

Prospectus Supplement No. 11  
(to prospectus dated October 3, 2024)



**CXApp Inc.**  
**RESALE OF UP TO 10,026,776 SHARES OF COMMON STOCK**  
**10,280,000 WARRANTS TO PURCHASE SHARES OF COMMON STOCK**  
**24,080,000 SHARES OF COMMON STOCK UNDERLYING WARRANTS**  
**BY THE SELLING SECURITYHOLDERS**

This prospectus supplement is being filed to update and supplement the information contained in the prospectus dated October 3, 2024 (as supplemented to date, the “Prospectus”), related to (i) the resale of up to 6,977,776 shares of common stock, par value \$0.0001 per share (the “common stock”) previously issued to certain of the Selling Securityholders (as defined in the Prospectus) at a price of approximately \$0.004 per share, (ii) the resale of up to 10,280,000 private placement warrants to purchase common stock at an exercise price of \$11.50 per share, which were originally issued to our Sponsor (as defined below) and the Direct Anchor Investors (as defined below) in a private placement at a price of \$1.00 per private placement warrant, (iii) 24,080,000 shares of common stock reserved for issuance upon the exercise of warrants to purchase common stock, which are comprised of 13,800,000 shares of common stock issuable upon exercise of the public warrants and 10,280,000 shares of common stock issuable upon exercise of the private placement warrants, (iv) the resale of up to 10,280,000 shares of common stock issuable upon exercise of the private warrants held by KINS Capital LLC (“Sponsor”), its affiliates and certain funds and accounts managed by BlackRock, Inc. (the “Direct Anchor Investors”), (v) the resale from time to time of up to 40,000 shares of common stock by Streeterville Capital, LLC (“Streeterville”), or a Selling Securityholder, which were issued pursuant to that certain Securities Purchase Agreement, dated as of May 22, 2024 (the “Securities Purchase Agreement”), by and between CXApp and Streeterville, and (vi) the resale from time to time of the maximum number of up to 3,009,000 shares of common stock by Streeterville, or a Selling Securityholder, that Streeterville may, at their sole discretion, take delivery of in satisfaction of an outstanding balance of a pre-paid purchase according to the terms of the pre-paid purchase consummated on May 22, 2024, and the Company will issue to Streeterville pursuant to the Securities Purchase Agreement, subject to certain limitations, with the information contained in our Quarterly Report on Form 10-Q, filed with the U.S. Securities and Exchange Commission (the “SEC”) on August 12, 2025 (the “Quarterly Report”). Accordingly, we have attached the Quarterly Report to this prospectus supplement.

This prospectus supplement updates and supplements the information in the Prospectus and is not complete without, and may not be delivered or utilized except in combination with, the Prospectus, including any amendments or supplements thereto. This prospectus supplement should be read in conjunction with the Prospectus and if there is any inconsistency between the information in the Prospectus and this prospectus supplement, you should rely on the information in this prospectus supplement.

Our common stock and warrants are traded on the The Nasdaq Capital Market (“Nasdaq”) under the symbols “CXAI” and “CXAIW”, respectively. On August 12, 2025, the closing price of our common stock was \$0.90 per share and the closing price of our warrants was \$0.12 per warrant.

**Investing in our securities involves risks. See “Risk Factors” beginning on page 13 of the Prospectus and in any applicable prospectus supplement.**

**Neither the SEC nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of the Prospectus or this prospectus supplement. Any representation to the contrary is a criminal offense.**

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**The date of this prospectus supplement is August 12, 2025.**

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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 quarter ended June 30, 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: 001-39642

**CXApp Inc.**

(Exact name of Registrant as Specified in Its Charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**85-2104918**

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

**Four Palo Alto Square, Suite 200  
3000 El Camino Real  
Palo Alto, CA 94306**

(Address of principal executive offices, zip code)

**(650) 785-7171**

(Registrant's telephone number)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A common stock, \$0.0001 par value per share	CXAI	The Nasdaq Stock Market LLC
Warrants to purchase common stock	CXAIW	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Emerging growth company

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

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

As of August 12, 2025, there were 23,435,234 shares of Class A common stock, \$0.0001 par value, issued and outstanding.

**CXAPP INC.**

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PART I. FINANCIAL INFORMATION

Item 1: Interim Financial Statements

CXAPP INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands, except share and per share data)

	June 30, 2025 (unaudited)	December 31, 2024
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,854	\$ 4,880
Accounts receivable	818	1,686
Unbilled and other receivables	100	89
Prepaid expenses and other current assets	466	425
Total current assets	<u>6,238</u>	<u>7,080</u>
Property and equipment, net	57	64
Intangible assets, net	14,038	15,404
Operating lease right-of-use asset, net	424	465
Goodwill	8,737	8,737
Other assets	74	53
<b>Total Assets</b>	<u>\$ 29,568</u>	<u>\$ 31,803</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 925	\$ 509
Accrued liabilities	2,373	2,383
Deferred revenue	2,532	2,683
Warrant liability	1,472	5,048
Operating lease obligation, current	351	350
Promissory note	-	603
Total current liabilities	<u>7,653</u>	<u>11,576</u>
Operating lease obligation, noncurrent	71	123
Convertible debt	7,534	4,512
<b>Total Liabilities</b>	<u>\$ 15,258</u>	<u>\$ 16,211</u>
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity</b>		
Class A Common Stock, \$0.0001 par value; 200,000,000 shares authorized; 21,441,162 shares issued and outstanding as of June 30, 2025, and 19,221,090 shares issued and outstanding as of December 31, 2024	2	2
Additional paid-in capital	96,358	92,583
Accumulated deficit	(81,964)	(77,209)
Accumulated other comprehensive income (loss)	(86)	216
<b>Total Stockholders' Equity</b>	<u>\$ 14,310</u>	<u>\$ 15,592</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$ 29,568</u>	<u>\$ 31,803</u>

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

**CXAPP INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND**  
**COMPREHENSIVE LOSS**

(Unaudited, in thousands, except share and per share data)

	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
<b>Revenues</b>	\$ 1,223	\$ 1,766	\$ 2,447	\$ 3,584
<b>Cost of Revenues</b>	171	353	321	680
<b>Gross Profit</b>	1,052	1,413	2,126	2,904
<b>Operating Expenses</b>				
Research and development	2,193	1,731	3,669	3,330
Sales and marketing	595	874	1,189	1,988
General and administrative	1,692	1,775	3,758	3,457
Amortization of intangible assets	683	683	1,366	1,366
<b>Total Operating Expenses</b>	5,163	5,063	9,982	10,141
<b>Loss from Operations</b>	(4,111)	(3,650)	(7,856)	(7,237)
<b>Other Income (Expense)</b>				
Interest expense, net	(163)	(684)	(200)	(946)
Change in fair value of derivative liability	880	(1,051)	3,076	(2,523)
Loss on debt extinguishment	-	-	(48)	-
Other income (expense), net	256	(30)	274	(86)
<b>Total Other Income (Expense)</b>	973	(1,765)	3,102	(3,555)
<b>Loss, before tax</b>	(3,138)	(5,415)	(4,754)	(10,792)
Deferred income tax benefit (expense)	(1)	159	(1)	366
<b>Net Loss</b>	\$ (3,139)	\$ (5,256)	\$ (4,755)	\$ (10,426)
Unrealized foreign exchange gain (loss) from cumulative translation adjustments	(301)	22	(302)	76
<b>Comprehensive Loss</b>	\$ (3,440)	\$ (5,234)	\$ (5,057)	\$ (10,350)
Basic and diluted weighted average shares outstanding, Class A common stock	20,718,170	15,255,218	20,201,031	15,254,803
<b>Basic and diluted net loss per share, Class A common stock</b>	\$ (0.16)	\$ (0.34)	\$ (0.23)	\$ (0.68)

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

**CXAPP INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(in thousands, except share data)

(Unaudited, in thousands, except share data)

	Class A		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
	Common Stock					
	Shares	Amount				
<b>Balance at January 1, 2025</b>	19,248,390	\$ 2	\$ 92,583	\$ (77,209)	\$ 216	\$ 15,592
Net loss	-	-	-	(1,616)	-	(1,616)
Stock-based compensation	-	-	624	-	-	624
Common shares issued for extinguishment of debt	554,274	-	1,003	-	-	1,003
Common shares issued for vested RSUs	3,120	-	-	-	-	-
Taxes withheld for stock-based compensation	-	-	(5)	-	-	(5)
Cumulative translation adjustment	-	-	-	-	(1)	(1)
<b>Balance at March 31, 2025</b>	<u>19,805,784</u>	<u>\$ 2</u>	<u>\$ 94,205</u>	<u>\$ (78,825)</u>	<u>\$ 215</u>	<u>\$ 15,597</u>
Net loss	-	-	-	(3,139)	-	(3,139)
Stock-based compensation	-	-	754	-	-	754
Common shares issued for repayment of debt	1,555,378	-	1,328	-	-	1,328
Common shares issued for commitment shares	80,000	-	89	-	-	89
Taxes withheld for stock-based compensation	-	-	(18)	-	-	(18)
Cumulative translation adjustment	-	-	-	-	(301)	(301)
<b>Balance at June 30, 2025</b>	<u>21,441,162</u>	<u>\$ 2</u>	<u>\$ 96,358</u>	<u>\$ (81,964)</u>	<u>\$ (86)</u>	<u>\$ 14,310</u>
	Class A		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
	Common Stock					
	Shares	Amount				
<b>Balance at January 1, 2024</b>	15,254,389	\$ 2	\$ 83,282	\$ (57,801)	\$ (85)	\$ 25,398
Net loss	-	-	-	(5,170)	-	(5,170)
Stock-based compensation	-	-	599	-	-	599
Cumulative translation adjustment	-	-	-	-	54	54
<b>Balance at March 31, 2024</b>	<u>15,254,389</u>	<u>\$ 2</u>	<u>\$ 83,881</u>	<u>\$ (62,971)</u>	<u>\$ (31)</u>	<u>\$ 20,881</u>
Net loss	-	-	-	(5,256)	-	(5,256)
Stock-based compensation	-	-	833	-	-	833
Net exercise of options	12,570	-	-	-	-	-
Cumulative translation adjustment	-	-	-	-	22	22
<b>Balance at June 30, 2024</b>	<u>15,266,959</u>	<u>\$ 2</u>	<u>\$ 84,714</u>	<u>\$ (68,227)</u>	<u>\$ (9)</u>	<u>\$ 16,480</u>

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

**CXAPP INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited, in thousands)

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2025</b>	<b>2024</b>
<b>Operating activities</b>		
Net loss	\$ (4,755)	\$ (10,426)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	24	44
Amortization of intangible assets	1,366	1,366
Amortization of right of use asset	193	201
Amortization of debt discount and deferred financing cost	-	445
Accrued interest expense on promissory note and convertible debt	281	210
Accrued monitoring fee on promissory note	-	408
Deferred income taxes	-	(366)
Stock-based compensation expense	1,378	1,436
(Gain) loss on foreign currency transactions	(299)	84
Loss on debt extinguishment	48	-
Change in fair value of derivative liability	(3,076)	2,523
Loss on contract to issue common stock	20	-
Change in operating assets and liabilities:		
Accounts receivable and other receivables	869	1,555
Prepaid expenses and other current assets	(39)	(76)
Other assets	(19)	-
Accounts payable	414	(389)
Accrued liabilities	(38)	574
Operating lease liabilities	(203)	(212)
Deferred revenue	(155)	63
Net cash used in operating activities	<u>(3,991)</u>	<u>(2,560)</u>
<b>Investing activities</b>		
Purchases of property and equipment	(16)	(26)
Net cash used in investing activities	<u>(16)</u>	<u>(26)</u>
<b>Financing activities</b>		
Proceeds from issuance of convertible debt, net of issuance costs	3,990	2,480
Net cash provided by financing activities	<u>3,990</u>	<u>2,480</u>
Effect of exchange rate changes on cash and cash equivalents	(9)	(9)
Net decrease in cash and cash equivalents	(26)	(115)
Cash and cash equivalents, beginning of period	4,880	6,275
Cash and cash equivalents, end of period	<u>\$ 4,854</u>	<u>\$ 6,160</u>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid for taxes	\$ -	\$ 25
Cash paid for interest	\$ -	\$ -
<b>Supplemental schedule of noncash investing and financing activities</b>		
Financing of Director and Officer Insurance	\$ 240	\$ -
Common shares issued for debt extinguishment	\$ 2,331	\$ -
Common shares issued as commitment shares	\$ 89	\$ -
Right of use asset obtained in exchange for lease liability	\$ 144	\$ 393

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

**CXAPP INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – Organization, Nature of Business and Basis of Presentation**

CXApp Inc. and its subsidiaries (“CXApp” or the “Company”) is in the business of delivering intelligent enterprise workplace experiences. The CXApp SaaS platform is anchored on the intersection of customer experience (CX) and artificial intelligence (AI) providing digital transformation for the physical workplace for enhanced experiences across people, places and things.

The CXApp SaaS platform offers a suite of leading-edge technology workplace experience solutions including an enterprise employee application, indoor mapping, on-device positioning, augmented reality technologies, generative AI applications and an AI-based analytics platform, targeting the emerging hybrid workplace market. CXApp creates a connected workplace by reducing app overload, data fragmentation, and complex workflows and streamlines all capabilities through The Workplace SuperApp. All features, services and integrations are housed in one easy-to-access platform allowing businesses to deliver a more holistic employee experience in a hybrid workplace.

On September 25, 2022, an Agreement and Plan of Merger (the “Merger Agreement”), was entered into by and among Inpixon, KINS, CXApp, and KINS Merger Sub Inc., a Delaware corporation and a wholly-owned subsidiary of KINS (“Merger Sub”), pursuant to which KINS acquired Inpixon’s enterprise apps business (including its workplace experience technologies, indoor mapping, events platform, augmented reality and related business solutions) (“Legacy CXApp”) in exchange for the issuance of shares of KINS capital stock (the “Business Combination”). As a result of the Business Combination, KINS changed their name to CXApp Inc. (“CXApp”). The shares are now trading on the Nasdaq using the ticker CXAI. The transaction closed on March 14, 2023.

Unless the context otherwise requires, “we,” “us,” “our,” “CXApp” and the “Company” refer to CXApp Inc., a Delaware corporation, and its consolidated subsidiaries following the Business Combination (as defined below). Unless the context otherwise requires, references to “KINS” refer to KINS Technology Group Inc., a Delaware corporation (“KINS”), prior to the Business Combination.

The Business Combination was accounted for using the acquisition method (as a forward merger), with goodwill and other identifiable intangible assets recorded in accordance with U.S. GAAP, as applicable. Under this method of accounting, the “Enterprise Apps Business” (formerly known as CXApp) is treated as the “acquired” company for financial reporting purposes. KINS (now known as CXApp Inc.) has been determined to be the accounting acquirer because KINS maintains control of the Board of Directors and management of the combined company.

