

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

**FORM 10-Q**

**(Mark One)**

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

For the quarterly period ended March 31, 2025

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-33169



**Creative Realities, Inc.**

(Exact Name of Registrant as Specified in its Charter)

**Minnesota**

State or Other Jurisdiction of  
Incorporation or Organization

**41-1967918**

I.R.S. Employer  
Identification No.

**13100 Magisterial Drive, Suite 102, Louisville KY**

Address of Principal Executive Offices

**40223**

Zip Code

**(502) 791-8800**

Registrant's Telephone Number, Including Area Code

**13100 Magisterial Drive, Suite 100, Louisville KY 40223**

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

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

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Common Stock, par value \$0.01 per share	CREX	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, 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   
Non-accelerated filer

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 Act). Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS

As of May 13, 2025, the registrant had 10,518,932 shares of common stock outstanding.



PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

CREATIVE REALITIES, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands, except per share amounts)

	March 31, 2025	December 31, 2024
	(unaudited)	
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,149	\$ 1,037
Accounts receivable, net	12,983	10,605
Inventories, net	1,788	1,995
Prepaid expenses and other current assets	959	859
Total Current Assets	\$ 16,879	\$ 14,496
Property and equipment, net	335	321
Goodwill	26,453	26,453
Other intangible assets, net	22,309	22,841
Operating lease right-of-use assets	682	787
Other non-current assets	333	312
Total Assets	\$ 66,991	\$ 65,210
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 4,658	\$ 6,354
Accrued expenses and other current liabilities	2,767	3,210
Deferred revenues	3,479	1,137
Customer deposits	2,051	2,181
Current maturities of operating leases	404	466
Short-term debt	387	-
Short-term contingent consideration, at fair value	-	12,815
Total Current Liabilities	13,746	26,163
Revolving credit facility	19,238	13,044
Long-term debt	3,613	-
Long-term obligations under operating leases	295	342
Other non-current liabilities	229	201
Total Liabilities	37,121	39,750
Shareholders' Equity		
Common stock, \$0.01 par value, 66,666 shares authorized; 10,447 and 10,447 shares issued and outstanding, respectively	104	104
Additional paid-in capital	83,252	82,210
Accumulated deficit	(53,486)	(56,854)
Total Shareholders' Equity	29,870	25,460
Total Liabilities and Shareholders' Equity	\$ 66,991	\$ 65,210

See accompanying notes to condensed consolidated financial statements

**CREATIVE REALITIES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share amounts)  
(Unaudited)

	For the Three Months Ended March 31,	
	2025	2024
Sales		
Hardware	\$ 3,394	\$ 4,144
Services and other	6,340	8,141
Total sales	9,734	12,285
Cost of sales		
Hardware	2,304	3,193
Services and other	2,977	3,328
Total cost of sales	5,281	6,521
Gross profit	4,453	5,764
Operating expenses:		
Sales and marketing expenses	1,247	1,465
General and administrative expenses	3,928	4,375
Total operating expenses	5,175	5,840
Operating loss	(722)	(76)
Other expenses (income):		
Interest expense, including amortization of debt discount	321	663
Gain on change in fair value of contingent consideration	-	(604)
Gain on settlement of contingent consideration	(4,775)	-
Other expense (income)	265	(35)
Total other expenses (income)	(4,189)	24
Net income (loss) before income taxes	3,467	(100)
Provision for income taxes	(99)	(9)
Net income (loss)	\$ 3,368	\$ (109)
Basic earning (loss) per common share	\$ 0.32	\$ (0.01)
Diluted earning (loss) per common share	\$ 0.32	\$ (0.01)
Weighted average shares outstanding - basic	10,447	10,421
Weighted average shares outstanding - diluted	10,447	10,421

*See accompanying notes to condensed consolidated financial statements.*

**CREATIVE REALITIES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>Operating Activities:</b>		
Net income (loss)	\$ 3,368	\$ (109)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities		
Depreciation and amortization	1,187	839
Amortization of debt discount	-	360
Amortization of stock-based compensation	2	3
Amortization of deferred financing costs	26	-
Provision for inventory reserves	18	-
Gain on settlement of contingent consideration	(4,775)	-
Gain on change in fair value of contingent consideration	-	(604)
Deferred income taxes	39	4
Changes to operating assets and liabilities:		
Accounts receivable	(2,378)	2,952
Inventories	189	(498)
Prepaid expenses and other current assets	(100)	(172)
Accounts payable	(1,744)	(2,976)
Accrued expenses and other current liabilities	(431)	317
Deferred revenue	2,342	645
Customer deposits	(130)	1,178
Other, net	(62)	(1)
Net cash (used in) provided by operating activities	<u>(2,449)</u>	<u>1,938</u>
<b>Investing activities</b>		
Purchases of property and equipment	(8)	(6)
Capitalization of labor for software development	(613)	(824)
Net cash used in investing activities	<u>(621)</u>	<u>(830)</u>
<b>Financing activities</b>		
Proceeds from borrowings under revolving credit facility	12,111	-
Repayment of borrowings under revolving credit facility	(5,917)	-
Settlement of contingent consideration	(3,000)	-
Repayment of term debt	-	(1,109)
Principal payments on finance leases	(12)	(10)
Net cash provided by (used in) financing activities	<u>3,182</u>	<u>(1,119)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>112</b>	<b>(11)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1,037</b>	<b>2,910</b>
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 1,149</u></b>	<b><u>\$ 2,899</u></b>

*See accompanying notes to condensed consolidated financial statements.*

**CREATIVE REALITIES, INC.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(in thousands, except shares)  
(Unaudited)

	<b>Common Stock</b>		<b>Additional paid in capital</b>	<b>Accumulated Deficit</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>			
<i>Three Months Ended March 31, 2025</i>					
Balance as of December 31, 2024	10,446,659	\$ 104	\$ 82,210	\$ (56,854)	\$ 25,460
Stock-based compensation	-	-	2	-	2
Issuance of warrants	-	-	1,040	-	1,040
Net income	-	-	-	3,368	3,368
Balance as of March 31, 2025	<u>10,446,659</u>	<u>\$ 104</u>	<u>\$ 83,252</u>	<u>\$ (53,486)</u>	<u>\$ 29,870</u>

	<b>Common Stock</b>		<b>Additional paid in capital</b>	<b>Accumulated Deficit</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>			
<i>Three Months Ended March 31, 2024</i>					
Balance as of December 31, 2023	10,409,027	\$ 104	\$ 82,073	\$ (53,346)	\$ 28,831
Stock-based compensation	-	-	3	-	3
Shares issued to employees pursuant to the Retention Bonus Plan	37,632	-	124	-	124
Net loss	-	-	-	(109)	(109)
Balance as of March 31, 2024	<u>10,446,659</u>	<u>\$ 104</u>	<u>\$ 82,200</u>	<u>\$ (53,455)</u>	<u>\$ 28,849</u>

*See accompanying notes to condensed consolidated financial statements.*

**CREATIVE REALITIES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(in thousands, except shares and per share amounts)**  
**(unaudited)**

**NOTE 1: NATURE OF ORGANIZATION AND OPERATIONS**

*Unless the context otherwise indicates, references in these Notes to the accompanying Condensed Consolidated Financial Statements to “we,” “us,” “our,” and “the Company” refer to Creative Realities, Inc. and its subsidiaries.*

*Nature of the Company’s Business*

Creative Realities, Inc. is a Minnesota corporation that provides innovative digital marketing technology and solutions to retail companies, individual retail brands, enterprises and organizations throughout the United States and in certain international markets. The Company has expertise in a broad range of existing and emerging digital marketing technologies, as well as the related media management and distribution software platforms and networks, device management, product management, customized software service layers, systems, experiences, workflows, and integrated solutions. Our technology and solutions include digital merchandising systems and omni-channel customer engagement systems, interactive digital shopping assistants, advisors and kiosks, and other interactive marketing technologies such as mobile, social media, point-of-sale transactions, beaconing and web-based media that enable our customers to transform how they engage with consumers. We have expertise in a broad range of existing and emerging digital marketing technologies, as well as the following related aspects of our business: content, network management, and connected device software and firmware platforms; customized software service layers; hardware platforms; digital media workflows; and proprietary processes and automation tools.

Our main operations are conducted directly through Creative Realities, Inc., and under our wholly owned subsidiaries Allure Global Solutions, Inc., a Georgia corporation (“Allure”), Creative Realities Canada, Inc., a Canadian corporation (“CRI Canada”), and Reflect Systems, Inc., a Delaware corporation (“Reflect”).

*Liquidity and Financial Condition; Going Concern*

In accordance with Accounting Standards Update (“ASU”) No. 2014-15, *Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern (Subtopic 205-40)* (“ASU 205-40”), the Company has evaluated whether there are certain conditions and events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the Condensed Consolidated Financial Statements are issued.

As of March 31, 2025, the Company has an accumulated deficit of \$53,486 and positive working capital of \$3,133. For the three months ended March 31, 2025, the Company generated an operating loss of \$722 and negative net cash flows from operations of \$2,449. During the three months ended March 31, 2025, the Company settled its contingent consideration liability. The Company remains dependent on improving cash flows from operations, securing additional sources of liquidity, or both, to fund ongoing operations to meet its financial obligations, including its debt obligations under its current Credit Agreement.

In response to these conditions, the Company continues to evaluate its available options for amending its debt facilities or accessing the capital markets via equity financing. However, these plans have not been finalized, are subject to market conditions, and in some respects are not within the Company’s control. Therefore, they cannot be deemed probable within one year after the date that the Condensed Consolidated Financial Statements are issued. As a result of the matters discussed above, including our losses, current liquidity level and projected capital needs, the Company has concluded that management’s plans do not alleviate substantial doubt about the Company’s ability to continue as a going concern over the next twelve months from the date the Condensed Consolidated Financial Statements are issued.

The Condensed Consolidated Financial Statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

## **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying Condensed Consolidated Financial Statements follows:

### *1. Basis of Presentation*

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and include all of the information and disclosures required by generally accepted accounting principles in the United States of America (“GAAP”) for interim financial reporting. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements of the Company and related footnotes for the year ended December 31, 2024, included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2025.

