nine months ended June 30,	
	2025	2024	2025	2024
Revenue				
IoT Products & Services	$ 80,032	$ 80,003	$ 235,638	$ 245,416
IoT Solutions	27,482	25,200	80,245	73,578
Total revenue	$ 107,514	$ 105,203	$ 315,883	$ 318,994
Gross Profit				
IoT Products & Services	$ 48,477	$ 43,501	$ 139,932	$ 132,421
IoT Solutions	19,791	18,757	57,667	53,255
Total gross profit	$ 68,268	$ 62,258	$ 197,599	$ 185,676

Total depreciation and amortization expense was (in thousands):

	Three months ended June 30,		Nine months ended June 30,	
	2025	2024	2024	2023
IoT Products & Services	$ 2,916	$ 3,111	$ 9,262	$ 9,316
IoT Solutions	5,385	5,187	15,701	15,098
Total depreciation and amortization expense	$ 8,301	$ 8,298	$ 24,963	$ 24,414

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

	Nine months ended June 30,	
	2025	2024
IoT Products & Services	$ 1,295	$ 581
IoT Solutions*	539	475
Total expended for property, plant and equipment	$ 1,834	$ 1,056

* Excluded from these amounts are $6,859 and $8,354 of transfers of inventory to property plant and equipment for subscriber assets for the nine months ended June 30, 2025 and 2024, respectively.

6. SEGMENT INFORMATION (CONTINUED)

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

	June 30, 2025	September 30, 2024
IoT Products & Services	$ 356,276	$ 376,998
IoT Solutions	393,961	410,567
Unallocated*	20,104	27,510
Total assets	$ 770,341	$ 815,075

*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 June 30,		Nine months ended June 30,	
	2025	2024	2025	2024
North America, primarily the United States	$ 89,725	$ 72,908	$ 252,279	$ 225,001
Europe, Middle East & Africa	12,461	15,123	45,460	48,998
Rest of world	5,328	17,172	18,144	44,995
Total revenue	$ 107,514	$ 105,203	$ 315,883	$ 318,994

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

	Three months ended June 30,		Nine months ended June 30,	
	2025	2024	2025	2024
Transferred at a point in time	$ 76,364	$ 77,096	$ 224,769	$ 237,064
Transferred over time	31,150	28,107	91,114	81,930
Total revenue	$ 107,514	$ 105,203	$ 315,883	$ 318,994

We had one distributor customer of Digi's IoT Products & Services segment that represented 16% of consolidated revenue for the three and nine months ended June 30, 2025. No customers represented over 10% of consolidated revenue for the three and nine months ended June 30, 2024.

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 $24.2 million and $23.6 million as of June 30, 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 $2.3 million and $1.4 million for the three months ended June 30, 2025 and 2024, respectively. Depreciation expense for these subscriber assets, which is included in cost of sales, was $6.3 million and $3.5 million for the nine months ended June 30, 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 June 30, 2025 and September 30, 2024.

7. REVENUE (CONTINUED)

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.

Our contract liabilities were $40.0 million and $37.5 million at June 30, 2025 and 2024, respectively.

There were contract liability balances of $42.5 million and $38.0 million as of March 31, 2025 and 2024, respectively. Of these balances, Digi recognized $11.0 million and $7.7 million as revenue in the three months ended June 30, 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 $22.5 million and $17.6 million as revenue in the nine months ended June 30, 2025 and 2024, respectively.

Remaining Performance Obligation

As of June 30, 2025, we had approximately $158.9 million of remaining performance obligations on contracts with an original duration of one year or more. We expect to recognize revenue on approximately $78.4 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 $6.6 million for the nine months ended June 30, 2025. Included in this was a net tax expense of $0.3 million discretely related to the nine months ended June 30, 2025.

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. 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.

On July 4, 2025, the One Big Beautiful Bill Act was signed into law in the U.S., which contains a broad range of tax reform provisions affecting businesses. The legislation has multiple effective dates, with certain provisions effective in 2025 and others implemented through 2027. We are currently assessing its impact on our consolidated financial statements.