**NOTE 2 – Summary of Significant Accounting Policies**

***Liquidity***

As of June 30, 2025, the Company had a working capital deficiency of approximately \$1,415 thousand and cash and cash equivalents of approximately \$4,854 thousand. For the three and six months ended June 30, 2025, the Company incurred net losses of approximately \$3,139 thousand and \$4,755 thousand, respectively. During the six months ended June 30, 2025, the Company used approximately \$3,991 thousand of cash for operating activities.

The Company cannot assure that it will ever earn revenues sufficient to support their operations, or that it will ever achieve profitable operations. The Company’s recurring losses and utilization of cash in its operations are indicators of substantial doubt that the entity can continue as a going concern; however, with the Company’s current liquidity position the Company has taken the following steps to achieve efficient operations:

On March 26, 2025, the Company entered into a Securities Purchase Agreement (“SPA”) with Avondale Capital, LLC, under which the Company may issue and sell one or more Pre-Paid Purchase Agreements for up to an aggregate of \$20,000 thousand in exchange for shares of its common stock. The initial Pre-Paid Purchase, in the principal amount of \$4,200 thousand, closed on April 8, 2025, with the Company receiving net proceeds of approximately \$3,990 thousand. As of June 30, 2025, approximately \$15,800 thousand remained available under this agreement.

Additionally, under the SPA with Streeterville Capital, LLC, entered into on May 22, 2024, the Company had access to up to \$10,000 thousand in funding. As of June 30, 2025, the Company had \$3,520 thousand in remaining available funding under this agreement.

The Company believes that these financing efforts can mitigate any going concern indicators for a period of at least one year from the date these financial statements are issued. The ability of the Company to continue as a going concern is dependent upon the Company's ability to further implement its business plan. The accompanying unaudited condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business.

Management remains focused on executing cost management strategies to optimize the Company's expense structure and enhance operational efficiency. The Company is committed to expanding its customer base, introducing monetizable features, and driving recurring revenue growth in next 12 months. By leveraging its current cash position, financing agreements, and strategic initiatives, management is confident in CXAI's ability to meet its obligations and support its operations for at least the next 12 months. While there are no guarantees, the Company's robust financing pipeline and operational strategies provide a solid foundation for long-term financial stability.

### ***Use of Estimates***

The preparation of condensed consolidated financial statements in conformity with generally accepted accounting principles in the United States of America ("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 each of the reporting periods. Actual results could differ from those estimates. The Company's significant estimates consist of:

- the valuation of stock-based compensation;
- the valuation of warrant liabilities;
- the allowance of credit losses;
- the valuation of convertible debt;
- the valuation of allowance for deferred tax assets; and
- impairment of long-lived assets and goodwill.

### ***Basis of Presentation***

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and the requirements of the Securities and Exchange Commission (the "SEC") for interim reporting. Accordingly, since they are interim statements, they do not include all of the information and disclosures required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2025, are not necessarily indicative of the results that may be expected for other quarters or the year ending December 31, 2025. The condensed consolidated balance sheet as of December 31, 2024 has been derived from the audited financial statements as of that date. For more complete financial information, these condensed consolidated financial statements and the notes thereto should be read in conjunction with the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2024, which was filed with the SEC on April 7, 2025.

### ***Principles of Consolidation***

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances have been eliminated in consolidation.

### ***Concentration of Credit Risk***

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash, cash equivalents, and accounts receivable. The Company's cash is placed with high-credit-quality financial institutions, which periodically exceed federally insured limits. The Company's cash equivalents are certificates of deposit held by a number of banks limited to \$250 thousand per bank with a duration of 90 days or less. The Company has not realized any losses relating to its cash, cash equivalents, and accounts receivable.

### ***Emerging Growth Company***

The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company's consolidated financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

### ***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash, checking accounts, money market accounts, temporary investments, and certificates of deposit with maturities of three months or less at the time of purchase. As of June 30, 2025, the Company held approximately \$4,365 thousand in cash equivalents, consisting of certificates of deposit held at multiple banks, each limited to \$250 thousand per bank and with durations of 90 days or less. As of December 31, 2024, the Company held approximately \$4,353 thousand in cash equivalents.

### ***Accounts Receivable and Allowance for Credit Losses***

Accounts receivables are stated at the amount the Company expects to collect. The Company recognizes an allowance for credit losses to ensure accounts receivables are not overstated due to un-collectability. Allowance for credit losses are maintained for various customers based on a variety of factors, including the length of time the receivables are past due, significant one-time events and historical experience. An additional reserve for individual accounts is recorded when the Company becomes aware of a customer's inability to meet its financial obligation, such as in the case of bankruptcy filings, or deterioration in such customer's operating results or financial position. If circumstances related to a customer change, estimates of the recoverability of receivables would be further adjusted. The Company has no allowance for credit losses as of June 30, 2025 and December 31, 2024, respectively.

Other receivables as presented within "unbilled and other receivables" includes mainly sales tax recoverables from tax authorities. These are recognized when the underlying transaction occurs and reviewed periodically for collectibility. As of June 2025 and December 2024, sales tax receivables were \$78 thousand and \$67 thousand, respectively.

### ***Property and Equipment, net***

Property and equipment are recorded at cost, less accumulated depreciation and amortization. The Company depreciates its property and equipment for financial reporting purposes using the straight-line method over the estimated useful lives of the assets, which range from 5 to 10 years. Leasehold improvements are amortized over the lesser of the useful life of the asset or the initial lease term. Expenditures for maintenance and repairs, which do not extend the economic useful life of the related assets, are charged to operations as incurred, and expenditures, which extend the economic life, are capitalized. When assets are retired, or otherwise disposed of, the costs and related accumulated depreciation or amortization are removed from the accounts and any gain or loss on disposal is recognized. Depreciation expense related to property and equipment is not included as part of cost of revenues, but as part of operating expenses.

### ***Intangible Assets, net***

Intangible assets primarily consist of developed technology, customer lists/relationships, non-compete agreements, intellectual property agreements, export licenses and trade names/trademarks. They are amortized ratably over a range of 5 to 10 years, which approximates customer attrition rate and technology obsolescence. The Company assesses the carrying value of its intangible assets for impairment annually, or more frequently if an event or other circumstances indicates that the Company may not be able to recover the carrying amount of the assets. Based on its assessments, the Company did not incur any impairment charges for the three and six months ended June 30, 2025 and June 30, 2024.

### ***Goodwill***

The Company tests goodwill for potential impairment at least annually, or more frequently if an event or other circumstance indicates that the Company may not be able to recover the carrying amount of the net assets of the reporting unit. The Company has determined that the reporting unit is the entire company, due to the integration of all of the Company's activities. In evaluating goodwill for impairment, the Company may assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. If the Company bypasses the qualitative assessment, or if the Company concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the Company performs a quantitative impairment test by comparing the fair value of a reporting unit with its carrying amount.

The Company calculates the estimated fair value of a reporting unit using a weighting of the income and market approaches. For the income approach, the Company uses internally developed discounted cash flow models that include the following assumptions, among others: projections of revenues, expenses, and related cash flows based on assumed long-term growth rates and demand trends; expected future investments to grow new units; and estimated discount rates. For the market approach, the Company uses internal analyses based primarily on market comparable, including public company method, guideline transaction method, and market price method.

The Company completed a qualitative goodwill impairment assessment as of June 30, 2025, and determined that no impairment was necessary. No goodwill impairment was recognized for the year ended December 31, 2024, based on the annual goodwill impairment evaluation performed as of November 30, 2024 for the year ended December 31, 2024. The Company based these assumptions on its historical data and experience, third party appraisals, industry projections, micro and macro general economic condition projections, and its expectations. Based on its assessments, the Company did not incur any impairment for the three and six months ended June 30, 2025 and June 30, 2024.

### ***Leases and Right-of-Use Assets and Liabilities***

The Company determines if an arrangement is a lease at its inception. Operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company generally uses their incremental borrowing rate based on the information available at the lease commencement date in determining the present value of future payments, because the implicit rate of the lease is generally not known. Right-of-use assets related to the Company's operating lease liabilities are measured at lease inception based on the initial measurement of the lease liability, plus any prepaid lease payments and less any lease incentives. The Company's lease terms that are used in determining their operating lease liabilities at lease inception may include options to extend or terminate the leases when it is reasonably certain that the Company will exercise such options. The Company amortizes their right-of-use assets as operating lease expense generally on a straight-line basis over the lease term and classify both the lease amortization and imputed interest as operating expenses. The Company does not recognize lease assets and lease liabilities for any lease with an original lease term of less than one year.

### ***Income Taxes***

The Company accounts for income taxes using the asset and liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rate is recognized in income or expense in the period that the change is effective. Income tax benefits are recognized when it is probable that the deduction will be sustained. A valuation allowance is established when it is more likely than not that all or a portion of a deferred tax asset will either expire before the Company is able to realize the benefit, or that future deductibility is uncertain.

### ***Comprehensive Loss and Foreign Currency Translation***

The Company reports comprehensive loss and its components in its condensed consolidated financial statements. Comprehensive loss consists of net loss and foreign currency translation adjustments, affecting stockholders' equity that, under GAAP, are excluded from net loss.

Assets and liabilities related to the Company's foreign operations are calculated using the Philippine Peso and Canadian Dollar and are translated at end-of-period exchange rates, while the related revenues and expenses are translated at average exchange rates prevailing during the period. Gains or losses resulting from transactions denominated in foreign currencies are included in general and administrative expenses in the condensed consolidated statements of operations. The Company engages in foreign currency denominated transactions with customers that operate in functional currencies other than the U.S. dollar. Aggregate foreign currency net transaction loss was approximately \$301 thousand and \$302 thousand, for the three months and six months ended June 30, 2025 and net gains of \$22 thousand and \$76 thousand for the three months and six months ended June 30, 2024, respectively.

### ***Convertible Debt***

The Company issued convertible debt in the form of Pre-Paid Purchases during December 2024 and March 2025 (Settlement date April 2025) and evaluated such instruments to determine whether they contain features that qualify as embedded derivatives in accordance with ASC 815 "*Derivatives and Hedging*" ("*ASC 815*"). Embedded derivatives must be separately measured from the host contract if all the requirements for bifurcation are met. The assessment of the conditions surrounding the bifurcation of embedded derivatives depends on the nature of the host contract and the features of the derivatives. In accounting for the issuance of the convertible debt, the Company elected the fair value option under ASC 825 "*Financial Instruments*" ("*ASC 825*"). Under the fair value option election, the convertible debt is initially measured at its issuance date estimated fair value and subsequently remeasured at estimated fair value on a recurring basis. The estimated fair value adjustment is presented within change in fair value of derivative liability in the Condensed Consolidated Statements of Operations and Comprehensive Loss. The Company classifies its convertible debt that are being valued under the fair value option election as Level 3 due to the lack of relevant observable market data over fair value inputs, such as the probability weighting of the various scenarios that can impact settlement of the arrangement. The Company recognized a loss on changes in the estimated fair value of the convertible debt of approximately \$382 thousand and \$500 thousand for the three and six months ended June 30, 2025, respectively, and \$0 for the three and six months ended June 30, 2024.

### ***Debt Issuance Costs***

Under the fair value option election, costs directly associated with the borrowing are expensed as incurred.

### ***Note Conversion***

Convertible notes that are exchanged for equity pursuant to their original contractual terms are accounted for in accordance with ASC 470-20, *Debt with Conversion and Other Options*. Upon conversion, the carrying amount of the convertible debt is reclassified to equity. No gain or loss is recognized in earnings, as the conversion is executed under the original terms of the instrument.

If the debt is settled under modified terms, the transaction is accounted for in accordance with ASC 470-50, *Debt – Modifications and Extinguishments*. In such cases, a gain or loss is recognized equal to the difference between the reacquisition price and the net carrying amount of the extinguished debt.

## ***Revenue Recognition***

The Company recognizes revenue, in accordance with ASC 606 “*Revenue from Contracts with Customers*” (“ASC 606”), when control is transferred of the promised products or services to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services. The Company derives revenue from its software as a service for cloud-based software, as well as design, implementation and other professional services for work performed in conjunction with its cloud-based software. The Company enters into contracts with its customers whereby it grants a non-exclusive cloud-based license for the use of its proprietary software and for professional services. The contracts may also provide for on-going services for a specified price, which may include maintenance services, designated support, and enhancements, upgrades and improvements to the software, depending on the contract. Licenses for cloud software provide the customer with a right to use the software as it exists when made available to the customer. All software provides customers with the same functionality and differs mainly in the duration over which the customer benefits from the software.

The Company recognizes revenue in accordance with ASC 606 – Revenue from Contracts with Customers. The standard’s core principle is that an entity will recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The new standard is a principles-based standard intended to better match the accounting for the transaction with the economics of the transaction. This requires entities to use more judgment and make more estimates than under previous revenue standards.

The standard introduces a five-step model for revenue recognition that replaces the four criteria for revenue recognition under previous GAAP. The five steps are shown below:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to performance obligations; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation

### *License Subscription Revenue Recognition (Software As A Service)*

With respect to sales of the Company’s license agreements, customers generally pay fixed annual fees in advance in exchange for the Company’s software service provided via electronic means, which are generally recognized ratably over the license term. Some agreements allow the customer to terminate their subscription contracts before the end of the applicable term, and in such cases the customer is generally entitled to a refund pro-rata but only for the elapsed time remaining at the point of termination, which would approximate the deferred revenue at such time. The Company’s performance obligation is satisfied over time as the electronic services are provided continuously throughout the service period. The Company recognizes revenue evenly over the service period using a time-based measure because the Company is providing continuous access to its service. The Company’s customers generally pay within 30 to 60 days from the receipt of a customer approved invoice.

The timing of the Company’s revenue recognition related to the licensing revenue stream is dependent on whether the software licensing agreement entered into represents a service. Software that relies on an entity’s IP and is delivered only through a hosting arrangement, where the customer cannot take possession of the software, is a service. Customers may purchase perpetual licenses or subscribe to licenses, which provide customers with the same functionality and differ mainly in the duration over which the customer benefits from the software.

Renewals or extensions of licenses are evaluated as distinct licenses and revenue attributed to the distinct service is not recognized until: (1) the entity provides the distinct license (or makes the license available) to the customer and (2) the customer is able to use and benefit from the distinct license. Renewal contracts are not combined with original contracts, and, as a result, the renewal right is evaluated in the same manner as all other additional rights granted after the initial contract. The revenue is not recognized until the customer can begin to use and benefit from the license, which is typically at the beginning of the license renewal period. The Company recognizes revenue resulting from renewal of licensed software over time.

