

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 June 29, 2025
- ☐ 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: 001-38618

ARLO TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

38-4061754
(I.R.S. Employer Identification Number)

5770 Fleet Street
Carlsbad, California
(Address of principal executive offices)

92008
(Zip Code)

(408) 890-3900
(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	ARLO	New York Stock Exchange

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

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

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

- | | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

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

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

The number of outstanding shares of the registrant's Common Stock, \$0.001 par value, was 104,370,654 as of August 1, 2025.

Arlo Technologies, Inc.
Form 10-Q
For the Quarterly Period Ended June 29, 2025

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PART I: FINANCIAL INFORMATION
Item 1. Financial Statements
ARLO TECHNOLOGIES, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	As of	
	June 29, 2025	December 31, 2024
	(In thousands, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 71,244	\$ 82,032
Short-term investments	89,157	69,419
Accounts receivable, net	61,450	57,332
Inventories	30,877	40,633
Prepaid expenses and other current assets	15,889	13,190
Total current assets	268,617	262,606
Property and equipment, net	8,980	4,765
Operating lease right-of-use assets, net	14,147	15,698
Goodwill	11,038	11,038
Long-term investment	12,500	—
Other non-current assets	4,459	4,293
Total assets	\$ 319,741	\$ 298,400
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 50,178	\$ 63,784
Deferred revenue	42,107	27,248
Accrued liabilities	89,998	85,730
Total current liabilities	182,283	176,762
Non-current operating lease liabilities	16,603	18,357
Other non-current liabilities	2,581	2,372
Total liabilities	201,467	197,491
Commitments and contingencies (Note 7)		
Stockholders' Equity:		
Preferred stock: \$0.001 par value; 50,000,000 shares authorized; none issued or outstanding	—	—
Common stock: \$0.001 par value; 500,000,000 shares authorized; shares issued and outstanding: 104,288,914 at June 29, 2025 and 100,885,158 at December 31, 2024	104	101
Additional paid-in capital	513,854	498,739
Accumulated other comprehensive income (loss)	(8)	34
Accumulated deficit	(395,676)	(397,965)
Total stockholders' equity	118,274	100,909
Total liabilities and stockholders' equity	\$ 319,741	\$ 298,400

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

ARLO TECHNOLOGIES, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended		Six Months Ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
(In thousands, except per share data)				
Revenue:				
Subscriptions and services	\$ 78,175	\$ 60,261	\$ 147,024	\$ 116,968
Products	51,230	67,186	101,447	134,679
Total revenue	129,405	127,447	248,471	251,647
Cost of revenue:				
Subscriptions and services	12,235	14,557	24,500	28,153
Products	59,095	66,036	113,169	129,260
Total cost of revenue	71,330	80,593	137,669	157,413
Gross profit	58,075	46,854	110,802	94,234
Operating expenses:				
Research and development	18,489	19,561	34,654	40,354
Sales and marketing	21,103	17,698	41,306	35,068
General and administrative	16,334	21,430	34,119	40,778
Other operating expense	216	966	241	1,445
Total operating expenses	56,142	59,655	110,320	117,645
Income (loss) from operations	1,933	(12,801)	482	(23,411)
Interest income, net	1,344	1,495	2,660	2,881
Other non-operating expense, net	(407)	(18)	(605)	(43)
Income (loss) before income taxes	2,870	(11,324)	2,537	(20,573)
Provision (benefit) for income taxes	(254)	236	248	631
Net income (loss)	\$ 3,124	\$ (11,560)	\$ 2,289	\$ (21,204)
Net income (loss) per share:				
Basic	\$ 0.03	\$ (0.12)	\$ 0.02	\$ (0.22)
Diluted	\$ 0.03	\$ (0.12)	\$ 0.02	\$ (0.22)
Weighted average shares used to compute net income (loss) per share:				
Basic	103,885	97,843	103,060	97,051
Diluted	108,061	97,843	107,692	97,051
Comprehensive income (loss):				
Net income (loss)	\$ 3,124	\$ (11,560)	\$ 2,289	\$ (21,204)
Other comprehensive loss, net of tax	(13)	(89)	(42)	(129)
Total comprehensive income (loss)	\$ 3,111	\$ (11,649)	\$ 2,247	\$ (21,333)

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

ARLO TECHNOLOGIES, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Three Months Ended		Six Months Ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
	(In thousands)			
Total stockholders' equity, beginning balances	\$ 103,370	\$ 99,937	\$ 100,909	\$ 103,276
Common stock:				
Beginning balances	\$ 103	\$ 97	\$ 101	\$ 95
Issuance of common stock under stock-based compensation plans	1	2	4	5
Issuance of common stock under employee stock purchase plan	—	—	—	—
Repurchase of common stock	—	—	(1)	—
Restricted stock unit withholdings	—	(1)	—	(2)
Ending balances	\$ 104	\$ 98	\$ 104	\$ 98
Additional paid-in capital:				
Beginning balances	\$ 502,062	\$ 476,665	\$ 498,739	\$ 470,322
Stock-based compensation	11,081	17,299	24,196	30,523
Settlement of liability classified restricted stock units	—	—	4,996	6,903
Issuance of common stock under stock-based compensation plans	155	113	801	683
Issuance of common stock under employee stock purchase plan	1,475	1,692	1,475	1,692
Repurchase of common stock	(919)	—	(16,353)	—
Restricted stock unit withholdings	—	(8,125)	—	(22,479)
Ending balances	\$ 513,854	\$ 487,644	\$ 513,854	\$ 487,644
Accumulated deficit:				
Beginning balances	\$ (398,800)	\$ (377,105)	\$ (397,965)	\$ (367,461)
Net income (loss)	3,124	(11,560)	2,289	(21,204)
Ending balances	\$ (395,676)	\$ (388,665)	\$ (395,676)	\$ (388,665)
Accumulated other comprehensive income (loss):				
Beginning balances	\$ 5	\$ 280	\$ 34	\$ 320
Other comprehensive loss, net of tax	(13)	(89)	(42)	(129)
Ending balances	\$ (8)	\$ 191	\$ (8)	\$ 191
Total stockholders' equity, ending balances	<u>\$ 118,274</u>	<u>\$ 99,268</u>	<u>\$ 118,274</u>	<u>\$ 99,268</u>
Common stock shares:				
Beginning balances	103,305	97,202	100,885	95,380
Issuance of common stock under stock-based compensation plans	921	1,563	4,738	4,784
Issuance of common stock under employee stock purchase plan	155	233	155	233
Repurchase of common stock	(92)	—	(1,489)	—
Restricted stock unit withholdings	—	(672)	—	(2,071)
Ending balances	<u>104,289</u>	<u>98,326</u>	<u>104,289</u>	<u>98,326</u>

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

ARLO TECHNOLOGIES, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	June 29, 2025	June 30, 2024
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	\$ 2,289	\$ (21,204)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Stock-based compensation expense, net of amounts of capitalized	31,995	39,470
Depreciation and amortization	1,687	1,684
Allowance for credit losses and non-cash changes to reserves	—	(225)
Deferred income taxes	(107)	(5)
Discount accretion on investments and other	(1,390)	(1,615)
Changes in assets and liabilities:		
Accounts receivable, net	(4,188)	3,805
Inventories	9,826	(6,785)
Prepaid expenses and other assets	(2,758)	(2,254)
Accounts payable	(13,888)	18,785
Deferred revenue	14,956	5,582
Accrued and other liabilities	1,327	(10,970)
Net cash provided by operating activities	39,749	26,268
Cash flows from investing activities:		
Purchases of property and equipment, including capitalized software	(5,778)	(651)
Purchases of short-term investments	(83,390)	(111,519)
Purchase of long-term investment	(12,500)	—
Proceeds from maturities of short-term investments	65,000	111,902
Net cash used in investing activities	(36,668)	(268)
Cash flows from financing activities:		
Proceeds related to employee benefit plans	2,280	2,380
Repurchase of common stock	(16,149)	—
Restricted stock unit withholdings	—	(22,481)
Net cash used in financing activities	(13,869)	(20,101)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(10,788)	5,899
Cash, cash equivalents, and restricted cash, at beginning of period	82,032	60,653
Cash, cash equivalents, and restricted cash, at end of period	\$ 71,244	\$ 66,552
Reconciliation of cash, cash equivalents, and restricted cash to Unaudited Condensed Consolidated Balance Sheets		
Cash and cash equivalents	\$ 71,244	\$ 62,928
Restricted cash	—	3,624
Total cash, cash equivalents, and restricted cash	<u>\$ 71,244</u>	<u>\$ 66,552</u>
Supplemental cash flow information:		
Non-cash investing activities:		
Purchases of property and equipment included in accounts payable and accrued liabilities	\$ 566	\$ 233
Stock-based compensation expense capitalized for software development	\$ 868	\$ —

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

ARLO TECHNOLOGIES, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Description of Business and Basis of Presentation

Description of Business

Arlo Technologies, Inc. (“we” or “Arlo”) is transforming the ways in which people can protect everything that matters to them with home, business, and personal security services that combine a globally scaled cloud platform, monitoring and analytics capabilities, and award-winning app-controlled devices to create a personalized security ecosystem. Arlo’s experience in cloud services, AI and computer vision analytics, wireless connectivity and intuitive user experience design delivers seamless, smart home security for Arlo users that can be setup by the customers and engaged with every day. Our cloud-based platform provides users with visibility, insight and a powerful means to help protect and connect in real-time with the people and things that matter most, from any location with a Wi-Fi or a cellular connection.

We conduct business across three geographic regions—(i) the Americas; (ii) Europe, Middle-East and Africa (“EMEA”); and (iii) Asia Pacific (“APAC”)—and primarily generate revenue by selling paid subscription services, as well as devices through retail, wholesale distribution, wireless carrier channels, security solution providers, and Arlo’s direct to consumer store.

