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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2023

OR

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

For the transition period from _____ to _____

Commission file number 001-39463

Ouster, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

350 Treat Avenue

San Francisco, California

(Address of principal executive offices)

86-2528989

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

94110

(Zip Code)

Registrant's telephone number, including area code: (415) 949-0108

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.0001 par value per share	OUST	New York Stock Exchange
Warrants to purchase common stock	OUST WS	New York Stock Exchange
Warrants to purchase common stock expiring 2025	OUST WSA	NYSE American

Securities registered pursuant to section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant, as of June 30, 2023, the last business day of the registrant’s most recently completed second fiscal quarter, was approximately \$174.1 million.

The registrant had 40,671,374 shares of common stock outstanding as of March 21, 2024.

Documents Incorporated by Reference:

Specifically identified portions of the registrant’s definitive proxy statement relating to its 2024 annual meeting of stockholders are incorporated by reference in Part III of this Annual Report on Form 10-K where indicated. The registrant’s definitive proxy statement will be filed with the U.S. Securities and Exchange Commission (the “SEC”) within 120 days after the end of the registrant’s fiscal year ended December 31, 2023.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical fact contained in this Annual Report on Form 10-K may be forward-looking statements. The words “anticipates,” “believe(s),” “could,” “contemplates,” “continue,” “expects,” “estimates,” “forecasts,” “intends,” “may,” “plans,” “projects,” “predicts,” “potential” “should,” “targets,” or “will” and similar expressions or the negative of these terms or expressions are intended to identify forward-looking statements, though not all forward-looking statements use these words or expressions. Forward-looking statements contained in this Annual Report on Form 10-K include, but are not limited to statements regarding our ability to maintain or grow our global sales and bolster our financial position; our expectations surrounding the Velodyne Merger (as defined herein); our ability to maintain or grow our global sales and marketing organization; our expected contractual obligations and capital expenditures; the capabilities of and demand for our products; our anticipated new product launches; our future results of operations and financial position; industry and business trends; the remediation of material weaknesses; the impact of market conditions and other macroeconomic factors on our business, financial condition and results of operation; our future business strategy, plans, distribution partnerships, market growth and our objectives for future operations.

The forward-looking statements are neither promises nor guarantees, but involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to, the important factors discussed in Part I, Item 1A, “Risk Factors” in this Annual Report on Form 10-K for the fiscal year ended December 31, 2023. The forward-looking statements in this Annual Report on Form 10-K are based upon information available to us as of the date of this Annual Report on Form 10-K, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

You should read this Annual Report on Form 10-K and the documents that we reference in this Annual Report on Form 10-K and have filed as exhibits to this Annual Report on Form 10-K with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. These forward-looking statements speak only as of the date of this Annual Report on Form 10-K. While we may elect to update such forward-looking statements at some point in the future, we disclaim any obligation to do so, even if subsequent events cause our views to change.

GENERAL

Unless the context otherwise requires, references in this Annual Report on Form 10-K to “we”, “our”, “Ouster” and “the Company” refer to the business and operations of Ouster Technologies, Inc. (“OTI”) (formerly known as Ouster, Inc.) and its consolidated subsidiaries prior to the Colonnade Merger (as defined herein) and to Ouster, Inc. (formerly known as Colonnade Acquisition Corp.) and its consolidated subsidiaries following the consummation of the Colonnade Merger.

On December 21, 2020, OTI entered into an Agreement and Plan of Merger (the “Colonnade Merger Agreement”) with Colonnade Acquisition Corp., a Cayman Islands exempted company (“CLA”), and Beam Merger Sub, Inc. (“Merger Sub”), a Delaware corporation and subsidiary of CLA. OTI’s and CLA’s board of directors unanimously approved OTI’s entry into the Colonnade Merger Agreement, and on March 11, 2021, the transactions contemplated by the Colonnade Merger Agreement were consummated (all such transactions, the “Business Combination”), as further described herein. Pursuant to the terms of the Colonnade Merger Agreement, (i) CLA domesticated as a corporation incorporated under the laws of the State of Delaware (the “Domestication”) and changed its name to “Ouster, Inc.” (with CLA after such domestication and the other transactions pursuant to the Colonnade Merger Agreement being referred to as the “Company”) and (ii) Merger Sub merged with and into OTI (the “Colonnade Merger”), with OTI surviving the Colonnade Merger.

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We may announce material business and financial information to our investors using our investor relations website at <https://investors.ouster.com>. We therefore encourage investors and others interested in Ouster to review the information that we make available on our website, in addition to following our filings with the U.S. Securities and Exchange Commission (“SEC”), webcasts, press releases and conference calls. Information contained on our website is not part of this Annual Report on Form 10-K.

On April 6, 2023, the Company’s Board of Directors approved a one-for-10 reverse stock split and a corresponding reduction in authorized shares of common stock (the “Reverse Stock Split”). On April 20, 2023, the Company filed with the Secretary of State of the State of Delaware a Certificate of Amendment to its Certificate of Incorporation to effect the one-for-10 Reverse Stock Split of the Company’s common stock and a corresponding reduction in authorized shares of common stock. The par value of the Company’s common stock was not adjusted as a result of the Reverse Stock Split. The share and per share information included in this Annual Report of Form 10-K, including the historical share and per share information, has been adjusted to reflect the Reverse Stock Split.

SUMMARY RISK FACTORS

Our business is subject to numerous risks and uncertainties, including those described in Part I, Item 1A. “Risk Factors” in this Annual Report on Form 10-K. You should carefully consider these risks and uncertainties when investing in our common stock. The principal risks and uncertainties affecting our business include the following:

- Our products are frequently used in applications that are subject to evolving regulations and standards.
- Our limited operating history makes it difficult to evaluate our future prospects and the risks and challenges we may encounter.
- We have incurred significant losses to date and may never achieve or sustain profitability. If we are unable to overcome our limited sales history and establish and maintain confidence in our long-term business prospects among customers in our target markets or if our revenue opportunity does not materialize into sales and revenue, then our financial condition, operating results, business prospects and access to capital may suffer materially.
- Our revenue and margins could be adversely affected if we fail to maintain competitive average selling prices, high sales volumes, and/or fail to reduce product costs.
- We are subject to the risk of cancellation or postponement of our contracts with customers or the unsuccessful implementation of our products, which may adversely affect our business, results of operations and financial condition.
- We currently target many customers that are large corporations with substantial negotiating power and exacting product standards. If we are unable to sell our products to these customers, our prospects and results of operations will be adversely affected.
- We compete against established market participants that have substantially greater resources than us and against known and unknown market entrants who may disrupt our target markets. If our products are not selected for inclusion in our target markets, our business will be materially and adversely affected.
- Market adoption of lidar remains uncertain, and it is difficult to forecast long-term end-customer adoption rates and demand for our products.
- Our operating results may fluctuate significantly, which makes our future operating results difficult to predict and could cause our operating results to fall below expectations or any guidance we may provide and could cause our stock price to fluctuate or decline.
- We may be unable to successfully integrate our business with Velodyne or realize the expected benefits on our expected timeframe or at all.
- Key components in our products come from limited or single source third-party suppliers, and we expect to rely on third parties to manufacture a significant portion of our products for the foreseeable future. Interruptions in our relationships with these third parties could adversely impact our business.
- We face risks related to our indebtedness.
- We may require additional capital in order to execute our business plan, which may not be available on terms acceptable to us, or at all.
- We may not be able to adequately protect or enforce our intellectual property rights or prevent competitors or other unauthorized parties from copying or reverse engineering our technology.