#### Professional Services Revenue Recognition

The Company provides integration and software customization professional services to its customers.

Professional services under milestone contracts are accounted for using the percentage of completion method. As soon as the outcome of a contract can be estimated reliably, contract revenue is recognized in the condensed consolidated statement of operations in proportion to the stage of completion of the contract. Contract costs are expensed as incurred. Contract costs include all amounts that relate directly to the specific contract, are attributable to contract activity, and are specifically chargeable to the customer under the terms of the contract.

Professional services are also contracted on the fixed fee and in some cases on a time and materials basis. Fixed fees are paid monthly, in phases, or upon acceptance of deliverables. The Company's time and materials contracts are paid weekly or monthly based on hours worked. Revenue on time and material contracts is recognized based on a fixed hourly rate as direct labor hours are expended. Materials, or other specified direct costs, are reimbursed as actual costs and may include markup. The Company has elected the practical expedient to recognize revenue for the right to invoice because the Company's right to consideration corresponds directly with the value to the customer of the performance completed to date. For fixed fee contracts provided by in house personnel, the Company recognizes revenue evenly over the service period using a time-based measure because the Company is providing continuous service. Because the Company's contracts have an expected duration of one year or less, the Company has elected the practical expedient in ASC 606-10-50-14(a) to not disclose information about its remaining performance obligations. Anticipated losses are recognized as soon as they become known.

For the three and six months ended June 30, 2025 and June 30, 2024, the Company did not incur any such losses. These amounts are based on known and estimated factors.

#### Hardware Revenue Recognition

For sales of hardware, the Company's performance obligation is fulfilled when the products are shipped to the customer, transferring title and ownership risks. Deliveries occur via drop-shipment by a third-party vendor and the Company leverages drop-ship arrangements with many of its vendors and suppliers to deliver products to customers without having to physically hold the inventory at its warehouse. The Company negotiates sale prices, pays suppliers directly, manages credit risk, and ensures product acceptability, acting as the principal in the transaction and recording revenue on a gross basis. Customers typically pay within 30 to 60 days of invoice receipt. The Company has elected the practical expedient to expense the costs of obtaining a contract when they are incurred because the amortization period of the asset that otherwise would have been recognized is less than a year.

#### Contract Balances

The timing of the Company's revenue recognition may differ from the timing of invoicing to and payment by its customers. The Company records an unbilled receivable when revenue is recognized prior to invoicing and the Company has an unconditional right to payment. Alternatively, when invoicing a customer precedes the Company providing of the related services, the Company records deferred revenue until the performance obligations are satisfied. The Company had deferred revenue of approximately \$2,532 thousand and \$2,683 thousand as of June 30, 2025 and December 31, 2024, respectively, related to customer invoices rendered in advance for software licenses and professional services provided by the Company's technical staff.

The Company expects to satisfy its remaining performance obligations for the deferred revenue associated with professional services, and recognize the deferred revenue related to licenses generally over the remaining contract term which is generally twelve months following the commencement of the license. The Company recognized revenue in the reporting period of \$787 thousand and \$1,778 thousand, \$842 thousand and \$1,872 thousand, that was included in the contract liability balance at the beginning of the period, for the three and six months ended June 30, 2025 and June 30, 2024, respectively.

#### Costs to Obtain a Contract

The Company recognizes eligible sales commissions as an asset within prepaid expenses and other current assets as the commissions are an incremental cost of obtaining a contract with the customer and the Company expects to recover these costs. The capitalized costs are amortized over the expected contract term.

#### Cost to Fulfill a Contract

The Company incurs costs to fulfill their obligations under a contract once it has obtained the contract. These costs are generally not significant and are recorded to expense as incurred.

#### Multiple Performance Obligations

The Company enters into contracts with customers for its technology that include multiple performance obligations. Each distinct performance obligation was determined by whether the customer could benefit from the good or service on its own or together with readily available resources. The Company allocates revenue to each performance obligation based on its relative standalone selling price. The Company's process for determining standalone selling price considers multiple factors including the Company's internal pricing model and market trends that may vary depending upon the facts and circumstances related to each performance obligation.

#### Sales and Use Taxes

The Company presents transactional taxes such as sales and use tax collected from customers and remitted to government authorities on a net basis.

#### Shipping and Handling Costs

Shipping and handling costs are expensed as incurred as part of cost of revenues. These costs were deemed to be de minimis during each of the reporting periods.

#### **Research and Development**

Research and development ("R&D") costs are expensed when incurred. R&D expenses consist primarily of personnel and related headcount costs, costs of professional services associated with the ongoing development of the Company's technology and allocated overhead.

#### **Business Combinations**

The Company accounts for business combinations under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805 "Business Combinations" using the acquisition method of accounting, and accordingly, the assets and liabilities of the acquired business are recorded at their fair values at the date of acquisition. The excess of the purchase price over the estimated fair value is recorded as goodwill. All acquisition costs are expensed as incurred. Upon acquisition, the accounts and results of operations are included as of and subsequent to the acquisition date.

## ***Segments***

The Company and its Chief Executive Officer (“CEO”), acting as the Chief Operating Decision Maker (“CODM”) determines its reporting units in accordance with FASB ASC 280, “*Segment Reporting*” (“ASC 280”). The Company evaluates a reporting unit by first identifying its operating segments under ASC 280. The Company then evaluates each operating segment to determine if it includes one or more components that constitute a business. If there are components within an operating segment that meet the definition of a business, the Company evaluates those components to determine if they must be aggregated into one or more reporting units. If applicable, when determining if it is appropriate to aggregate different operating segments, the Company determines if the segments are economically similar and, if so, the operating segments are aggregated. The Company has one operating segment and reporting unit. The Company is organized and operated as one business. Management reviews its business as a single operating segment, using financial and other information rendered meaningful only by the fact that such information is presented and reviewed in the aggregate.

## ***Stock-based Compensation***

The Company measures the cost of employee and non-employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. The Company has issued stock-based compensation awards in the form of options and restricted stock units. Fair value for options and restricted stock units are valued using the closing price of the Company’s common stock on the date of grant. The grant date fair value is recognized over the requisite service period during which an employee and non-employee is required to provide service in exchange for the award.

The grant date fair value of options is estimated using the Black-Scholes option pricing model based on the average of the high and low stock prices at the grant date for awards under the CXApp Inc. 2023 Equity Incentive Plan (the “Incentive Plan”). The risk-free interest rate assumptions were based upon the observed interest rates appropriate for the expected term of the equity instruments. The expected dividend yield is assumed to be zero as the Company has not paid any dividends since its inception and does not anticipate paying dividends in the foreseeable future. The Company uses the simplified method to estimate the expected term.

The grant date fair value for restricted stock units is valued using the closing price of the Company’s common stock on the date of grant.

The Company estimates forfeitures at the time of grant and revises these estimates in subsequent periods if actual forfeitures differ from those estimates.

## ***Derivative Warrant Liabilities***

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant’s specific terms and applicable authoritative guidance in FASB ASC 480, “*Distinguishing Liabilities from Equity*” (“ASC 480”) and ASC 815, “*Derivatives and Hedging*” (“ASC 815”). The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company’s own common stock, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding. The Company currently has two sets of warrants outstanding, known as the Private Placement Warrants and the Public Warrants, which are both classified as a liability.

For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance or modification. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded at their initial fair value on the date of issuance as a warrant liability and adjusted to the then fair value in each balance sheet date thereafter. Changes in the estimated fair value of the warrants are recognized as a non-cash gain on the condensed consolidated statements of operations amounting to \$1,262 thousand and \$3,576 thousand, for the three months and six months ended June 30, 2025, respectively. Changes in the estimated fair value of the warrants are recognized as a non-cash loss on the condensed consolidated statements of operations amounting to \$1,051 thousand and \$2,523 thousand for the three months and six months ended June 30, 2024, respectively.

The Company utilized the Public Warrant quoted market price as the fair value of the Warrants as of each relevant date.

### *Earnings Per Share*

The Company computes basic and diluted earnings per share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share are similarly calculated with the inclusion of dilutive common stock equivalents. For the three and six months ended June 30, 2025 and June 30, 2024, basic and dilutive net loss per common share were the same since the inclusion of common shares issuable pursuant to the exercise of options, warrants, and vesting of restricted units in the calculation of diluted net loss per common shares would have been anti-dilutive.

The following table summarizes the number of common shares and common share equivalents excluded from the calculation of diluted net loss per common share for the three and six months ended June 30, 2025 and June 30, 2024.

<b>(in thousands)</b>	<b>Three Months Ended June 30, 2025</b>	<b>Three Months Ended June 30, 2024</b>	<b>Six Months Ended June 30, 2025</b>	<b>Six Months Ended June 30, 2024</b>
Stock options	1,800	1,620	2,150	1,548
Restricted stock units	677	533	1,597	512
Warrants	21,032	21,032	21,302	21,032
Total	<u>23,509</u>	<u>23,185</u>	<u>25,049</u>	<u>23,092</u>

### *Fair Value Measurements*

FASB ASC 820, "Fair Value Measurements" ("ASC 820"), provides guidance on the development and disclosure of fair value measurements. The Company follows this authoritative guidance for fair value measurements, which defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles in the United States, and expands disclosures about fair value measurements. The guidance requires fair value measurements be classified and disclosed in one of the following three categories:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2: Observable prices that are based on inputs not quoted on active markets but corroborated by market data.
- Level 3: Unobservable inputs which are supported by little or no market activity and values determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

Fair value measurements discussed herein are based upon certain market assumptions and pertinent information available to management. The fair value of the warrants has been measured based on the listed market price of such warrants, a Level 1 measurement. For the three and six months ended June 30, 2025, the Company recognized, in the consolidated statements of operations and comprehensive loss, unrealized gain of \$1,262 thousand and \$3,576 thousand, respectively. The Company recognized unrealized loss of \$1,051 thousand and \$2,523 thousand for the three and six months ended June 30, 2024, respectively.

The following table presents information about the Company's financial liabilities that were measured at fair value on a recurring basis as of June 30, 2025 and December 31, 2024 and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value.

	<b>As of June 30, 2025</b>	<b>Quoted price in Active Market (Level 1)</b>	<b>Significant other observable input (Level 2)</b>	<b>Significant other unobservable input (Level 3)</b>
Warrants	\$ 1,472	\$ 1,472	\$ -	\$ -
Convertible Note				
-Streeterville Prepaid Purchase #3	3,139	-		3,139
-Avondale Prepaid Purchase #1	4,395	-	-	4,395
	<b>As of December 31, 2024</b>	<b>Quoted price in Active Market (Level 1)</b>	<b>Significant other observable input (Level 2)</b>	<b>Significant other unobservable input (Level 3)</b>
Warrants	\$ 4,206	\$ 4,206	\$ -	\$ -
Convertible Note				
-Streeterville Prepaid Purchase #1	543	-	-	543
-Streeterville Prepaid Purchase #2	1,028			1,028
-Streeterville Prepaid Purchase #3	2,941	-	-	2,941

The Company accounts for its public and private warrants as a derivative liability initially measured at its fair values and remeasured in the condensed consolidated statements of operations at the end of each reporting period. When the warrants are exercised, the corresponding derivative liability is de-recognized at the underlying fair value of the Class A common stock that is issued to the warrant holder less any cash paid in accordance with the warrant agreement. Upon either cash or cashless exercise, the de-recognized derivative liability results in an increase in additional paid in capital equal to the difference between the fair value of the underlying Class A common stock and its par value. A cashless exercise results in the warrant holder surrendering Class A common stock equal to the stated warrant exercise price based on the contractual terms in the warrant agreement that governs the cashless conversion.

The following table shows the changes in fair value of the liabilities:

Warrant liability – January 1, 2025	\$ 5,048
Change in fair value of derivative instruments	(2,314)
Warrant liability – March 31, 2025	2,734
Change in fair value of derivative instruments	(1,262)
<b>Warrant liability – June 30, 2025</b>	<b>\$ 1,472</b>
Warrant liability – January 1, 2024	\$ 1,683
Change in fair value of derivative instruments	1,472
Warrant liability – March 31, 2024	3,155
Change in fair value of derivative instruments	1,051
<b>Warrant liability – June 30, 2024</b>	<b>\$ 4,206</b>

The Company accounts for convertible debt under the fair value option election using Level 3 inputs. For the three and six months ended June 30, 2025 and June 30, 2024, the Company recognized an unrealized loss in the Consolidated Statements of Operations and Comprehensive Loss of \$303 thousand and \$421 thousand, \$0 respectively, which are presented as a change in fair value of derivative liability. See additional details within *Note 11, Convertible debt*.

Under ASC Topic 820-10, the convertible debts that are being valued under the fair value option election were classified as Level 3 due to the use of unobservable inputs. The fair value of the convertible note is valued by an independent valuer using a probability-weighted scenarios model with the following significant inputs:

*Streeterville*

*Pre-Paid Purchase #3*

<b>Inputs</b>	<b>June 30, 2025</b>	<b>December 31, 2024</b>
Valuation method	Scenario based analysis	Scenario based analysis
Stock price	\$1.07	\$1.82
Equity dividend yield	0.00%	0.00%
Expected term (years)	1.93	2.42
Volatility	93.6%	100.8%
Discount rate	12.66%	11.8%
Risk free rate	4.26%	4.22%

*Avondale*

*Pre-Paid Purchase #1*

<b>Inputs</b>	<b>June 30, 2025</b>
Valuation method	Scenario based analysis
Stock price	\$1.07
Equity dividend yield	0.00%
Expected term (years)	2.74
Volatility	96.8%
Discount rate	24.00%
Risk free rate	4.26%

### ***Fair Value of Financial Instruments***

Financial instruments consist of cash and cash equivalents, accounts receivable, unbilled and other receivables and accounts payable. The Company determines the estimated fair value of such financial instruments presented in the financial statements is equal to its carrying value due to their short-term nature.

### ***Carrying Value, Recoverability and Impairment of Long-Lived Assets***

The Company follows FASB ASC 360 “Property, Plant, and Equipment” (“ASC 360”) for its long-lived assets. Pursuant to ASC 360-10-35-17, an impairment loss shall be recognized only if the carrying amount of a long-lived asset (asset group) is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset (asset group) is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset (asset group). That assessment shall be based on the carrying amount of the asset (asset group) at the date it is tested for recoverability. An impairment loss shall be measured as the amount by which the carrying amount of a long-lived asset (asset group) exceeds its fair value. Pursuant to ASC 360-10-35-20 if an impairment loss is recognized, the adjusted carrying amount of a long-lived asset shall be its new cost basis. For a depreciable long-lived asset, the new cost basis shall be depreciated (amortized) over the remaining useful life of that asset. Restoration of a previously recognized impairment loss is prohibited.