Our corporate headquarters is located in Carlsbad, California, with other satellite offices across North America and various other global locations.

Basis of Presentation

We prepare our unaudited condensed consolidated financial statements in conformity with U.S. Generally Accepted Accounting Principles (“U.S. GAAP”) and pursuant to the regulations of the U.S. Securities and Exchange Commission (“SEC”). The unaudited condensed consolidated financial statements include the accounts of Arlo and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

These unaudited condensed consolidated financial statements should be read in conjunction with the notes to the audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, which was filed with the SEC on February 27, 2025. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. In the opinion of management, these unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for fair statement of the unaudited condensed consolidated financial statements for interim periods.

Fiscal Periods

Our fiscal year begins on January 1 of the year stated and ends on December 31 of the same year. We report the results on a fiscal quarter basis rather than on a calendar quarter basis. Under the fiscal quarter basis, each of the first three fiscal quarters ends on the Sunday closest to the calendar quarter end, with the fourth quarter ending on December 31.

ARLO TECHNOLOGIES, INC.**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****Use of Estimates***

The preparation of these unaudited condensed consolidated financial statements in conformity with U.S. 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 reported periods. Management bases its estimates on various assumptions believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ materially from those estimates and operating results for the six months ended June 29, 2025 and are not necessarily indicative of the results that may be expected for the year ending December 31, 2025 or any future period.

Note 2. Significant Accounting Policies and Recent Accounting Pronouncements

Our significant accounting policies are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2024. There have been no significant changes to such policies except for the item below during the six months ended June 29, 2025.

We invested in a strategic investment, which consists of non-marketable securities in a privately held company in which we do not have a controlling interest or significant influence. We apply the measurement alternative for non-marketable equity securities that do not have readily determinable fair values, measuring them at cost, less any impairment, plus or minus adjustments resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. For this investment, we recognize remeasurement adjustments, including upward and downward adjustments, and impairments, if any, in “Other non-operating income (expense), net” on the unaudited condensed consolidated statements of comprehensive income (loss).

The strategic investment is subject to periodic impairment analysis, which involves an assessment of both qualitative and quantitative factors, including the investee’s financial metrics, market acceptance of the investee’s product or technology, and the rate at which the investee is using its cash. An impairment loss is recorded when an event or circumstance indicates a decline in value has occurred. If the strategic investment is considered impaired, we will recognize an impairment through “Other non-operating income (expense), net” on the unaudited condensed consolidated statements of comprehensive income (loss) and establish a new carrying value for the investment.

Accounting Pronouncements Recently Adopted

There were no accounting pronouncements adopted during the six months ended June 29, 2025.

Accounting Pronouncements Not Yet Effective***Disclosure Improvements***

In October 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2023-06, Disclosure Improvements: Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative, which modifies the disclosure or presentation requirements of a variety of Topics in the Codification. Among the various codification amendments, Topic 470 Debt is applicable to Arlo which requires the disclosure of amounts, terms and weighted-average interest rates of unused lines of credit. The effective date is either (i) the date on which the SEC’s removal of the related disclosure requirement from Regulation S-X or Regulation S-K becomes effective, or (ii) on June 30, 2027, if the SEC has not removed the requirement by that date, with early adoption prohibited. The adoption of this new standard will not have a material impact on our financial statements and related disclosures.

ARLO TECHNOLOGIES, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Income Tax Disclosures

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes: Improvements to Income Tax Disclosures, which requires on an annual basis to (1) disclose specific categories in the rate reconciliation, (2) provide additional information for reconciling items that meet a quantitative threshold, and (3) income taxes paid disaggregated by jurisdiction. This guidance is effective for annual periods beginning after December 15, 2024, with early adoption permitted. We are currently evaluating the impact that this guidance may have on our financial statements and related disclosures.

Expense Disaggregation Disclosures

In November 2024, the FASB issued ASU No. 2024-03, Income Statement: Reporting Comprehensive Income - Expense Disaggregation Disclosures, Disaggregation of Income Statement Expenses, which improves disclosure requirements and mandates enhanced transparency about the types of expenses in commonly presented expense captions in financial statements. This guidance is effective for annual periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted and is effective on either a prospective basis or retrospective basis. We are currently evaluating the impact that this guidance may have on our financial statements and related disclosures.

Note 3. Revenue

Contract Balances

The following table reflects the changes in contract balances for the six months ended June 29, 2025:

Contract Classification	Balance Sheet Classification	June 29, 2025	December 31, 2024	\$ change	% change
(In thousands)					
Accounts receivable, net	Accounts receivable, net	\$ 61,450	\$ 57,332	\$ 4,118	7.2 %
Contract liabilities current	Deferred revenue	\$ 42,107	\$ 27,248	\$ 14,859	54.5 %
Contract liabilities non-current	Other non-current liabilities	\$ 437	\$ 326	\$ 111	34.0 %

Deferred revenue as of June 29, 2025 increased primarily due to increases in subscriptions and services revenue as a result of changes in consumer subscription plans and a shift to additional annual prepaid subscriptions, as well as increases in cumulative paid accounts and rates of subscriptions. For the six months ended June 29, 2025 and June 30, 2024, \$21.7 million and \$15.2 million, respectively, of the recognized revenue was included in deferred revenue at the beginning of the periods. There were no significant changes in estimates during the periods that would affect the contract balances.

Remaining Performance Obligations

The total estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied and remaining was \$43.8 million as of June 29, 2025 and \$25.9 million as of December 31, 2024, substantially related to performance obligations classified as less than one year.

Under the Supply Agreement with Verisure Sàrl (“Verisure”), our largest customer, a performance obligation is not deemed to exist until we receive and accept Verisure’s purchase order. As of June 29, 2025, we had a backlog of \$40.4 million which represents performance obligations that will be recognized as revenue once fulfilled, which is expected to occur over the next six months.

ARLO TECHNOLOGIES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Variable Consideration

Revenue from all sales is recognized at transaction price, the amount we expect to be entitled to in exchange for providing services or transferring goods. Transaction price is calculated as selling price net of variable consideration which includes estimates for sales incentives and sales returns related to current period products revenue. Sales incentives are determined based on a combination of the actual amounts committed and estimated future expenditure based upon historical customary business practice. Sales returns are estimated by analyzing certain factors, including historical sales and returns data, channel inventory levels, current economic trends, and changes in customer demand for our products. Variable consideration estimates are based on predictive historical data or future commitments that we plan and control. However, we continue to assess variable consideration estimates such that it is probable that a significant reversal of revenue will not occur. The following tables provide activities related to sales incentives and sales returns that are recognized as contra-revenue.

	Three Months Ended		Six Months Ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
Sales Incentives	(In thousands)			
Balance at the beginning of the period	\$ 28,378	\$ 21,319	\$ 29,846	\$ 26,110
Credits issued	(19,834)	(12,594)	(41,552)	(32,382)
Additions	26,348	17,868	46,598	32,865
Balance at the end of the period	<u>\$ 34,892</u>	<u>\$ 26,593</u>	<u>\$ 34,892</u>	<u>\$ 26,593</u>

	Three Months Ended		Six Months Ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
Sales Returns	(In thousands)			
Balance at the beginning of the period	\$ 8,963	\$ 11,558	\$ 11,651	\$ 17,058
Credits issued	(3,246)	(5,300)	(8,749)	(13,840)
Additions	2,373	2,505	5,188	5,545
Balance at the end of the period	<u>\$ 8,090</u>	<u>\$ 8,763</u>	<u>\$ 8,090</u>	<u>\$ 8,763</u>

Disaggregation of Revenue

We disaggregate our revenue into three geographic regions: the Americas, EMEA, and APAC, where we conduct our business. The following table presents revenue disaggregated by geographic region.

	Three Months Ended		Six Months Ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
	(In thousands)			
Americas	\$ 81,902	\$ 65,294	\$ 151,999	\$ 122,463
EMEA	43,320	56,827	86,215	118,207
APAC	4,183	5,326	10,257	10,977
Total	<u>\$ 129,405</u>	<u>\$ 127,447</u>	<u>\$ 248,471</u>	<u>\$ 251,647</u>

For the six months ended June 29, 2025 and June 30, 2024, one customer accounted for 35% and 47% of the total revenue, respectively. No other customers accounted for 10% or greater of the total revenue. As of June 29, 2025, two customers accounted for 47% and 16%, and as of December 31, 2024, two customers accounted for 54% and 13% of the total accounts receivable, net. No other customers accounted for 10% or greater of the total accounts receivable, net.

ARLO TECHNOLOGIES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 4. Balance Sheet Components

Short-Term Investments

	As of June 29, 2025				As of December 31, 2024			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
	(In thousands)							
U.S. Treasuries	\$ 89,166	\$ —	\$ (9)	\$ 89,157	\$ 69,385	\$ 34	\$ —	\$ 69,419

Accounts Receivable, Net

	As of	
	June 29, 2025	December 31, 2024
	(In thousands)	
Gross accounts receivable	\$ 61,652	\$ 57,464
Allowance for credit losses	(202)	(132)
Total	<u>\$ 61,450</u>	<u>\$ 57,332</u>

The following table provides a roll-forward of the allowance for credit losses that is deducted from the amortized cost basis of accounts receivable to present the net amount expected to be collected.

	Three Months Ended		Six Months Ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
	(In thousands)			
Balance at the beginning of the period	\$ 124	\$ 218	\$ 132	\$ 333
Provision for (release of) expected credit losses	78	(76)	70	(191)
Balance at the end of the period	<u>\$ 202</u>	<u>\$ 142</u>	<u>\$ 202</u>	<u>\$ 142</u>

ARLO TECHNOLOGIES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Property and Equipment, Net

The components of property and equipment are as follows. For comparative purposes, amounts in prior periods have been recast.