The Condensed Consolidated Financial Statements include the accounts of Creative Realities, Inc. and our wholly owned subsidiaries Allure, CRI Canada, and Reflect. All intercompany balances and transactions have been eliminated in consolidation, as applicable. Certain amounts have been reclassified to conform to current period presentation.

The results of operations for the interim periods are not necessarily indicative of results of operations for a full year. Management believes the accompanying unaudited Condensed Consolidated Financial Statements reflect all adjustments, including normal recurring items, considered necessary for a fair statement of results for the interim periods presented.

### *2. Recently Issued Accounting Pronouncements Not Yet Adopted*

In November 2023, the Financial Accounting Standards Board (“FASB”) issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires public entities to disclose information about their reportable segments’ significant expenses and other segment items on an interim and annual basis. Public entities with a single reportable segment are required to apply the disclosure requirements in ASU 2023-07, as well as all existing segment disclosures and reconciliation requirements in ASC 280 on an interim and annual basis. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company adopted the new standard for the fiscal year ending December 31, 2024. See [Note 13 Segment Reporting](#) for new required disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires public entities, on an annual basis, to provide disclosure of specific categories in the rate reconciliation, as well as disclosure of income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2023-09.

### *3. Cash and cash equivalents*

Cash and cash equivalents consist of cash on deposit in financial institutions, in both the United States and Canada. The Company does not hold any investments that qualify as cash equivalents as of March 31, 2025. As of March 31, 2025, the Company had approximately \$908 in cash that was held in a Canadian financial institution. The Company does not believe the balance presents a material concentration of credit risk, as the cash is held with a reputable financial institution.

#### 4. Revenue Recognition

We recognize revenue in accordance with Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*, applying the five-step model.

If an arrangement involves multiple performance obligations, the obligations are analyzed to determine the separate units of accounting, whether the obligations have value on a standalone basis and whether there is objective and reliable evidence of their standalone selling price. The total contract transaction price is allocated to the identified performance obligations based upon the relative standalone selling prices of the performance obligations. The standalone selling price is based on an observable price for services sold to other comparable customers, when available, or an estimated selling price using a cost plus margin approach.

The Company estimates the amount of total contract consideration it expects to receive for variable arrangements by determining the most likely amount it expects to earn from the arrangement based on the expected quantities of services it expects to provide and the contractual pricing based on those quantities. The Company only includes some or a portion of variable consideration in the transaction price when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Company considers the sensitivity of the estimate, its relationship and experience with the customer and variable services being performed, the range of possible revenue amounts and the magnitude of the variable consideration to the overall arrangement. The Company receives variable consideration in very few instances.

Revenue is recognized when a customer obtains control of promised goods or services under the terms of a contract and is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. The Company has very few contracts with material extended payment terms as payment is typically due at or shortly after the time of the sale, typically ranging between thirty and ninety days. In those instances where the Company has material extended payment terms (most commonly in multi-year arrangements where the Company acts as an agent to a transaction on behalf of its customers), the Company evaluates and applies constraints to arrive at the revenue recognized in the period in which a contract is entered. Observable prices are used to determine the standalone selling price of separate performance obligations or a cost plus margin approach when one is not available. Sales, value-added and other taxes collected concurrently with revenue producing activities are excluded from revenue.

The Company recognizes contract assets or unbilled receivables related to revenue recognized for services completed but not yet invoiced to the customers. A contract liability is recognized as deferred revenue when the Company invoices customers in advance of performing the related services under the terms of a contract. Deferred revenue is recognized as revenue when the Company has satisfied the related performance obligation.

The Company uses the practical expedient for recording an immediate expense for incremental costs of obtaining contracts, including certain design/engineering services, commissions, incentives and payroll taxes, as these incremental and recoverable costs have terms that do not exceed one year.

## 5. Allowance for Credit Losses

The allowance for credit losses is the Company's best estimate of the amount of expected lifetime credit losses in the Company's accounts receivable. The Company regularly reviews the adequacy of its allowance for credit losses. The Company estimates losses over the contractual life using assumptions to capture the risk of loss, even if remote, based principally on how long a receivable has been outstanding. Account balances are charged off against the allowance for credit losses after all reasonable means of collection have been exhausted and the potential for recovery is considered remote. Other factors considered include historical write-off experience, current economic conditions, customer credit, and past transaction history with the customer. The allowance for credit losses is included in accounts receivable, net in the accompanying Condensed Consolidated Balance Sheets.

The Company had the following activity for its allowance for credit losses for the three months ended March 31, 2025 and 2024:

	March 31, 2025	March 31, 2024
Balance as of beginning of period	\$ 708	\$ 701
Write-offs charged against the allowance	(9)	-
Balance as of end of period	<u>\$ 699</u>	<u>\$ 701</u>

## 6. Inventories

Inventories are stated at the lower of cost or net realizable value, determined by the first-in, first-out (FIFO) method, and consist of the following:

	March 31, 2025	December 31, 2024
Raw materials	\$ 1,252	\$ 1,465
Work-in-process	536	530
Total inventories	<u>\$ 1,788</u>	<u>\$ 1,995</u>

## 7. Impairment of Long-Lived Assets

We review the carrying value of all long-lived assets, including property and equipment, for impairment in accordance with ASC 360, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Under ASC 360, impairment losses are recorded whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable.

If the impairment tests indicate that the carrying value of the asset is greater than the expected undiscounted cash flows to be generated by such asset, an impairment loss would be recognized. The impairment loss is determined as the amount by which the carrying value of such asset exceeds its fair value. We generally measure fair value by considering sale prices for similar assets or by discounting estimated future cash flows from such assets using an appropriate discount rate. Assets to be disposed of are carried at the lower of their carrying value or fair value less costs to sell. Considerable management judgment is necessary to estimate the fair value of assets, and accordingly, actual results could vary significantly from such estimates.

## 8. Basic and Diluted Earning (Loss) per Common Share

Basic and diluted earning (loss) per common share for all periods presented is computed using the weighted average number of common shares outstanding. Basic weighted average shares outstanding includes only outstanding common shares. Diluted weighted average shares outstanding includes outstanding common shares and potential dilutive common shares outstanding in accordance with the treasury stock method. Shares reserved for outstanding stock options, including stock options with performance restricted vesting, and warrants totaling 6,913,928 and 6,222,800 at March 31, 2025 and 2024, respectively were excluded from the computation of earning (loss) per share as the strike price on the options and warrants were higher than the Company's market price and therefore anti-dilutive.

## 9. Income Taxes

Deferred income taxes are recognized in the financial statements for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates. Temporary differences arise from a number of matters including, but not limited to, net operating losses, differences in basis of intangibles, stock-based compensation, reserves for uncollectible accounts receivable and inventory, differences in depreciation methods, and accrued expenses. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The Company accounts for uncertain tax positions utilizing an established recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. We had no uncertain tax positions as of March 31, 2025 and December 31, 2024.

## 10. Goodwill and Intangible Assets

We follow the provisions of ASC 350, *Goodwill and Other Intangible Assets*. Pursuant to ASC 350, goodwill acquired in a purchase business combination is not amortized, but instead tested for impairment at least annually. The Company uses an annual measurement date of September 30 to assess impairment of goodwill and indefinite-lived intangible assets, or as indicators are identified.

Definite-lived intangible assets are amortized straight-line in accordance with their identified useful lives.

## 11. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Our significant estimates include: contingent purchase consideration valuation, allowance for credit losses, valuation allowances related to deferred taxes, and assumptions and estimates used to evaluate the recoverability of goodwill and other intangible assets and the related amortization methods and periods. Actual results could differ from those estimates.

### **NOTE 3: FAIR VALUE MEASUREMENT**

We measure certain financial assets, including cash equivalents, at fair value on a recurring basis. In accordance with ASC 820-10-30, fair value is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820-10-35 establishes a three-level hierarchy that prioritizes the inputs used in measuring fair value. The three hierarchy levels are defined as follows:

Level 1 — Valuations based on unadjusted quoted prices in active markets for identical assets.

Level 2 — Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly.

Level 3 — Valuations based on inputs that are unobservable and involve management judgment and the reporting entity's own assumptions about market participants and pricing.

The calculation of the fair value of separately identifiable intangible assets rely on a discounted cash flow model which utilizes inputs including the calculation of the weighted average cost of capital and management's forecast of future financial performance which are unobservable and involve management judgment and are considered Level 3 estimates.

The calculation of the weighted average cost of capital and management's forecast of future financial performance utilized within our discounted cash flow model for the impairment of goodwill contains inputs which are unobservable and involve management judgment and are considered Level 3 estimates.

**NOTE 4: REVENUE RECOGNITION**

The Company applies ASC 606 for revenue recognition. The following table disaggregates the Company's revenue by major source for the three months ended March 31, 2025 and 2024:

<i>(in thousands)</i>	<b>Three Months Ended March 31, 2025</b>	<b>Three Months Ended March 31, 2024</b>
Hardware	\$ 3,394	\$ 4,144
Services:		
Managed Services	4,247	4,774
Installation Services	1,595	2,160
Other Services	498	1,207
Total Services	<u>6,340</u>	<u>8,141</u>
Total Hardware and Services	<u>\$ 9,734</u>	<u>\$ 12,285</u>

**Hardware**

System hardware revenue is recognized generally upon shipment of the product or customer acceptance depending upon contractual arrangements with the customer in instances in which the sale of hardware is the sole performance obligation. Shipping charges billed to customers are included in hardware sales and the related shipping costs are included in hardware cost of sales. The cost of freight and shipping to the customer is recognized in cost of sales at the time of transfer of control to the customer.

**Managed Services***Software as a service ("SaaS") license sales*

Software as a service includes revenue from software licensing and delivery in which software is licensed on a subscription basis and is centrally hosted by the Company. These services often include software updates which provide customers with rights to unspecified software product upgrades and maintenance releases and patches released during the term of the support period. Contracts for these services are generally 12-36 months in length and typically have perpetual autorenewal terms. We account for revenue from these services in accordance with ASC 985-20-15-5 and recognize revenue ratably over the performance period.