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:	
Prior year income tax positions	(91)
Expiration of statute of limitations	(57)
Unrecognized tax benefits as of June 30, 2025	$ 3,454

The total amount of unrecognized tax benefits at June 30, 2025 that, if recognized, would affect our effective tax rate was $3.3 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 June 30,	
	2025	2024
Balance at beginning of period	$ 1,104	$ 774
Warranties accrued	197	171
Net settlements	(68)	(141)
Balance at end of period	$ 1,233	$ 804

	Nine months ended June 30,	
	2025	2024
Balance at beginning of period	$ 933	$ 772
Warranties accrued	584	341
Settlement made	(284)	(309)
Balance at end of period	$ 1,233	$ 804

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	June 30, 2025	September 30, 2024
Assets			
Operating leases	Operating lease right-of-use assets	$ 8,669	$ 10,207
Total lease assets		$ 8,669	$ 10,207
Liabilities			
Operating leases	Current portion of operating lease liabilities	$ 2,928	$ 2,973
Operating leases	Operating lease liabilities	9,323	11,228
Total lease liabilities		$ 12,251	$ 14,201

10. LEASES (CONTINUED)

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 June 30,		Nine months ended June 30,	
	2025	2024	2025	2024
Operating lease cost	$ 803	$ 757	$ 2,519	$ 2,578
Variable lease cost	318	310	935	943
Short-term lease cost	30	30	88	85
Total lease cost	$ 1,151	$ 1,097	$ 3,542	$ 3,606

At June 30, 2025, the weighted average remaining lease term of our operating leases was 5.5 years and the weighted average discount rate for these leases was 4.7%.

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 June 30, 2025 (in thousands):

Fiscal year	Amount
2025 (three months)	$ 972
2026	3,375
2027	2,100
2028	1,897
2029	1,840
2030	1,880
Thereafter	1,985
Total future undiscounted lease payments	14,049
Less imputed interest	(1,798)
Total reported lease liability	$ 12,251

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 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 nine 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 June 30, 2025, there were approximately 3,371,138 shares available for future grants under the 2021 Plan.

Cash received from the exercise of stock options was $3.1 million and $1.3 million for the nine months ended June 30, 2025 and 2024, respectively.

12. STOCK-BASED COMPENSATION (CONTINUED)

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 nine months ended June 30, 2025 and 2024, our employees forfeited 109,516 shares and 112,827 shares, respectively, in order to satisfy withholding tax obligations of $3.5 million and $2.8 million, respectively. 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 $1.7 million for the nine months ended June 30, 2025 and 2024. Pursuant to the ESPP, 70,976 and 74,760 common shares were issued to employees during the nine months ended June 30, 2025 and 2024, respectively. Shares are issued under the ESPP from treasury stock. As of June 30, 2025, 297,521 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 June 30,		Nine months ended June 30,	
	2025	2024	2025	2024
Cost of sales	$ 199	$ 173	$ 588	$ 529
Sales and marketing	1,316	1,218	3,935	3,594
Research and development	604	517	1,761	1,448
General and administrative	1,755	1,606	5,094	4,522
Stock-based compensation before income taxes	3,874	3,514	11,378	10,093
Income tax benefit	(836)	(724)	(2,437)	(2,138)
Stock-based compensation after income taxes	$ 3,038	$ 2,790	$ 8,941	$ 7,955

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	(537)	16.01		
Forfeited / Canceled	(18)	30.81		
Balance on June 30, 2025	890	$21.45	3.1	$ 11,766
Exercisable on June 30, 2025	689	$19.82	2.5	$ 10,540

(1) The aggregate intrinsic value represents the total pre-tax intrinsic value, based on our closing stock price of $34.86 as of June 30, 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 nine months ended June 30, 2025 and 2024 was $9.6 million and $2.6 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:

	Nine months ended June 30,	
	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%	4.48% - 4.68%
Expected term	6.00 years	6.00 years
Expected volatility	48%	46% - 47%
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 June 30, 2025, the total unrecognized compensation cost related to non-vested stock options was $2.2 million and the related weighted average period over which it is expected to be recognized is approximately 1.7 years.