	As of	
	June 29, 2025	December 31, 2024
	(In thousands)	
Machinery and equipment	\$ 14,994	\$ 14,399
Capitalized software development costs	16,095	10,612
Software and license	6,257	6,306
Computer equipment	906	894
Leasehold improvements	2,920	3,302
Furniture and fixtures	2,021	1,839
Total property and equipment, gross	43,193	37,352
Less: accumulated depreciation and amortization	(34,213)	(32,587)
Total property and equipment, net	\$ 8,980	\$ 4,765

Depreciation and amortization expense pertaining to property and equipment are as follows in our unaudited condensed consolidated statements of comprehensive income (loss).

	Three Months Ended		Six Months Ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
	(In thousands)			
Depreciation:				
Operating expenses	\$ 366	\$ 631	\$ 923	\$ 1,382
Amortization:				
Subscriptions and services cost	341	151	613	302
Operating expenses	151	—	151	—
Total depreciation and amortization	\$ 858	\$ 782	\$ 1,687	\$ 1,684

Goodwill

We have determined that no event occurred or circumstances changed during the six months ended June 29, 2025 that would more likely than not reduce the fair value of goodwill below the carrying amount. There was no accumulated goodwill impairment recognized as of June 29, 2025.

ARLO TECHNOLOGIES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Accrued Liabilities

	As of	
	June 29, 2025	December 31, 2024
	(In thousands)	
Sales incentives and marketing expenditures	\$ 37,556	\$ 31,947
Sales returns	8,090	11,651
Employee compensation	15,449	12,921
Cloud and other costs	6,637	9,497
Other	22,266	19,714
Total	<u>\$ 89,998</u>	<u>\$ 85,730</u>

Note 5. Fair Value Measurements

The following table summarizes assets measured at fair value on a recurring basis:

	As of	
	June 29, 2025	December 31, 2024
	(In thousands)	
Cash equivalents: money-market funds (<90 days)	\$ 824	\$ 4,095
Cash equivalents: U.S. Treasuries (<90 days)	20,096	22,504
Available-for-sale securities: U.S. Treasuries ⁽¹⁾	89,157	69,419
Total	<u>\$ 110,077</u>	<u>\$ 96,018</u>

⁽¹⁾ Included in short-term investments in our unaudited condensed consolidated balance sheets.

Our investments in cash equivalents and available-for-sale securities are classified within Level 1 of the fair value hierarchy because they are valued based on quoted market prices in active markets. As of June 29, 2025 and December 31, 2024, assets and liabilities measured as Level 2 fair value were not material.

Our strategic long-term investment that does not have a readily determinable fair value was accounted for using a measurement alternative under which it is measured at cost and adjusted for observable price changes and impairments. This investment without readily determinable fair value is classified within Level 3 in the fair value hierarchy and the subsequent adjustment to its fair value by applying the measurement alternative will be disclosed as non-recurring fair value measurement, including the level in the fair value hierarchy that was used. As of June 29, 2025, the carrying value of long-term investment was \$12.5 million. There was no observable price change or impairment during the six months ended June 29, 2025.

ARLO TECHNOLOGIES, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 6. Revolving Credit Facility

On November 14, 2024, we entered into a credit agreement (the “Credit Agreement”) with HSBC Bank USA, National Association, as administrative agent, issuing bank, and lender. The Credit Agreement provides for a three-year revolving credit facility (the “Credit Facility”) of up to \$45.0 million that matures on November 14, 2027, which also includes a \$10.0 million sublimit for the issuance thereunder of letters of credit. As of June 29, 2025, we had unused borrowing capacity of \$45.0 million based on the terms and conditions of the Credit Agreement. In addition, the Credit Agreement includes an uncommitted accordion feature that allows us to, from time to time, request an increase to the aggregate revolving loan commitments by up to an additional \$30.0 million in the aggregate, subject to the satisfaction of certain conditions. The proceeds of the borrowings under the Credit Facility may be used for working capital and general corporate purposes.

The obligations under the Credit Agreement are secured by substantially all of our assets, including substantially all of the assets of a material subsidiary, Arlo Technologies International Limited, a limited corporation organized under the laws of Ireland (which is the sole guarantor of the Credit Facility as of the closing of the Credit Facility). Borrowings under the Credit Agreement will bear interest at a floating rate equal to: (i) the term secured overnight financing rate plus the applicable rate of 2.25% to 2.75%, or (ii) the base rate plus the applicable rate of 1.25% to 1.75% both determined based on a total net leverage ratio. Among other fees, we are required to pay a quarterly unused fee of 0.20% per annum on the amount by which the lenders’ aggregate commitment under the Credit Facility exceeds the daily revolver usage during such quarter. The Credit Agreement contains events of default, representations and warranties, and affirmative and negative covenants customary for credit facilities of this type. The Credit Agreement also contains financial covenants that require us to (i) maintain a fixed charge coverage ratio of at least 1.50 to 1.00 and (ii) maintain a total net leverage ratio, not to exceed 3.00 to 1.00; both covenants being tested quarterly on a trailing four consecutive fiscal quarter basis.

As of June 29, 2025, we were in compliance with all the covenants under the Credit Agreement. No amount had been drawn under the Credit Facility as of June 29, 2025.

ARLO TECHNOLOGIES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Note 7. Commitments and Contingencies
Operating Leases

Our operating lease obligations mostly include offices, equipment, and distribution centers, with various expiration dates through June 2033. Certain lease agreements include options to renew or terminate the lease, which are generally not reasonably certain to be exercised and therefore are not factored into our determination of lease payments. The terms of certain leases provide for rental payments on a graduated scale.

Gross lease expense was \$1.4 million and \$2.8 million for the three and six months ended June 29, 2025, respectively, and \$1.3 million and \$2.8 million for the three and six months ended June 30, 2024, respectively. We recorded sublease income as reduction of lease expense, in the amount of \$0.7 million and \$1.3 million for each of the three and six months ended June 29, 2025 and June 30, 2024, respectively.

Supplemental cash flow information related to operating leases is as follows:

	Six Months Ended	
	June 29, 2025	June 30, 2024
	(In thousands)	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 4,075	\$ 3,001
Right-of-use assets obtained in exchange for lease liabilities		
Operating leases	\$ 65	\$ —

Weighted average remaining lease term and weighted average discount rate related to operating leases are as follows:

	As of	
	June 29, 2025	December 31, 2024
Weighted average remaining lease term	4.7 years	5.4 years
Weighted average discount rate	6.59 %	6.66 %

ARLO TECHNOLOGIES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The future minimum undiscounted lease payments under operating leases and future non-cancelable rent payments from our subtenants for each of the next five years and thereafter as of June 29, 2025 are as follows:

	Operating Lease Payments	Sublease Payments	Net
	(In thousands)		
2025 (Remaining six months)	\$ 2,332	\$ (1,097)	\$ 1,235
2026	5,591	(2,066)	3,525
2027	5,562	(2,322)	3,240
2028	4,596	(2,392)	2,204
2029	2,715	(1,228)	1,487
Thereafter	3,616	—	3,616
Total future lease payments	\$ 24,412	\$ (9,105)	\$ 15,307
Less: imputed interest	(3,853)		
Present value of future minimum lease payments	\$ 20,559		
Accrued liabilities	\$ 3,956		
Non-current operating lease liabilities	16,603		
Total lease liabilities	\$ 20,559		

Lease Early Termination

In July 2025, we entered into a conditional termination agreement for our office lease located in San Jose, California. The termination will be effective following the landlord's exercise of its termination option, which exercise notice was provided in late July. Our obligation stipulated in the termination agreement includes a termination fee of \$1.0 million and base rent through the effective date of termination, as well as vacating the premises timely. We expect to record the derecognition of right-of-use assets and lease liabilities in the third quarter of 2025, and to recognize a gain which is currently being evaluated.

Letters of Credit

In connection with the lease agreement for our office space located in San Jose, California, we executed a letter of credit with the landlord as the beneficiary. As of June 29, 2025, we had \$3.6 million of unused letters of credit outstanding, of which \$3.1 million pertains to the lease arrangement in San Jose, California. Following the effectiveness of the early termination agreement, this letter of credit will be terminated.

Purchase Obligations

We have entered into various inventory-related purchase agreements with suppliers. Generally, under these agreements, 50% of orders are cancelable by giving notice 46 to 60 days prior to the expected shipment date and 25% of orders are cancelable by giving notice 31 to 45 days prior to the expected shipment date. Orders are non-cancelable within 30 days prior to the expected shipment date. As of June 29, 2025, we had \$36.6 million in non-cancelable purchase commitments with suppliers which is expected to be paid over the next twelve months.

As of June 29, 2025, an additional \$31.3 million of purchase orders beyond contractual termination periods have been issued to supply chain partners in anticipation of demand requirements. Consequently, we may incur expenses for the materials and components, such as chipsets already purchased by the supplier to fulfill our orders if the purchase order is cancelled. Expenses incurred have historically not been material relative to the original order value.

ARLO TECHNOLOGIES, INC.**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****Litigation and Other Legal Matters***

From time to time, we may become involved in disputes, litigation, and other legal actions. In all cases, at each reporting period, we evaluate whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies. In such cases, we accrue for the amount or, if a range, we accrue the low end of the range, only if there is not a better estimate than any other amount within the range, as a component of legal expense within general and administrative expenses. We monitor developments in these legal matters that could affect the estimate we had previously accrued. We currently believe that there are no existing claims or proceedings that are likely to have a material adverse effect on our financial position within the next 12 months. There are many uncertainties associated with any litigation, and these actions or other third-party claims against us may cause us to incur costly litigation and/or substantial settlement charges. In addition, the resolution of any intellectual property litigation may require us to make royalty payments, which could have an adverse effect in future periods. If any of those events were to occur, our business, financial condition, results of operations, and cash flows could be adversely affected. The actual liability in any such matters may be materially different from our estimates, which could result in the need to adjust the liability and record additional expenses.