*Maintenance and support services*

The Company sells support services that include access to technical support personnel for software and hardware troubleshooting. The Company offers a hosting service through our network operations center, or NOC, allowing the ability to monitor and support our customers' networks 7 days a week, 24 hours a day. These contracts are generally 12-36 months in length and typically have autorenewal terms. Revenue is recognized over the term of the agreement in proportion to the costs incurred in fulfilling performance obligations under the contract.

Maintenance and support fees are based on the level of service provided to end customers, which can range from monitoring the health of a customer's network, supporting a sophisticated web-portal, or managing the end-to-end hardware and software of a digital marketing system. These agreements are renewable by the customer. Rates for maintenance and support, including subsequent renewal rates, are typically established based upon a fee per location, per device, or a specified percentage of net software license fees as set forth in the arrangement. These contracts are generally 12-36 months in length. Revenue is recognized ratably and evenly over the service period.

The Company also performs time and materials-based maintenance and repair work for customers. Revenue is recognized at a point in time when the performance obligation has been fully satisfied.

## **Installation Services**

The Company performs installation services associated with system hardware sales to customers and recognizes revenue upon completion of the installations. Installation services also include engineering and configuration services required to be performed to design and deploy a digital signage system that subsequently becomes an installation project.

When system hardware sales include installation services to be performed by the Company, the goods and services in the contract are, in certain instances, not distinct as the customer contract contemplates an installed solution, inclusive of system hardware. In those instances, the arrangement is accounted for as a single performance obligation. Our customers may control the work-in-process and can make changes to the design specifications over the contract term. In these circumstances, revenues are recognized over time as the installation services are completed based on the relative portion of labor hours completed as a percentage of the budgeted hours for the installation. Typically, in large scale deployments that include installation services, the contract terms segregate performance obligations related to hardware sales and installation services by providing for different legal transfer of title and risk of loss. In those circumstances, installation services are deemed to be a separate performance obligation. In each instance, installation services are recognized at the time of completion.

## **Other Services**

### *Software design and development services*

Software design and custom development sales represent fixed fee orders for work on a time and materials basis and are recognized as revenue when the application, feature, or custom software code has been received and delivery has occurred to the customer. Revenue is recognized generally upon customer acceptance (point-in-time) of the software product and verification that it meets the required specifications. Software is delivered to customers electronically.

### *Media sales*

Media revenues are derived from selling (i) promotion and sponsorship packages to monetize customer infrastructure assets, including mobile takeover or physical presence, or (ii) digital advertising inventory to advertisers on digital displays or other outdoor structures, owned or controlled by our customers, each within physical venues. We sell advertising or sponsorship opportunities on behalf of our media network owner customers to brands and advertisers. We generally do not own the devices that display the sold digital advertising. The Company has concluded that it acts as an agent and reports media revenues on a net basis, with the Company recording its commission, which typically is between thirty percent (30%) and forty percent (40%) of the total media sales contract, as revenue in the consolidated financial statements.

The media sales contracts we facilitate on behalf of our customers range from a single day to eight years. The Company invoices advertisers on behalf of our customers and remits the net cash to our customer after the advertiser has paid the Company the fees owed for such advertising. Media revenue services are recognized when the Company has completed its performance obligations under the contract with our customers, which typically has concluded upon facilitating execution of contracts between our customer and a brand/advertiser. The Company applies time-based constraints in accordance with ASC 606 to evaluate the earned portion of the contract to record at execution.

For revenues generated through the use of a subcontracted advertising agency, commissions are calculated based on a stated percentage of gross advertising revenue and reported in the Consolidated Statements of Operations within Sales and Marketing Expenses.

## NOTE 5: BUSINESS COMBINATIONS

### *Merger-related Contingent Consideration Settlement*

On November 12, 2021, the Company entered into an Agreement and Plan of Merger with Reflect and RSI Exit Corporation, as representative of the former stockholders of Reflect (the “Stockholders’ Representative”), which was amended on February 8, 2022, February 11, 2023, February 17, 2025, and February 23, 2025 (as amended, the “Merger Agreement”). Pursuant to the Merger Agreement, the Company’s direct, wholly owned subsidiary, CRI Acquisition Corporation, merged with and into Reflect, with Reflect continuing as the surviving entity and becoming a wholly owned subsidiary of the Company (the “Merger”). The Merger was closed on February 17, 2022. The Merger Agreement required the Company to pay to the former Reflect stockholders on or after February 17, 2025 (the “Guaranteed Date”) additional contingent supplemental cash payments (the “Guaranteed Consideration”) if the average closing price of the Company’s common stock in the fifteen (15) trading day period prior to the Guaranteed Date was below \$6.40 per share (such applicable amount, the “Guaranteed Price”).

On March 14, 2025, the Company and Reflect entered into a Settlement Agreement and Fifth Amendment to Merger Agreement with the Stockholder’s Representative (the “Settlement Agreement”), pursuant to which the Company settled and resolved a dispute regarding the amount and enforceability of the Guaranteed Consideration. Pursuant to the Settlement Agreement, the Company’s obligation to pay the Guaranteed Consideration to the former Reflect stockholders was terminated and released. In consideration for such termination and release, (i) the Company deposited an aggregate of \$3,000 in cash with an exchange agent for the ratable benefit of, and for distribution to, the former Reflect stockholders, (ii) the Company and Reflect (as co-obligors) delivered a subordinated promissory note in the principal amount of \$4,000 payable to the order of the Stockholders’ Representative, as nominee for, and for the ratable benefit of, the former Reflect stockholders (the “Promissory Note”), and (iii) the Company agreed to issue to the former Reflect stockholders warrants to purchase their pro rata share of an aggregate of 777,800 shares of the Company’s common stock (the “Settlement Warrants”).

As a result of the Settlement Agreement, the Company derecognized the previously recorded contingent consideration liability related to the Merger of \$12,815 and recorded the fair value of the settlement consideration of \$8,040, which included \$3,000 in cash, the \$4,000 Promissory Note, and Settlement Warrants with a fair value of \$1,040. The Company recognized a gain on settlement of \$4,775 during the three months ended March 31, 2025 in the Condensed Consolidated Statement of Operations.

In conjunction with entering into the Settlement Agreement and related documents, the Company entered into a Consent Agreement dated March 14, 2025 with First Merchants Bank, among others (the “Consent Agreement”), pursuant to which (among other things) First Merchants Bank, the senior secured lender under the Company’s credit facility, agreed to waive certain negative covenants under the Company’s credit facility that may have otherwise been implicated by the transactions contemplated by the Settlement Agreement.

See [Note 8 Debt](#) and [Note 11 Warrants](#) for additional accounting considerations as a result of the issuance of the Promissory Note and Settlement Warrants.

## NOTE 6: SUPPLEMENTAL CASH FLOW STATEMENT INFORMATION

	Three Months Ended	
	March 31,	
	2025	2024
<b><u>Supplemental non-cash investing and financing activities</u></b>		
Capitalized software in accounts payable	\$ 58	\$ 89
Property and equipment in accounts payable	\$ 57	\$ -
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ -	\$ 9
Issuance of term note as partial settlement of contingent consideration	\$ 4,000	\$ -
Issuance of warrants as partial settlement of contingent consideration	\$ 1,040	\$ -
<b><u>Supplemental disclosure information for cash flow</u></b>		
Cash paid during the period for:		
Interest	\$ 270	\$ 323
Operating leases	\$ 134	\$ 190
Income taxes, net	\$ 1	\$ -

**NOTE 7: INTANGIBLE ASSETS, INCLUDING GOODWILL***Intangible Assets*

Intangible assets consisted of the following at March 31, 2025 and December 31, 2024:

	March 31, 2025		December 31, 2024	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Technology platform	\$ 7,140	\$ 3,253	\$ 7,140	\$ 3,041
Purchased and developed software	14,384	5,559	13,780	5,006
Customer relationships	13,910	4,673	13,910	4,350
Trademarks and trade names	1,260	900	1,260	852
	36,694	14,385	36,090	13,249
Accumulated amortization	14,385		13,249	
Net book value of amortizable intangible assets	\$ 22,309		\$ 22,841	

For the three months ended March 31, 2025 and 2024, amortization of intangible assets charged to operations was \$1,136 and \$790, respectively.

*Goodwill*

Goodwill represents the excess of the purchase price paid by the Company over the fair value of net assets acquired by the Company. Goodwill is subject to an impairment review at a reporting unit level, evaluated on an annual basis at September 30 of each fiscal year, when an event occurs, or circumstances change that would indicate potential impairment. The assessment may be performed quantitatively or qualitatively. The Company has only one reporting unit, and therefore the entire goodwill is allocated to that reporting unit. The Company assesses the carrying value of goodwill at the reporting unit level based on an estimate of the fair value of its reporting unit.

During the three months ended March 31, 2025, the Company identified a triggering event during the quarter due to a sustained decline in the Company's stock price and resulting market capitalization falling below the carrying value of its reporting unit. As a result, the Company performed a quantitative goodwill impairment test as of March 31, 2025.

The fair value of the reporting unit was estimated using a combination of the market approach and income approach (discounted cash flow method). The market approach considered valuation multiples of comparable public companies and recent industry acquisition activity. The income approach involved discounted projected cash flows based on management's expectations of future performance, including historical trends, recent revenue growth, backlog, and customer acquisition activity. The valuation reflected assumptions regarding future operating results, terminal growth, and a discount rate reflecting the Company's weighted-average cost of capital and risk profile.

Based on this analysis, the Company concluded that the fair value of the reporting unit exceeded its carrying amount, and therefore, no goodwill impairment charge was recorded in the Condensed Consolidated Statement of Operations for the three months ended March 31, 2025.

While no impairment was identified, the excess of the fair value over the carrying amount of the subject assets was not significant. Accordingly, changes in key assumptions, such as reductions in the Company's projected 2025 operating results or further declines in its market capitalization, could result in a material impairment charge in a future period. The Company will continue to monitor actual performance relative to expectations and evaluate for potential impairment indicators in future periods. The valuation of goodwill involves significant judgment and estimation uncertainty, and future events could result in an impairment charge. A determination that there exists no impairment of goodwill in the current quarter does not mean and should not be interpreted as though there will not exist any impairment of goodwill in future quarters.