Part I

Item 1. Business.

Overview

Ouster, Inc. is building the eyes of autonomy. We are a leading global provider of lidar sensors for the automotive, industrial, robotics, and smart infrastructure industries. Ouster's products include high-resolution scanning and solid-state digital lidar sensors, analog lidar sensors, and software solutions.

We anticipate that 3D vision technologies, coupled with artificial intelligence, will power new autonomous technologies that in turn will fundamentally disrupt business models across many existing industries and also enable entirely new industries and capabilities. We believe that our digital lidar sensors are one of the highest performing, lowest cost solutions available today, which we believe positions us at the center of a global revolution in autonomy.

Our four target markets each have unique use cases for our lidar sensors:

- *Automotive*. The automotive industry is continuing its rapid shift towards advanced/enhanced safety and autonomy features, powered by lidar. We believe we are uniquely positioned to support this transformation. We work with companies across the entire automotive ecosystem, from technology providers to direct automotive parts suppliers and original equipment manufacturers ("OEMs"), to design and manufacture lidar sensors for these advanced vehicle systems.
- *Industrial*. Our industrial customers use our lidar sensor to increase safety and automate operations across the global supply chain, in material handling vehicles at ports and warehouses, in off-highway vehicles in mines and on farms, and in manufacturing equipment in factories.
- *Robotics*. Our robotics customers are pioneering an automated future that can affect many aspects of our daily lives as they take on tasks that are redundant, cumbersome, expensive or dangerous for humans.
- *Smart infrastructure*. Our smart infrastructure customers are in both the public and private sector. Cities are prioritizing safety and efficiency through the use lidar technology on traffic lights and warning systems. In this sense, we believe our products can enhance public welfare through security and smart city applications. Security companies are also looking to improve intrusion detection and tracking by augmenting existing CCTV systems with the spatial tracking capabilities of lidar. We believe these markets present a significant growth opportunity for us, as they touch many aspects of our daily lives.

We envision a future where our digital technology enables lidar to become universal, playing a key role in the autonomy revolution that will change many aspects of our economy and daily lives. We believe our lidar can empower 3D perception capabilities within robots, cars, trucks and drones, as well as factories, warehouses, roads, sidewalks, public spaces, retail stores, stadiums, docks, and airport terminals. We believe our patented digital approach to lidar positions us to be at the epicenter of this societal shift, and we anticipate that our software-defined product architecture can accelerate adoption and unlock more applications for lidar in our target markets.

We believe the simplicity of our digital lidar design gives us meaningful cost advantages in manufacturing, supply chain, and production yields. Our broad software-defined customization enables us to introduce industry-specific applications and expand our product offerings with minimal changes to manufacturing or inventory. Our main manufacturing partners are Benchmark Electronics, Inc. ("Benchmark") and Fabrinet. Benchmark and Fabrinet manufacture the majority of our products, which we expect will reduce our product costs and allow us to rapidly scale production to meet our anticipated product demand. Based on cost quotes for our products in mass production, we anticipate our manufacturing costs per unit will decrease as production volumes increase.

Our mission to make the physical world safer and more efficient is aligned with our focus on sustainability now and into the future. We believe that our lidar technology is a key enabler of sustainable solutions, empowering our customers to achieve greater levels of automation which have been shown to have the potential to significantly reduce global carbon dioxide emissions and help curb the effects of climate change. Likewise, smart city initiatives powered by lidar can better manage traffic, reduce commute times, and further reduce emissions.

On February 10, 2023, Ouster completed the merger (the "Velodyne Merger") with Velodyne Lidar, Inc. ("Velodyne") pursuant to the terms of the Agreement and Plan of Merger, dated as of November 4, 2022 (the "Velodyne Merger Agreement"). As a result, we currently offer two digital lidar product lines, the OS scanning sensors and the DF solid-state flash sensors, along with certain analog sensors of the Puck family and the Alpha Prime.

Intellectual Property

We believe our success, competitive advantages, and growth prospects depend in part upon our ability to develop and protect our core technology and intellectual property. Since our inception, we have heavily invested in our patent portfolio by pursuing comprehensive coverage of invention families, use cases, and broad international coverage. Being at the forefront of innovation in the lidar market depends in part on our ability to obtain and maintain patents and other proprietary rights relating to our key technology, and our ability to successfully enforce these rights against third parties. We currently have proprietary intellectual property for both our digital and analog products, including in our embedded software, real-time 3D vision for autonomous systems, manufacturing processes and calibration methodology. We have also filed patents and trademark applications in order to further secure these rights and strengthen our ability to defend against third parties who may infringe on our rights. We also rely on trade secrets, design and manufacturing know-how, and continuing technological innovations to maintain and improve our competitive position.

As a result, we have built a portfolio of intellectual property, including issued patents and registered trademarks, copyrights, confidential technical information, and expertise in the development of lidar technology and software. As of December 31, 2023 we had 132 U.S. issued patents and 109 pending applications along with 102 foreign issued patents and 264 pending applications.

We protect our proprietary rights through agreements with our commercial partners, supply chain vendors, employees, and consultants, and by closely monitoring the developments and products in the industry; and in addition to actively seeking patent protection covering inventions originating from us, we continually evaluate opportunities to acquire or in-license patents to the extent we believe such patents are useful or relevant to our business. By leveraging our deep knowledge of lidar technology, we have invented and patented an integrated, semiconductor-based lidar technology, which for our digital products consists of the following key features:

Patented digital lidar architecture

Our patents contain a broad range of claims related to devices and methods for implementing digital lidar, among other things. Our patents cover our micro-optic technology that enables improved digital lidar performance; our digital lidar architecture combining vertical cavity surface emitting lasers (“VCSEL”) and single photon avalanche diodes (“SPAD”); our data processing circuits for in-silicon digital signal processing; and our lidar-camera convergence, combining active and passive sensing technologies. We believe these technology breakthroughs are central to our competitive advantage and dramatically improve sensor performance.

Our digital lidar systems are based on a simplified architecture that, combined with embedded software, provides high resolution and reliability for our high-performance Ouster Sensor (“OS”) and Digital Flash (“DF”) product lines. We also plan to continue to manufacture certain analog sensors of the Puck family and the Alpha Prime that we acquired from the Velodyne Merger.

Custom system-on-a-chip (“SoC”) with SPAD detectors

Our sensors contain a custom-designed SoC that replaces the functionality of hundreds of discrete analog components and integrates those capabilities onto a single complementary metal-oxide-semiconductor (“CMOS”) chip.