Indemnifications

In the ordinary course of business, we may provide indemnification of varying scope and terms to customers, distributors, resellers, vendors, lessors, business partners, and other parties with respect to certain matters including, but not limited to, losses arising from breach of such agreements or from intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with members of our Board of Directors and certain of our executive officers that require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments we could be required to make under these indemnification agreements is, in many cases, unlimited. As of June 29, 2025 and December 31, 2024, we have not incurred any material costs as a result of such indemnification obligations and we are not currently aware of any indemnification claims.

Note 8. Employee Benefit Plans

We grant options and restricted stock units (“RSUs”) under the 2018 Equity Incentive Plan (the “2018 Plan”), under which awards may be granted to all employees. We also grant performance-based and market-based restricted stock units (“PSUs”) to our executive officers and other senior employees periodically. Award vesting periods for the 2018 Plan are generally three to five years. As of June 29, 2025, 4.0 million shares were available for future grants. Options may be granted for periods of up to 10 years or such shorter term as may be provided in the agreement and at prices no less than 100% of the fair market value of Arlo’s common stock on the date of grant. Options granted under the 2018 Plan generally vest over four years, the first tranche at the end of 12 months and the remaining shares underlying the option vesting monthly over the remaining three years.

On January 24, 2025, we registered an aggregate of up to 5,050,450 shares of common stock on a Registration Statement on Form S-8, including 4,050,450 shares under the 2018 Plan and 1,000,000 shares under the Employee Stock Purchase Plan (“ESPP”), both pursuant to an “evergreen” provision contained in the respective plans.

ARLO TECHNOLOGIES, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table sets forth the available shares for grants as of June 29, 2025:

	Number of Shares
	(In thousands)
Shares available for grants as of December 31, 2024	3,356
Additional authorized shares	4,050
Granted	(3,719)
Forfeited / cancelled	361
Shares available for grants as of June 29, 2025	<u>4,048</u>

Employee Stock Purchase Plan

We sponsor the ESPP for eligible employees, under which, employees purchased 155 thousand shares and 233 thousand shares during the six months ended June 29, 2025 and June 30, 2024, respectively. As of June 29, 2025, 3.3 million shares were available for issuance under the ESPP.

Option Activity

We did not grant options during the six months ended June 29, 2025. Stock option activity during the six months ended June 29, 2025 was as follows:

	Number of Shares	Weighted Average
	(In thousands)	Exercise Price Per Share
		(In dollars)
Outstanding as of December 31, 2024	549	\$ 13.24
Granted	—	\$ —
Exercised	(94)	\$ 8.55
Forfeited / cancelled	(180)	\$ —
Expired	—	\$ 14.39
Outstanding as of June 29, 2025	<u>275</u>	\$ 14.10
Vested and exercisable as of June 29, 2025	<u>275</u>	\$ 14.10

RSU Activity

RSU activity, exclusive of PSU activity, during the six months ended June 29, 2025 was as follows:

	Number of Shares	Weighted Average Grant
	(In thousands)	Date Fair Value Per
		Share
		(In dollars)
Outstanding as of December 31, 2024	7,112	\$ 7.76
Granted	1,854	\$ 11.46
Vested	(2,470)	\$ 8.20
Forfeited	(178)	\$ 8.25
Outstanding as of June 29, 2025	<u>6,318</u>	\$ 8.66

ARLO TECHNOLOGIES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
PSU Activity

Our executive officers and other senior employees have been granted PSUs with some vesting occurring when performance conditions are met and some vesting occurring at the end of a three or five-year period when market conditions are met. The number of units earned and eligible to vest are determined based on the achievement of various performance conditions or market conditions, including the cumulative paid accounts targets, stock price, cash balances at reporting period, and the recipients' continued services. At the end of each reporting period, we evaluate the probability of achieving the performance and record the related stock-based compensation expense based on the estimated achievement over the service period.

PSU activity during the six months ended June 29, 2025 was as follows:

	Number of Shares (In thousands)	Weighted Average Grant Date Fair Value Per Share (In dollars)
Outstanding as of December 31, 2024	4,777	\$ 9.24
Granted	1,865	\$ 11.22
Vested	(2,173)	\$ 8.21
Forfeited	(3)	\$ 8.28
Outstanding as of June 29, 2025	4,466	\$ 10.57

Stock-Based Compensation Expense

The following table sets forth the stock-based compensation expense included in our unaudited condensed consolidated statements of comprehensive income (loss):

	Three Months Ended		Six Months Ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
	(In thousands)			
Cost of revenue	\$ 885	\$ 1,292	\$ 2,002	\$ 2,663
Research and development	4,500	4,778	8,400	9,682
Sales and marketing	2,079	2,176	5,152	4,416
General and administrative	7,519	12,674	16,441	22,709
Stock-based compensation, net of amounts capitalized	\$ 14,983	\$ 20,920	\$ 31,995	\$ 39,470
Capitalized stock-based compensation	267	—	868	—
Total stock-based compensation	\$ 15,250	\$ 20,920	\$ 32,863	\$ 39,470

As of June 29, 2025, all outstanding options were fully vested, therefore, there was no unrecognized compensation cost related to stock options. As of June 29, 2025, \$63.9 million of unrecognized compensation cost related to unvested RSUs and PSUs is expected to be recognized over a weighted-average period of 1.1 year.

ARLO TECHNOLOGIES, INC.**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****Note 9. Income Taxes**

The provision (benefit) for income taxes for the three and six months ended June 29, 2025 was \$(0.3) million and \$0.2 million, respectively, or an effective tax rate of (8.9)% and 9.8%, respectively. The provision for income taxes for the three and six months ended June 30, 2024 was \$0.2 million and \$0.6 million, respectively, or an effective tax rate of (2.1)% and (3.1)%, respectively. Provision for income taxes decreased for the three and six months ended June 29, 2025, compared to the prior year period, primarily due to lower international tax on account of expected use of research and development credits in Ireland and a reduction in the domestic year-to-date pre-tax book income ratio used to estimate the quarterly tax provision. The higher effective tax rate this quarter is due to the low income from operations this quarter compared to the much higher amount of loss in prior year period. The lower effective tax rate for the three and six months ended June 29, 2025, compared to the U.S. federal income tax rate, is primarily due to the valuation allowance on our net U.S. deferred tax assets and the impact of a lower tax rate on foreign earnings.

We have recorded a full valuation allowance against U.S. net deferred tax assets. We will continue to maintain a full valuation allowance on U.S. net deferred tax assets until there is sufficient evidence to support the reversal of all or some portion of this allowance. However, given our current and anticipated future domestic earnings, we believe that there is a reasonable possibility that within the next 12-24 months, sufficient positive evidence may become available to allow us to reach a conclusion that a significant portion of the U.S. valuation allowance will no longer be needed. A release of the valuation allowance would result in the recognition of certain deferred tax assets and a decrease to income tax expense, which could be material, for the period the release is recorded.

On July 4, 2025, the One Big Beautiful Bill Act (“OBBB”), a significant tax reform package, was enacted. The bill introduced a number of corporate tax changes effective for tax years beginning after December 31, 2024. Key provisions of the OBBS include:

- Reinstatement of immediate expensing for domestic research and development expenses under new Section 174A;
- Restoration of 100% bonus depreciation for qualifying property acquired and placed in service after January 19, 2025; and
- Modifications to the limitation on business interest expense under Section 163(j).

We are currently evaluating the potential impacts of the OBBS on our future financial results. The restoration of research and development expensing, in particular, may result in tax benefits beginning in 2025, depending on future elections and capital spending plans. These impacts, if any, will be reflected in the financial statements for the period ending December 31, 2025.

ARLO TECHNOLOGIES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Note 10. Net Income (Loss) Per Share

	Three Months Ended		Six Months Ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
(In thousands, except per share data)				
Numerator:				
Net income (loss)	\$ 3,124	\$ (11,560)	\$ 2,289	\$ (21,204)
Denominator:				
Weighted average shares - basic	103,885	97,843	103,060	97,051
Effect of dilutive stock-based awards	4,176	—	4,632	—
Weighted average shares - diluted	<u>108,061</u>	<u>97,843</u>	<u>107,692</u>	<u>97,051</u>
Net income (loss) per share - basic	\$ 0.03	\$ (0.12)	\$ 0.02	\$ (0.22)
Net income (loss) per share - diluted	\$ 0.03	\$ (0.12)	\$ 0.02	\$ (0.22)
Anti-dilutive employee stock-based awards, excluded	331	733	514	904

ARLO TECHNOLOGIES, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 11. Segment and Geographic Information

Segment Information

We operate as one operating and reportable segment. Our Chief Executive Officer (“CEO”) is identified as the Chief Operating Decision Maker (“CODM”), who reviews financial information presented in a consolidated basis and considers budget-to-actual variances quarterly for allocation of operating and capital resources and evaluation of financial performance. The CODM does not review segment assets at a different asset level and category. The consolidated net loss is the measure of segment net loss that is most consistent with U.S. GAAP.