**NOTE 8: DEBT**

Debt for the Company consists of the following:

<b>Debt Instrument</b>	<b>Issuance Date</b>	<b>Maturity Date</b>	<b>March 31,</b>	<b>December 31,</b>	<b>Interest Rate Information</b>
			<b>2025</b>	<b>2024</b>	
Revolving Credit Facility	5/23/2024	5/23/2027	\$ 19,238	\$ 13,044	See below
Promissory Note	3/14/2025	9/14/2027	4,000	-	14%
Total debt, gross			23,238	13,044	
Less: Deferred financing costs			217	243	
Total debt, net			23,021	12,801	
Less: Current portion			387	-	
Total long-term debt, net			\$ 22,634	\$ 12,801	

*Revolving Credit Facility*

On May 23, 2024, the Company entered into a Credit Agreement (the “Credit Agreement”) with First Merchants Bank (the “Bank”). The Credit Agreement provides the Company with a \$22,100 secured revolving credit facility, with an uncommitted accordion feature that provides for additional borrowing capacity of up to \$5,000, subject to the Bank’s approval and other customary terms and conditions set forth in the Credit Agreement. The revolving credit facility matures on May 23, 2027, subject to any earlier default under the Credit Agreement. The Credit Agreement requires the Company to pay the entire unpaid principal balance of the revolving credit facility on the maturity date, subject to any earlier default under the Credit Agreement. The Credit Agreement includes, among other things, the occurrence of any event which could reasonably be anticipated to cause or result in a “Material Adverse Effect” (as defined in the Credit Agreement) as an event of default under which the outstanding balance could become due and payable to the Bank. The Company has determined that the risk of such event is not probable and therefore has classified the outstanding balance in long-term liabilities in the Condensed Consolidated Balance Sheets based on the maturity date.

Effective March 31, 2025, the Company entered into an amendment to the Credit Agreement, modifying the financial covenant related to the Senior Funded to EBITDA ratio. Pursuant to the amendment, the Company is required to maintain a Senior Funded Debt to EBITDA ratio of less than 4 to 1 through June 30, 2025, and less than 3.75 to 1 beginning with the quarter ending September 30, 2025 and thereafter.

The revolving credit facility accrues interest at a floating rate equal to the 1-month SOFR, plus 0.11%, plus a floating margin ranging from 2.00% to 3.50% that adjusts quarterly, depending upon the Company’s Senior Funded Debt to EBITDA Ratio. The floating margin is determined as follows:

<b>Senior Funded Debt to EBITDA Ratio</b>	<b>Floating Margin</b>
< 1.00 to 1	2.00%
≥ 1.00 to 1.00 but < 2.00 to 1.00	2.50%
≥ 2.00 to 1.00 but < 3.00 to 1.00	3.00%
≥ 3.00 to 1.00	3.50%

The effective interest rate at March 31, 2025 was 7.43%. The Company pays accrued interest monthly on the first day of each successive calendar month.

The Company incurred \$306 of deferred financing costs that were capitalized and recorded as other non-current assets within the Condensed Consolidated Balance Sheets. Deferred financing costs are being amortized as interest expense over the respective debt instrument period, 36 months.

The Company had \$19,238 in outstanding borrowings under the revolving credit facility as of March 31, 2025. Total availability under the revolving facility was \$2,862.

As of March 31, 2025, the Company was in compliance with all applicable debt covenants.

### *Promissory Note*

The Promissory Note was issued on March 14, 2025 as part of the Settlement Agreement to resolve the contingent consideration liability. It is an unsecured obligation of the Company. The Promissory Note bears interest at a fixed annual rate of 14.0%. In the event of a default (as defined in the Promissory Note), or during any period of non-payment caused by restrictions under the Subordination Agreement (as defined below), the interest rate increases to 17.0% per annum (the “Interest Rate”). The Promissory Note requires monthly payments of interest only commencing April 14, 2025 and continuing through September 14, 2025. Commencing October 14, 2025, the Company is required to pay principal and interest in accordance with an amortization schedule that requires equal monthly payments of \$109 on the 14th day of each calendar month through maturity on September 14, 2027. On the maturity date, the Company is required to make a final balloon payment of \$2,277, representing the remaining principal and accrued but unpaid interest outstanding at maturity.

The principal balance of the Promissory Note (together with accrued but unpaid interest on such amounts) may be prepaid in whole or in part at any time prior to maturity, subject to the Company’s payment of a make-whole payment with such prepayment. The make-whole payment is equal to the aggregate monthly payments of interest on the prepayment amount that would be due after the prepayment date and through the maturity date, using the percentage, if any, by which the Interest Rate exceeds a prescribed “yield maintenance treasury rate.”

The Stockholders’ Representative’s rights under the Promissory Note are subject to a Subordination Agreement dated of March 14, 2025 by and among the Company, Reflect, First Merchants Bank and the Stockholders’ Representative (the “Subordination Agreement”). Under the terms of the Subordination Agreement, during any period in which an event of default exists under the senior debt facilities, the Company is prohibited from making any payments on the Promissory Note unless First Merchants Bank provides prior written consent, and the Stockholders’ Representative is prohibited from accepting or enforcing any payments during the subordination period. The Promissory Note includes a default interest provision that increases the stated interest rate to 17% in the event of nonpayment or other specified defaults.

### **NOTE 9: COMMITMENTS AND CONTINGENCIES**

The Company is not party to any material legal proceedings, other than ordinary routine litigation incidental to the business, and there were no other such proceedings pending during the period covered by this Report.

### **NOTE 10: INCOME TAXES**

Our deferred tax assets are primarily related to net federal and state operating loss carryforwards (“NOLs”). We have substantial NOLs that are limited in usage by IRC Section 382. IRC Section 382 generally imposes an annual limitation on the amount of NOLs that may be used to offset taxable income when a corporation has undergone significant changes in stock ownership within a statutory testing period. We have performed a preliminary analysis of the annual NOL carryforwards and limitations that are available to be used against taxable income. Based on the history of losses of the Company, there continues to be a full valuation allowance against the net deferred tax assets of the Company with a definite life.

For the three months ended March 31, 2025 and 2024, we reported tax expense of \$99 and \$9, respectively. At March 31, 2025, the net deferred tax liabilities were \$172 after valuation allowance, compared to net tax liabilities of \$133 at December 31, 2024.

## **NOTE 11: WARRANTS**

The Company had outstanding warrants accounted for as equity instruments in the Company's Condensed Consolidated Financial Statements totaling 5,364,802 and 4,587,002 at March 31, 2025 and December 31, 2024, respectively. The weighted average exercise price of the outstanding warrants was \$4.66 and \$4.90 at March 31, 2025 and December 31, 2024, respectively. The weighted average remaining contractual life of the outstanding warrants was 3.31 and 3.11 years at March 31, 2025 and December 31, 2024, respectively.

On March 14, 2025, the Company issued to the former Reflect stockholders the Settlement Warrants to purchase their pro rata share of an aggregate of 777,800 shares of the Company's common stock at an exercise price equal to \$3.25 per share, subject to adjustment for stock dividends, distributions, subdivisions, combinations, or reclassifications. The Settlement Warrants are exercisable immediately and expire six years from the date of issuance. They may be exercised for cash or, at the holder's election, on a cashless (net settlement) basis. The Company evaluated the Settlement Warrants under ASC 815-40, *Derivatives and Hedging - Contracts in Entity's Own Equity*, and concluded that the Settlement Warrants meet the criteria for equity classification. As such, the Settlement Warrants are not subject to remeasurement. Accordingly, the fair value of the Settlement Warrants at issuance was recorded as a component of additional paid-in capital within shareholders' equity. The fair value of the Settlement Warrants was estimated at \$1.34 per share as of the issuance date, using the Black-Scholes option pricing model. Key assumptions included: expected volatility of 94%, expected term of 6 years (matching the exercise term), risk-free interest rate of 4.15%, dividend yield of 0%, and the Company's stock price of \$1.88 as of the valuation date.

**NOTE 12: STOCK-BASED COMPENSATION**

A summary of outstanding options is included below:

*Time Vesting Options*

Range of Exercise Prices between	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
\$4.01 - \$8.00	506,672	5.41	\$ 7.40	506,672	\$ 7.40
\$8.01+	69,120	1.22	21.04	69,120	\$ 21.04
	<u>575,792</u>	<u>4.91</u>	<u>\$ 9.03</u>	<u>575,792</u>	

*Performance Vesting Options*

Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
240,000	5.17	\$ 7.59	240,000	\$ 7.59

*Market Vesting Options*

Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
733,334	7.21	\$ 3.00	-	

Date/Activity	<i>Market Vesting Options</i>		<i>Time Vesting Options</i>		<i>Performance Vesting Options</i>	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Balance, December 31, 2024	733,334	3.00	591,897	\$ 9.57	240,000	\$ 7.59
Granted	-	-	-	-	-	-
Forfeited or expired	-	-	(16,105)	28.80	-	-
Balance, March 31, 2025	<u>733,334</u>	<u>3.00</u>	<u>575,792</u>	<u>9.03</u>	<u>240,000</u>	<u>\$ 7.59</u>

The weighted average remaining contractual life for options exercisable is 4.98 years as of March 31, 2025.

Stock-based compensation expense recognized for the issuance of stock options for the three months ended March 31, 2025 and 2024, of \$2 and \$3, respectively, was included in general and administrative expense in the Condensed Consolidated Financial Statements. At March 31, 2025, there was no unrecognized compensation expense related to unvested share-based awards for employees.

On April 1, 2025, the Company granted stock options to purchase an aggregate of 567,500 shares of common stock to employees pursuant to the Company's 2023 Stock Incentive Plan (the "Plan"), which was previously approved by shareholders. The options have an exercise price of \$1.95 per share, equal to the closing market price of the Company's common stock on the grant date. The options vest in equal annual installments over a three-year period, subject to continued service through each vesting date, and expire ten years from the date of grant. The Company will determine the grant-date fair value using the Black-Scholes option pricing model with assumptions including expected volatility, term, risk-free interest rate, and dividend yield. The awards will be recognized as stock-based compensation expense over the requisite service period in accordance with ASC 718 *Compensation - Stock Compensation*, based on the grant-date fair value of the options.