In our OS product line, we are currently on our fifth-generation SoC, “L3”, which combines significant processing power with a 128-channel SPAD array onto a single piece of silicon and powers all of our REV7 products. Our SoC is capable of counting individual photons in order to detect very weak laser light pulses from long range targets. This digital SPAD-based approach enables our OS sensors to be compact, high-performance, and low-cost in order to provide advanced autonomy functionality to our industrial, robotics, smart infrastructure, and automotive customers.

Our DF product line currently features our first generation CMOS SoC for solid-state sensors. In 2021, we announced our second generation DF SoC, “Chronos”. Powered by this chip, the solid-state DF product line features short, medium, and long-range sensing options that we believe has the potential to meet the performance, reliability, design, and cost requirements of global automotive OEMs.

Vertical cavity surface emitting laser array

Paired with our digital SPAD SoC is an array of VCSELs. By using VCSEL technology, we can place our laser emitters into a dense array. This dense, compact approach enables us to increase our resolution without increasing the size or complexity of our sensors.

Patented micro-optical system

In addition to our detector SoC and VCSEL array, our sensors feature patented micro-optical systems that enhance the performance of both our emitters and detectors. The combined effect of these micro-optical systems on sensor performance is equivalent to an increase in detector efficiency of multiple orders of magnitude. We believe this breakthrough intellectual property gives us significant competitive advantages over other companies.

Embedded software

Our existing embedded software is field-upgradeable, which enables us to customize and improve our sensor's capabilities. We believe that the flexibility of this existing embedded software, together with embedded software that we develop in the future, will create an avenue for software-based enhancements of performance and customization of our products that will be capable of addressing myriad end-market customers' specific technical requirements.

Our Product Portfolio

Using an array of eye-safe lasers, our lidar solutions measure distances in the environment at the speed of light. Unlike camera-based solutions, lidar solutions allow machines to see in 3D by providing precise distance measurements of surrounding objects. Lidar also performs better than cameras in low light conditions and produces fewer errors. Compared to radar, lidar provides better resolution, perceiving objects' shapes for superior object detection and classification. Lidar systems are designed to detect pedestrians equally well during daytime and nighttime conditions because the systems provide self-illumination by means of laser beams.

In October of 2021, Ouster acquired Sense Photonics, Inc. ("Sense") a developer of solid-state flash lidar based on VCSEL and SPAD technology. This acquisition enables the development of our DF sensor line which leverages technology and engineering expertise from both companies. In February 2023, Ouster merged with Velodyne, a global player in lidar sensors solutions. As a result, we currently offer two digital lidar product lines, the OS scanning sensors and the DF solid-state flash sensors, along with certain analog sensors of the Puck family and the Alpha Prime.

OS Product line

Introduced in 2018, the OS product line, based on our fifth-generation L3 SoC, is available in four different models to meet the needs of our end customers. The model options include the hemispheric field of view OSDome, the ultra-wide view "OS0," the mid-range "OS1," and the long-range "OS2." Within each of these models, we offer numerous configuration options, including but not limited to different resolutions, connection standards, and data output structures. As we continue to release new generations of the silicon CMOS SoCs that power the OS product line, we expect the performance of the sensors to improve.

In October 2022, we announced the launch of our newest OS series scanning sensors, REV7, powered by our next-generation L3 chip. REV7 features the OSDome sensor, as well as upgraded OS0, OS1, and OS2 sensors that deliver double the range, enhanced object detection, increased precision and accuracy, and greater reliability. The REV7 sensors offer performance upgrades that we believe will enhance our market opportunity, driven by opportunities for longer-range and mapping applications.



OSDome



Hemispherical View
Digital Lidar

- **Resolution options (channels):** 64 and 128
- **Range (@ 80% reflectivity):** 45 meters
- **Field of View (FoV):** 90° vertical FoV & 360° horizontal FoV
- **Horizontal resolution (@ 10 Hz):** 2048
- **Precision:** up to ±1.0 cm
- **Points per second (@128 channels):** 5.2 million
- **Power consumption:** 14 – 20 W
- **Environmental protection:** IP68, IP69K
- **Customization options:** 30+
- **Illustrative use cases:** Factory AGVs, Automated forklifts, Building security, Crowd analytics, Retail analytics



OS0



Ultra-Wide Angle
Digital Lidar

- **Resolution options (channels):** 32, 64 and 128
- **Range (@ 80% reflectivity):** 75 meters
- **Field of View (FoV):** 90° vertical FoV & 360° horizontal FoV
- **Horizontal resolution (@ 10 Hz):** 2048
- **Precision:** up to ±1.0 cm
- **Points per second (@128 channels):** 5.2 million
- **Power consumption:** 14 – 20 W
- **Environmental protection:** IP68, IP69K
- **Customization options:** 30+
- **Illustrative use cases:** Factory AGVs, Automated forklifts, Robo-taxis, Building security, Autonomous shuttles, Anonymous People counting



OS1



Mid-Range
Digital Lidar

- **Resolution options (channels):** 32, 64 and 128
- **Range (@80% reflectivity):** 170 meters
- **FoV:** 45° vertical FoV & 360° horizontal FoV
- **Horizontal resolution (@ 10 Hz):** 2048
- **Precision:** up to ±0.5 cm
- **Points per second:** 5.2 million
- **Power consumption:** 14 – 20 W
- **Environmental protection:** IP68, IP69K
- **Customization options:** 30+
- **Illustrative use cases:** Autonomous trucking, Autonomous mining vehicles, Autonomous agricultural vehicles, Mapping, Autonomous buses, Autonomous drones, Traffic safety



OS2

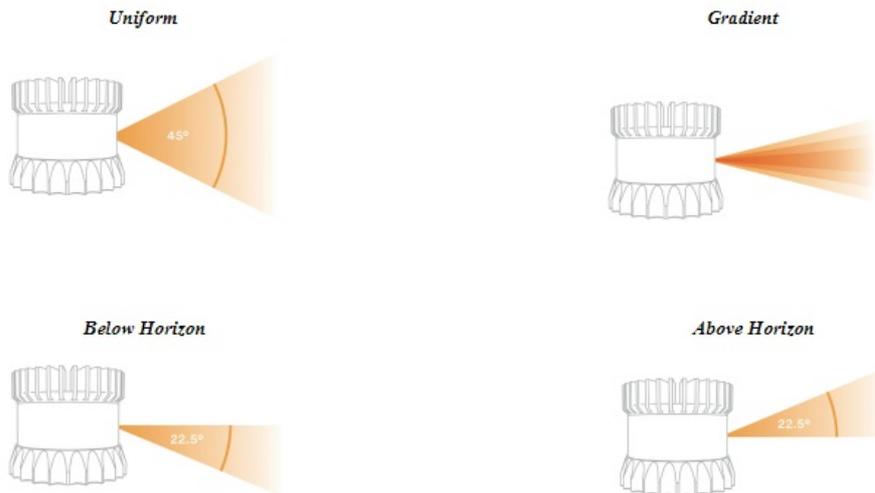


Long-Range
Digital Lidar

- **Resolution options (channels):** 32, 64 and 128
- **Range (@ 80% reflectivity):** 350 meters
- **FoV:** 22.5° vertical FoV & 360° horizontal FoV
- **Horizontal resolution (@ 10 Hz):** 2048
- **Precision:** up to ±2.5 cm
- **Points per second (@128 channels):** 2.6 million
- **Power consumption:** 18 – 24 W
- **Environmental protection:** IP68, IP69K
- **Customization options:** 15+
- **Illustrative use cases:** Autonomous trucking, Robo-taxis, Autonomous shuttles, Mapping, Traffic analytics, Autonomous mining, Building security