The CODM is regularly provided with not only the consolidated expenses in our unaudited condensed consolidated statements of comprehensive income (loss), but also the significant segment expenses and other segment items as below:

	Three Months Ended		Six Months Ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
	(In thousands)			
Revenue	\$ 129,405	\$ 127,447	\$ 248,471	\$ 251,647
Less:				
Cost of revenue	71,330	80,593	137,669	157,413
Operating expenses:				
Personnel-related expense	18,709	17,526	36,277	35,453
Stock-based compensation	14,098	19,628	29,993	36,807
Outside professional services	11,097	13,605	22,608	28,612
Marketing expenditure	5,788	4,439	10,043	8,120
Other segment items ⁽¹⁾	4,911	2,552	8,099	4,828
Depreciation	518	323	1,075	787
Interest expense	84	105	170	200
Provision (benefit) for income taxes	(254)	236	248	631
Segment net income (loss)	<u>\$ 3,124</u>	<u>\$ (11,560)</u>	<u>\$ 2,289</u>	<u>\$ (21,204)</u>
Reconciliation of profit or loss:				
Adjustments and reconciling items	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Consolidated net income (loss)	<u>\$ 3,124</u>	<u>\$ (11,560)</u>	<u>\$ 2,289</u>	<u>\$ (21,204)</u>

⁽¹⁾ Other segment items include corporate IT and facility overhead, freight out expense, credit card fees, restructuring charges, separation expense, litigation reserves, interest income, foreign currency exchange gain (loss), net and others.

ARLO TECHNOLOGIES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Geographic Information for Revenue

Revenue consists of subscriptions and services revenue and product sales, less allowances for estimated sales returns, price protection, end-user customer rebates, net changes in deferred revenue, and other channel sales incentives deemed to be a reduction of revenue per the authoritative guidance. Sales and usage-based taxes are excluded from revenue. For reporting purposes, revenue by geographic area is generally based upon the bill-to location of the customer. The following table presents revenue by geographic area.

	Three Months Ended		Six Months Ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
(In thousands)				
United States	\$ 79,457	\$ 63,358	\$ 147,360	\$ 117,733
Spain	25,653	35,784	56,820	76,190
Sweden	13,086	12,339	22,538	25,600
Other countries	11,209	15,966	21,753	32,124
Total	<u>\$ 129,405</u>	<u>\$ 127,447</u>	<u>\$ 248,471</u>	<u>\$ 251,647</u>

Geographic Information for Long-Lived Assets

Long-lived assets include property and equipment, net and operating lease right-of-use assets, net. Our long-lived assets are based on the physical location of the assets. The following table presents long-lived assets by geographic area.

	As of	
	June 29, 2025	December 31, 2024
(In thousands)		
United States	\$ 21,437	\$ 18,201
Other countries	1,690	2,262
Total	<u>\$ 23,127</u>	<u>\$ 20,463</u>

Note 12. Stock Repurchase Program

On September 24, 2024, we announced that our Board of Directors approved a stock repurchase program of up to an aggregate of \$50.0 million of shares of Arlo's common stock through open market purchases in a manner deemed to be in the best interests of our company and stockholders, considering the economic cost and prevailing market conditions, including the relative trading prices and volumes of Arlo's common stock. The stock repurchase program is expected to continue through December 31, 2026 unless extended or shortened by the Board of Directors.

The timing and actual number of shares repurchased under the repurchase program depend on a variety of factors, including price, general business and market conditions, and other investment opportunities. Shares may be repurchased through open market purchases or privately negotiated transactions, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended.

During the six months ended June 29, 2025, we repurchased and subsequently retired 1.5 million shares of Arlo common stock for an aggregate repurchase amount of \$16.1 million. As of June 29, 2025, \$29.4 million remained available and authorized for future repurchases.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking Statements

This Quarterly Report on Form 10-Q (the "Quarterly Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. Such statements are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, the words "believes," "anticipates," "plans," "expects," "intends," "could," "may," "will," and similar expressions are intended to identify forward-looking statements, including statements concerning our business and the expected performance characteristics, specifications, reliability, market acceptance, market growth, specific uses, user feedback, and market position of our products and technology. Our actual results and the timing of certain events may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such a discrepancy include, but are not limited to, those discussed in "Part II—Item 1A—Risk Factors" and "Liquidity and Capital Resources" below.

All forward-looking statements in this document are based on information available to us as of the date hereof, such information may be limited or incomplete, and we assume no obligation to update any such forward-looking statements. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements. The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and the accompanying notes contained in this Quarterly Report. Unless expressly stated or the context otherwise requires, the terms "we," "our," "us," the "Company," and "Arlo" refer to Arlo Technologies, Inc. and our subsidiaries.

Business and Executive Overview

Arlo is transforming the ways in which people can protect everything that matters to them with advanced home, business, and personal security services that combine a globally scaled cloud platform, advanced monitoring and analytics capabilities, and award-winning app-controlled devices to create a personalized security ecosystem. Arlo's deep expertise in cloud services, cutting-edge AI and computer vision analytics, wireless connectivity and intuitive user experience design delivers seamless, smart home security for Arlo users that is easy to setup and engage with every day. Our highly secure, cloud-based platform provides users with visibility, insight and a powerful means to help protect and connect in real-time with the people and things that matter most, from any location with a Wi-Fi or a cellular connection – all rooted in a commitment to safeguard privacy for our users and their personal data.

Since the launch of our first product in December 2014, we have shipped over 39.7 million smart connected devices. As of June 29, 2025, the Arlo platform had approximately 11.2 million cumulative registered accounts across more than 100 countries around the world coupled with approximately 5.1 million cumulative paid subscribers and annual recurring revenue of \$315.7 million.

We conduct business across three geographic regions—(i) the Americas; (ii) Europe, Middle-East and Africa ("EMEA"); and (iii) Asia Pacific ("APAC")—and we primarily generate revenue by selling paid subscription services, as well as devices through retail, wholesale distribution, wireless carrier channels, security solution providers, and Arlo's direct to consumer store. For the three months ended June 29, 2025 and June 30, 2024, we generated total revenue of \$129.4 million and \$127.4 million, respectively, and income (loss) from operations was \$1.9 million and \$(12.8) million, respectively. For the six months ended June 29, 2025 and June 30, 2024, we generated total revenue of \$248.5 million and \$251.6 million, respectively, and income (loss) from operations was \$0.5 million and \$(23.4) million, respectively.

Our goal is to continue to develop innovative, world-class smart security solutions to expand and further monetize our current and future user and paid account bases. We believe that the growth of our business is dependent on many factors, including our ability to innovate and launch successful new products on a timely basis and grow our installed base, to increase subscription-based recurring revenue, to invest in channel and other strategic partnerships and to continue our global expansion. We expect to increase our investment in research and development going forward as we continue to

introduce new and innovative products and services to enhance the Arlo platform and compete for engineering talent. We also expect our sales and marketing expenses to increase in the future as we invest in marketing to drive demand for our products and services.

Key Business Metrics

In addition to the measures presented in our unaudited condensed consolidated financial statements, we use the following key metrics to evaluate our business, measure our performance, develop financial forecasts and make strategic decisions. We believe these key business metrics provide useful information by offering the ability to make more meaningful period-to-period comparisons of our on-going operating results and a better understanding of how management plans and measures our underlying business. Our key business metrics may be calculated in a manner different from the same key business metrics used by other companies. We regularly review our processes for calculating these metrics, and from time to time we may discover a need to make adjustments to better reflect our business. We believe that any such adjustments are immaterial unless otherwise stated.

	As of		
	June 29, 2025	% Change	June 30, 2024
(In thousands, except percentage data)			
Cumulative registered accounts	11,237	12.5 %	9,987
Cumulative paid accounts	5,115	28.5 %	3,980
Annual recurring revenue ("ARR")	\$ 315,655	34.3 %	\$ 234,981

Cumulative Registered Accounts. We believe that our ability to increase our user base is an indicator of our market penetration and growth of our business as we continue to expand and innovate our Arlo platform. We define our registered accounts at the end of a particular period as the number of unique registered accounts on the Arlo platform as of the end of such period. The number of registered accounts does not necessarily reflect the number of end-users on the Arlo platform as one registered account may be used by multiple end-users to monitor the devices attached to that household.

Cumulative Paid Accounts. Paid accounts are defined as any account worldwide where a subscription to a paid service is being collected (either by us or by our customers or channel partners, including Verisure).

Annual Recurring Revenue. We believe ARR enables measurement of our business initiatives and serves as an indicator of our future growth. ARR represents and is defined as the annualized paid subscriptions and services revenue we expect to recognize from subscription contracts, as calculated by taking the average paid subscriptions and services revenue of the reporting period multiplied by the number of subscription accounts at the end of the reporting period. ARR is a performance metric and should be viewed independently of revenue and deferred revenue, and is not intended to be a substitute for, or combined with, any of these items.

Impact of Global Geopolitical, Economic and Business Conditions

The U.S. government recently implemented new tariff measures and potential additional reciprocal tariffs affecting a broad range of imported materials. Certain countries have responded to the U.S. tariffs by imposing or threatening retaliatory tariffs. While we are actively monitoring the changes in global trade policy and the effects they may have on our business and broader macroeconomic environment, we have not experienced a material impact on our financial position to date and do not expect them to have a material detrimental impact on our business operations in the near term. However, given the uncertainty surrounding global markets and general global uncertainty as a result of the new U.S. tariff policy, we do not have clarity at this point over the potential medium to long term impacts our business may face. The availability of certain goods could be affected if foreign suppliers choose to limit their exposure to U.S. markets in response to unfavorable trade policies, which could negatively impact our suppliers ability to deliver materials or manufacture equipment for us and, therefore, delay or impede our product deliveries. Furthermore, rising inflation, slower economic growth and increases in unemployment that may result from global trade disruptions could further deflate consumer demand and impact the demand for our products.