Pursuant to ASC 360-10-35-21, the Company’s long-lived asset (asset group) is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company considers the following to be some examples of such events or changes in circumstances that may trigger an impairment review: (a) significant decrease in the market price of a long-lived asset (asset group); (b) a significant adverse change in the extent or manner in which a long-lived asset (asset group) is being used or in its physical condition; (c) a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset (asset group), including an adverse action or assessment by a regulator; (d) an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (asset group); (e) a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset (asset group); and (f) a current expectation that, more likely than not, a long-lived asset (asset group) will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The Company tests its long-lived assets for potential impairment indicators at least annually and more frequently upon the occurrence of such events.

Based on its assessments, the Company recorded no impairment charges on long-lived assets for the three and six months ended June 30, 2025 and June 30, 2024.

### ***Recently Issued Accounting Standards Not Yet Adopted***

In December 2023, the FASB issued ASU No. 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”).” ASU 2023-09 requires entities to provide additional information in their tax rate reconciliation and additional disclosures about income taxes paid by jurisdiction. ASU 2023-09 is effective for annual reporting periods beginning after December 15, 2024 with early adoption permitted. The guidance should be applied prospectively, but entities have the option to apply it retrospectively for each period presented. We are currently evaluating the impact of adopting this standard on our condensed consolidated financial statements.

In March 2024, the FASB issued ASU 2024-02 “Codification Improvements—Amendments to Remove References to the Concept Statements,” which amends the Codification to remove references to various FASB Concepts Statements and impacts a variety of Topics in the Codification. The amendments apply to all reporting entities within the scope of the affected accounting guidance, but in most instances the references removed are extraneous and are not required to understand or apply the guidance. Generally, the amendments in ASU 2024-02 are not intended to result in significant accounting changes for most entities. ASU 2024-02 is effective for the Company for fiscal years beginning after December 15, 2024 and interim periods within those fiscal years. Entities may apply the guidance either retrospectively to the beginning of the earliest comparative period presented or prospectively to all new or modified transactions recognized on or after the date of adoption. We adopted this guidance as of January 1, 2025, on a prospective basis and the adoption did not have a material impact on our condensed consolidation financial statements.

In November 2024, the FASB issued ASU No. 2024-03 “Disaggregation of Income Statement Expenses”. The amendment requires more detailed information about specified categories of expenses (purchases of inventory, employee compensation, depreciation, amortization, and depletion) included in certain expense captions presented on the face of the income statement. This ASU is effective for fiscal years beginning after December 15, 2026 and for interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The amendments may be applied either (1) prospectively to financial statements issued for reporting periods after the effective date of this ASU or (2) retrospectively to all prior periods presented in the financial statements. We are currently evaluating the impact this ASU will have on our disclosures.

In November 2024, the FASB issued ASU No. 2024-04 “Debt—Debt with Conversion and Other Options (Subtopic 470-20)”. The amendment requires companies to apply a preexisting contract approach. Under this approach, a settlement qualifies for induced conversion accounting if the inducement offer preserves the form of consideration and results in an amount of consideration that is no less than that issuable pursuant to the preexisting conversion privileges. The ASU is effective for all entities in annual and interim reporting periods in fiscal years beginning after December 15, 2025. Early adoption is permitted for entities that have adopted the amendments in Update 2020-06. The amendments may be applied either (1) prospectively to any settlements of convertible debt instruments that occur after the effective date of this ASU or (2) retrospectively to all prior periods that occurred after the adoption of the amendments in Update 2020-06. We are currently evaluating the impact of this standard on our condensed consolidated financial statements.

### NOTE 3 – Disaggregation of Revenue

The Company recognizes revenue when control is transferred of the promised products or services to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services. The Company derives revenue from software as a service, design and implementation services for its enterprise apps solutions systems, and professional services for work performed in conjunction with its systems, and sale of hardware.

Revenues consisted of the following (in thousands):

	Three Months Ended June 30, 2025	Six Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2024
<b>Subscription revenue</b>				
Software	\$ -	\$ -	\$ 1,504	\$ 3,092
License & Maintenance Contracts	1,175	2,386	-	-
<b>Total subscription revenue</b>	<b>\$ 1,175</b>	<b>\$ 2,386</b>	<b>\$ 1,504</b>	<b>\$ 3,092</b>
<b>Non-subscription revenue</b>				
Professional services	\$ 20	\$ 33	\$ 262	\$ 492
Hardware	28	28	-	-
<b>Total non-subscription revenue</b>	<b>\$ 48</b>	<b>\$ 61</b>	<b>\$ 262</b>	<b>\$ 492</b>
<b>Total Revenue</b>	<b>\$ 1,223</b>	<b>\$ 2,447</b>	<b>\$ 1,766</b>	<b>\$ 3,584</b>

	Three Months Ended June 30, 2025	Six Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2024
Revenue recognized over time <sup>(1)(2)</sup>	\$ 1,195	\$ 2,419	\$ 1,766	\$ 3,584
Revenue recognized at point in time <sup>(3)</sup>	28	28	-	-
	<u>\$ 1,223</u>	<u>\$ 2,447</u>	<u>\$ 1,766</u>	<u>\$ 3,584</u>

- (1) Professional services are also contracted on the fixed fee and time and materials basis. Fixed fees are paid monthly, in phases, or upon acceptance of deliverables. The Company has generally elected the practical expedient to recognize revenue for the right to invoice because the Company's right to consideration corresponds directly with the value to the customer of the performance completed to date.
- (2) Software As A Service Subscription Revenue's performance obligation is satisfied evenly over the service period using a time-based measure because the Company is providing continuous access to its service and service is recognized over time.
- (3) Hardware revenue is recognized at a point in time when the control over the goods transfers to the customer - upon delivery to the customers.

#### NOTE 4 – Property and Equipment, net

Property and equipment consisted of the following (in thousands):

	June 30, 2025	December 31, 2024
Computer and office equipment	\$ 212	\$ 177
Furniture and fixtures	13	11
Leasehold improvements	5	4
Software	1	-
Total	<u>231</u>	<u>192</u>
Less: accumulated depreciation and amortization	(174)	(128)
<b>Total Property and Equipment, Net</b>	<u>\$ 57</u>	<u>\$ 64</u>

Depreciation and amortization expense were approximately \$12 thousand and \$24 thousand for the three and six months ended June 30, 2025, respectively. Depreciation and amortization expense were approximately \$22 thousand and \$44 thousand for the three and six months ended June 30, 2024, respectively.

#### NOTE 5 – Goodwill and Intangible Assets

The Company reviews goodwill for impairment on a reporting unit basis annually on November 30 (beginning with fiscal year 2024) and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of goodwill as of June 30, 2025 and December 31, 2024, was \$8,737 thousand.

We first assess qualitative factors, such as macroeconomic conditions, changes in the business environment, and reporting unit-specific events, to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we bypass the qualitative assessment or conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying value, we perform a quantitative impairment test by comparing the fair value of the reporting unit with its carrying amount. For the quantitative test, we calculate the estimated fair value using a weighting of the income and market approaches.

The Company completed a qualitative goodwill impairment assessment as of June 30, 2025 and determined that no impairment was necessary. No goodwill impairment was recognized for the year ended December 31, 2024 based on the annual goodwill impairment evaluation as of November 30, 2024 for the year ended December 31, 2024.

Intangible assets consisted of the following (in thousands):

	June 30, 2025			December 31, 2024			
	Weighted Average Remaining Useful Life (Years)	Gross Amount	Accumulated Amortization	Net Carrying Amount	Gross Amount	Accumulated Amortization	Net Carrying Amount
Trade Name/Trademarks	4.67	\$ 3,294	\$ (1,078)	\$ 2,216	\$ 3,294	\$ (843)	\$ 2,451
Customer Relationships	2.67	5,604	(2,570)	3,034	5,604	(2,008)	3,596
Developed Technology	7.67	8,697	(1,993)	6,704	8,697	(1,558)	7,139
Patents and Intellectual Property	7.67	2,703	(619)	2,084	2,703	(485)	2,218
<b>Totals</b>		<b>\$ 20,298</b>	<b>\$ (6,260)</b>	<b>\$ 14,038</b>	<b>\$ 20,298</b>	<b>\$ (4,894)</b>	<b>\$ 15,404</b>

Future amortization expense on intangible assets as of June 2024 is anticipated to be as follows (in thousands):

For the Years Ending December 31,	Amount
2025 (remainder of year)	\$ 1,365
2026	2,731
2027	2,731
2028	1,844
2029	1,611
Thereafter	3,756
<b>Total</b>	<b>\$ 14,038</b>

#### NOTE 6 – Deferred Revenue

Deferred revenue consisted of the following (in thousands):

	License Agreements	Professional Service Agreements	Hardware	Total
Deferred Revenue – January 1, 2025	\$ 2,604	\$ 61	\$ 18	\$ 2,683
Revenue recognized	(2,385)	(34)	(28)	(2,447)
Revenue deferred	2,196	34	10	2,240
Advance from customer	56	-	-	56
<b>Deferred Revenue – June 30, 2025</b>	<b>\$ 2,471</b>	<b>\$ 61</b>	<b>\$ -</b>	<b>\$ 2,532</b>
	License Agreements	Professional Service Agreements	Hardware	Total
Deferred Revenue – January 1, 2024	\$ 2,404	\$ 474	\$ -	\$ 2,878
Revenue recognized	(6,202)	(798)	(142)	(7,142)
Revenue deferred	6,402	385	160	6,947
<b>Deferred Revenue – December 31, 2024</b>	<b>\$ 2,604</b>	<b>\$ 61</b>	<b>\$ 18</b>	<b>\$ 2,683</b>

Deferred revenues were approximately \$2,532 thousand and \$2,683 thousand at June 30, 2025 and December 31, 2024, respectively.

The fair value of the deferred revenue approximates the services to be rendered. The Company expects to satisfy its remaining performance obligations for these license agreements and professional services and recognize the deferred revenue over the next twelve months.

**NOTE 7 – Accrued Liabilities**

Accrued liabilities consisted of the following (in thousands):

	June 30, 2025	December 31, 2024
Accrued expenses and reimbursements	\$ 1,468	\$ 1,690
Accrued compensation and benefits	412	382
Accrued insurance premium and interest	168	23
Accrued bonus and commissions	159	134
Accrued sales and other indirect taxes payable	106	95
Income tax payables	47	46
Accrued transaction costs	13	13
Accrued liabilities	<u>\$ 2,373</u>	<u>\$ 2,383</u>

*Financed Director & Officers Insurance*

The Company entered into a Directors & Officers (“D&O”) insurance agreement with Oakwood D&O Insurance, effective March 14, 2025. The agreement states that the Company will pay a total of \$310 thousand in premiums at an annual percentage rate of 9.25%. The first of ten separate monthly installment payments began on April 14, 2024. The Company made a down payment of \$70 thousand on the policy. As of June 30, 2025 and December 31, 2024, the Company owed \$168 thousand and \$23 thousand, respectively, on the D&O insurance policy.

**NOTE 8 – Promissory Note**

Note payable consisted of the following (in thousands):

	June 30, 2025	December 31, 2024
Principal amount	\$ -	\$ 3,885
Add: Interest	-	372
Accrued monitoring fee	-	273
	-	4,530
Less: Extinguishment	-	3,927
	<u>\$ -</u>	<u>\$ 603</u>

On December 15, 2023, we entered into a note purchase agreement (“Streeterville note”) with Streeterville Capital, LLC (the “Lender”), pursuant to which we agreed to issue and sell to the Lender an unsecured promissory note (the “Note”) in an aggregate initial principal amount of \$3,885 thousand, which is payable on or before the date that is 12 months from the issuance date. The initial principal amount includes an original issue discount of \$870 thousand and \$15 thousand that we agreed to pay to the Lender to cover the Lender’s legal fees, accounting costs, due diligence, monitoring and other transaction costs. The net proceeds of the Note are \$3,000 thousand.

Interest on the Note accrues at a rate of 10% per annum and is payable on the maturity date.

A monitoring fee of 10% of the outstanding balance will be charged starting six (6) months from the issuance of the Note to cover Lender's accounting, legal and other costs incurred in monitoring. The foregoing fee shall automatically be added to the outstanding balance on the applicable date without any further action by either party.

The Lender shall have the right to redeem up to an aggregate of 1/6th of the initial principal balance of the Note plus any interest accrued thereunder each month by providing written notice delivered to us; provided, however, that if the Lender does not exercise any monthly redemption amount in its corresponding month then such monthly redemption amount shall be available for the Lender to redeem in any further month in addition to such future month's monthly redemption amount.

Upon receipt of any monthly redemption notice, we shall pay the applicable monthly redemption amount in cash to the Lender within five (5) business days of the Company's receipt of such monthly redemption notice.

The Note includes customary event of default provisions, subject to certain cure periods, and provides for a default interest rate of 22%. Upon the occurrence of an event of default, interest would accrue on the outstanding balance beginning on the date the applicable event of default occurred at an interest rate equal to the lesser of twenty-two percent (22%) or the maximum rate permitted under applicable law.

### ***Note Exchanges***

During the period from July 15, 2024 to December 26, 2024, the Company exchanged \$3,428 thousand of the outstanding balance of the Note for approximately 2,012,107 shares of the Company's Class A Common Stock at exchange prices between \$1.47 and \$2.23 per share.

The Company analyzed the exchange of principal under the note as an extinguishment and compared the net carrying value of the debt being extinguished to the reacquisition price (shares of common stock being issued) and recorded an approximately \$1,052 thousand loss on the exchange of debt for equity as a separate item in the other income (expense) section of the condensed consolidated statements of operations and comprehensive loss for the year ended December 31, 2024.

As of January 17, 2025, the Company paid down the entire Streeterville note.

Interest expense recognized on the condensed consolidated statement of operations and comprehensive loss were approximately \$0 and \$2 thousand, \$322 thousand, and \$642 thousand for the three and six months ended June 30, 2025 and June 30, 2024, respectively.

## **NOTE 9 – Warrants**

### ***Public Warrants***

As of June 30, 2025 and December 31, 2024, there were 10,751,862 Public Warrants outstanding. Each whole warrant entitles the holder thereof to purchase one share of the Company's Class A common stock at a price of \$11.50 per share, subject to adjustments described in the Company's registration statement on Form S-1 (Registration No. 333-249177) filed in connection with its initial public offering.

The Public Warrants is exercisable and will expire on March 15, 2028 or earlier upon redemption or liquidation. Public Warrants may only be exercised for a whole number of shares. No fractional warrants will be issued upon separation of the units and only whole warrants will trade.