## **NOTE 13: SEGMENT REPORTING**

### *Segment Information*

We currently operate in one reportable segment, marketing technology solutions. The marketing technology solutions segment generates revenue through three primary sources which includes (1) hardware sales from reselling digital signage hardware from original equipment manufacturers, (2) services from helping customers design, deploy, and manage their digital signage and ad-based networks, and (3) recurring subscription licensing and support revenue from our digital signage and ad-tech software platforms, which are generally sold via a SaaS model.

Our Chief Executive Officer is our chief operating decision maker (the “CODM”). Our CODM evaluates performance and makes operating decisions about allocating resources based on financial data presented on a consolidated basis, accompanied by information about revenue disaggregated by service. Our CODM uses the segment information primarily to evaluate the profitability and strategic growth potential of the segment. The reported measures of profit or loss are benchmarked against historical performance and market expectations. Based on this analysis, the CODM determines whether or not to invest in new technology or reallocate operating expenses - namely personnel. In addition, the CODM reviews supplementary metrics such as disaggregated revenue as disclosed in [Note 4 Revenue Recognition](#) and customer growth to ensure that our strategic decisions are aligned with long-term performance goals.

The measure used by our CODM to assess performance and make operating decisions is net income (loss) as reported on our Condensed Consolidated Statements of Operations. Significant segment expenses are reported as total expenses on the Condensed Consolidated Statements of Operations. Segment assets are disclosed in the Condensed Consolidated Balance Sheets.

### *Significant Customers*

We had two customers that accounted for 13% and 11% of accounts receivable at March 31, 2025 and one customer that accounted for 16% of accounts receivable at December 31, 2024.

We had three customers that accounted for 20%, 11% and 10% of revenue for the three months ended March 31, 2025, compared to four customers that accounted for 13%, 12%, 11%, and 10% of revenue for the three months ended March 31, 2024.

### *Significant Vendors*

We had two vendors that accounted for 14% and 13% of outstanding accounts payable at March 31, 2025, and two vendors that accounted for 27% and 10% of outstanding accounts payable at December 31, 2024.

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

The following discussion contains various forward-looking statements within the meaning of Section 21E of the Exchange Act. Although we believe that, in making any such statement, our expectations are based on reasonable assumptions, any such statement may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. When used in the following discussion, the words “anticipates,” “believes,” “expects,” “intends,” “plans,” “estimates,” “projects,” “should,” “may,” “proposes,” and similar expressions (or the negative versions of such words or expressions), as they relate to us or our management, are intended to identify such forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties that could cause actual results to differ materially from those anticipated, and many of which are beyond our control. Factors that could cause actual results to differ materially from those anticipated are set forth under the caption “Risk Factors” in this Quarterly Report on Form 10-Q, and the Company’s Annual Report on Form 10-K for the year ended December 31, 2024, as filed with the Securities and Exchange Commission on March 14, 2025.

Our actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking statements. Accordingly, we cannot be certain that any of the events anticipated by forward-looking statements will occur or, if any of them do occur, what impact they will have on us. We caution you to keep in mind the cautions and risks described in this document and to refrain from attributing undue certainty to any forward-looking statements, which speak only as of the date of the document in which they appear. Except to the extent required by law, we expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or change in events, conditions, or circumstances on which any statement is based.

## Overview

The Company transforms environments through digital solutions by providing innovative digital signage solutions for key market segments and use cases, including:

- Retail
- Entertainment and Sports Venues
- Restaurants, including quick-serve restaurants (“QSR”)
- Convenience Stores
- Financial Services
- Automotive
- Medical and Healthcare Facilities
- Mixed Use Developments
- Corporate Communications, Employee Experience
- Digital out of Home (“DOOH”) Advertising Networks

We serve market-leading companies, so there is a good chance that if you leave your home today to shop, work, eat, or play, you will encounter one or more of our digital signage experiences. Our solutions are increasingly visible because we help our enterprise customers achieve a range of business objectives, including:

- Increased brand awareness;
- Improved customer support;
- Enhanced employee productivity and satisfaction;
- Increased revenue and profitability;
- Improved guest experience; and
- Increased customer/guest engagement.

Through a combination of organically grown platforms and a series of strategic acquisitions, the Company assists customers to design, deploy, manage, and monetize their digital signage networks. The Company sources leads and opportunities for its solutions through its digital and content marketing initiatives, close relationships with key industry partners, specifically equipment manufacturers, and the direct efforts of its in-house industry sales experts. Customer engagements focus on consultative conversations that ensure the Company’s solutions are positioned to help customers achieve their business objectives in the most cost-effective manner possible.

When comparing us to other digital signage providers, our customers value the following competitive advantages:

- **Breadth of solutions** – Creative Realities offers a wide breadth of solutions to our customers. Creative Realities is one of only a few companies in the industry capable of providing the full portfolio of products and services required to implement and run an effective digital signage network. We leverage a ‘single vendor’ approach, providing customers with a one-stop-shop for sourcing digital signage solutions from design through day two services.
- **Managed labor pool** – Unlike most companies in our industry, we have a curated labor pool of qualified and vetted field technicians available to service customers quickly nationwide. We can meet tight schedules even in exceptionally large deployments and still ensure quality and consistency.
- **In-house creative resources** – We assist customers in creating new content or repurposing existing content for digital signage experiences, an activity for which the Company has won several design awards in recent years. In each instance, our services can be essential in helping customers develop an effective content program.
- **Network scalability and reliability** – Our SaaS content management platforms power some of the largest and most complex digital signage networks in North America, evidencing our ability to manage enterprise scale projects. This also provides us purchasing power to source products and services for our customers, enabling us to deliver cost effective, reliable and powerful solutions to small and medium size business customers.
- **AdTech platforms** – The Company has developed and deployed the AdLogic and Adlogic CPM+ platforms, which, working in conjunction with our CMS platforms, present completely integrated digital advertising solutions for existing and prospective customers seeking to monetize their in-store retail media networks. These platforms anchor the Company’s vertical expansion into AdTech bringing new, and expanding existing, addressable markets.
- **Market sector expertise** – Creative Realities has in-house experts in key market segments such as automotive, retail, QSRs, convenience stores, and DOOH advertising. Our expertise in these business segments enable our teams to provide meaningful business conversations and offer tailored solutions with prospects and customers to their unique business objectives. These experts build industry relationship and create thought leadership that drives lead flow and new opportunities for our business.
- **Logistics** – Implementing a large digital signage project can be a logistical nightmare that can stall an initiative, even before deployment. Our expertise in logistics improves deployment efficiency, reduces delays and problems, and saves customers time and money.
- **Technical support** – Digital signage networks present unique challenges for corporate IT departments. We simplify and improve end user support by leveraging our own NOC in Louisville, Kentucky. The NOC resolves many issues remotely and when field support is required, it can be dispatched quickly from the NOC, leveraging our managed labor pool to resolve customer issues quickly and effectively.
- **Integrations and application development** – The future of digital signage is not still images and videos on a screen. We believe that interactive applications and integrations with other data sources will dominate the future. From social media feeds, mobile integrations, corporate data stores, or point of sale systems, our proven ability to build scalable applications and integrations is a key advantage that customers can leverage to deliver more compelling and engaging experiences for their customers.
- **Hardware support** – A number of digital signage providers sell a proprietary media player or align themselves with just one operating system. We utilize a range of media players including Windows, Android and BrightSign to provide customers flexibility to select the appropriate hardware for any application knowing the entire network can still be served by a single digital signage platform, reducing complexity and improving the productivity of our customers.

## Our Sources of Revenue

The three primary sources of revenue for the Company are:

- Hardware sales from reselling digital signage hardware from original equipment manufacturers such as Samsung and BrightSign.
- Services revenue from helping customers design, deploy and manage their digital signage network, including:
  - Hardware system design/engineering
  - Hardware installation
  - Content development
  - Content scheduling
  - Post-deployment network and field support
- Recurring subscription licensing and support revenue from our digital signage software platforms, which are generally sold via a SaaS model. Our platforms include:
  - **ReflectView**, the Company's core digital signage platform for most applications, scalable and cost effective from 10 to 100,000+ devices;
  - **Reflect Xperience**, a web-based interface that allows customers to give content scheduling access to local users via the web or mobile devices, while still maintaining centralized programming control;
  - **Reflect AdLogic**, the Company's ad management platform for digital signage networks, which presently delivers approximately 50 million ads daily;
  - **Clarity**, the Company's menu board solution, which has become a market leader for a range of restaurant and convenience store applications;
  - **Reflect Zero Touch**, which allows customers to turn any screen into an interactive experience by allowing guests to engage using their mobile device;
  - **iShowroomProX**, an omni-channel digital sales support platform targeted at original equipment manufacturers in the transportation sector, which integrates with dozens of key data services including dealer inventory at the VIN level; and
  - **OSx+**, a digital VIN-level checklist used to assist in the tracking and delivery of new vehicles in the transportation sector, providing measurable lift in customer satisfaction scores and connected vehicle enrollments and subscription activations.

While hardware sales and support services revenues can fluctuate more significantly year over year based on new, large-scale network deployments, the Company expects to see continuous growth in recurring SaaS revenue for the foreseeable future as digital signage adoption/utilization continues to expand across the vertical markets we serve.

## **Our Operating Expenses**

Our operating expenses are comprised of sales and marketing, and general and administrative expenses. Sales and marketing expenses include salaries and benefits for our sales, business development solution management and marketing personnel, and commissions paid on sales. This category also includes amounts spent on marketing networking events, promotional materials, hardware and software to prospective new customers, including those expenses incurred in trade shows and product demonstrations, and other related expenses. Our general and administrative expenses consist of corporate overhead, including administrative salaries, real property lease payments, salaries, and benefits for our corporate officers and other expenses such as legal and accounting fees.