Product customization

Within our OS sensor models, we offer numerous customization options, all enabled by embedded software. The OSDome offers resolution options of 64 and 128 lines vertically (“channels”), each in a uniform beam spacing configuration. For each of our other three OS models, we offer resolution options of 128 channels, 64 channels, or 32 channels. Additionally, within the 64 and 32 channel options, we offer further customization to determine how the channels are distributed throughout the vertical field-of-view. These options for beam spacing are: uniform (evenly distributed channels), gradient (denser channels around the center of the vertical field-of-view and sparser by the top and bottom edges), below horizon (evenly spaced on the bottom half of the field of view), and above horizon (evenly spaced in the top half of the field-of-view). Illustrative beam spacing options for the OS1 model are found below:



Through our existing and future embedded software, and as a result of our enhanced operational capacity stemming from the Velodyne Merger, we anticipate offering additional customizable options to our customers. Because these configurations are offered through software, the incremental cost of additional options is lower than the cost of designing new hardware, giving us the operational flexibility to respond to evolving market demands.

DF product line

The DF series is a suite of short, mid, and long-range solid-state digital lidar sensors with superior reliability, durability, and affordability. The DF series is designed to meet automaker requirements and certifications for advanced driver assistance systems (“ADAS”) and autonomous driving, while seamlessly integrating into the vehicle architecture and design. The DF series is also suitable for non-ADAS use cases where a full 360 degree field of view is not required.

Its key features include high resolution sensors, adaptability, and scalability.

High resolution. The patented breakthrough solid-state digital flash architecture produces high-resolution 3D point clouds.

Adaptability. The multi-sensor suite is a flexible platform that can be easily adapted to different form-factors and sensor configurations to provide varying ranges, fields of view, and vehicle design freedoms – all with a simple change in optics or housing.

Scalability. The solid-state DF product line is highly manufacturable and offers the durability, reliability, and affordability needed for automotive series production. We expect to offer individual solid-state sensors as well as a multi-sensor lidar suite at a price point that we believe could enable broad adoption in consumer vehicles. We believe that we are well-positioned to deliver on OEM requirements with a single supplier offering, reducing overall costs and making us a preferred potential partner for both automotive OEMs and Tier 1s.

Velodyne product lines

We also offer certain surround-view lidar sensors that Velodyne previously marketed prior to our merger with Velodyne in February 2023. These products are listed below and support numerous end applications, including autonomous vehicles, drones, security, mobile robots and mapping.

VLP-16 ("Puck")



- **Resolution options (channels):** 16
- **Range (@ 80% reflectivity):** 100 meters
- **Field of View (FoV):** 30° vertical FoV & 360° horizontal FoV
- **Horizontal resolution (@ 10 Hz):** 1800
- **Precision:** up to ±3.0 cm
- **Points per second:** 576,000
- **Power consumption:** 8 W
- **Environmental protection:** IP67
- **Customization options:** 3
- **Illustrative use cases:** Factory AGVs, Automated forklifts, Robotaxis, Building security, Autonomous shuttles, People counting

VLS-128 ("Alpha Prime")



- **Resolution options (channels):** 128
- **Range (@ 80% reflectivity):** 450 meters
- **Field of View (FoV):** 40° vertical FoV & 360° horizontal FoV
- **Horizontal resolution (@ 10 Hz):** 1800
- **Precision:** up to ±3.0 cm
- **Points per second:** 4.6 million
- **Power consumption:** 23 W
- **Environmental protection:** IP67
- **Customization options:** 1
- **Illustrative use cases:** Autonomous trucking, Robotaxis, Autonomous shuttles, Mapping, Traffic analytics, Building security

Ouster Gemini

Ouster Gemini is a perception platform designed for smart infrastructure deployments like security and crowd analytics, and is optimized exclusively for Ouster's digital lidar sensors. The Gemini platform consists of OS series lidar sensors, edge processor hardware, perception software, and cloud analytics.

The Ouster Gemini platform provides people and object detection, classification, and tracking for actionable, intuitive, and customizable insights while preserving personally identifiable information. Gemini enables our customers to detect, classify, and track objects through a covered area which can be expanded by meshing lidar sensors together to form a single, cohesive 3D view. This approach has multiple advantages compared to other similar solutions and can be used to replace or enhance existing camera, radar, or RF beacon-based systems:

Detection accuracy. Gemini perception software is specifically optimized to take advantage of the rich and robust data provided by Ouster's digital lidar sensors. The high resolution and improved range of our digital lidar sensors combined with a state of the art deep neural network based perception algorithms enhance the detection, classification, and tracking accuracy of the perception software.

Uninterrupted tracking. Gemini enables seamless tracking of objects across an entire area. Users can easily mesh multiple lidar sensors together within the Gemini software interface, allowing a seamless 3D view of object movement throughout the space. Each sensor provides ten times more coverage than a camera based system.

Easy setup and administration. The simplicity of the Gemini platform, along with its intuitive user interface, enables customers to install, configure, and maintain the system with ease.

Privacy-preserving. Gemini does not output any personally identifiable information, allowing customers to deploy advanced monitoring systems in public or sensitive areas without privacy concerns.

Blue City

Blue City is a Gemini-powered solution for traffic operations, planning, and safety. Blue City provides real-time data analytics and predictions, which can be used to improve traffic and crowd flow efficiency, improve urban planning, advance sustainability, and protect vulnerable road users in a wide range of weather and lighting conditions.

Improve flow efficiency. Connecting Blue City's intelligent solution to existing traffic controllers helps optimize signal timing and traffic and crowd flow based on real-time, multimodal traffic data. This can result in reduced traffic congestion, decreased vehicle delays, and maximized system capacity.

Improve urban planning. Blue City can help improve mobility and urban growth management for all modes of transport with data-based decision-making insights on the volume, speed, and direction of pedestrians, cyclists, and vehicles.

Data analytics dashboard. Blue City provides a user dashboard with actionable insights such as number of near misses, pedestrian crossing time estimates, illegal turn detection, and red-light violations.

Product Roadmap And Development

We currently expect that our future digital lidar product developments will be primarily driven by improvements to our semiconductors—the receiver SoC and VCSEL laser array— with little to no impact on the designs or architecture of our sensors.