Non-vested Stock Units

The following table presents a summary of our non-vested restricted stock units and performance stock units as of June 30, 2025 and changes during the nine 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	445	32.22	162	32.64
Vested	(265)	27.13	(54)	30.57
Canceled	(56)	30.43	(4)	19.78
Nonvested on June 30, 2025	970	$ 31.92	324	$ 31.71

As of June 30, 2025, the total unrecognized compensation cost related to non-vested restricted stock units and performance stock units was $22.7 million and $0.7 million, respectively. The related weighted average period over which these costs are expected to be recognized was approximately 2.0 years and 0.3 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 that are 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, including (but not limited to) expectations regarding the Company's profitability and net cash position, inventory levels, supply chain normalization, 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 and potential changes to regulations impacting the functionality or compliance of our products, risks related to cybersecurity, data breaches and data privacy, 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 third quarter of fiscal 2025 that we feel are most important in these evaluations, with comparisons to the third quarter of fiscal 2024:

- Consolidated revenue was $108 million, an increase of 2%.
- Consolidated gross profit was $68 million, an increase of 10%.
- Gross profit margin was 63.5%, an increase of 430 basis points.
- Net income was $10 million, an increase of 6%.
- Net income per diluted share was $0.27, an increase of 4%.
- Adjusted net income and adjusted net income per share were $20 million, or $0.53 per diluted share, respectively, compared to $18 million, or $0.50 per diluted share, respectively.
- Adjusted EBITDA was $28 million, or 25.6% of revenue, compared to $25 million or 23.5% of revenue, an increase of 11%.
- Annualized Recurring Revenue (ARR) was $126 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 uncertain.

CONSOLIDATED RESULTS OF OPERATIONS

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

	Three months ended June 30,				% incr.	Nine months ended June 30,				% incr.
($ in thousands)	2025		2024		(decr.)	2025		2024		(decr.)
Revenue	$ 107,514	100.0 %	$ 105,203	100.0 %	2.2 %	$ 315,883	100.0 %	$ 318,994	100.0 %	(1.0)%
Cost of sales	39,246	36.5	42,945	40.8	(8.6)	118,284	37.4	133,318	41.8	(11.3)
Gross profit	68,268	63.5	62,258	59.2	9.7	197,599	62.6	185,676	58.2	6.4
Operating expenses	53,345	49.6	49,350	46.9	8.1	155,590	49.3	152,484	47.8	2.0
Operating income	14,923	13.9	12,908	12.3	15.6	42,009	13.3	33,192	10.4	26.6
Other expense, net	(963)	(0.9)	(3,248)	(3.1)	(70.4)	(4,605)	(1.5)	(22,386)	(7.0)	(79.4)
Income before income taxes	13,960	13.0	9,660	9.2	44.5	37,404	11.8	10,806	3.4	NM
Income tax expense	3,717	3.5	(42)	—	NM	6,581	2.0	164	0.1	NM
Net income	$ 10,243	9.5 %	$ 9,702	9.2 %	5.6	$ 30,823	9.8 %	$ 10,642	3.3 %	NM

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

NM means not meaningful

REVENUE BY SEGMENT

($ in thousands)	Three months ended June 30, 2025		2024		% incr. (decr.)	Nine months ended June 30, 2025		2024		% incr. (decr.)
Revenue										
IoT Products & Services	$ 80,032	74.4 %	$ 80,003	76.0 %	— %	$ 235,638	74.6 %	$ 245,416	76.9 %	(4.0)%
IoT Solutions	27,482	25.6	25,200	24.0	9.1	80,245	25.4	73,578	23.1	9.1
Total revenue	$ 107,514	100.0 %	$ 105,203	100.0 %	2.2 %	$ 315,883	100.0 %	$ 318,994	100.0 %	(1.0)%

IoT Products & Services

IoT Products & Services revenue was flat for the three months ended June 30, 2025, as compared to the same period in the prior fiscal year. This consisted of a $1.3 million of recurring revenue growth, offset by a $1.3 million decrease in one-time sales, with no material impact from pricing. The decrease 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.