## **Critical Accounting Policies and Estimates**

The Company's significant accounting policies are described in [Note 2 Summary of Significant Accounting Policies](#) of the Company's Condensed Consolidated Financial Statements included elsewhere in this Report. The Company's Condensed Consolidated Financial Statements are prepared in conformity with GAAP. Certain accounting policies involve significant judgments, assumptions, and estimates by management that could have a material impact on the carrying value of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting period. Our actual results could differ from those estimates.

## **Results of Operations**

*Note: All dollar amounts reported in Results of Operations are in thousands, except share and per-share information.*

### Three Months Ended March 31, 2025 Compared to Three Months Ended March 31, 2024

The tables presented below compare our results of operations and present the results for each period and the change in those results from one period to another in both dollars and percentage change.

	For the three months ended March 31,		Change	
	2025	2024	\$	%
Sales	\$ 9,734	\$ 12,285	\$ (2,551)	21%
Cost of sales	5,281	6,521	(1,240)	19%
Gross profit	4,453	5,764	(1,311)	23%
Sales and marketing expenses	1,247	1,465	(218)	15%
General and administrative expenses	3,928	4,375	(447)	10%
Total operating expenses	5,175	5,840	(665)	11%
Operating loss	(722)	(76)	(646)	850%
Other expenses (income):				
Interest expense, including amortization of debt discount	321	663	(342)	52%
Gain on settlement of contingent consideration	(4,775)	-	(4,775)	100%
Gain on change in fair value of contingent consideration	-	(604)	604	100%
Other expense (income)	265	(35)	300	857%
Total other expenses (income)	(4,189)	24	(4,213)	17554%
Net income (loss) before income taxes	3,467	(100)	3,567	3567%
Provision for income taxes	(99)	(9)	(90)	1,000%
Net income (loss)	\$ 3,368	\$ (109)	\$ 3,477	3190%

#### Sales

Sales decreased \$2,551, or 21%, for the three months ending March 31, 2025 as compared to the same period in 2024. Hardware revenues were \$3,394, a decrease of \$750, or 18%, for the three months ending March 31, 2025 as compared to the same period in 2024. Delays and deferrals in existing and prospective customer deployment planning leading up to and immediately following the US presidential election negatively impacted the timing of hardware sales and associated installation activities. Services and other revenues were \$6,340, a decrease of \$1,801 or 22%. Installation services revenue decreased \$565, or 26% for the three months ending March 31, 2025 as compared to the same period in 2024, due to aforementioned customer delays. Managed services revenue, which includes the Company's SaaS subscription services, were \$4,247, a decrease of \$527, or 11%, as compared to the same period in 2024, as a result of reductions in the quantity of licenses subject to software subscriptions on our platforms driven by a single customer which insourced a portion of their hosted environment. Other services revenue decreased \$709, or 59% for the three months ending March 31, 2025 as compared to the same period in 2024, as a result of the Company exiting media sales effective October 1, 2024.

#### Gross Profit

Gross profit margin was 46% and 47% for the three months ending March 31, 2025 and 2024, respectively. Hardware gross margin increased 9%, as a result of deployments utilizing hardware with more favorable margins due to the Company's purchasing power, combined with increased pricing on certain hardware-only purchases by customers. Services and other gross margin decreased 6% as a result of a reduction in our SaaS subscription services and our exit from media sales effective October 1, 2024.

#### Sales and Marketing Expenses

Sales and marketing expenses generally include the salaries, taxes, and benefits of our sales and marketing personnel, as well as trade show activities, travel, and other related sales and marketing costs. Sales and marketing expenses decreased by \$218, or 15%, for the three-month period ended March 31, 2025 as compared to the same period in 2024, driven primarily by decreases of (1) \$97 in fixed and variable salaries, taxes and benefits of our sales and marketing personnel, and (2) \$90 in trade show and marketing activities.

### ***General and Administrative Expenses***

General and administrative expenses decreased by \$447 or 10%, for the three months ending March 31, 2025 as compared to the same period in 2024. The decrease was primarily driven by (1) a \$185 reduction in payroll-related expenses due to reduced average headcount in the current period, and (2) a \$166 reduction in facilities expenses following relocation of the Company's Dallas, Texas office, which became effective April 1, 2024.

### ***Interest Expense***

See [Note 8 Debt](#) to the Condensed Consolidated Financial Statements for a discussion of the Company's debt and related interest expense obligations.

### ***Gain on Settlement of Contingent Consideration***

See [Note 5 Business Combinations](#) to the Condensed Consolidated Financial Statements for a discussion of the Company's gain on settlement of contingent consideration.

### ***Other expenses (income)***

The Company recognized \$265 in other expenses for the three months ended March 31, 2025, consisting primarily of (1) \$120 in legal expenses incurred in connection with the contingent consideration settlement and (2) \$136 in severance-related expenses in connection with the termination of certain employees as part of a cost-reduction initiative.

### **Summary Unaudited Quarterly Financial Information (Non-GAAP)**

A non-GAAP financial measure is generally defined as one that purports to measure historical or future financial performance, financial position, or cash flows, but excludes or includes amounts that would not be so excluded or included in the most comparable U.S. generally accepted accounting principles ("GAAP") measure. Earnings before interest, depreciation, and amortization ("EBITDA") and adjusted EBITDA ("Adjusted EBITDA") are non-GAAP financial performance measures we believe offer a useful view of the overall operations of our business. These non-GAAP financial performance measures, which may not be comparable to, and may be defined differently than, similarly titled measures used or reported by other companies, should not be considered in isolation from or as a substitute for the related GAAP measures and should be read together with financial information presented on a GAAP basis.

EBITDA and Adjusted EBITDA are not measurements of financial performance under GAAP. We use non-GAAP financial performance measures to supplement our GAAP results in order to provide a more complete understanding of the factors and trends affecting our business. We believe these non-GAAP financial performance measures are helpful in identifying trends in our day-to-day performance because the items excluded have little or no significance on our day-to-day operations. These measures provide an assessment of core expenses and afford management the ability to make decisions which are expected to facilitate meeting current financial goals as well as achieve optimal financial performance. Our management believes that these non-GAAP financial measures provide additional information useful for investors, shareholders and other stakeholders of our Company in gauging our results of operations on an ongoing basis.

EBITDA and Adjusted EBITDA have limitations as analytical tools. They should not be viewed in isolation or as a substitute for net income (loss) or any other measure of performance derived in accordance with GAAP. EBITDA and Adjusted EBITDA exclude certain expenses that we believe may not be indicative of our business operating results. EBITDA should not be considered as an alternative to net (loss) income as an indicator of performance or as an alternative to cash flows from operating activities as an indicator of cash flows, in each case as determined in accordance with GAAP, or as a measure of liquidity. EBITDA does not take into account changes in certain assets and liabilities as well as interest and income taxes that can affect cash flows. In addition, Adjusted EBITDA excludes stock-based compensation, fair value adjustments and both cash and non-cash non-recurring gains and charges. We strongly urge you to review the following reconciliation of net (loss) income to EBITDA and Adjusted EBITDA, along with our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. We also strongly urge you not to rely on any single financial performance measure to evaluate our business.

The table below shows the reconciliation of the Company's net (loss) income to EBITDA and Adjusted EBITDA:

Quarters ended	Quarters Ended				
	March 31 2025	December 31 2024	September 30 2024	June 30 2024	March 31 2024
GAAP net (loss) income	\$ 3,368	\$ (2,838)	\$ 54	\$ (615)	\$ (109)
Interest expense:					
Amortization of debt discount	-	-	-	209	360
Other interest, net	321	296	303	304	303
Depreciation/amortization:					
Amortization of intangible assets	1,136	1,128	1,081	878	790
Amortization of employee share-based awards	2	4	3	3	3
Depreciation of property & equipment	51	49	51	52	49
Income tax (benefit) expense	99	(120)	192	25	9
EBITDA	<u>\$ 4,977</u>	<u>\$ (1,481)</u>	<u>\$ 1,684</u>	<u>\$ 856</u>	<u>\$ 1,405</u>
Adjustments					
Loss (Gain) on fair value of contingent consideration	-	2,022	598	(408)	(604)
Gain on settlement of contingent consideration	(4,775)	-	-	-	-
Loss on debt extinguishment	-	-	-	1,059	-
Other (income) expense	265	(74)	(11)	18	(35)
Adjusted EBITDA	<u>\$ 467</u>	<u>\$ 467</u>	<u>\$ 2,271</u>	<u>\$ 1,525</u>	<u>\$ 766</u>

## Liquidity and Capital Resources

### Overview

As of March 31, 2025, we had an accumulated deficit of \$53,486 and positive working capital of \$3,133. For the three months ended March 31, 2025, we generated an operating loss of \$722 and negative net cash flows from operations of \$2,449. We remain dependent on improving cash flows from operations, securing additional sources of liquidity, or both, to fund ongoing operations to meet our financial obligations, including our debt obligations under our current Credit Agreement.

### Going Concern

In response to our accumulated deficit and capital requirements, we continue to evaluate our available options for amending our debt facilities or accessing the capital markets via equity financing. However, these plans have not been finalized, are subject to market conditions, and in some respects are outside of our control. Therefore, they cannot be deemed probable as of March 31, 2025. As a result of the matters discussed above, including our losses, current liquidity level and projected capital needs, we have concluded that management's plans do not alleviate substantial doubt about our ability to continue as a going concern within one year after the issuance date of the Condensed Consolidated Financial Statements included in this Report.

To the extent revenues from operations are insufficient to meet our liquidity requirements, our ability to continue as a going concern will depend our ability to effectively raise capital through private or public placement of our equity securities. If we are unable to maintain sufficient financial resources, our business, financial condition and results of operations, as well as our ability to continue to execute on our business plan, and satisfy our obligations as they become due, will be materially and adversely affected. Failure to obtain additional financing will have a material, adverse impact on our business operations. There can be no assurance that we will be able to obtain the financing needed to achieve our goals on acceptable terms or at all. Additionally, any equity or equity-linked financings would likely have a dilutive effect on the holdings of our existing stockholders. Our current level of cash and cash equivalents are not sufficient to execute our business plan. For the foreseeable future, we will incur significant operating expenses, capital expenditures and working capital funding that will deplete our cash on hand.