### ***Private Warrants***

As of June 30, 2025, and December 31, 2024, there were 10,280,000 Private Placement Warrants outstanding. The Private Placement Warrants are identical to the Public Warrants, except that the Private Placement Warrants and the shares of Class A common stock issuable upon the exercise of the Private Placement Warrants will not be transferable, assignable or salable until April 14, 2023, subject to certain limited exceptions.

Additionally, the Private Placement Warrants will be exercisable on a cashless basis and be non-redeemable, except as described above, so long as they are held by the initial purchasers or their permitted transferees. If the Private Placement Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

For the periods ended June 30, 2025 and December 31, 2024, there were no exercises or exchanges made in relation with the Company's Warrants.

#### **NOTE 10 – Stock Option Plan and Stock-Based Compensation**

##### ***2023 Equity Incentive Plan***

At the special meeting held on March 10, 2023, the KINS stockholders considered and approved, among other things, the Incentive Plan. The Incentive Plan was previously approved, subject to stockholder approval, by KINS' board of directors. The Incentive Plan became effective immediately upon the closing of the Business Combination. Pursuant to the terms of the Incentive Plan, there are 5,676,000 shares of CXApp Class A Common Stock available for issuance under the Incentive Plan, which is equal to 15% of the aggregate number of shares of CXApp common stock issued and outstanding immediately after the closing of the Business Combination (giving effect to the redemptions).

##### ***Employee Stock Options***

To calculate the stock-based compensation resulting from the issuance of options, the Company uses the Black-Scholes option pricing model, which is affected by the Company's fair value of its stock price as well as assumptions regarding a number of subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors.

On February 6, 2024, a total of 705,000 stock options to purchase the Company's common stock were granted to employees and consultants of the Company. These options vest over a 4-year period. The options have a life of 10 years and an exercise price of \$1.20 per option. The stock options were valued using the Black-Scholes option valuation model and the weighted average fair value of the awards granted during the period was determined to be \$0.74 per option on the grant date. The fair value of the common stock as of the grant date utilized in the Black-Scholes option valuation model was \$1.21 per share.

In June 2024, the Company received a notice for a net exercise of 70,350 options to purchase shares of common stock resulting in the issuance of 12,570 shares of the Company's Class A Common Stock with par value \$0.0001 per share. In accordance with the terms of the Incentive Plan, 51,012 shares were withheld by the Company to cover the exercise price and 6,768 shares were withheld in satisfaction of the taxes required to be paid in connection with the exercise.

On August 26, 2024, the Board approved the award of 230,000 options to purchase common stock pursuant to the 2023 Equity Incentive Plan to Joy Mbanugo, the Chief Financial Officer of the Company. The option has an exercise price of \$2.40 per share. The options expire on August 26, 2034. The stock options were valued using the Black-Scholes option valuation model and the fair value of the awards granted was determined to be \$1.49 per option on the grant date. The fair value of the common stock as of the grant date utilized in the Black-Scholes option valuation model was \$2.40 per share.

On April 4, 2025, the Board approved the award of 350,000 options to purchase common stock pursuant to the 2023 Equity Incentive plan to Khurram Sheikh, the Chief Executive Officer of the company and Joy Mbanugo, the Chief Financial Officer of the company. The options have an exercise price of \$1.00 per share and expire on May 23, 2035. The stock options were valued using the Black-Scholes option valuation model and the fair value of the awards granted was determined to be \$0.56 per option on the grant date. The fair value of the common stock as of the grant date utilized in the Black-Scholes options valuation model was \$1.00 per share.

See below the summary of stock options granted under the Incentive Plan as of June 30, 2025 and December 31, 2024.

	Number of Options	Weighted average exercise price	Weighted average remaining contractual term (Years)	Weighted average at Grant date	Aggregate Intrinsic Value (in thousand)
Options outstanding at January 1, 2025	1,799,550	\$ 1.52	8.74	0.93	\$ -
Granted	350,000	\$ 1.00	9.90	0.56	-
Exercised	-	\$ -	-	-	-
Forfeited	-	\$ -	-	-	-
Options outstanding at June 30, 2025	<u>2,149,550</u>	<u>\$ 1.44</u>	8.51	0.87	-
Options exercisable at June 30, 2025	<u>979,547</u>	<u>\$ 1.51</u>			

  

	Number of Options	Weighted average exercise price	Weighted average remaining contractual term (Years)	Weighted average at Grant date	Aggregate Intrinsic Value (in thousand)
Options outstanding at January 1, 2024	984,900	\$ 1.53	9.25	0.90	\$ -
Granted	895,000	\$ 1.51	9.25	0.96	-
Exercised	(70,350)	\$ 1.53	-	0.90	108
Forfeited	(10,000)	\$ 1.20	-	-	-
Options outstanding at December 31, 2024	<u>1,799,550</u>	<u>\$ 1.52</u>	8.74	0.93	-
Options exercisable at December 31, 2024	<u>422,100</u>	<u>\$ 1.53</u>			

Non-cash stock-based compensation expenses related to stock option were recorded in the financial statements as summarized below:

	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Research and development	\$ 7	\$ 4	\$ 19	\$ 7
Sales and marketing	6	16	42	48
General and administrative	38	82	249	267
<b>Total non-cash stock compensation</b>	<u>\$ 51</u>	<u>\$ 102</u>	<u>\$ 310</u>	<u>\$ 322</u>

As of June 30, 2025, the remaining unrecognized stock compensation expense totaled approximately \$545 thousand. This amount will be recognized as expense over the weighted average remaining term of 2.53 years.

The fair value of each employee option grant is estimated on the date of the grant using the Black-Scholes option-pricing model. Key weighted-average assumptions used to apply this pricing model for the six months ended June 30, 2025 and the year ended December 31, 2024 were as follows:

	<b>June 30, 2025</b>	<b>December 31, 2024</b>
Risk-free interest rate	4.08%	3.67% – 4.33%
Expected life of option grants	6.00 years	5.75 – 6.25 years
Expected volatility of underlying stock	54.62%	61.17% – 65.97%
Dividends assumption	\$-	\$-

### ***Restricted Stock Units***

In January 2024, a total of 47,000 restricted stock units of the Company's common stock were granted to employees of the Company under the Incentive Plan at various dates.

On August 29, 2024, a total of 473,935 restricted stock units of the Company's common stock were granted to directors of the Company under the 2023 Equity Incentive Plan.

The fair value of the common stock as of the various grant dates was determined to be \$1.00 to \$6.13 per restricted stock unit, for a weighted average fair value of \$7.90 per restricted stock unit. There was no other activity related to restricted stock units for the six months ended June 30, 2025.

The following summarizes our RSUs transaction activity for six months ended June 30, 2025 and year ended December 31, 2024:

	<b>Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Outstanding at January 1, 2025	688,935	\$ 3.70
Granted	1,000,000	\$ 1.00
Vested	(91,500)	\$ 9.89
Forfeited	-	-
Outstanding at June 30, 2025	<u>1,597,435</u>	

	<b>Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Outstanding at January 1, 2024	486,165	\$ 7.80
Granted	520,935	\$ 2.04
Vested	(318,165)	\$ 7.33
Forfeited	-	-
Outstanding at December 31, 2024	<u>688,935</u>	

The total fair value of RSUs vested was \$890 thousand and \$905 thousand, during the three and six months ended June 30, 2025, respectively. The total fair value of RSUs vested was \$889 thousand for three and six months ended June 30, 2024.

Non-cash stock-based compensation expenses related to restricted stock units for the six months ended June 30, 2025 and June 30, 2024 were recorded in the financial statements as summarized below:

	Three Months ended June 30, 2025	Six Months ended June 30, 2025	Three Months ended June 30, 2024	Six Months ended June 30, 2024
Research and development	\$ 281	\$ 383	\$ 306	\$ 404
Sales and marketing	141	193	155	206
General and administrative	281	492	272	504
<b>Total non-cash stock compensation</b>	<b>\$ 703</b>	<b>\$ 1,068</b>	<b>\$ 733</b>	<b>\$ 1,114</b>

As of June 30, 2025 and June 30, 2024, the Company has approximately \$914 thousand and \$721 thousands of unrecognized restricted stock unit compensation to be expensed over a weighted average period of 0.86 year and 1.51 years, respectively.

#### NOTE 11 – Convertible Debt

##### Securities Purchase Agreement with Avondale Capital, LLC

On March 26, 2025, the Company entered into a Securities Purchase Agreement (“SPA”) with Avondale Capital, LLC (“Avondale”), pursuant to which the Company may issue and sell up to \$20,000 thousand of Pre-Paid Purchase agreements (“Pre-Paid Purchases”) in tranches over time. The initial Pre-Paid Purchase (“Pre-Paid Purchase #1”) included a \$4,200 thousand Pre-Paid Purchase, structured with a \$200 thousand original issue discount (“OID”) and \$10 thousand in transaction-related fees, resulting in net proceeds of \$3,990 thousand, received on April 8, 2025.

In connection with the initial closing, the Company was required to issue 80,000 commitment shares to Avondale. On March 26, 2025, the Company recorded a liability of \$69 thousand for the shares to be issued under the contract to issue common stock. On May 8, 2025, the Company issued the Class A Common Stock and recognized a loss of \$20 thousand upon issuance.

The Avondale convertible Pre-Paid Purchase #1 accrues interest on the outstanding balance at 5% per annum. Avondale may redeem all or any part of the outstanding balance of the Avondale convertible Pre-Paid Purchase #1 at any time following earlier of six months from the purchase price date and the effectiveness of the Initial Registration Statement by providing a written notice, in cash or converting into shares of the Company’s common stock at a price equal to the lower of (a) Fixed Price of \$1.106 and (b) Market Price which is 91% multiplied by the lowest daily volume weighted average price (“VWAP”) during the ten (10) consecutive trading days immediately prior to the written notice date, but in any event not lower than the Floor Price of \$0.1843, subject to certain adjustments and ownership limitations specified in the Avondale convertible Pre-Paid Purchase #1.

As of June 30, 2025, Pre-Paid Purchase #1 is recorded at fair value of \$4,388 thousand and is within convertible debt on the accompanying condensed consolidated balance sheets. For the three months and six months ended June 30, 2025, the Company recognized an unrealized loss on change in fair value of Pre-Paid Purchase #1 of \$195 thousand.

## Securities Purchase Agreement with Streeterville Capital LLC

On May 22, 2024, the Company entered into a Securities Purchase Agreement (the “SPA”) with Streeterville Capital, LLC (“Streeterville”), pursuant to which Streeterville desired to purchase up to \$10,000,000 shares of the Company’s Common Stock and the Company issued an unsecured convertible Pre-Paid Purchase #1 to Streeterville. The SPA required 40,000 common shares of the Company’s Class A Common Stock to be issued as of closing date (May 22, 2024). The Company recorded a liability of \$130 thousand on May 22, 2024, for the shares to be issued within contract to issue common stock. The Company issued the Class A Common Stock on October 10, 2024, and recorded a gain of \$68 thousand on settlement of the contract to issue common stock.

The convertible Pre-Paid Purchase #1 has the original principal amount of \$2,625 thousand and Streeterville gave consideration of \$2,480 thousand, reflecting original issue discount of \$125 thousand and Streeterville’s transaction cost of \$20 thousand. On June 3, 2024, the Company received the net proceeds.

The convertible Pre-Paid Purchase #1 accrues interest on the outstanding balance at 5% per annum. Streeterville may redeem all or any part of the outstanding balance of the convertible Pre-Paid Purchase #1, at any time following earlier of six months from the purchase price date and the effectiveness of the Initial Registration Statement by providing a written notice, in cash or converting into shares of the Company’s common stock at a price equal to the lower of (a) Fixed Price of \$3.996 and (b) Market Price which is 91% multiplied by the lowest daily volume weighted average price (“VWAP”) during the ten (10) consecutive trading days immediately prior to the written notice date, but in any event not lower than the Floor Price of \$0.666, subject to certain adjustments and ownership limitations specified in the convertible Pre-Paid Purchase. The Pre-Paid Purchase #1 was recorded at its initial fair value of \$2,562 thousand and the Company recognized an unrealized gain on change in fair value of convertible debt of \$63 thousand. For the three months and six months ended June 30, 2025, the Company recognized an unrealized loss on change in fair value of Pre-Paid Purchase #1 of \$19 and \$52 thousand, respectively. As of June 30, 2025, the entire outstanding balance of Pre-Paid Purchase #1 is converted into equity. Accordingly, no fair value measurement is required or presented on the accompanying condensed consolidated balance sheet as of June 30, 2025.

On September 30, 2024, the Company issued an unsecured convertible Pre-Paid Purchase #2 to Streeterville, pursuant to the SPA. The convertible Pre-Paid Purchase #2 has the original principal amount of \$1,050 thousand and Streeterville gave consideration of \$1,000 thousand, reflecting original issue discount of \$50 thousand. On September 30, 2024, the Company received the net proceeds from Streeterville.

On December 9, 2024, the Company issued an unsecured convertible Pre-Paid Purchase #3 to Streeterville, pursuant to the SPA. The convertible Pre-Paid Purchase #3 has the original principal amount of \$3,150 thousand and Streeterville gave consideration of \$3,000 thousand, reflecting original issue discount of \$150 thousand. On December 9, 2024, the Company received the net proceeds from Streeterville.

The convertible Pre-Paid Purchase #3 accrues interest on the outstanding balance at 5% per annum. Streeterville may redeem all or any part of the outstanding balance of the convertible Pre-Paid Purchase #3, at any time following earlier of six months from the purchase price date and the effectiveness of the Initial Registration Statement by providing a written notice, in cash or converting into shares of the Company’s common stock at a price equal to the lower of (a) Fixed Price of \$1.987 and (b) Market Price which is 91% multiplied by the lowest daily volume weighted average price (“VWAP”) during the ten (10) consecutive trading days immediately prior to the written notice date, but in any event not lower than the Floor Price of \$0.331, subject to certain adjustments and ownership limitations specified in the convertible Pre-Paid Purchase. The Pre-Paid Purchase #3 was recorded at its initial fair value of \$2,986 thousand. The Company recognized an unrealized gain on change in fair value of pre-paid #3 of \$164 thousand. As of June 30, 2025, Pre-Paid Purchase #3 is recorded at fair value of \$3,139 thousand and is recognized under convertible debt on the accompanying condensed consolidated balance sheets. For the three months and six months ended June 30, 2025, the Company recognized an unrealized loss on change in fair value of Pre-Paid Purchase #3 of \$145 thousand and \$197 thousand, respectively.

The following table presents changes in convertible debt measured at fair value for the six months ended June 30, 2025 and for the year ended December 31, 2024.