IoT Products & Services revenue decreased $9.8 million for the nine months ended June 30, 2025, as compared to the same period in the prior fiscal year. The decrease consisted of a $12.8 million decline in one-time sales. 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 $3.0 million of recurring revenue growth. Overall, there was no material impact from pricing.

IoT Solutions

IoT Solutions revenue increased $2.3 million for the three months ended June 30, 2025, as compared to the same period in the prior fiscal year. The increase consisted of a $1.7 million increase in recurring revenue, driven by growth in both SmartSense and Ventus and a $0.6 million increase in one-time sales.

IoT Solutions revenue increased $6.7 million for the nine months ended June 30, 2025, as compared to the same period in the prior fiscal year. The increase consisted of a $6.2 million increase in recurring revenue, driven by growth in both SmartSense and Ventus and a $0.5 million increase in one-time sales.

ARR

ARR was $126 million as of June 30, 2025, compared to $113 million as of June 30, 2024. IoT Products & Services ARR was $30 million as of June 30, 2025, compared to $23 million as of June 30, 2024. This increase was due to growth in the subscription base across remote management platforms and extended warranty offerings. IoT Solutions ARR was $96 million as of June 30, 2025, compared to $90 million as of June 30, 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 June 30, 2025		2024		Basis point inc. (decr.)
Cost of Goods Sold					
IoT Products & Services	$ 31,555	39.4 %	$ 36,502	45.6 %	(620)
IoT Solutions	7,691	28.0	6,443	25.6	240
Total cost of goods sold	$ 39,246	36.5 %	$ 42,945	40.8 %	(430)
Gross Profit					
IoT Products & Services Operating Segments Gross Profit	$ 48,477	60.6 %	$ 43,501	54.4 %	620
IoT Solutions Operating Segments Gross Profit	19,791	72.0	18,757	74.4	(240)
Total gross profit	$ 68,268	63.5 %	$ 62,258	59.2 %	430

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

($ in thousands)	Nine months ended June 30, 2025			Nine months ended June 30, 2024			Basis point inc. (decr.)
Cost of Goods Sold							
IoT Products & Services	$	95,706	40.6 %	$	112,995	46.0 %	(540)
IoT Solutions		22,578	28.1		20,323	27.6	50
Total cost of goods sold	$	118,284	37.4 %	$	133,318	41.8 %	(440)
Gross Profit							
IoT Products & Services Operating Segments Gross Profit	$	139,932	59.4 %	$	132,421	54.0 %	540
IoT Solutions Operating Segments Gross Profit		57,667	71.9		53,255	72.4	(50)
Total gross profit	$	197,599	62.6 %	$	185,676	58.2 %	440

IoT Product & Services
IoT Products & Services gross profit margin increased 620 basis points for the three months ended June 30, 2025 as compared to the same period in the prior fiscal year. This increase was driven by a favorable margin mix among product sales.

IoT Products & Services gross profit margin increased 540 basis points for the nine months ended June 30, 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 decreased 240 basis points for the three months ended June 30, 2025 as compared to the same period in the prior fiscal year. This decrease was the result of increased depreciation of capitalized subscriber assets driven by customer deployments and increased inventory-related expenses.

The IoT Solutions gross profit margin decreased 50 basis points for the nine months ended June 30, 2025 as compared to the same period in the prior fiscal year. This decrease was the result of increased depreciation of capitalized subscriber assets driven by customer deployments and increased inventory-related expenses.

OPERATING EXPENSES

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

($ in thousands)	Three months ended June 30, 2025		Three months ended June 30, 2024		$ incr. (decr.)	% incr. (decr.)	Nine months ended June 30, 2025		Nine months ended June 30, 2024		$ incr. (decr.)	% incr. (decr.)
Operating Expenses												
Sales and marketing	$ 23,019	21.4 %	$ 21,501	20.4 %	$ 1,518	7.1 %	$ 66,817	21.2 %	$ 61,688	19.4 %	$ 5,129	8.3 %
Research and development	16,227	15.1	15,132	14.4	1,095	7.2	46,579	14.7	44,809	14.0	1,770	4.0
General and administrative	14,099	13.1	12,717	12.1	1,382	10.9	42,194	13.4	45,987	14.4	(3,793)	(8.2)
Total operating expenses	$ 53,345	49.6 %	$ 49,350	46.9 %	$ 3,995	8.1 %	$ 155,590	49.3 %	$ 152,484	47.8 %	$ 3,106	2.0 %