Our ability to obtain additional financing is extremely limited under current market conditions, including the significant amount of capital required, the market price of our stock and potential dilution from the issuance of any additional securities. If we are unable to identify other sources of funding, we may need to further adjust our operations. As a result of all of the matters discussed above, including our losses, current liquidity level and our projected capital needs, substantial doubt exists about our ability to continue as a going concern over the next twelve months from the date of issuance of the accompanying Condensed Consolidated Financial Statements.

## **Summary of Cash Flows**

### *Operating Activities*

The net cash used in operating activities during the three months ended March 31, 2025 was \$2,449, compared to net cash provided by operating activities of \$1,938 for the same period in 2024. During the three month period ending March 31, 2025, the Company generated net income of \$3,368, which included a \$4,775 gain on settlement of contingent liability, and depreciation and amortization expense of \$1,187. The Company used \$2,314 in cash due to changes in operating assets and liabilities, primarily due to decreases in accounts payable and accrued expenses.

### *Investing Activities*

Net cash used in investing activities during the three months ended March 31, 2025 was \$621, compared to \$830 during the same period in 2024. We currently do not have any material commitments for capital expenditures as of March 31, 2025.

### *Financing Activities*

Net cash provided by financing activities during the three months ended March 31, 2025 was \$3,182, compared to net cash used in financing activities of \$1,119 for the same period in 2024. Net cash provided by financing activities during the three month period ended March 31, 2025 is primarily the result of net proceeds of \$6,194 from borrowings and payments under the Company's revolving credit facility, partially offset by \$3,000 in cash payments made to former Reflect stockholders pursuant to the Settlement Agreement.

## **Debt**

### *Revolving Credit Facility*

On May 23, 2024, we entered into a Credit Agreement (the "Credit Agreement") with First Merchants Bank (the "Bank"). The Credit Agreement provides us with a \$22,100 secured revolving credit facility, with an uncommitted accordion feature that provides for additional borrowing capacity of up to \$5,000, subject to the Bank's approval and other customary terms and conditions set forth in the Credit Agreement. The Credit Agreement matures in May 2027 and requires us to pay the entire unpaid principal balance upon maturity.

The revolving credit facility accrues interest at a floating rate equal to the 1-month SOFR, plus 0.11%, plus a floating margin ranging from 2.00% to 3.50% that adjusts quarterly, depending upon our Senior Funded Debt to EBITDA Ratio. The effective interest rate at March 31, 2025 was 7.43%. We pay accrued interest monthly on the first day of each successive calendar month.

We had \$19,238 in outstanding borrowings under the revolving credit facility as of March 31, 2025. Total availability under the revolving facility was \$2,862.

### *Promissory Note*

The Promissory Note was issued on March 14, 2025 in the original principal amount of \$4,000 as part of the Settlement Agreement to resolve the contingent consideration liability. It is our unsecured obligation. The Promissory Note bears interest at a fixed annual rate of 14.0%. Upon the occurrence of and during an event of a default (as defined in the Promissory Note), or during any period of non-payment caused by restrictions under the Subordination Agreement, the interest rate increases to 17.0% per annum. The Promissory Note requires monthly payments of interest only commencing April 14, 2025 and continuing through September 14, 2025. Commencing October 14, 2025, we are required to pay principal and interest in accordance with an amortization schedule that requires equal monthly payments of \$109 on the 14th day of each calendar month through maturity on September 14, 2027. On the maturity date, we are required to make a final balloon payment of \$2,277, representing the remaining principal and accrued but unpaid interest outstanding at maturity.

The principal balance of the Promissory Note (together with accrued but unpaid interest on such amounts) may be prepaid in whole or in part at any time prior to maturity, subject to our payment of a make-whole payment with such prepayment. The make-whole payment is equal to the aggregate monthly payments of interest on the prepayment amount that would be due after the prepayment date and through the maturity date, using the percentage, if any, by which the applicable interest rate exceeds a prescribed "yield maintenance treasury rate."

## **Equity**

We had outstanding warrants accounted for as equity instruments in our Condensed Consolidated Financial Statements totaling 5,364,802 and 4,587,002 at March 31, 2025 and December 31, 2024, respectively. The weighted average exercise price of the outstanding warrants was \$4.66 and \$4.90 at March 31, 2025 and December 31, 2024, respectively. The weighted average remaining contractual life of the outstanding warrants was 3.31 and 3.11 years at March 31, 2025 and December 31, 2024, respectively.

On March 14, 2025, we issued to the former Reflect stockholders the Settlement Warrants to purchase their pro rata share of an aggregate of 777,800 shares of our common stock at an exercise price equal to \$3.25 per share, subject to adjustment for stock dividends, distributions, subdivisions, combinations, or reclassifications. The Settlement Warrants are exercisable immediately and expire six years from the date of issuance. They may be exercised for cash or, at the holder's election, on a cashless (net settlement) basis. The fair value of the Settlement Warrants was estimated at \$1.34 per share as of the issuance date, using the Black-Scholes option pricing model. Key assumptions included: expected volatility of 94%, expected term of 6 years (matching the exercise term), risk-free interest rate of 4.15%, dividend yield of 0%, and our stock price of \$1.88 as of the valuation date.

### **Off-Balance Sheet Arrangements**

During the three months ended March 31, 2025, we did not engage in any off-balance sheet arrangements set forth in Item 303(a)(4) of Regulation S-K.

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

Not applicable.

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

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

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act"), as of the end of the period covered by this Report. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of March 31, 2025, and were designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, 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 quarter ended March 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

None.

### Item 1A. Risk Factors

There have been no material changes to the risk factors described in Part I, Item 1A, Risk Factors of our Form 10-K for the fiscal year ended December 31, 2024, except for the following risk factor for which our investors should be aware:

***Changes in U.S. and foreign government policy, including the imposition of or increases in tariffs and changes to existing trade agreements, could have a material adverse effect on global economic conditions, our ability to raise capital on the capital markets, and our business, results of operations, prospects and financial condition.***

The current Presidential Administration has proposed changes to U.S. and foreign government policy, including, but not limited to, changes to existing trade agreements, imposing significant increases in tariffs on goods imported into the U.S., particularly those manufactured in China, and greater restrictions on free trade generally. This has led to, among other things, adverse responses by foreign governments to U.S. trade policies. The implementation of tariffs is evolving. More tariffs may be increased or added in the future, which may significantly reduce global trade and trade between the impacted nations and the United States. As of the date of this Quarterly Report on Form 10-Q, discussions remain ongoing in respect of certain trade restrictions and tariffs on imports from numerous countries, including China, as well as retaliatory tariffs enacted in response to such actions.

In light of these events, there continues to exist significant uncertainty about the future relationship between the U.S. and other countries with respect to such trade policies, treaties, and tariffs. These developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets. Any of these factors could have an adverse effect on our ability to raise capital on the capital markets in the future on terms acceptable to us, if at all.

Certain hardware that we procure and resell to our customers is supplied from vendors internationally, including certain media players from Taiwan and digital displays and mounts from Mexico and Vietnam. While we are currently unable to determine the aggregate impact of these tariffs, they could have an adverse impact on our business, results of operations, prospects and financial condition, and if we are unable to pass through the tariff costs via price increases to our customers, it would likely increase our cost of sales and, as a result, decrease our gross margins, operating income and net income.

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

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

*Rule 10b5-1 Trading Plans*

During the quarter ended March 31, 2025, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

*First Amendment to Credit Agreement*

On May 12, 2025, First Merchants Bank, the Company and the Company's subsidiaries executed a First Amendment to Credit Agreement. The amendment provides that, effective March 31, 2025, the maximum Senior Funded Debt to EBITDA ratio as of March 31, 2025 and June 30, 2025 was increased from 3.75 to 1.00 to 4.00 to 1.00, and the maximum ratio as of September 30, 2025 and thereafter remains at 3.75 to 1.00.

Item 6. Exhibits

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
10.1	<a href="#">Third Amendment to Merger Agreement, dated February 17, 2025 by and among Creative Realities, Inc., Reflect Systems, Inc. and RSI Exit Corporation</a>	8-K	10.1	February 18, 2025	—
10.2	<a href="#">Amendment to Option Agreement dated February 17, 2025</a>	8-K	10.1	February 21, 2025	—
10.3	<a href="#">Fourth Amendment to Merger Agreement dated February 23, 2025 by and among Creative Realities, Inc., Reflect Systems, Inc. and RSI Exit Corporation</a>	8-K	10.1	February 24, 2025	—
10.4	<a href="#">Form of Common Stock Purchase Warrant.</a>	8-K	4.1	March 17, 2025	—
10.5	<a href="#">Settlement Agreement and Fifth Amendment to Merger Agreement dated March 14, 2025 by and among Creative Realities, Inc., Reflect Systems, Inc. and RSI Exit Corporation</a>	8-K	10.1	March 17, 2025	—
10.6	<a href="#">\$4,000,000 Promissory Note dated March 14, 2025 payable to the order of RSI Exit Corporation</a>	8-K	10.2	March 17, 2025	—
10.7	<a href="#">Subordination Agreement dated March 14, 2025 by and among Creative Realities, Inc., Reflect Systems, Inc., First Merchants Bank and RSI Exit Corporation.</a>	8-K	10.3	March 17, 2025	—
10.8	<a href="#">Consent Agreement dated March 14, 2025 by and among First Merchants Bank, Allure Global Solutions, Inc., Creative Realities, Inc. and Reflect Systems, Inc.</a>	8-K	10.4	March 17, 2025	—
10.9	<a href="#">First Amendment to Credit Agreement dated May 12, 2025 by and among First Merchant Bank, Creative Realities, Inc., Allure Global Solutions, Inc. and Reflect Systems, Inc.</a>				X

**INDEX TO EXHIBITS**

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
31.1	<a href="#">Chief Executive Officer Certification pursuant to Exchange Act Rule 13a-14(a).</a>				X
31.2	<a href="#">Chief Financial Officer Certification pursuant to Exchange Act Rule 13a-14(a).</a>				X
32.1	<a href="#">Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350.</a>				X
32.2	<a href="#">Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350.</a>				X
101.INS	Inline XBRL Instance Document				X
101.SCH	Inline XBRL Taxonomy Extension Schema.				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase.				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase.				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.				X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).				X

## SIGNATURES

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.