We expect to maintain our OS product line with our four current sensor models. Our product roadmap primarily consists of designing, building, and integrating improved semiconductors into the OS product line, which we anticipate will improve the range and resolution of our sensors, among other features, without substantial changes to the form factor of our sensors.

We have manufactured prototypes of our DF product line for the automotive ADAS market. After the initial release, we anticipate our DF product line will improve in performance over time as we improve our core SoC and laser components.

Our Customers

We target four markets globally: automotive, industrial, robotics, and smart infrastructure. For the year ended December 31, 2023, no single customer accounted for more than 10% of our revenue from product sales.

Automotive

Our customers in the automotive industry fall into two categories: customers developing various forms of self-driving technology for driverless mobility and freight applications, and customers developing consumer ADAS. Both groups are generally engaged in the design, production, manufacture, operation, or after-market modification of automobiles, which includes consumer and commercial vehicles, commercial heavy trucks, and buses among other vehicles. Automotive customers use lidar as a core component in ADAS and for autonomous driving. We believe that our automotive customers value the high resolution, high reliability, and cost of our lidar technology. During the fiscal year ended December 31, 2023, a single customer developing level 4 autonomous vehicles accounted for more than 10% of our bookings in 2023.

Industrial Automation

Our customers in the industrial market are generally engaged in the manufacturing, operation, or after-market modification of heavy industrial machinery, which includes automated guided vehicles (“AGVs”), autonomous mobile robots (“AMRs”), mining vehicles, large material handling vehicles such as forklifts, construction vehicles, agricultural vehicles, and port machinery among other machines. Lidar is used on heavy machinery to enable autonomous usage of the machinery and to improve worker safety. We believe that our industrial customers value the high resolution, range, small form factor, and high reliability of our digital lidar sensors.

Robotics

Our customers in the robotics industry are generally engaged in the design, production, operation, or after-market modification of small mobile human-less vehicles, which includes wheeled robots, legged robots, and drones among other vehicles. Our customers in the robotics market include both commercial entities and nonprofit entities, such as research institutions. Our customers in the robotics market are installing lidar sensors for autonomous navigation, collision avoidance, and mapping in order to provide services such as last-mile delivery, street sweeping, and asset inspection. We believe our robotics customers value the high resolution, precision, wide vertical field-of-view, and high reliability of our lidar sensors.

Smart Infrastructure

Our customers in the smart infrastructure market are generally engaged in monitoring and analyzing human and vehicle movements for the purpose of providing building security and improving roadway safety and efficiency. This market includes federal, state, and local governments as well as private commercial businesses. Unlike traditional cameras, our lidar sensors provide accurate spatial data in low lighting conditions while safeguarding privacy concerns. We believe that our smart infrastructure customers value the high resolution, 360° horizontal field-of-view, and high reliability of our digital lidar sensors. Powered by our lidar sensors and software solutions, our products provide smart infrastructure customers the ability to detect, classify, and track people and vehicles through an easy to use software user interface, allowing them to interact with lidar data indirectly and in a task-relevant manner.

Our Competitive Strengths

We believe the following strengths will allow us to maintain and extend our position as a leading provider in high-resolution lidar solutions.

Patented digital lidar technology

Since we invented and patented our digital lidar technology in 2015, we have launched a suite of products built on a shared architecture. Our proprietary SoC replaces hundreds to thousands of discrete components with a single tightly integrated SPAD receiver array, and our high-efficiency VCSEL array integrates every laser into a single die. Moreover, our patented micro-optical system increases digital lidar performance by the equivalent of an orders-of-magnitude increase in detector efficiency. We believe that this architecture will allow us to continue to increase sensor performance while reducing its cost for many years to come. The Sense acquisition and the Velodyne Merger have enabled us to acquire additional intellectual property, which we believe will continue to distinguish us in the lidar space.

High performance at an affordable price

As we introduce future generations of our proprietary SoC, we expect to be able to offer improved resolution, range, precision, reliability, and unlock new data types. Our simple digital architecture shared across our products results in a single manufacturing process and common supply chain for all of our sensor models that we believe results in cost advantages that help us offer lower prices to our customers while maintaining gross margins.

Flexible and scalable product architecture

Our products employ a software-defined architecture, enabling rapid customization in the software layer, and a simple shared hardware architecture for scalable manufacturing. With software-defined products continuing to drive low-cost customization, we expect to develop new industry-specific applications, expanding our product offering without requiring significant manufacturing or inventory changes.

Large and diversified customer base

We continue to diversify our customer base by solidifying our presence in automotive, industrial, robotics, and smart infrastructure, which we believe gives us key advantages. First, our customer and market diversity add stability to our business and we are able to reduce our exposure to the risk of development delays or regulatory changes that may affect our sales to a single customer or in a particular market. Second, we believe that a large, diverse customer base will ultimately result in more engaged customers purchasing our products and help us to achieve higher sales more quickly than other companies that depend on a smaller set of customers in fewer markets. As we increase our sales volume, we expect our cost per sensor to decrease, allowing us to compete more effectively in each of the targeted markets.

Volume manufacturing today

To achieve our vision of making lidar technology widely adopted, we designed our technology for high-volume manufacturing. We outsource certain product lines to our manufacturing partners Benchmark and Fabrinet, both of which have manufacturing facilities in Thailand. We believe these relationships provide multiple benefits, including allowing us to reduce our operating costs and the ability to leverage our partners' manufacturing capacity to quickly respond to changes in demand.

Digital solid-state technology positioned to capture automotive scale

We expect that our prospective ADAS customers will select lidar suppliers primarily based on the anticipated ability to meet performance, reliability, design, and cost requirements. We believe that the solid-state digital lidar technology in our DF sensors will meet these performance, reliability, design, and cost requirements of ADAS, and lead to production wins and growth in this segment.

Highly reliable and rugged technology

In addition to high performance, comparatively low cost, and high customization flexibility, our sensors are designed to be highly reliable. Our OS product line of sensors have achieved the highest ingress ratings in the industry—IP68 and IP69K—meaning they can survive submersion in up to 1 meter of water for 30 minutes and withstand high-temperature power washing. We believe Ouster has one of the lowest field failure rates in the industry, which reduces the total cost of ownership of our sensors.

Visionary management team

Innovation is central to our corporate culture. Ouster's co-founders Angus Pacala and Mark Frichtl have over two decades of combined experience in lidar engineering. In collaboration with our seasoned executive management team, they drive our vision and corporate strategy. We believe that the digital lidar technology invented by our founders will continue to drive significant improvements in autonomous technology. As the Company has developed, we have built a strong supporting team, adding leaders in sales, marketing, operations, engineering, manufacturing, legal, and finance.

Our Growth Strategies

Our growth strategy is based upon three components: the attractive performance and cost economics of our digital lidar technology, accelerating adoption with our software solutions, and focused commercial execution.

Today, our digital lidar technology powers OS and DF sensors that are high performance, highly customizable, reliable, and cost competitive. As we continue to upgrade the SoCs powering our OS and DF sensors, we expect to improve the performance of our sensors without significant negative impact to sensor cost or form factor. We plan to leverage this dynamic to grow our sensor sales by steadily improving our product performance while consistently maintaining a competitive price point.