	<b>Convertible Debt</b>
<b>Balance as of December 31, 2024</b>	\$ 4,512
Additions	4,200
Settlement <sup>(1)</sup>	(1,678)
Fair value measurement adjustments	500
<b>Balance as of June 30, 2025</b>	<b>\$ 7,534</b>

	<b>Convertible Debt</b>
<b>Balance as of December 31, 2023</b>	\$ -
Additions	6,825
Settlement <sup>(2)</sup>	(2,100)
Fair value measurement adjustments	(213)
<b>Balance as of December 31, 2024</b>	<b>\$ 4,512</b>

(1) During the six months ended June 30, 2025, the Company have issued 1,797,869 shares of the Company's Class A Common stock pursuant to purchase notices related to Pre-Paid Purchase#1 and Pre-Paid Purchase#2. The shares issued have a total exchange amount of \$1,677,755 thousand with exchange price of \$0.75 to \$1.44.

(2) During the year ended December 31, 2024, the Company has issued 1,683,104 shares of the Company's Class A Common Stock pursuant to multiple purchase notices related to Pre-Paid Purchase #1. The shares issued have a total exchange amount of \$2,100 thousand with exchange prices ranging from \$1.18 to \$1.41.

#### **NOTE 12 – Common Stock**

In June 2024, the Company received a notice for a net exercise of 70,350 options to purchase shares of common stock resulting in the issuance of 12,570 shares of the Company's Class A Common Stock with par value \$0.0001 per share. In accordance with the terms of the Incentive Plan, 51,012 shares were withheld by the Company to cover the exercise price, and 6,768 shares were withheld in satisfaction of the taxes required to be paid in connection with the exercise.

On October 10, 2024, the Company issued 40,000 shares of the Company's Class A Common Stock as part of the Securities Purchase Agreement. The issued shares serve as the commitment shares of the agreement.

On December 31, 2024, the Company issued 246,220 shares of Class A Common Stock, net of 69,445 shares of Class A Common Stock to cover the withholding tax, for the 315,665 vested Restricted Stock Units.

On March 31, 2025, the Company issued total of 554,274 shares of Class A Common Stock to satisfy obligations due under the promissory note and convertible debt.

In April 2025, the company issued total of 971,213 shares of the company's Class A Common stock to satisfy obligations due under the convertible debt.

On May 8, 2025, the Company issued 80,000 shares of the Company's Class A Common Stock as part of the Security Purchase Agreement with Avondale. The issued shares serve as the commitment shares of the agreement.

On May 21, 2025, the company issued 112,192 shares of the company's Class A Common stock to satisfy obligations due under the convertible debt.

In June 2025, the company issued total of 471,973 shares of the company's Class A Common stock to satisfy obligations due under the convertible debt.

During six months ended June 30, 2025, the Company issued total of 2,109,652 shares of Class A Common Stock to satisfy obligations due under the promissory note and convertible debt. See Note 8, Promissory Note and Note 11, Convertible Debt, in the accompanying notes to the consolidated financial statements for further detail.

#### **NOTE 13 – Income Taxes**

The Company accounts for income taxes in accordance with ASC 740, Income Taxes. The provision for income taxes is determined using the discrete method. This is because the Company has determined that it is not able to reliably forecast its annual earnings which results in an inability to calculate its annual effective tax rate.

Under the discrete method, the Company is calculating its income tax expense for the interim period based only on actual year-to-date results. This is an appropriate approach when the estimated annual effective tax rate method would not provide a reliable estimate of the quarterly income tax provision.

The Company recorded an income tax expenses of approximately \$1 thousand and provision of \$159 thousand, for the three months ended June 30, 2025 and 2024 respectively, income tax expense of approximately \$1 thousand and provision of \$366 thousand for the six months ended June 30, 2025 and 2024, respectively.

The effective tax rate for three and six months ended June 30, 2025 and 2024 was (0.03%) and (0.02%), (2.94%) and (3.39%), respectively. The effective tax rate differs from the U.S. Federal statutory rate primarily due to recording a valuation allowance against deferred tax assets in the foreign jurisdictions and the significant permanent differences including impairment of goodwill and change in fair value of derivative warrant liabilities.

The Company continues to evaluate the realizability of its deferred tax assets and has maintained a valuation allowance on its deferred tax assets as of June 30, 2025.

#### **NOTE 14 – Credit Risk and Concentrations**

Financial instruments that subject the Company to credit risk consist principally of trade accounts receivable and cash and cash equivalents. The Company performs certain credit evaluation procedures and does not require collateral for financial instruments subject to credit risk. The Company believes that credit risk is limited because the Company routinely assesses the financial strength of its customers and, based upon factors surrounding the credit risk of its customers, establishes an allowance for credit losses and, consequently, believes that its accounts receivable credit risk exposure beyond such allowances is limited.

The Company maintains cash deposits with financial institutions, which, from time to time, may exceed federally insured limits. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Company's financial condition, results of operations, and cash flows. Cash is also maintained at foreign financial institutions for its Canadian and Philippine subsidiaries. Cash in foreign financial institutions as of June 30, 2025 and December 31, 2024 was \$127 thousand and \$166 thousand, respectively.

The Company has not experienced any losses and believes it is not exposed to any significant credit risk from cash for the six months ended June 30, 2025 and June 30, 2024. However, any loss incurred or lack of access to such funds could have a significant impact on the Company's financial condition, results of operations, and cash flows.

## NOTE 15 – Segment Information

The Company has determined that it operates as a single operating segment. The Company offers a vertical software-as-a-service (or SaaS) platform for the enterprise. The flagship product, the CXAI Platform (pronounced “Sky”), provides a comprehensive suite of tools designed to empower employees and enable organizations to create smarter workplaces. The Company’s Chief Executive Officer is the Chief Operating Decision Maker (“CODM”). The CODM allocates resources and makes operating decisions based on consolidated net income.

The CODM does not evaluate profitability below the level of the consolidated company. The Company uses net income (loss) as the primary measure of financial performance. However, in evaluating operating results on a budget versus actual basis, the Company focuses on cash-based operating expenses as a more cost of revenue, professional services, marketing, research and development, and other general and administrative expenses—to be significant. In contrast, the Company does not place significant emphasis on stock-based compensation, amortization of intangibles, change in fair value of warrant liabilities, loss on debt extinguishment, and other non-cash adjustments in its internal analysis of period-over-period operating results.

The following table presents selected financial information with respect to the Company’s single operating segment:

	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Revenue - Licenses	\$ 1,175	\$ 1,504	\$ 2,386	\$ 3,092
Revenue - Professional Services	20	262	33	492
Revenue - Hardware	28	-	28	-
Less:				
Cost of revenue	171	353	321	680
Research and development	1,904	1,410	3,266	2,907
Sales and marketing	449	714	955	1,745
General and administrative	1,373	1,421	3,017	2,687
Interest expense, net	163	684	200	946
(Gain) loss on derivative liabilities	(880)	1,051	(2,196)	2,523
Loss on debt extinguishment	-	-	48	-
Other expense/(income), net	(256)	30	(274)	86
Add:				
Income tax benefit provision (expense)	(1)	159	(1)	366
Total loss without non-cash	(1,702)	(3,738)	(2,011)	(7,624)
Less:				
Other noncash expenses <sup>(1)</sup>	1,437	1,518	2,744	2,802
Net loss	<u>\$ (3,139)</u>	<u>\$ (5,256)</u>	<u>\$ (4,755)</u>	<u>\$ (10,426)</u>

(1) Other for the three and six months ended June 30, 2025 includes \$754 thousand and \$1,378 thousand of stock compensation and related expenses, \$683 thousands and \$1,366 thousand of intangible amortization expense. Other for the three and six months ended June 30, 2024 includes \$835 thousand and \$1,436 thousand of stock compensation expenses, \$683 thousand and 1,366 thousand of intangible amortization expense.

**NOTE 16 – Foreign Operations**

The Company's operations are located primarily in the United States, Canada, and the Philippines. Revenues by geographic area are attributed by country of domicile of the Company's subsidiaries. The financial data by geographic area are as follows (in thousands):

	<u>United States</u>	<u>Canada</u>	<u>Philippines</u>	<u>Eliminations</u>	<u>Total</u>
<b>For the Three Months Ended June 30, 2025:</b>					
Revenues by geographic area	\$ 1,199	\$ 1,023	\$ 183	\$ (1,182)	\$ 1,223
Operating income (loss) by geographic area	\$ (4,717)	\$ 599	\$ 7	\$ -	\$ (4,111)
Net income (loss) by geographic area	\$ (4,036)	\$ 893	\$ 5	\$ -	\$ (3,139)
<b>For the Six Months Ended June 30, 2025:</b>					
Revenues by geographic area	\$ 2,396	\$ 1,050	\$ 390	\$ (1,389)	\$ 2,447
Operating income (loss) by geographic area	\$ (8,032)	\$ 159	\$ 17	\$ -	\$ (7,856)
Net income (loss) by geographic area	\$ (5,218)	\$ 451	\$ 13	\$ -	\$ (4,755)
<b>For the Three Months Ended June 30, 2024:</b>					
Revenues by geographic area	\$ 1,669	\$ 97	\$ 233	\$ (233)	\$ 1,766
Operating income (loss) by geographic area	\$ (3,080)	\$ (581)	\$ 11	\$ -	\$ (3,650)
Net income (loss) by geographic area	\$ (4,655)	\$ (613)	\$ 12	\$ -	\$ (5,256)
<b>For the Six Months Ended June 30, 2024:</b>					
Revenues by geographic area	\$ 3,336	\$ 248	\$ 473	\$ (473)	\$ 3,584
Operating income (loss) by geographic area	\$ (6,080)	\$ (1,183)	\$ 26	\$ -	\$ (7,237)
Net income (loss) by geographic area	\$ (9,182)	\$ (1,270)	\$ 26	\$ -	\$ (10,426)
<b>As of June 30, 2025:</b>					
Identifiable assets by geographic area	\$ 29,021	\$ 249	\$ 298	\$ -	\$ 29,568
Long lived assets by geographic area	\$ 14,249	\$ 120	\$ 150	\$ -	\$ 14,519
Goodwill by geographic area	\$ 8,737	\$ -	\$ -	\$ -	\$ 8,737
<b>As of December 31, 2024:</b>					
Identifiable assets by geographic area	\$ 31,087	\$ 272	\$ 444	\$ -	\$ 31,803
Long lived assets by geographic area	\$ 15,712	\$ 175	\$ 46	\$ -	\$ 15,933
Goodwill by geographic area	\$ 8,737	\$ -	\$ -	\$ -	\$ 8,737

## NOTE 17 – Leases

The Company has operating leases for administrative offices in Canada, the Philippines, and the United States. The Manila, Philippines office lease expires in May 2025, the Canada lease expires in May 2026, and the United States office lease expires in April 2026. The Company has no other operating or financing leases with terms greater than 12 months.

Lease expense for operating leases recorded on the condensed consolidated balance sheet is based on the future minimum lease payments recognized on a straight-line basis over the term of the lease plus any variable lease costs. Operating lease expenses, inclusive of short-term and variable lease expenses, recognized in the Company's unaudited condensed consolidated statement of operations and comprehensive loss for the three and six months ended June 30, 2025 and June 30, 2024 was approximately \$106 thousand and \$213 thousand, \$109 thousand, and \$222 thousand, respectively.

Operating lease liabilities are based on the net present value of the remaining lease payments over the remaining lease term. In determining the present value of lease payments, the Company used its incremental borrowing rate based on the information available at the date of adoption of ASC 842 "Leases" ("ASC 842"). As of June 30, 2025, the weighted average remaining lease term is 1.2 years, and the weighted average discount rate used to determine the operating lease liabilities was 8.0%. As of December 31, 2024, the weighted average remaining lease term is 1.1 years, and the weighted average discount rate used to determine the operating lease liabilities was 8.0%.

<b>(in thousands)</b>	<b>Operating Leases</b>
Year 2025	\$ 208
Year 2026	208
Year 2027	33
Total lease payments	449
Less: Imputed interest	(27)
Present value of lease liabilities	<u>\$ 422</u>

## NOTE 18 – Commitments and Contingencies

### *Risks and Uncertainties*

Various social and political circumstances in the United States and around the world (including wars and other forms of conflict, including rising trade tensions between the United States and China, and other uncertainties regarding actual and potential shifts in the United States and foreign, trade, economic and other policies with other countries, terrorist acts, security operations and catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes and global health epidemics) may also contribute to increased market volatility and economic uncertainties or deterioration in the United States and worldwide. Specifically, the rising conflict between Russia and Ukraine, and resulting market volatility could adversely affect the Company's ability to complete a Business Combination. In response to the conflict between Russia and Ukraine, the United States and other countries have imposed sanctions or other restrictive actions against Russia. Any of the above factors, including sanctions, export controls, tariffs, trade wars and other governmental actions, could have a material adverse effect on the Company's ability to complete a Business Combination and the value of the Company's securities.

Management continues to evaluate the impact of these types of risks and has concluded that while it is reasonably possible that these risks and uncertainties could have a negative effect on the Company's financial position, results of its operations and/or search for a target company, the specific impact is not readily determinable as of the date of these condensed consolidated financial statements. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

## ***Litigation***

Certain conditions may exist as of the date the condensed consolidated financial statements are issued which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company, or unasserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability and an estimate of the range of possible losses, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed, unless they involve guarantees, in which case the guarantees would be disclosed. There can be no assurance that such matters will not materially and adversely affect the Company's business, financial position, and results of operations or cash flows.

## **NOTE 19 – Subsequent Events**

The Company evaluated subsequent events and transactions that occurred after June 30, 2025, through the date the condensed consolidated financial statements were issued. Based upon this review, the Company identified the following subsequent events:

### *One Big Beautiful Bill*

On July 4, 2025, the One Big Beautiful Bill ("OBBB") was enacted into law. Among its provisions, the reinstatement of full expensing for research and development expenditures is applicable to the Company. While further regulatory guidance is anticipated regarding the treatment of prior periods, the Company expects that the previously recognized deferred tax asset related to Section 174 will be reversed, resulting in an increase in net operating loss carryforwards. The Company is currently evaluating potential other impacts of the passage of OBBB.

### *Streeterville Debt*

Following the quarter ended June 30, 2025, the Company converted a portion of its outstanding Streeterville Prepaid Purchase #3 Convertible Notes into Class A common stock. These conversions were part of the Company's ongoing efforts to reduce debt and strengthen its equity structure.

As the transactions occurred after the reporting date, they are classified as non-recognized subsequent events. In total, the Company issued approximately 1,994,072 shares of Class A common stock in connection with these conversions.

### *Draw from Avondale Pre-Paid Purchase*

On August 7, 2025, the Company received net cash proceeds of \$3,000 thousand from the second tranche of the Pre-Paid Purchase Agreement with Avondale, as per the SPA entered into on August 7, 2025. The second tranche was structured with a principal amount of \$3,150 thousand, less a \$150 thousand OID, resulting in the net cash proceeds mentioned above.