Date: May 14, 2025

Creative Realities, Inc.

By /s/ Richard Mills  
Richard Mills  
Chief Executive Officer

By /s/ David Ryan Mudd  
David Ryan Mudd  
Interim Chief Financial Officer

**FIRST AMENDMENT TO  
CREDIT AGREEMENT**

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this “Amendment”) is entered into on May 12, 2025, and effective as of March 31, 2025 (the “Effective Date”), by and among **First Merchants Bank**, an Indiana bank, with address of 8711 River Crossing Blvd., Indianapolis, Indiana 46240 (the “Bank”); and **Allure Global Solutions, Inc.**, a Georgia corporation (“AGS”), **Creative Realities, Inc.**, a Minnesota corporation (“CRI”), and **Reflect Systems, Inc.**, a Delaware corporation (“RS”) each with address of 13100 Magisterial Drive, Suite 102, Louisville, Kentucky 40223 (AGS, CRI and RS, collectively, the “Borrowers”, and each a “Borrower”).

RECITALS:

WHEREAS, the Borrowers and the Bank are parties to that certain Credit Agreement dated effective as of May 23, 2024 (as amended, the “Original Loan Agreement”); and

WHEREAS, the Borrowers and the Bank desire to amend the Original Loan Agreement to adjust certain covenants as hereinafter provided;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. AMENDMENT TO FINANCIAL COVENANTS. Effective as of the Effective Date, Section 5.03(b) of the Original Loan Agreement is hereby amended and restated to read as follows:

“(b) Senior Funded Debt to EBITDA Ratio. Borrowers and their Subsidiaries, on a consolidated basis, shall maintain a Senior Funded Debt to EBITDA Ratio less than: (a) 4.00 to 1.00 from March 31, 2025 through and including June 30, 2025 and (b) 3.75 to 1.00 from and after September 30, 2025, all determined as of the last day of each fiscal quarter of Borrowers for the rolling four (4) fiscal quarter period ending on such day.”

2. RELATED AMENDMENTS TO ORIGINAL LOAN AGREEMENT AND LOAN DOCUMENTS. The Original Loan Agreement and the existing Loan Documents and the definitions contained therein are hereby further amended as follows:

- a) All references to “Loan Agreement” shall mean the Original Loan Agreement, as amended by this Amendment; and
- b) All references to “Loan Documents” shall mean all Loan Documents existing as of the Effective Date, including this Amendment.

3. DOCUMENTS REQUIRED AS A CONDITION PRECEDENT TO BANK’S OBLIGATIONS. Bank shall have no obligation under this Amendment unless and until Bank has received all of the following documents, duly executed and in form satisfactory to Bank:

- a) This Amendment; and
- b) The amendments to such other documents or instruments as Bank may reasonably require.

4. REPRESENTATIONS AND WARRANTIES. Borrowers jointly and severally reaffirm as of the Effective Date all representations and warranties contained in the Original Loan Agreement, each of which shall be deemed to be continuing warranties and representations until such time as all Debt evidenced by the Original Loan Agreement and the other Loan Documents, as hereby amended, shall have been paid in full and Borrowers have no further liability to Bank.

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5. COVENANTS. Borrowers agree that all covenants contained in the Original Loan Agreement and the other Loan Documents, as hereby amended, are and hereafter shall be binding upon Borrowers until such time as all Debt evidenced by the Original Loan Agreement and the other Loan Documents, as hereby amended, shall have been paid in full and Borrowers have no further liability to Bank, unless otherwise consented to in writing by Bank.
6. NO DEFENSES OR SETOFFS; RELEASE. Each Borrower acknowledges and agrees that: (a) such Borrower has no claim or cause of action against Bank (or any of Bank's directors, officers, employees, or agents) relating to the Obligations; (b) such Borrower has no offset right, counterclaim, or defense of any kind against enforcement of, or relating to, any of the Obligations; and (c) Bank has heretofore properly performed and satisfied in a timely manner all of Bank's obligations to each Borrower. Bank desires, and each Borrower agrees, to eliminate any possibility that any past conditions, acts, omissions, events, circumstances or matters would impair or otherwise adversely affect any of Bank's rights, interests, collateral, security, or remedies. Therefore, each Borrower, on behalf of itself and all of its heirs, successors and assigns and any and all other entities and persons claiming rights through such Borrower, unconditionally releases, acquits, and forever discharges Bank and its affiliated entities and parties, and all of their current and former directors, officers, agents, employees, shareholders, and attorneys, and their successors and assigns (collectively, the "Dischargees") from (i) any and all liabilities, obligations, duties, or indebtedness of any of the Dischargees to any and all Borrowers, whether known or unknown, arising prior to the last date any Borrower signs this Amendment, and (ii) any and all claims, offsets, causes of action, suits, or defenses, whether known or unknown, which any Borrower might otherwise have against any of the Dischargees on account of any condition, act, omission, event, contract, liability, obligation, indebtedness, claim, cause of action, defense, circumstance, or matter of any kind which existed, arose or occurred at any time prior to the last date any Borrower signs this Amendment. This provision shall survive any termination of the Loan Agreement and the repayment of the Obligations.
7. GOVERNING LAW. This Amendment shall be governed by and construed and enforced in accordance with the substantive law of the State of Indiana without regard to its conflict of law principles.
8. COUNTERPART EXECUTION. This Amendment may be executed by original or electronic signature (which electronic signature shall be binding and enforceable the same as if original) in any number of counterparts, each of which shall constitute an original, but all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Amendment by signing any such counterpart. This Amendment shall be effective when it has been executed by Borrowers and Bank. The parties hereto agree that "execution," "signed," "signature," and words of like import in this Amendment shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based record keeping system, as the case may be, to the extent and as provided for in any applicable law, including, without limitation, Electronic Signatures in Global and National Commerce Act, the Uniform Electronic Transactions Act or the Uniform Commercial Code, and the parties hereto hereby waive any objection to the contrary.
9. FUTURE NEGOTIATIONS. Each Borrower acknowledges and agrees that (i) the Bank has no obligation whatsoever to discuss, negotiate or to agree to any restructuring of the Note, or any modification, amendment, restructuring or reinstatement of the other Loan Documents; (ii) that if there are any future discussions among the Bank and either Borrower concerning any such restructuring, modification, amendment or reinstatement, then no restructuring, modification, amendment, reinstatement, compromise, settlement, agreement or understanding with respect to the Note, the other Loan Documents, the Collateral or any aspect thereof, shall constitute a legally binding agreement or contract or have any force or effect whatsoever unless and until reduced in writing and signed by authorized representatives of the parties to be bound, and that none of the parties hereto shall assert or claim in any legal proceedings or otherwise that any such agreement exists except in accordance with the terms of this Section.

10. FEES AND EXPENSES OF BANK. Pursuant to Section 8.03 of the Original Loan Agreement, Borrowers agree to pay, or cause to be paid, and save Bank harmless against liability for the payment of, all reasonable out-of-pocket expenses, including reasonable and documented counsel and attorneys fees, incurred by Bank relating to the negotiation, preparation and administration of this Amendment and such other fees and expenses contemplated by the Original Loan Agreement.

11. JURY WAIVER. SUBJECT TO SECTION 8.09 OF THE ORIGINAL LOAN AGREEMENT, IN RECOGNITION OF THE HIGHER COSTS AND DELAY WHICH MAY RESULT FROM A JURY TRIAL, THE PARTIES HERETO WAIVE ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (a) ARISING HEREUNDER OR IN CONNECTION WITH THE LOAN DOCUMENTS, OR (b) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT HERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY FURTHER WAIVES ANY RIGHT TO CONSOLIDATE ANY SUCH ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY HERETO MAY FILE A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY. THIS PROVISION SHALL SURVIVE ANY TERMINATION OF THE LOAN AGREEMENT AND THE REPAYMENT OF THE OBLIGATIONS.

12. LIMITED EFFECT OF AMENDMENT. Except as specifically amended herein or in the other documents executed in connection with this Amendment, the terms and conditions of the Original Loan Agreement, the Loan Documents, and all other existing agreements between the parties are unaffected by this Amendment and shall continue to be binding upon each Borrower and Bank.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Amendment effective as of the Effective Date.

“Bank”

**First Merchants Bank**

By: /s/ James M. Stehlik  
Name: James M. Stehlik  
Its: First Vice President

“Borrowers”

**Allure Global Solutions, Inc.**  
a Georgia corporation

By: /s/ Ryan Mudd  
Ryan Mudd, Interim Chief Financial Officer

**Creative Realities, Inc.**  
a Minnesota corporation

By: /s/ Ryan Mudd  
Ryan Mudd, Interim Chief Financial Officer

**Reflect Systems, Inc.**  
a Delaware corporation

By: /s/ Ryan Mudd  
Ryan Mudd, Interim Chief Financial Officer

[Signature Page to First Amendment to Credit Agreement]

**CHIEF EXECUTIVE OFFICER CERTIFICATION  
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)**

I, Richard Mills, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three months ended March 31, 2025, of Creative Realities, 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(s) 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(s) 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.

Dated: May 14, 2025

By: /s/ Richard Mills  
Richard Mills  
Chief Executive Officer

**CHIEF FINANCIAL OFFICER CERTIFICATION  
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)**

I, David Ryan Mudd, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three months ended March 31, 2025, of Creative Realities, 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(s) 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(s) 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.

Dated: May 14, 2025

By: /s/ David Ryan Mudd  
David Ryan Mudd  
Interim Chief Financial Officer

**CHIEF EXECUTIVE OFFICER CERTIFICATION  
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Creative Realities, Inc. (the "Company") on Form 10-Q for the three months ended March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard Mills, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: May 14, 2025

By: /s/ Richard Mills

Richard Mills

Chief Executive Officer

**CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Creative Realities, Inc. (the "Company") on Form 10-Q for the three months ended March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Ryan Mudd, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: May 14, 2025

By: /s/ David Ryan Mudd

David Ryan Mudd

Interim Chief Financial Officer