We believe our software solutions for multiple end markets present a significant growth opportunity. For existing lidar users, software has the potential to decrease development time and improve system performance. For customers who historically rely on other sensor modalities or lack technical expertise, the introduction of software such as Ouster Gemini can catalyze the adoption of lidar by lowering the engineering resources required to transform raw data into actionable insights.

In addition to our sensor and software growth opportunities, we believe we can increase our growth through commercial execution excellence. By building a commercial organization with highly-skilled employees and efficient processes and systems, we believe we can improve our customer acquisition, accelerate existing customer growth, increase sales through distribution networks, and build valuable strategic partnerships.

Key elements of our growth strategy include:

Execute on our product roadmap

We continue to place a priority on innovation and product development. We plan to continue improving our product performance and adding unique functionality while maintaining a competitive price point. We believe that improving our products at a consistently competitive price positions us to win new and expanded business opportunities in our target markets over time.

Grow sales volumes from existing accounts

We aim to create an established customer base in each of our four target markets that can be further strengthened as our relationships with customers mature. As our customers move through our pipeline from benchtop evaluation to pilot evaluation, to pre-production, and finally to production—we believe our order volumes will increase at each stage in the sales process. We expect that moving to series production can provide a material increase of up to several orders of magnitude in annual sales volume for a given customer program.

Commercialize digital lidar for emerging automotive opportunities

We believe that our cost-reduced solid-state DF sensor will meet the automotive industry's requirements for performance, cost, and reliability in ADAS applications. As development progresses, we will strive to build and maintain relationships with global automotive OEMs and Tier 1s to further strengthen demand.

Expand our distribution network

While the majority of our sales are direct to customers, we also sell our sensors through a domestic and international distribution network, which has expanded as a result of the Velodyne Merger. We believe these distributors enable us to reach more end customers in an operationally efficient manner. We plan to grow our existing network and establish new distribution partnerships in regions where we do not currently have partnerships. By leveraging these relationships, we believe we will be able to reach more customers faster and rapidly grow our sales.

Expand our partner ecosystem

Effectively integrating and using a lidar sensor can be a complex task for some end customers. An ecosystem of value-added software and integrator companies is growing across the world, offering perception software and tailored solutions for our target markets. We have relationships with many of these companies, and have collaborated with some of them to develop software and services based on our sensors. We intend to further develop complementary solutions and integration services that we believe will provide potential customers with the requisite technical know-how and we expect that this will accelerate our sales growth.

Strengthen our worldwide sales and marketing presence

To further grow our market share in our target markets, we intend to opportunistically scale our commercial team to serve the needs of each end market. As our market presence grows through targeted sales and marketing activity, we believe our customer base will grow. In addition, we are increasingly cross-selling within accounts, accessing new projects and opportunities within accounts where we have a beachhead position and increasing the number of addressable opportunities.

Pursue strategic transactions

We have explored and may continue to explore strategic acquisitions, mergers or other transactions as a means to improve our competitive position. For example, in February 2023, we completed our merger of equals with Velodyne which helped us to strengthen our financial position, technology portfolio and software offering. While we see significant and growing demand for our products today, we believe such transactions can create more expansive use cases for our products, provide greater access to target markets, improve our operating efficiency, or accelerate our product roadmap.

Manufacturing

We have invested a significant amount of time and resources in streamlining our production process. Our current key manufacturing partners are Benchmark and Fabrinet, with whom we have had established relationships for multiple years. Our optical alignment processes are partially or completely automated, which reduces manufacturing time and increases our production output. Our sensors also undergo application-focused final testing, which allows us to understand the real-world performance of our sensors before they are shipped to customers. We continue to invest in building manufacturing process control systems, which provide real-time production information on the sensors produced in Thailand through integrated data stores and dashboards. This streamlined production process aims at lowering manufacturing costs.

Competition

There is an increasing demand for lidar to help advance automated systems with the intended goal of increasing safety, improving efficiency and enhancing productivity. Lidar's status as a critical sensor in many applications gives us the opportunity to add enhanced value to customers by providing comprehensive solutions. There is increasing adoption of lidar across a wide variety of industries. As a result, we compete against several companies developing lidar solutions for incorporation into these developing applications, some of which may be similar to ours. Our competitors may include and are not limited to: AEye, Aeva Inc., Cepton Technologies, Innoviz Technologies, Hesai Technology, Luminar Technologies, MicroVision, Pepperl+Fuchs, Quanergy, RoboSense, Seyond, and SICK.

Additionally, some of our targeted customers may have their own internal lidar development programs. Our software products may also compete against companies that provide standalone software solutions. Although we believe our line of products and innovation support position us as a leader in the lidar market, we will continue to face competition from existing, established market competitors with greater resources and new companies developing lidar solutions.

Sales And Marketing

We maintain a global sales presence across the Americas, Europe, Middle East and Asia-Pacific markets. We sell directly to the majority of our customers and have also developed a global network of active distributors to sell, install and support our solutions. Our commercial team is made up of experienced leaders who have been developing a focused sales organization geared towards ramping our sales pipeline. We continue to maintain a robust sales and marketing team to meet the demands of our existing customers and expect to expand our sales efforts to attract new customers. We plan to continue to expand and optimize our dealer network to ensure that we have sufficient geographic coverage across both existing and new markets.

We take a targeted marketing approach to each of our four focused markets. We develop and publish digital content designed to educate our audience on how to use Ouster's products, and selectively use other channels and advertising methods to attract customers. We leverage opportunities to present and speak at market-specific conferences, executive events, trade shows and industry events to further develop our brand and reputation. These opportunities also allow us to showcase our technology and attract additional customer interest. Through customer feedback, industry events and strategic relationships, we continue to identify the evolving needs of our customers and, as a result, develop new and improved solutions. In addition, we have a robust social media presence and are investing in various digital marketing strategies and tools to further reach customers as well as build our brand. From time to time, we sponsor universities and other non-profit organizations to increase awareness of our technology and showcase its capabilities.

Research and Development

We have invested significant resources into research and development of our lidar-based technologies. We believe our ability to maintain a leadership position depends in part on our ongoing research and development activities.

Our research and development activities are primarily based in San Francisco, California; Ottawa, Canada; and Edinburgh, Scotland. Our research and development team is responsible for the design, development, manufacturing and testing of our products. We focus our efforts on the development of digital lidar technology, software functionality, solutions, and innovative manufacturing technologies. The research and development team also partners with our operations and supply chain teams to develop scalable and reliable manufacturing processes and aid in supply chain planning and diversification. Our team consists of engineers, technicians, scientists, operators and professionals with experience from a wide variety of the world's leading sensing, engineering, consumer electronics, and automotive organizations.

Government Regulation

While the U.S. has historically provided a positive legal landscape that allows safe testing and development of autonomous features, with nuances that vary from state to state, we are subject to the non-exhaustive list of regulations set forth below.