Results of Operations

We operate as one operating and reportable segment. The following table sets forth, for the periods presented, the unaudited condensed consolidated statements of comprehensive income (loss) data, which we derived from the accompanying unaudited condensed consolidated financial statements:

	Three Months Ended				Six Months Ended			
	June 29, 2025		June 30, 2024		June 29, 2025		June 30, 2024	
	(In thousands, except percentage data)							
Revenue:								
Subscriptions and services	\$ 78,175	60.4 %	\$ 60,261	47.3 %	\$ 147,024	59.2 %	\$ 116,968	46.5 %
Products	51,230	39.6 %	67,186	52.7 %	101,447	40.8 %	134,679	53.5 %
Total revenue	129,405	100.0 %	127,447	100.0 %	248,471	100.0 %	251,647	100.0 %
Cost of revenue:								
Subscriptions and services	12,235	9.5 %	14,557	11.4 %	24,500	9.9 %	28,153	11.2 %
Products	59,095	45.6 %	66,036	51.8 %	113,169	45.5 %	129,260	51.4 %
Total cost of revenue	71,330	55.1 %	80,593	63.2 %	137,669	55.4 %	157,413	62.6 %
Gross profit	58,075	44.9 %	46,854	36.8 %	110,802	44.6 %	94,234	37.4 %
Operating expenses:								
Research and development	18,489	14.3 %	19,561	15.3 %	34,654	13.9 %	40,354	16.0 %
Sales and marketing	21,103	16.3 %	17,698	13.9 %	41,306	16.6 %	35,068	13.9 %
General and administrative	16,334	12.6 %	21,430	16.8 %	34,119	13.7 %	40,778	16.2 %
Other operating expense	216	0.2 %	966	0.8 %	241	0.2 %	1,445	0.6 %
Total operating expenses	56,142	43.4 %	59,655	46.8 %	110,320	44.4 %	117,645	46.7 %
Income (loss) from operations	1,933	1.5 %	(12,801)	(10.0)%	482	0.2 %	(23,411)	(9.3)%
Interest income, net	1,344	1.0 %	1,495	1.1 %	2,660	1.1 %	2,881	1.1 %
Other non-operating expense, net	(407)	(0.3)%	(18)	— %	(605)	(0.3)%	(43)	— %
Income (loss) before income taxes	2,870	2.2 %	(11,324)	(8.9)%	2,537	1.0 %	(20,573)	(8.2)%
Provision (benefit) for income taxes	(254)	(0.2)%	236	0.2 %	248	0.1 %	631	0.2 %
Net income (loss)	\$ 3,124	2.4 %	\$ (11,560)	(9.1)%	\$ 2,289	0.9 %	\$ (21,204)	(8.4)%

Revenue

Our gross revenue consists primarily of paid subscriptions and services revenue and sales of devices. Our paid subscription services are billed in advance of the start of the monthly subscription and revenue is recognized ratably over the subscription period. We generally recognize revenue from product sales at the time the product is shipped and transfer of control from us to the customer occurs.

Our revenue consists of gross revenue, less customer rebates and other channel sales incentives, allowances for estimated sales returns, price protection, and net changes in deferred revenue. A significant portion of our marketing expenditure is with customers and is deemed to be a reduction of revenue under authoritative guidance for revenue recognition.

We conduct business across three geographic regions—(i) the Americas; (ii) EMEA; and (iii) APAC—and generally base revenue by geographic region on the bill-to location of the customer for device location for subscriptions and services sales and device sales.

	Three Months Ended			Six Months Ended		
	June 29, 2025	% Change	June 30, 2024	June 29, 2025	% Change	June 30, 2024
(In thousands, except percentage data)						
Americas	\$ 81,902	25.4 %	\$ 65,294	\$ 151,999	24.1 %	\$ 122,463
Percentage of revenue	63.3 %		51.2 %	61.2 %		48.7 %
EMEA	43,320	(23.8)%	56,827	86,215	(27.1)%	118,207
Percentage of revenue	33.5 %		44.6 %	34.7 %		47.0 %
APAC	4,183	(21.5)%	5,326	10,257	(6.6)%	10,977
Percentage of revenue	3.2 %		4.2 %	4.1 %		4.3 %
Total revenue	<u>\$ 129,405</u>	1.5 %	<u>\$ 127,447</u>	<u>\$ 248,471</u>	(1.3)%	<u>\$ 251,647</u>

Revenue by classification is as follows:

	Three Months Ended			Six Months Ended		
	June 29, 2025	% Change	June 30, 2024	June 29, 2025	% Change	June 30, 2024
(In thousands, except percentage data)						
Revenue:						
Subscriptions and services	\$ 78,175	29.7 %	\$ 60,261	\$ 147,024	25.7 %	\$ 116,968
Products	51,230	(23.7)%	67,186	101,447	(24.7)%	134,679
Total revenue	<u>\$ 129,405</u>	1.5 %	<u>\$ 127,447</u>	<u>\$ 248,471</u>	(1.3)%	<u>\$ 251,647</u>

Subscriptions and services revenue increased by \$17.9 million or 29.7%, and \$30.1 million or 25.7%, for the three and six months ended June 29, 2025 compared to the prior year periods, respectively, primarily due to a 28.5% increase in cumulative paid accounts and continued increase in average revenue per user (“ARPU”) of retail and direct paid subscriptions.

Products revenue decreased by \$16.0 million or 23.7%, and \$33.2 million or 24.7%, for the three and six months ended June 29, 2025 compared to the prior year periods, respectively, primarily from the decrease in product sales in EMEA due to the timing of device shipments from our largest customer and the reduction in average selling prices (“ASPs”) of our products as we increased promotional activities to stimulate household acquisition and subscriber growth. The decrease in products revenue due to the higher sales incentives are deemed to be reductions of revenue.

Cost of Revenue

Cost of revenue consists of both subscriptions and services cost as well as products cost. Subscriptions and services cost consists of costs attributable to the provision and maintenance of our cloud-based platform, including personnel expense, data storage, security and computing, IT and facilities overhead. Products cost primarily consists of the cost of finished products from our third-party manufacturers and overhead costs, including personnel expense for operations staff, purchasing, product planning, inventory control, warehousing and distribution logistics, third-party software licensing fees, inbound freight, duty and tariff costs, IT and facilities overhead, warranty costs associated with returned goods, write-downs for excess and obsolete inventory and excess components, and royalties to third parties.

Our cost of revenue as a percentage of revenue can vary based upon a number of factors, including those that may affect our revenue set forth above and factors that may affect our cost of revenue, including, without limitation, product mix, sales channel mix, registered accounts’ acceptance of paid subscription service offerings, and changes in our cost of

goods sold due to fluctuations in prices paid for components, net of vendor rebates, cloud platform costs, warranty and overhead costs, inbound freight, duty and tariff costs, and charges for excess or obsolete inventory. We outsource our manufacturing, warehousing, and distribution logistics. We also outsource certain components of the required infrastructure to support our cloud-based back-end IT infrastructure. We believe this outsourcing strategy generally allows us to better manage our products cost and subscriptions and services cost and gross margin and allows us to adapt to changing market dynamics and supply chain constraints. However, with respect to manufacturing that we have outsourced to ex-U.S. manufacturers, our ability to manage product costs through this strategy has been, and may continue to be, negatively impacted by tariffs.

	Three Months Ended			Six Months Ended		
	June 29, 2025	% Change	June 30, 2024	June 29, 2025	% Change	June 30, 2024
(In thousands, except percentage data)						
Cost of revenue:						
Subscriptions and services	\$ 12,235	(16.0)%	\$ 14,557	\$ 24,500	(13.0)%	\$ 28,153
Products	59,095	(10.5)%	66,036	113,169	(12.4)%	129,260
Total cost of revenue	<u>\$ 71,330</u>	<u>(11.5)%</u>	<u>\$ 80,593</u>	<u>\$ 137,669</u>	<u>(12.5)%</u>	<u>\$ 157,413</u>

Subscriptions and services cost of revenue decreased by 16.0% and 13.0% for the three and six months ended June 29, 2025, compared to the prior year periods, primarily due to cost savings as we optimize our cloud platform to improve customer experience which assists in reduced data storage and cloud costs.

Products cost of revenue decreased by 10.5% and 12.4% for the three and six months ended June 29, 2025, compared to the prior year periods, primarily due to the decrease in product sales partially offset by an increase in freight cost mainly as a result of increased duties and tariffs, and to a lesser extent, the utilization of air freight.

Gross Profit

	Three Months Ended			Six Months Ended		
	June 29, 2025	% Change	June 30, 2024	June 29, 2025	% Change	June 30, 2024
(In thousands, except percentage data)						
Gross profit:						
Subscriptions and services	\$ 65,940	44.3 %	\$ 45,704	\$ 122,524	38.0 %	\$ 88,815
Products	(7,865)	**	1,150	(11,722)	**	5,419
Total gross profit	<u>\$ 58,075</u>	<u>23.9 %</u>	<u>\$ 46,854</u>	<u>\$ 110,802</u>	<u>17.6 %</u>	<u>\$ 94,234</u>
Gross margin percentage:						
Subscriptions and services	84.3 %		75.8 %	83.3 %		75.9 %
Products	(15.4)%		1.7 %	(11.6)%		4.0 %
Total gross margin	44.9 %		36.8 %	44.6 %		37.4 %

**Percentage change not meaningful.

Subscriptions and services gross profit increased by \$20.2 million and \$33.7 million for the three and six months ended June 29, 2025, compared to the prior year periods, respectively, primarily due to subscriptions and services revenue growth as a result of increases in cumulative paid accounts, continued increase in ARPU of retail subscriptions, and cost optimizations.

Products gross profit decreased by \$9.0 million and \$17.1 million for the three and six months ended June 29, 2025, compared to the prior year periods, respectively, primarily driven by a reduction in the ASPs of our products as we increased promotional activities to stimulate household acquisition and subscriber growth and an increase in freight cost mainly as a result of increased duties and tariffs, and to a lesser extent, the utilization of air freight.