The $4.0 million increase in operating expenses for the three months ended June 30, 2025, as compared to the same period in the prior fiscal year was due to a $2.8 million increase in labor expense and a $1.2 million increase in non-labor expense. The $3.1 million increase in operating expenses for the nine months ended June 30, 2025, as compared to the same period in the prior fiscal year was due to a $5.6 million increase in labor expense, a $1.7 million increase in non-labor expense and a $2.1 million gain on the sale of an intangible asset in the second fiscal quarter of fiscal 2024 that did not reoccur, partially offset by a $6.3 million litigation reserve increase in the second fiscal quarter of fiscal 2024 that did not reoccur.

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:

	Three months ended June 30,				$	%	Nine months ended June 30,				$	%
($ in thousands)	2025		2024		incr. (decr.)	incr. (decr.)	2025		2024		incr. (decr.)	incr. (decr.)
Other expense, net												
Interest expense, net	$ (932)	(0.9)%	$ (3,234)	(3.1)%	$ 2,302	(71.2)%	(4,562)	(1.5)%	(12,592)	(4.0)%	8,030	(63.8)%
Debt issuance cost write-off	—	—	—	—	—	NM	—	—	(9,722)	(3.0)	9,722	(100.0)
Other expense, net	(31)	—	(14)	—	(17)	121.4 %	(43)	—	(72)	—	29	(40.3)%
Total other expense, net	$ (963)	(0.9)%	$ (3,248)	(3.1)%	$ 2,285	(70.4)%	$ (4,605)	(1.5)%	$ (22,386)	(7.0)%	$ 17,781	(79.4)%

NM means not meaningful

Other expense, net, decreased $2.3 million for the three months ended June 30, 2025, as compared to the same period in the prior fiscal year. Other expense, net, decreased $17.8 million for the nine months ended June 30, 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 the second fiscal quarter of 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 to investors 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 June 30,				Nine months ended June 30,			
	2025		2024		2025		2024	
		% of total revenue		% of total revenue		% of total revenue		% of total revenue
Total revenue	$ 107,514	100.0 %	$ 105,203	100.0 %	$ 315,883	100.0 %	$ 318,994	100.0 %
Net income	$ 10,243		$ 9,702		$ 30,823		$ 10,642	
Interest expense, net	932		3,234		4,562		12,592	
Debt issuance cost write-off	—		—		—		9,722	
Income tax provision (benefit)	3,717		(42)		6,581		164	
Depreciation and amortization	8,301		8,299		24,963		24,416	
Stock-based compensation	3,874		3,514		11,378		10,093	
Litigation accrual	—		—		—		6,253	
(Gain) loss on asset sale	(181)		18		(181)		(2,111)	
Restructuring charge	76		—		460		146	
Acquisition expense, net	597		—		597		(61)	
Adjusted EBITDA	$ 27,559	25.6 %	$ 24,725	23.5 %	$ 79,183	25.1 %	$ 71,856	22.5 %

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 June 30,				Nine months ended June 30,			
	2025		2024		2025		2024	
Net income and net income per diluted share	$ 10,243	$ 0.27	$ 9,702	$ 0.26	$ 30,823	$ 0.82	$ 10,642	$ 0.29
Amortization	5,241	0.14	6,104	0.16	16,241	0.43	18,439	0.50
Stock-based compensation	3,874	0.10	3,514	0.09	11,378	0.30	10,093	0.27
Other non-operating expense	31	—	14	—	43	—	72	—
Acquisition expense, net	597	0.02	—	—	597	0.02	(61)	—
Litigation accrual	—	—	—	—	—	—	6,253	0.17
Gain on asset sale	(181)	—	18	—	(181)	—	(2,111)	(0.06)
Restructuring charge	76	—	—	—	460	0.01	146	—
Interest expense, net	932	0.02	3,234	0.09	4,562	0.12	12,592	0.34
Debt issuance cost write-off	—	—	—	—	—	—	9,722	0.26
Tax effect from the above adjustments (1)	(1,507)	(0.05)	(4,880)	(0.13)	(6,407)	(0.18)	(12,386)	(0.34)
Discrete tax benefits (2)	809	0.02	780	0.02	298	0.01	679	0.02
Adjusted net income and adjusted net income per diluted share (3)	$ 20,115	$ 0.53	$ 18,486	$ 0.50	$ 57,814	$ 1.54	$ 54,080	$ 1.46
Diluted weighted average common shares		37,653		37,026		37,623		36,921