As a lidar technology company, we are subject to the Electronic Product Radiation Control Provisions of the Federal Food, Drug, and Cosmetic Act. These requirements are enforced by the U.S. Food and Drug Administration ("FDA"). Electronic product radiation includes laser technology. Regulations governing these products are intended to protect the public from hazardous or unnecessary exposure. Manufacturers are required to certify in product labeling and report to the FDA that their products comply with applicable performance standards as well as maintain manufacturing, testing and distribution records for their products. Furthermore, we are also subject to similar internationally harmonized standards and regulations governing the safe use of laser products. Based upon successful evaluations of the applicable laser products, followed by written attestation by international third-party certification agencies, manufacturers are required to create Self Declarations of Compliance ("SDOC") of their products to such regulations, and label their products accordingly.

Our products and solutions are also subject to U.S. and foreign trade and customs product classifications, including the U.S. Export Administration Regulations, U.S. Customs regulations and various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Controls. U.S. export control laws and regulations and economic sanctions prohibit the shipment of certain products and services to countries, governments, and persons targeted by U.S. sanctions.

Similarly, we are also subject to sourcing regulations such as the requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the EU Conflict Minerals Regulation 2017/821, that require us to carefully monitor our supply chain. Adherence to these requirements could adversely affect the sourcing, availability and pricing of the materials that may be used in the manufacture of components used in our products.

Our customers may use our products in applications that are regulated and/or subject to industry standards. Such applications require that our products comply with the applicable regulations and standards, including, but not limited to, functional safety, cybersecurity, product safety and product performance standards. For example, we continue to add features to our existing OS line, and we expect to design, engineer and test our new DF product line, to meet evolving U.S. and international consumer product safety and performance requirements as well as Automotive and Industrial Functional Safety, Cybersecurity and performance certifications designed to ensure the safe deployment and operation of autonomous vehicles, automotive ADAS, industrial machines and robots. Significant foreign markets also continue to develop their own respective standards to define deployment requirements for higher levels of autonomy in these jurisdictions.

Our operations are subject to various international, federal, state and local laws and regulations governing the occupational health and safety of our employees and wage regulations. We are subject to the requirements of the federal Occupational Safety and Health Administration, as amended, ("OSHA"), and comparable international, state and local laws that protect and regulate employee health and safety.

Similar to companies operating in industries similar to ours, we are subject to environmental regulation, including water use, air emissions, use of recycled materials, energy sources, the storage, handling, treatment, transportation and disposal of hazardous materials and the remediation of environmental contamination. Compliance with these laws, rules and regulations may include permits, licenses and inspections of our facilities and products.

Finally, the SEC recently adopted rules that will require companies to provide certain climate-related disclosures. While we are still assessing the scope and impact of this rule given how recently it was adopted, we anticipate that this rule, as well as other ESG and sustainability-related regulation and legislation, may require us to incur significant additional costs to comply, including the implementation of significant additional internal controls and impose increased oversight obligations on our management and board of directors.

Human Capital

As of December 31, 2023, we employed 202 people on a full-time basis in the United States and 88 people on a full-time basis internationally, either directly through our international subsidiaries or through a professional employer organization. We also engaged a certain number of consultants and independent contractors to supplement our permanent workforce. None of our employees are currently represented by a labor union or covered by collective bargaining agreements. We believe we have strong and positive relations with our employees.

Diversity, Inclusion and Belonging. To attract, motivate and retain a highly-skilled workforce throughout our organization, we are focused on facilitating a safe and inclusive work environment that leverages the capabilities of our employees and encourages diversity of thought. In furtherance of these objectives, we provide Diversity, Inclusion, and Belonging training for our employees to promote a healthy and inclusive organizational culture.

Employee engagement. We prioritize employee engagement and value employee feedback, which we gauge through an annual employee engagement survey that helps us monitor both engagement and satisfaction and provides an additional reference point for evaluating initiatives aimed at enhancing our employees' experience.

Compensation and Benefits. We offer what we consider attractive compensation and benefit packages, which may include depending on location and eligibility, annual bonuses, paid time-off, 401(k) and Company match (subject to the IRS annual limit), stock awards, employee stock purchase plans, health and wellness programs and other benefits. Our long-term equity compensation is intended to align management interests with those of our stockholders and to encourage the creation of long-term value.

Additional Information

Our Internet address is <https://ouster.com>. At our Investor Relations website, <https://investors.ouster.com>, we make available free of charge a variety of information for investors, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports, as soon as reasonably practicable after we electronically file that material with or furnish it to the SEC. Our filings with the SEC can also be accessed through the SEC's website at <http://www.sec.gov>. Our website and the information included in or linked to our website are not part of this Annual Report on Form 10-K or any other report we file with, or furnish to, the SEC.

Item 1A. Risk Factors

Our business involves significant risks and uncertainties, some of which are described below. You should carefully consider the risks and uncertainties described below, together with all of the other information contained in this Annual Report on Form 10-K. The realization of any of these risks and uncertainties could have a material adverse effect on our reputation, business, financial condition, results of operations, growth and future prospects as well as our ability to accomplish our strategic objectives. In that event, the market price of our common stock could decline and you could lose part or all of your investment.

Risks Related to Our Business and Industry

Our limited operating history makes it difficult to evaluate our future prospects and the risks and challenges we may encounter.

Our company has a limited operating history, having been in operation since 2015. Our limited operating history makes it difficult for us to evaluate our future prospects. Certain factors that could alone or in combination prevent us from successfully commercializing our products include:

- our reliance on third parties to manufacture our products or supply significant parts needed for our production process;
- our ability to establish and maintain successful relationships with our manufacturers and suppliers;
- our ability to tailor our commercial production depending on scale and on a cost-effective basis in a timely manner;
- our ability to successfully expand our product offerings;
- our ability to develop and protect intellectual property;
- our ability to gain market acceptance of our products with customers and maintain and expand customer relationships;
- the adaptability of our products and the ability of our customers to integrate our products into their products in a timely and effective manner;
- the actions of direct and indirect competitors that may seek to enter the markets in which we expect to compete or that may seek to impose barriers to one or more markets that we intend to target;
- the long-lead time for development of market opportunities, for which we are only at an early stage of development;
- our ability to forecast our revenue, budget, and manage our expenses;
- our ability to comply with existing and new or modified local laws and regulations applicable to our business, or laws and regulations applicable to our customers for applications in which they may use our products;
- our ability to plan for and manage capital expenditures for our current and future products, and manage our supply chain and supplier relationships related to these current and future products;
- our ability to anticipate and respond to macroeconomic changes and changes in the markets in which we operate and expect to operate;
- our ability to maintain and enhance the value of our reputation and brand;
- our ability to effectively manage our growth and business operations; and
- our ability to recruit and retain talented people at all levels of our organization.

If we fail to understand fully or adequately address the challenges that we are currently encountering or that we may encounter in the future, including those challenges described here and elsewhere in this Part I, Item 1A. “Risk Factors,” our business, financial condition and results of operations could be adversely and materially affected. If the risks and uncertainties that we plan for when operating our business are incorrect or change, or if we fail to manage these risks successfully, our results of operations could differ materially from our expectations and our business, financial condition and results of operations could be adversely affected.