Operating Expenses

Research and Development

Research and development expense consists primarily of personnel-related expense, safety, security, regulatory services and testing, other research and development consulting fees, and allocated IT and facilities overhead. Generally, we recognize research and development expenses as they are incurred, exclusive of capitalized software development costs. We have invested in and expanded our research and development organization to enhance our ability to introduce innovative products and services. We expect research and development expense to increase in absolute dollars as we develop new product and service offerings and compete for engineering talent. We believe that innovation and technological leadership are critical to our future success, and we are committed to continuing a significant level of research and development to develop new technologies, products and services, including our hardware devices, cloud-based software, AI-based algorithms, and machine learning capabilities.

	Three Months Ended			Six Months Ended		
	June 29, 2025	% Change	June 30, 2024	June 29, 2025	% Change	June 30, 2024
(In thousands, except percentage data)						
Research and development expense	\$ 18,489	(5.5)%	\$ 19,561	\$ 34,654	(14.1)%	\$ 40,354

Research and development expense decreased by \$1.1 million for the three months ended June 29, 2025 compared to the prior year period, primarily due to decreases of \$1.7 million in professional services and \$1.3 million in IT and facilities overhead related to allocation associated with corporate infrastructure as a result of the capitalization of software development costs, partially offset by an increase of \$2.1 million in personnel-related expenses due the headcount increase as a result of our research and development investment.

Research and development expense decreased by \$5.7 million for the six months ended June 29, 2025 compared to the prior year period, primarily due to decreases of \$3.7 million in professional services, \$2.3 million in IT and facilities overhead related to allocation associated with corporate infrastructure, and \$1.3 million in personnel-related expenses as a result of the capitalization of software development costs, partially offset by an increase of \$1.7 million in personnel-related expenses due the headcount increase as a result of our research and development investment.

Sales and Marketing

Sales and marketing expense consists primarily of personnel expense for sales and marketing staff, technical support expense, advertising, trade shows, media and placement, corporate communications and other marketing expense, product marketing expense, allocated IT and facilities overhead, outbound freight costs, and credit card processing fees. We expect our sales and marketing expense to increase in the future as we invest in marketing to drive demand for our subscriptions and services and device products.

	Three Months Ended			Six Months Ended		
	June 29, 2025	% Change	June 30, 2024	June 29, 2025	% Change	June 30, 2024
(In thousands, except percentage data)						
Sales and marketing expense	\$ 21,103	19.2 %	\$ 17,698	\$ 41,306	17.8 %	\$ 35,068

Sales and marketing expense increased by \$3.4 million for the three months ended June 29, 2025 compared to the prior year period, primarily due to increases of \$2.4 million in credit card and in-app processing fees as a result of increases in paid subscriber accounts and focused efforts to improve our customer's app experience and \$1.4 million in marketing expenditures.

Sales and marketing expense increased by \$6.2 million for the six months ended June 29, 2025 compared to the prior year period, primarily due to increases of \$4.1 million in credit card and in-app processing fees as a result of increases in paid subscriber accounts and focused efforts to improve our customer's app experience, \$1.9 million in marketing expenditures, and \$0.7 million in personnel-related expenses mainly from stock-based compensation, partially offset by a decrease of \$0.5 million in freight-out expenses.

General and Administrative

General and administrative expense consists primarily of personnel-related expense for certain executives, finance and accounting, investor relations, human resources, legal, information technology, professional fees, allocated IT and facilities overhead, strategic initiative expense, and other general corporate expense. We expect our general and administrative expense to fluctuate as a percentage of our revenue in future periods based on fluctuations in our revenue and the timing of such expense.

	Three Months Ended			Six Months Ended		
	June 29, 2025	% Change	June 30, 2024	June 29, 2025	% Change	June 30, 2024
(In thousands, except percentage data)						
General and administrative expense	\$ 16,334	(23.8)%	\$ 21,430	\$ 34,119	(16.3)%	\$ 40,778

General and administrative expense decreased by \$5.1 million and \$6.7 million for the three and six months ended June 29, 2025, respectively compared to the prior year periods, primarily due to the decrease of \$5.2 million and \$6.3 million, respectively, in personnel-related expenses mainly from stock-based compensation from the achievement of performance-based awards target in the prior year periods.

Other operating expenses

Other operating expenses include restructuring charges, which consist primarily of severance costs, and separation expenses, which consist primarily of costs of legal and professional services.

Interest Income, Net and Other Non-Operating Expense, Net

	Three Months Ended			Six Months Ended		
	June 29, 2025	% Change	June 30, 2024	June 29, 2025	% Change	June 30, 2024
(In thousands, except percentage data)						
Interest income, net	\$ 1,344	(10.1)%	\$ 1,495	2,660	(7.7)%	2,881
Other non-operating expense, net	\$ (407)	**	\$ (18)	(605)	**	(43)

**Percentage change not meaningful.

Interest income, net decreased for the three and six months ended June 29, 2025 compared to the prior year periods, primarily due to the lower interest rates.

Provision (Benefit) for Income Taxes

	Three Months Ended			Six Months Ended		
	June 29, 2025	% Change	June 30, 2024	June 29, 2025	% Change	June 30, 2024
(In thousands, except percentage data)						
Provision (benefit) for income taxes	\$ (254)	(207.6)%	\$ 236	\$ 248	(60.7)%	\$ 631
<i>Effective tax rate</i>	(8.9)%		(2.1)%	9.8 %		(3.1)%

The effective tax rate for the three and six months ended June 29, 2025 was lower than the U.S. federal income tax rate due to a lower effective tax rate on foreign earnings and valuation allowance on our net U.S. deferred tax assets and certain foreign tax attributes. Based on a review of all available evidence, we have concluded that it is more likely than not that we will not be able to realize the benefit of the deferred tax assets in the foreseeable future. As a result, we are maintaining the full valuation allowance. However, as we continue to generate income, we are approaching the point at which the accumulated rolling 36-month pre-tax income turns positive—a key piece of objectively verifiable evidence supporting the realizability of deferred tax assets. If this positive trend continues and a cumulative income position is achieved within the year, we may consider a partial or full reversal of the valuation allowance.

We have recorded a full valuation allowance against U.S. net deferred tax assets. We will continue to maintain a full valuation allowance on U.S. net deferred tax assets until there is sufficient evidence to support the reversal of all or some portion of this allowance. However, given our current and anticipated future domestic earnings, we believe that there is a reasonable possibility that within the next 12-24 months, sufficient positive evidence may become available to allow us to reach a conclusion that a significant portion of the U.S. valuation allowance will no longer be needed. A release of the valuation allowance would result in the recognition of certain deferred tax assets and a decrease to income tax expense, which could be material, for the period the release is recorded.

Liquidity and Capital Resources

As of June 29, 2025, our cash and cash equivalents and short-term investments totaled \$160.4 million and the unused borrowing capacity of \$45.0 million based on the terms and conditions of the Credit Agreement. The proceeds of the borrowings under this credit facility may be used for working capital and general corporate purposes.

We have a history of losses and may incur operating and net losses in the future. As of June 29, 2025, our accumulated deficit was \$395.7 million. Historically, we have funded our principal business activities through cash flows generated from operations and available cash on hand.

Material Cash Requirements

We believe that our existing sources of liquidity will be sufficient to meet our anticipated cash requirements for at least the next 12 months and beyond. However, in the future we may require or desire additional funds to support our operating expenses and capital requirements. To the extent that current and anticipated future sources of liquidity are insufficient, we may seek to raise additional funds through public or private equity. We have no commitments to obtain such additional financing and cannot provide assurance that additional financing will be available at all or, if available, that such financing would be obtainable on terms favorable to us and would not be dilutive.

Our future liquidity and cash requirements may vary from those currently planned and will depend on numerous factors, including the introduction of new products, the growth in our subscriptions and services revenue, the ability to increase our gross margin dollars, as well as cost optimization initiatives and controls over our operating expenditures. As we grow our installed base and related cost structure, there will be a need for additional working capital, hence, we may increase our product and subscription rates in the future.

Leases and Contractual Commitments

Our operating lease obligations mostly include offices, equipment, data centers, and distribution centers. Our contractual commitments are primarily inventory-related purchase obligations with suppliers.

Contingencies

We are involved in disputes, litigation, and other legal actions. We evaluate whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies. Significant judgment is required to determine both the probability and the estimated amount of loss. In such cases, we accrue for the amount or, if a range, we accrue the low end of the range, only if there is not a better estimate than any other amount within the range, as a component of legal expense within litigation reserves, net.

Refer to Note 7. *Commitments and Contingencies* in the Notes to Unaudited Condensed Consolidated Financial Statements in Item 1 of Part I of this Quarterly Report for further information about our operating leases, purchase obligations, and legal contingencies.

Stock Repurchase Program

Our Board of Directors authorized a stock repurchase program of up to an aggregate of \$50.0 million of shares, which commenced in September 2024 and is expected to continue through December 31, 2026 unless extended or shortened by the Board of Directors. During the six months ended June 29, 2025, we repurchased and subsequently retired 1.5 million shares of Arlo common stock for an aggregate amount of \$16.1 million. As of June 29, 2025, \$29.4 million remained available and authorized for future repurchases.

Cash Flow

	Six Months Ended	
	June 29, 2025	June 30, 2024
	(In thousands)	
Net cash provided by operating activities	\$ 39,749	\$ 26,268
Net cash used in investing activities	(36,668)	(268)
Net cash used in financing activities	(13,869)	(20,101)
Net cash increase (decrease)	<u>\$ (10,788)</u>	<u>\$ 5,899</u>

Operating activities

Net cash provided by operating activities increased by \$13.5 million for the six months ended June 29, 2025 compared to the prior year period, primarily due to improved profitability, partially offset by unfavorable working capital movements as a result of (i) decreased accounts payable balances mainly due to timing of payments; and (ii) higher accounts receivable balances in connection with our subscription sales growth; partially offset by (i) lower inventory balances as a result of strong hardware sales with higher inventory turn; and (ii) increase in deferred revenue due to the growth in our subscription paid accounts and rates.