### *Shelf Registration Filing in Form S-3*

After the quarter ended June 30, 2025, the Company filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission ("SEC"), authorizing the future offering and sale of up to \$150,000 thousand of various securities. Concurrently, the Company filed a prospectus supplement allowing for the issuance of up to \$7,959 thousand of common stock under this registration. This amount is included within the total aggregate offering authorized.

This filing does not reflect conditions existing as of the reporting date and is therefore classified as a non-recognized subsequent event. The Company will evaluate and disclose any material issuances under this registration in future reporting periods, as applicable.

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

*You should read the following discussion of our financial condition and results of operations in conjunction with the unaudited condensed consolidated financial statements and related notes included elsewhere in this Form 10-Q, with the audited consolidated financial statements and notes thereto included in our Annual Report on 10-K filed with the Securities and Exchange Commission (“SEC”) on April 7, 2025 (the “Annual Report”). References in this report (the “Quarterly Report”) to “we”, “us” or the “Company” refer to CXApp Inc. References to our “management” or our “management team” refer to our officers and directors. The following management’s discussion and analysis of financial condition and results of operations describes the principal factors affecting the results of our operations, financial condition, and changes in financial condition for the three months ended June 30, 2025.*

### Special Note Regarding Forward-Looking Statements

This Quarterly Report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act that are not historical facts and involve risks and uncertainties that could cause actual results to differ materially from those expected and projected. All statements, other than statements of historical fact included in this Form 10-Q including, without limitation, statements in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” regarding the Company’s financial position, business strategy and the plans and objectives of management for future operations, are forward-looking statements. Words such as “expect,” “believe,” “anticipate,” “intend,” “estimate,” “seek” and variations and similar words and expressions are intended to identify such forward-looking statements. Such forward-looking statements relate to future events or future performance, but reflect management’s current beliefs, based on information currently available. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, please refer to the Risk Factors section of the Company’s Annual Report on Form 10-K filed with the SEC. The Company’s securities filings can be accessed on the EDGAR section of the SEC’s website at [www.sec.gov](http://www.sec.gov). Except as expressly required by applicable securities law, the Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

### Overview of Our Business

#### Executive Overview

At CXApp, we are at the forefront of transforming the modern workplace through AI-powered solutions that enhance employee experience, operational efficiency, and workplace intelligence. As a leader in this evolving market, our strategic focus is to drive sustainable growth, scale our enterprise customer base, and deliver innovative solutions that leverage data and artificial intelligence to optimize workplace experiences.

In fiscal year 2025, we prioritized three strategic pillars:

1. **AI-First Product Innovation:** During the quarter, we continued to strengthen our competitive differentiation through the development of AI-native workplace intelligence tools. Enhancements to our Generative AI analytics platform enabled improved data ingestion, real-time behavioral insights, and predictive modeling capabilities. These innovations support enterprise decision-makers in optimizing space utilization, workforce engagement, and operational agility. Our investment in proprietary AI infrastructure aligns with market demand for intelligent, scalable solutions that transform the modern hybrid workplace.
2. **Enterprise Penetration and Revenue Quality Expansion:** Our customer expansion strategy remained focused on high-value enterprise accounts, particularly across the financial services, healthcare, and technology sectors. We deepened relationships with existing Fortune 1000 clients through expanded deployments and multi-site activations while entering new verticals with strong product-market fit. As a result, recurring SaaS revenue accounted for 99% of total revenue in Q2 2025, underscoring the effectiveness of our “land-and-expand” motion and the stickiness of our platform.

3. **Margin Expansion through Cost Discipline:** In Q2 2025, we reduced operating costs by streamlining SG&A and rationalizing our services delivery model. Gross profit totaled \$1,052 thousand for the quarter and \$2,126 thousand for the six-month period ended June 30, 2025, compared to \$1,413 thousand and \$2,904 thousand in the same periods of 2024, respectively. While total revenue declined due to the deliberate de-emphasis of non-recurring professional services, gross margin improved to 87% as we scaled our high-margin SaaS offerings. These actions demonstrate our ability to manage spend responsibly while building a more predictable, capital-efficient business model.

Looking forward, our leadership team remains committed to balancing innovation with financial discipline, ensuring that CXApp is positioned for long-term profitability and strategic growth. By leveraging our AI-driven platform and expanding our enterprise footprint, we aim to deliver scalable, data-driven solutions that address the evolving needs of hybrid workplaces.

## **Financial Performance Summary**

### *Revenue Growth and Customer Expansion*

- During the three months ended June 30, 2025, the gross margin increased to 86% when compared to 80% in June 30, 2024, driven by moving the company to a SaaS based model focused on AI-enabled services.
- Our customer base continues to expand across key industries, including financial services, healthcare, and technology, aligning with our objective to target high-value, recurring revenue clients.
- The transition to a recurring revenue model has improved revenue predictability and supports our long-term growth objectives.

### *Operational Efficiencies and Cost Management*

- During the three months ended June 30, 2025, operating expenses increased to \$5,163 thousand compared to \$5,063 thousand for the same period in 2024. This increase reflects strategic investment in ongoing research and development activities, alongside strategic cost management initiatives that have contributed to improved margins.
- Strategic workforce realignments have ensured resources are allocated to high-impact growth areas.
- We remain focused on optimizing resource allocation, ensuring that investments are targeted toward high-impact areas such as AI development and customer acquisition.

### *Cash Flow and Liquidity Position*

For the three months ended June 30, 2025, cash and cash equivalents was 4,854 thousand.

- This liquidity provides a strategic buffer for continued investment in AI product enhancements and market expansion initiatives.

### *Strategic Growth Initiatives*

1. **Product Innovation:** We are expanding our AI-native capabilities, integrating agentic AI for desk booking, advanced analytics, and developing seamless integrations with key enterprise platforms to position CXApp as the go-to solution for hybrid workplace management.
2. **Market Expansion:** By targeting new verticals and strengthening partnerships with cloud providers and key technology platforms, we aim to increase market share and drive cross-selling opportunities.
3. **Operational Excellence:** Ongoing cost optimization, customer retention strategies, and sales efficiency initiatives remain key focus areas as we strive to enhance profitability and maintain financial discipline.

### Competitive Positioning and Market Outlook

- According to industry research, the global employee experience and workplace technology market is expected to grow at a compound annual growth rate (CAGR) exceeding 20% over the coming years. This trend reflects ongoing enterprise investment in hybrid workplace enablement, data-driven decision-making, and employee-centric technology platforms.
- CXApp believes its AI-driven platform offers differentiated capabilities compared to traditional workplace management systems by integrating real-time analytics, behavioral insights, and predictive modeling. These features may support more agile decision-making for customers managing distributed workforces and dynamic office environments.
- While macroeconomic uncertainty persists, the Company continues to observe strong interest from enterprise clients for intelligent, flexible workplace infrastructure. Management believes this demand aligns with the Company's strategy to scale AI-enabled solutions that address evolving operational needs.

### Conclusion

As we advance our strategic roadmap, CXApp remains focused on executing with discipline and precision. Our AI-first approach, financial discipline, and emphasis on customer-centric innovation are key drivers of our long-term vision to redefine employee experiences in the hybrid workplace. By leveraging our strong foundation and expanding our enterprise footprint, we are well-positioned to deliver sustained growth and value for our stakeholders.

### Recent Events

On April 8, 2025, the Company received proceeds from the Avondale convertible Pre-Paid Purchase #1.

### RESULTS OF OPERATIONS

#### Comparison of the results of operations for the three months ended June 30, 2025 and June 30, 2024

The following table sets forth our results of operations. This data should be read together with our unaudited financial statements and related notes.

<b>(in thousands)</b>	<b>Three months ended June 30, 2025</b>	<b>Three months ended June 30, 2024</b>
	(unaudited)	(unaudited)
<b>Condensed Consolidated Statements of Operations Data</b>		
<b>Revenues</b>	\$ 1,223	\$ 1,766
Cost of revenues	(171)	(353)
Gross profit	1,052	1,413
Operating expenses	(5,163)	5,063
<b>Loss from operations</b>	(4,111)	(3,650)
Other expense, net	973	(1,765)
Income tax benefit, provision (expense)	(1)	159
<b>Net loss</b>	<u>\$ (3,139)</u>	<u>\$ (5,256)</u>

## *Revenues*

The Company generates revenue primarily from subscription-based Software as a Service (“SaaS”), as well as from the design, deployment, and implementation services provided through its enterprise applications platform. For the three months ended June 30, 2025, total revenue was \$1,223 thousand, compared to \$1,766 thousand for the three months ended June 30, 2024. The decrease of \$543 thousand, or approximately 31%, was primarily attributable to a decline in non-recurring Professional Services revenue.

The reduction in Professional Services revenue reflects the Company’s strategic transition to a full SaaS delivery model, with a focus on recurring, high-margin revenue streams. Professional Services generally relate to implementation, customization, or integration services that are customer-specific and non-recurring in nature.

Subscription-based revenue comprised approximately 96% of total revenue for the three months ended June 30, 2025, compared to 85% for the same period in 2024, representing an 11-percentage point increase in revenue mix. This shift in revenue composition is consistent with management’s strategy to drive predictable recurring revenue and improve gross margin over time.

## *Gross Margin*

Cost of revenues includes the direct costs to deliver the services, including labor and overhead. Cost of revenues was \$171 thousand for the three months ended June 30, 2025, compared to \$353 thousand for the three months ended June 30, 2024. The gross profit margin was 86% for the three months ended June 30, 2025, compared to 80% for the three months ended June 30, 2024. The decrease in cost of revenues of approximately \$182 thousand, or approximately 51.55%, for the comparative periods ended June 30, 2025 and June 30, 2024, was attributable to a reduction in professional services-related costs, as well as lower hosting and infrastructure expenses for cloud services.

## *Operating Expenses*

Operating expenses consist primarily of research and development (“R&D”), sales and marketing, and general and administrative (“G&A”) costs. For the three months ended June 30, 2025, total operating expenses were \$5,163 thousand, compared to \$5,063 thousand for the same period in 2024, representing an increase of \$100 thousand.

This increase was primarily driven by a \$462 thousand rise in R&D expenses, reflecting increased investment in platform enhancements, including those related to the Company’s strategic relationship with Google. These efforts include development of deeper integrations with Google Workspace and AI infrastructure alignment designed to optimize data analytics and employee experience features across joint enterprise deployments.

The increase in R&D was partially offset by a \$279 thousand decrease in sales and marketing expenses, as the Company reallocated go-to-market resources toward high-ROI enterprise accounts and strategic channel partnerships. Additionally, G&A expenses decreased by \$83 thousand, reflecting ongoing cost control measures in administrative functions.

Management believes that these investments in innovation and platform interoperability position the Company to scale its AI-native offerings while driving long-term operating leverage.

## *Other Income/Expense*

Other income/expense was an income of \$973 thousand and an expense of \$1,765 thousand for the three months ended June 30, 2025, and the three months ended June 30, 2024, respectively. This increase of \$2,738 thousand in other income for the comparative periods was attributable to an increase in the change in fair value of derivative warrant liabilities of approximately \$1,931 thousand, an increase in other income of approximately \$286 thousand, and a decrease in interest expense of approximately \$521 thousand.

## *Provision for Income Taxes*

There was \$1 thousand income tax expenses for the three months ended June 30, 2025, compared to \$159 thousand tax benefit for the six months ended June 30, 2024. The income tax benefit for the three months ended June 30, 2024 is primarily a result of the release of valuation allowance attributable to acquired intangible assets from the Business Combination recorded in the first quarter of 2023.

## Non-GAAP Financial information

### EBITDA

The Company includes a non-GAAP measure that we use to supplement our results presented in accordance with U.S. GAAP. EBITDA is defined as earnings before interest and other income, taxes, depreciation and amortization. Adjusted EBITDA is used by our management as the matrix in which it manages the business. It is defined as EBITDA plus adjustments for other income or expense items, non-recurring items and non-cash stock-based compensation. Adjusted EBITDA is a performance measure that we believe is useful to investors and analysts because it illustrates the underlying financial and business trends relating to our core, recurring results of operations and enhances comparability between periods.

Adjusted EBITDA is not a recognized measure under U.S. GAAP and is not intended to be a substitute for any U.S. GAAP financial measure and, as calculated, may not be comparable to other similarly titled measures of performance of other companies in other industries or within the same industry. Investors should exercise caution in comparing our non-GAAP measure to any similarly titled measure used by other companies.

This non-GAAP measure excludes certain items required by U.S. GAAP and should not be considered as an alternative to information reported in accordance with U.S. GAAP. The table below presents our adjusted EBITDA, reconciled to net income, which is the most comparable GAAP measure, for the periods indicated (in thousands).

	Three Months Ended June 30, 2025	Six Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2024
<b>Net loss</b>	\$ (3,139)	\$ (4,755)	\$ (5,256)	\$ (10,426)
Interest and other income	163	194	684	946
Income tax (benefit)/provision	1	1	(159)	(366)
Depreciation and amortization	695	1,390	705	1,410
<b>EBITDA</b>	<b>(2,282)</b>	<b>\$ (3,172)</b>	<b>(4,026)</b>	<b>(8,436)</b>
Adjusted for:				
Changes in fair value of warrant liabilities	(880)	(3,076)	1,051	2,523
Loss on debt extinguishment	-	48	-	-
Unrealized (gain) loss	(291)	(287)	30	86
Loss on contract to issue common stock	21	21		
Stock-based compensation - compensation and related benefits	754	1,378	835	1,436
<b>Adjusted EBITDA</b>	<b>\$ (2,678)</b>	<b>\$ (5,088)</b>	<b>\$ (2,110)</b>	<b>\$ (4,391)</b>

We rely on Adjusted EBITDA, which is a non-GAAP financial measure for the following:

- To compare our current operating results with corresponding periods and with the operating results of other companies in our industry;
- As a basis for allocating resources to various projects;
- As a measure to evaluate potential economic outcomes of acquisitions, operational alternatives and strategic decisions; and
- To evaluate internally the performance of our personnel.

We have presented Adjusted EBITDA above because we believe it conveys useful information to investors regarding our operating results. We believe it provides an additional way for investors to view our operations, when considered with both our GAAP results and the reconciliation to net loss. By including this information, we can provide investors with a more complete understanding of our business. Specifically, we present Adjusted EBITDA as supplemental disclosure because of the following:

- We believe Adjusted EBITDA is a useful tool for investors to assess the operating performance of our business without the effect of interest, income taxes, depreciation and amortization and other non-cash items including acquisition transaction and financing costs, impairment, unrealized gains, stock based compensation, interest income and expense, and income tax benefit.
- We believe that it is useful to provide to investors with a standard operating metric used by management to evaluate our operating performance; and
- We believe that the use of Adjusted EBITDA is helpful to compare our results to other companies.