(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 nine months ended June 30, 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.

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 nine months ended June 30, 2025 and 2024 are summarized as follows:

	Nine months ended June 30,	
($ in thousands)	2025	2024
Operating activities	$ 79,958	$ 56,657
Investing activities	(2,148)	947
Financing activities	(85,291)	(62,616)
Effect of exchange rate changes on cash and cash equivalents	75	1,656
Net decrease in cash and cash equivalents	$ (7,406)	$ (3,356)

Cash flows from operating activities increased $23.3 million as a result of:

- a $20.2 million increase in net income in the first nine months of fiscal 2025,
- a $15.1 million decrease in net operating assets for the first nine months of fiscal 2025 compared to a $0.2 million increase in the first nine 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 $2.5 million increase in deferred income tax benefit for the first nine months of fiscal 2025 compared to a $3.0 million increase in the first nine 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.

Cash flows used in investing activities decreased $3.1 million as a result of:

- a $2.2 million decrease in proceeds from the sale of intangible assets,
- and a $0.9 million increase in purchases of property, equipment, improvements and certain other intangible assets.

Cash flows used in financing activities increased $22.7 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 $3.3 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 $83.3 million in the first nine months of fiscal 2025, compared to debt payments of $276.2 million in the first nine months 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 June 30, 2025:

	Payments due by fiscal period				
($ in thousands)	Total	Less than 1 year	1-3 years	3-5 years	Thereafter
Operating leases	$ 14,049	$ 3,503	$ 4,366	$ 3,724	$ 2,456
Revolving loan	41,000	—	—	41,000	—
Total	$ 55,049	$ 3,503	$ 4,366	$ 44,724	$ 2,456

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 June 30, 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 June 30, 2025, we had $41.0 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.

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 six-month interest election period plus an applicable margin of 1.75% following that date. Our weighted average interest rate for our Credit Facility as of June 30, 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 June 30, 2025, the annualized effect of a 25 basis point change in interest rates would increase or decrease our interest expense by $0.1 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 nine 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 nine months ended June 30, 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 third quarter of fiscal 2025:

Period	Total Number of Shares Purchased[1]	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
April 1, 2025 - April 30, 2025	—	$ —	—	$ —
May 1, 2025 - May 31, 2025	5,448	31.18	—	—
June 1, 2025 - June 30, 2025	—	—	—	—
	5,448	$ 31.18	—	$ —

(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 June 30, 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 Actor 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)	Amended and Restated By-Laws of the Company (2)	Incorporated by Reference
10 (a)	Digi International Inc. 2021 Omnibus Incentive Plan (as amended and restated on February 3, 2025) (3)	Incorporated by Reference
31 (a)	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer	Filed Electronically
31 (b)	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer	Filed Electronically
32	Section 1350 Certification	Furnished Electronically
101	The following materials from Digi International Inc.'s Quarterly Report on Form 10-Q for the fiscal period ended June 30, 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 June 30, 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 99(a) to the Company's Registration Statement on Form S-8 filed on May 8, 2025.

SIGNATURE

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

DIGI INTERNATIONAL INC.

Date:	August 6, 2025	By:	/s/ James J. Loch
			James J. Loch
			Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer and Authorized Officer)

Exhibit No. 31(a)

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.

August 6, 2025	/s/ Ronald E. Konezny
	Ronald E. Konezny
	President and Chief Executive Officer

Exhibit No. 31(b)

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.

August 6, 2025

/s/ James J. Loch

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

Exhibit No. 32

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 June 30, 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.

August 6, 2025

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

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