Investing activities

Net cash used in investing activities increased by \$36.4 million for the six months ended June 29, 2025 compared to the prior year period, primarily due to our strategic long-term investment in a privately-held company, higher net purchases of short-term investments, and to a lesser extent, an increase in capitalized software development costs.

Financing activities

Net cash used in financing activities decreased by \$6.2 million for the six months ended June 29, 2025 compared to the prior year period, primarily due to the decrease in withholding tax from RSU and PSU releases as a result of the sell-to-cover method being applied to all Arlo employees for their tax withholding effective on January 1, 2025, partially offset by the stock repurchases.

Critical Accounting Policies and Estimates

For a complete description of what we believe to be the critical accounting policies and estimates used in the preparation of our Unaudited Condensed Consolidated Financial Statements, refer to our Annual Report on Form 10-K for the year ended December 31, 2024. There have been no material changes to our critical accounting policies and estimates during the six months ended June 29, 2025, other than as discussed in Note 2. *Significant Accounting Policies and Recent Accounting Pronouncements*, in the Notes to Unaudited Condensed Consolidated Financial Statements in Item 1 of Part I of this Quarterly Report.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

During the six months ended June 29, 2025, there were no material changes to our market risk disclosures as set forth in Part II, Item 7A “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the year ended December 31, 2024.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report. Based on this evaluation, our management, including our CEO and our CFO, has concluded that, as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures were, in design and operation, effective at the reasonable assurance level. A control system, no matter how well conceived and operated, can provide only reasonable assurance that the objectives of the control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within an organization have been detected.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period covered by this Quarterly Report 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

From time to time, we may become involved in disputes, litigation and other legal actions in the ordinary course of business. We are not currently party to any claim or proceedings that, in the opinion of our management, are likely to have a material adverse effect on our financial position. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors. For additional discussion of certain risks associated with legal proceedings, see the section entitled “Risk Factors” in Part II, Item 1A of this Quarterly Report.

Item 1A. Risk Factors

Our business, reputation, results of operations and financial condition, as well as the price of our stock, can be affected by a number of factors, whether currently known or unknown, including those described in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2024 under the heading “Risk Factors.” Except as set forth below, during the six months ended June 29, 2025, there have been no significant changes to the risk factors under the heading “Risk Factors” described in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2024.

The current international trade environment and related unfavorable macroeconomic conditions have adversely affected, and may continue to adversely affect, our business.

The recent announcements of substantial new U.S. and international tariffs have created a dynamic and unpredictable trade landscape, which is adversely impacting, and may continue to adversely impact, our business.

Current or future tariffs impacting our products, which are manufactured outside of the United States, have raised and may further raise our product costs. In addition, other trade restrictions could negatively impact our ability to obtain finished products from our ex-U.S. manufacturers and suppliers or other retaliatory trade measures may increase the costs of raw materials or finished goods, which could negatively impact our suppliers’ ability to deliver materials or manufacture equipment for us and, therefore, delay or impede our product deliveries. Tariff-related costs and supply chain disruptions may lead to reputational harm if we are unable to deliver products or services on expected timelines or if any price increases are poorly received by customers or business partners. Furthermore, ongoing uncertainty regarding trade disputes, tariffs and other political tensions between the United States and other countries, particularly in Asia, may also exacerbate unfavorable macroeconomic conditions, which may negatively impact international customer demand for our products or services and may lead to increased preference for local competitors.

While we continue to monitor these developments, the full impact of these risks remains uncertain, and any prolonged economic downturn, escalation in trade tensions or deterioration in international perception of U.S.-based companies could materially and adversely affect our business, results of operations and financial condition. In addition, trade developments have heightened, and may continue to heighten, the risks related to the other risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2024.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
Issuer Purchases of Equity Securities

The following table summarizes the share repurchase activity for the quarter ended June 29, 2025.

Period	Total Number of Shares Purchased	Average Price Paid Per Share ⁽²⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽¹⁾
March 31, 2025 - April 27, 2025	91,663	\$9.93	91,663	\$29,429,729
April 28, 2025 - May 25, 2025	—	—	—	—
May 26, 2025 - June 29, 2025	—	—	—	—
Total	91,663		91,663	\$29,429,729

⁽¹⁾ On September 24, 2024, we announced that our Board of Directors approved a stock repurchase program of up to an aggregate of \$50.0 million of shares of Arlo's common stock through open market purchases in a manner deemed to be in the best interests of our company and stockholders, considering the economic cost and prevailing market conditions, including the relative trading prices and volumes of Arlo's common stock. The stock repurchase program is expected to continue through December 31, 2026 unless extended or shortened by the Board of Directors.

⁽²⁾ Average price paid per share includes commission costs, but excludes the 1% excise tax accrued on our share repurchases as a result of the Inflation Reduction Act of 2022. Commission costs associated with share repurchases and excise taxes do not reduce the remaining authorized amount under our repurchase programs.

Item 5. Other Information

Trading Arrangements

During the quarter ended June 29, 2025, our directors and officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated the contracts, instructions or written plans for the purchase or sale of Arlo's securities set forth in the table below:

Name and Position	Action	Action Date		Type of Trading Arrangement		Total Shares of Common Stock to be Sold	Expiration Date
				Rule 10b5-1 ⁽¹⁾	Non-Rule 10b5-1 ⁽²⁾		
Kurtis Binder, Chief Financial Officer and Chief Operating Officer	Adoption	May 15, 2025	(3)	X		551,706	(4) December 31, 2025
Prashant (Sean) Aggarwal, Director	Adoption	May 15, 2025	(3)	X		60,787	August 21, 2026

⁽¹⁾ Contract, instruction or written plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act.

⁽²⁾ "Non-Rule 10b5-1 trading arrangement" as defined in Item 408(c) of Regulation S-K under the Exchange Act.

⁽³⁾ Adopted for personal tax planning purposes.

⁽⁴⁾ This plan covers shares underlying certain of Mr. Binder's equity awards. With respect to one such equity award, this plan is designed to sell a specified percentage of the net shares underlying such equity award delivered after tax withholding, and the actual number of shares to be sold will depend on state and federal tax rates applicable on the relevant vesting date. With respect to all of the equity awards in this plan, Mr. Binder has designated certain target prices for the sale of shares, and if our stock is not trading at or above such target prices, the shares cannot be sold.

In addition, our officers (as defined in Rule 16a-1(f) under the Exchange Act) have entered into sell-to-cover arrangements adopted pursuant to Rule 10b5-1 authorizing the pre-arranged sale of shares to satisfy our tax withholding obligations arising exclusively from the vesting of RSUs and PSUs and the related issuance of shares. The amount of shares to be sold to satisfy our tax withholding obligations under these arrangements is dependent on future events which cannot be known at this time, including the future trading price of our shares. The expiration date relating to these arrangements is dependent on future events which cannot be known at this time, including the final vest date of the applicable RSUs and PSUs and the officer's termination of service.

Item 6. Exhibits
Exhibit Index

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
3.1	Amended and Restated Certificate of Incorporation of Arlo Technologies, Inc.	8-K	8/7/2018	3.1	
3.2	Amended and Restated Bylaws of Arlo Technologies, Inc.	8-K	8/7/2018	3.2	
4.1	Common Stock Certificate of Arlo Technologies, Inc.	S-1/A	7/23/2018	4.1	
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer				X
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer				X
32.1#	Section 1350 Certification of Principal Executive Officer				X
32.2#	Section 1350 Certification of Principal Financial Officer				X
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				X
#	This certification is deemed to accompany this Quarterly Report on Form 10-Q and will not be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities of that section. This certification will not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.				

SIGNATURES

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

ARLO TECHNOLOGIES, INC.

Registrant

/s/ MATTHEW MCRAE

Matthew McRae
Chief Executive Officer
(Principal Executive Officer)

/s/ KURTIS BINDER

Kurtis Binder
Chief Financial Officer and Chief Operating
Officer
(Principal Financial and Accounting Officer)

Date: August 7, 2025

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Matthew McRae, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Arlo Technologies, Inc. (the “Registrant”);
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.

Date: August 7, 2025

/s/ MATTHEW MCRAE

Matthew McRae
Chief Executive Officer
Arlo Technologies, Inc.

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Kurtis Binder, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Arlo Technologies, Inc. (the “Registrant”);
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.

Date: August 7, 2025

/s/ KURTIS BINDER

Kurtis Binder
Chief Financial Officer and Chief Operating Officer
Arlo Technologies, Inc.

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), I, Matthew McRae, Chief Executive Officer of Arlo Technologies, Inc. (the "Company"), hereby certify that, to the best of my knowledge:

- (1) This Quarterly Report of the Company on Form 10-Q for the period ended June 29, 2025, to which this Certification is attached as Exhibit 32.1 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2025

By: /s/ MATTHEW MCRAE

Matthew McRae
Chief Executive Officer
Arlo Technologies, Inc.

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this Form 10-Q), irrespective of any general incorporation language contained in such filing.

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), I, Kurtis Binder, Chief Financial Officer and Chief Operating Officer of Arlo Technologies, Inc. (the "Company"), hereby certify that, to the best of my knowledge:

- (1) This Quarterly Report of the Company on Form 10-Q for the period ended June 29, 2025, to which this Certification is attached as Exhibit 32.2 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2025

By: /s/ KURTIS BINDER

Kurtis Binder

Chief Financial Officer and Chief Operating Officer

Arlo Technologies, Inc.

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this Form 10-Q), irrespective of any general incorporation language contained in such filing.