Even though we believe Adjusted EBITDA is useful for investors, it does have limitations as an analytical tool. Thus, we strongly urge investors not to consider this metric in isolation or as a substitute for net income (loss) and the other condensed consolidated statement of operations data prepared in accordance with GAAP. Some of these limitations include the fact that:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Adjusted EBITDA does not reflect income or other taxes or the cash requirements to make any tax payments; and
- Other companies in our industry may calculate Adjusted EBITDA differently than we do, thereby potentially limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered a measure of discretionary cash available to us to invest in the growth of our business or as a measure of performance in compliance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and providing Adjusted EBITDA only as supplemental information.

### **Financing Obligations and Requirements**

Net cash used in operating activities during the three months ended June 30, 2025, was \$3,012 thousand, consisting of a net loss of \$3,139 thousand and an operating gain of \$596 thousand. On March 26, 2025, the Company entered into a Securities Purchase Agreement with Avondale Capital, LLC, under which the Company may issue and sell one or more Pre-Paid Purchase Agreements for up to an aggregate of \$20,000 thousand in exchange for shares of its common stock. The initial Pre-Paid Purchase, in the principal amount of \$4,200 thousand, was structured with a \$200 thousand original issue discount (“OID”) and \$10 thousand in transaction-related fees, resulting in net proceeds of approximately \$3,990 thousand, which were received on April 8, 2025. As of June 30, 2025, approximately \$15,800 thousand remained available under this agreement. Additionally, under the SPA with Streeterville Capital, LLC, entered into on May 22, 2024, the Company had access to up to \$10,000 thousand in funding. As of June 30, 2025, \$3,520 thousand in funding remained available under this agreement. The Company believes these funds are sufficient to satisfy its working capital needs, capital asset purchases, debt repayments, and other liquidity requirements associated with its existing operations for at least the next 12 months from the issuance date of the financial statements. The Company may continue to pursue strategic transactions and may raise additional capital as needed, using its equity securities and/or a combination of cash and debt financings appropriate for each acquisition.

## Liquidity and Capital Resources as of June 30, 2025 Compared with June 30, 2024

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, debt service, acquisitions, contractual obligations and other commitments. We assess liquidity in terms of our cash flows from operations and their sufficiency to fund our operating and investing activities.

As of June 30, 2025, the Company had a working capital deficiency of approximately \$1,415 thousand and cash of approximately \$4,854 thousand. For the three months ended June 30, 2025, the Company incurred a net loss of approximately \$3,139 thousand and used approximately \$3,012 thousand of cash in operating activities.

The Company's net cash flows used in operating, investing and financing activities and certain balances are as follows (in thousands):

	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024
<b>Cash flows (used in) provided by</b>		
Net cash used in operating activities	\$ (3,012)	\$ (1,910)
Net cash provided by (used in) investing activities	(11)	(8)
Net cash provided by (used in) financing activities	3,990	2,480
Effect of exchange rates on cash	(6)	(5)
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>\$ 961</u>	<u>\$ 557</u>
	<b>June 30, 2025</b>	<b>December 31, 2024</b>
Cash and cash equivalents	<u>\$ 4,854</u>	<u>\$ 4,880</u>
Working capital deficit	<u>\$ (1,415)</u>	<u>\$ (4,496)</u>

### Operating Activities for the three months ended June 30, 2025 and June 30, 2024

	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024
Net income (loss)	\$ (3,139)	\$ (5,256)
Non-cash income and expenses	596	3,302
Net change in operating assets and liabilities	(469)	44
Net cash used in operating activities	<u>\$ (3,012)</u>	<u>\$ (1,910)</u>

### Cash Flows from Investing Activities for the three months ended June 30, 2025 and June 30, 2024

Net cash flows used in investing activities during the three months ended June 30, 2025 was approximately \$11 thousand compared to net cash flows used in and provided in investing activities for the three months ended June 30, 2024 is \$8 thousand. Cash flows related to investing activities during the three months ended June 30, 2025 and June 30, 2024 include \$11 thousand and \$8 thousand were used for the purchase of property and equipment.

## **Cash Flows from Financing Activities for the three months ended June 30, 2025 and June 30, 2024**

Net cash flows provided in financing activities during the three months ended June 30, 2025 was approximately \$3,990 thousand, primarily due to proceeds received from the issuance of convertible debt compared to net cash flows provided in financing activities for the six months ended June 30, 2024 is \$2,480 thousand. On April 8, 2025, the Company entered into a financing arrangement under which it issued convertible debt with a principal amount of \$4,200 thousand. The Company received net proceeds of \$3,990 thousand after accounting for any applicable discounts and transaction costs.

## **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet guarantees, interest rate swap transactions or foreign currency contracts. We do not engage in trading activities involving non-exchange traded contracts.

## **Contractual Obligations and Commitments**

Contractual obligations are cash that we are obligated to pay as part of certain contracts that we have entered during our course of business. Our contractual obligations consist of operating lease liabilities that are included in our balance sheet. As of June 30, 2025, the total obligation for operating leases is approximately \$422 thousand, of which approximately \$208 thousand is expected to be paid in the next twelve months.

## **Quantitative and Qualitative Disclosures about Market Risk**

Not applicable.

## **Critical Accounting Policies and Estimates**

Our unaudited condensed consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”). In connection with the preparation of our financial statements, we are required to make assumptions and estimates about future events and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our unaudited condensed consolidated financial statements are prepared. On a regular basis, we review the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

### *Critical Accounting Policies*

Our significant accounting policies are discussed in Note 2 of the unaudited condensed consolidated financial statements which are included elsewhere in this filing.

### *Critical Accounting Estimates*

We consider an accounting judgment, estimate or assumption to be critical when (1) the estimate or assumption is complex in nature or requires a high degree of judgment and (2) the use of different judgments, estimates and assumptions could have a material impact on our unaudited condensed consolidated financial statements.

The Management believes there have been no significant changes during the three months ended June 30, 2025, to the items disclosed as critical accounting estimates in management’s discussion and analysis in the Company’s Annual Report on Form 10-K for the year ended December 31, 2024 that was filed with the SEC on April 7, 2025.

## **JOBS Act Accounting Election**

Following the transaction, CXApp will be an “emerging growth company” as defined in the JOBS Act. As such, the Company will be eligible to take advantage of certain exemptions from various reporting requirements that apply to other public companies that are not emerging growth companies, including compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and the requirements to hold a non-binding advisory vote on executive compensation and any golden parachute payments not previously approved. The Company has not made a decision whether to take advantage of any or all of these exemptions. If the Company does take advantage of some or all of these exemptions, some investors may find the Company’s common stock less attractive. The result may be a less active trading market for the Company’s common stock and its stock price may be more volatile.

In addition, Section 107 of the JOBS Act provides that an emerging growth company may take advantage of the extended transition period provided in Section 13(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), for complying with new or revised accounting standards, meaning that CXApp, as an emerging growth company, can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The Company has elected to take advantage of this extended transition period, and therefore our financial statements may not be comparable to those of companies that comply with such new or revised accounting standards. Section 107 of the JOBS Act provides that our decision not to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

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

Not applicable.

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

### **Disclosure Controls and Procedures**

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time period specified in the SEC’s rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

We conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of June 30, 2025. The material weakness and remediation activities were discussed in Part II, Item 9A “Controls and Procedures” of the Company’s 2024 Annual Report filed on April 7, 2025.

### **Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the three months ended June 30, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

For the third quarter of 2025, the Management plans to hire a qualified individual to oversee technical accounting matters. Further, the Company intends to add additional and more robust management review controls to provide more focus on detailed analysis and enhanced documentation procedures.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

There is no material litigation, arbitration or governmental proceeding currently pending against CXApp or any members of its management team in their capacity as such.

### Item 1A. Risk Factors

Factors that could cause our actual results to differ materially from those in this Quarterly Report include the risk factors described in the Annual Report on Form 10-K filed with the SEC. As of the date of this Quarterly Report, there have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K filed with the SEC.

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

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

#### *Insider Trading Arrangements and Policies*

During the three months ended June 30, 2025, no director or officer of CXApp notified CXApp of the adoption or termination of a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

#### *Definitive Proxy Statement Correction*

On April 17, 2025, CXApp filed its definitive proxy statement on Schedule 14A for the annual meeting of shareholders held on May 20, 2025 (the “Proxy Statement”). The Company has determined that the Proxy Statement inadvertently misstated the fees for audit and other services provided by Withum for the fiscal year 2024 under Proposal 7: Ratification of the Selection of our Independent Registered Public Accounting Firm. The following table shows the corrected fees. CXApp does not believe this correction affects the outcome of any proposals presented at the annual meeting.

<b>Fees</b>	<b>2024</b>	<b>2023</b>
Audit Fees	\$ 319,000	\$ 235,000
Audit-Related fees	-	-
Tax Fees	38,000	9,000
All Other Fees	25,000	-
<b>Total</b>	<b>\$ 382,000</b>	<b>\$ 244,000</b>

## Item 6. Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

2.1 <sup>(1)</sup>	<a href="#">Agreement and Plan of Merger, dated as of September 25, 2022, by and among KINS Technology Group Inc., Inpixon, CXApp Holding Corp. and KINS Merger Sub Inc.</a>
2.2 <sup>(1)</sup>	<a href="#">Separation and Distribution Agreement, dated as of September 25, 2022, by and among KINS Technology Group Inc., Inpixon, CXApp Holding Corp. and Design Reactor, Inc.</a>
2.3 <sup>(1)</sup>	<a href="#">Sponsor Support Agreement, dated as of September 25, 2022, by and among KINS Capital LLC, KINS Technology Group Inc., Inpixon and CXApp Holding Corp.</a>
3.1	<a href="#">Second Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to the Company's Registration Statement on Form S-3 filed on August 11, 2025).</a>
3.2	<a href="#">Certificate of Amendment to the Restated Certificate of Incorporation of the Company, filed with the Delaware Secretary of State on March 17, 2023 (incorporated by reference to the Company's Registration Statement on Form S-3 filed on August 11, 2025).</a>
3.3 <sup>(3)</sup>	<a href="#">Amended and Restated Bylaws of the Company, effective as of November 8, 2024.</a>
4.1	<a href="#">Warrant Agreement, dated as of December 14, 2020, by and between KINS and Continental Stock Transfer &amp; Trust Company, as warrant agent (incorporated herein by reference from Exhibit 4.1 on KINS' Form 8-K, filed December 21, 2020).</a>
4.2 <sup>(2)</sup>	<a href="#">Specimen CXApp Inc. Class A Common Stock Certificate.</a>
4.3 <sup>(2)</sup>	<a href="#">Specimen CXApp Inc. Class C Common Stock Certificate.</a>
4.4 <sup>(2)</sup>	<a href="#">Specimen Warrant Certificate of the Company.</a>
10.1 <sup>(2)(#)</sup>	<a href="#">Employee Matters Agreement, dated March 14, 2023, by and among KINS, KINS Merger Sub Inc., Inpixon, and Legacy CXApp.</a>
10.2 <sup>(2)</sup>	<a href="#">Tax Matters Agreement, dated March 14, 2023, by and among KINS, Inpixon, and Legacy CXApp.</a>
10.3 <sup>(2)</sup>	<a href="#">Transition Services Agreement, dated March 14, 2023, by and between Inpixon and Legacy CXApp.</a>
10.4 <sup>(2)(#)</sup>	<a href="#">Consulting Agreement, dated March 14, 2023, by and between Design Reactor, Inc. and 3AM, LLC.</a>
10.5 <sup>(#)</sup>	<a href="#">Employment Agreement, dated as of January 9, 2023, by and between Design Reactor, Inc. and Khurram Sheikh. (incorporated by reference to the Company's Current Report on Form 8-K filed on March 31, 2023)</a>
10.6 <sup>(2)(#)</sup>	<a href="#">CXApp Inc. 2023 Equity Incentive Plan.</a>
10.7 <sup>(4)</sup>	<a href="#">Securities Purchase Agreement, dated as of May 22, 2024, by and between CXApp Inc. and Streeterville Capital, LLC.</a>
10.8 <sup>(5)</sup>	<a href="#">Exchange Agreement, dated as of January 6, 2025, by and between CXApp Inc. and Streeterville Capital, LLC.</a>
10.9 <sup>(5)</sup>	<a href="#">Exchange Agreement, dated as of January 17, 2025, by and between CXApp Inc. and Streeterville Capital, LLC.</a>
10.10 <sup>(5)</sup>	<a href="#">Securities Purchase Agreement, dated as of March 26, 2025, by and between CXApp Inc. and Avondale Capital, LLC.</a>
14.01 <sup>(2)</sup>	<a href="#">Code of Ethics and Business Conduct of CXApp Inc.</a>
31.1 <sup>(*)</sup>	<a href="#">Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2 <sup>(*)</sup>	<a href="#">Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1 <sup>(**)</sup>	<a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2 <sup>(**)</sup>	<a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith.

\*\* Furnished herewith.

(1) Incorporated by reference to the Company's Current Report on Form 8-K filed on September 26, 2022.

(2) Incorporated by reference to the Company's Current Report on Form 8-K filed on March 20, 2023.

(3) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on November 12, 2024.

(4) Incorporated by reference to the Company's Annual Report on Form 10-K filed on May 24, 2024.

(5) Incorporated by reference to the Company's Annual Report on Form 10-K filed on April 7, 2025.

# Indicates a management contract or compensatory plan.

**SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**CXAPP INC.**

Date: August 12, 2025

By: /s/ Khurram Sheikh  
Name: **Khurram Sheikh**  
Title: **Chairman, Chief Executive Officer and Director  
(Principal Executive Officer)**

Date: August 12, 2025

By: /s/ Joy Mbanugo  
Name: **Joy Mbanugo**  
Title: **Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)**

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Khurram Sheikh, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CXApp Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2025

/s/ Khurram Sheikh

Khurram Sheikh

Chairman, Chief Executive Officer and Director  
(Principal Executive Officer)

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**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joy Mbanugo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CXApp Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2025

/s/ Joy Mbanugo

Joy Mbanugo

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

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

In connection with the Quarterly Report of CXApp Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2025, as filed with the Securities and Exchange Commission (the "Report"), I, Khurram Sheikh, Chairman, Chief Executive Officer and Director of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

Date: August 12, 2025

/s/ Khurram Sheikh

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Khurram Sheikh

Chairman, Chief Executive Officer and Director

(Principal Executive Officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
(AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the Quarterly Report of CXApp Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2025, as filed with the Securities and Exchange Commission (the "Report"), I, Joy Mbanugo, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

Date: August 12, 2025

/s/ Joy Mbanugo  
\_\_\_\_\_  
Joy Mbanugo  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

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