Our future results will suffer if we do not recognize anticipated synergies, effectively manage the expanded operations or successfully integrate the businesses of Velodyne.

Our future success will depend, in part, upon our ability to manage the expanded business, including challenges related to the management and monitoring of new operations and associated increased costs and complexity associated with the Velodyne Merger and other mergers. If we are not able to successfully complete integrations in an efficient and cost-effective manner, the anticipated benefits of this merger may not be realized fully, or at all, or may take longer to realize than expected, and the value of our common stock may be affected adversely. An inability to realize the full extent of the anticipated benefits of the Velodyne Merger, as well as any delays encountered in the integration processes, could have an adverse effect on our business, financial condition or results of operations. In addition, the actual integrations may result in additional and unforeseen expenses, including increased legal, accounting and compliance costs.

We have incurred significant losses to date and may never achieve or sustain profitability.

We have experienced net losses in each year since our inception. In the years ended December 31, 2023 and 2022, we incurred net losses of \$374.1 million and \$138.6 million, respectively. We expect to continue to incur losses for the foreseeable future as we expand our product offering and continue to scale our commercial operations and research and development program. As of December 31, 2023, we had an accumulated deficit of \$816.0 million. Even if we are able to increase the sales of our products, there can be no assurance that we will be profitable.

We expect we will continue to incur significant losses for the foreseeable future as we:

- hire additional personnel, as needed, to support investments in research and development (“R&D”), in order to develop technology and related software and to support the compliance needs in connection with being a public company;
- increase our sales and marketing functions, including expansion of our customer support and distribution capabilities;
- continue to integrate the operations of Velodyne following our recent merger; and
- expand operations and manufacturing.

If our products do not achieve sufficient market acceptance, we will not become profitable. If we fail to become profitable, or if we are unable to fund our business we may be unable to continue our operations. There can be no assurance that we will ever achieve or sustain profitability.

We expect to incur substantial R&D costs and devote significant resources to developing and commercializing new products, which could significantly affect our ability to become profitable and may not result in revenue to us. Any delay or interruption of the development and commercialization of new products may adversely affect our existing business and prospects for securing future business.

Our future growth depends on penetrating new markets, adapting existing products to new applications and customer requirements, and introducing new and effective products at an opportune time that may then achieve market acceptance. To remain competitive, we continue to develop new products and expand our existing product offerings. For instance, in October 2022, we announced our newest OS series scanning sensor, REV7, powered by its next-generation L3 chip. REV7 features the all-new OSDome sensor, as well as upgraded OS0, OS1, and OS2 sensors that deliver double the range, enhanced object detection, increased precision and accuracy, and greater reliability. introduced the market. In January 2023, we announced the release of our software, Ouster Gemini, a cloud-backed digital lidar perception platform for crowd analytics, security, and intelligent transportation systems. Ouster Gemini offers the ability to detect, classify, and track moving objects in real-time using the 3D data from a single or multiple fused Ouster lidar sensors. In connection with REV7, Ouster Gemini, and future releases, we expect to incur substantial, and potentially increasing, R&D costs. Our R&D expenses were \$91.2 million and \$64.3 million during the years ended December 31, 2023 and 2022, respectively, and are likely to grow in the future, particularly as a result of the Velodyne Merger. Because we account for R&D as an operating expense, these expenditures will adversely affect our results of operations in the future.

Further, our R&D program may be delayed and may not produce timely results. If we cannot produce successful results in time to accommodate customers’ or potential customers’ development timelines, we may lose business. If we are unsuccessful in introducing these products in accordance with our product launch plans or any publicly announced launch dates, it may be injurious to our reputation and brand and adversely affect our ability to be competitive in our four target markets and potential new markets. In launching such products, we may face foreseen and unforeseen difficulties that adversely affect such commercialization and could have a material adverse effect on our operations and business. Additionally, the success of our competitors’ R&D efforts, including producing higher performing products or providing products competitive to our new products to our customers before us, may result in loss of business to us.

The promise of new products and successful R&D may even decrease our expected and actual revenue attributable to existing products, as historically, customers have delayed or cancelled outstanding purchasing commitments for certain products in anticipation of the release of new generation products from the Company. There is no guarantee that these delays and cancellations will not occur again in the future as we develop, announce and commercialize new products like our DF solid-state lidar sensor or our complementary software solutions.

If we are unable to overcome our limited sales history and establish and maintain confidence in our long-term business prospects among customers in our target markets or if our revenue opportunity does not materialize into sales and revenue, then our financial condition, operating results, business prospects and access to capital may suffer materially.

Our company has a limited sales history, as we only commenced selling our first revenue grade products in late 2018. Because of our limited sales history, we have limited experience managing and growing our relationships with existing customers and securing new customers in our target industries.

Our relationships with many of our existing customers are limited as they may not be prepared to select Ouster as a long-term supplier given our limited operating and sales history. To establish preliminary relationships with certain customers and to build their confidence, we have entered, and may continue to enter, into evaluation agreements, spot buy purchase orders, non-binding letters of intent, and strategic customer agreements. These agreements are largely non-binding, do not include any minimum obligation to purchase any quantities of any products at this time, and do not require that the parties enter into a subsequent definitive, long-term, binding agreements; however, these preliminary agreements assist the Company in building confidence with customers if we are able to effectively perform and otherwise maintain positive relationships with them. If we are unable to build confidence with our existing customers, either through these preliminary agreements (due to any failure to enter into or perform under the agreements) or otherwise, or if we are unable to secure opportunities from these non-binding agreements, including those involving strategic customers, we may be unable to produce accurate forecasts or become profitable.

Our new customers, or customers that we inherited from the Velodyne Merger, may be less confident in us and less likely to purchase our products because of a lack of awareness about our products. They may also not be convinced that our business will succeed because of the absence of an established sales, service, support, and operating history. To address this, we must, among other activities, grow and improve our marketing capability and brand awareness, which may be costly. These activities may not be effective or could delay our ability to capitalize on the opportunities that we believe are suitable to our technology and products and may prevent us from successfully commercializing our products.

To build and maintain our business, we must maintain confidence in our products, long-term financial viability and business prospects. Failure to establish and maintain customer confidence may also adversely affect our reputation and business among our suppliers, analysts, ratings agencies, stockholders and other interested parties.

Our operating results may fluctuate significantly, which makes our future operating results difficult to predict and could cause our operating results to fall below expectations or any guidance we may provide and could cause our stock price to fluctuate or decline.

Our quarterly and annual operating results may fluctuate significantly, which makes it difficult for us to predict our future operating results. Our financial results may fluctuate as a result of a variety of factors, including:

- the timing of ultimate end market and customer adoption of our products and particular versions of our products;
- the varying length of production cycles for our customers to integrate our products into their broader platforms;
- supply chain constraints and considerations and impacts on our costs of goods sold, such as shortages of semiconductor chips;
- our product mix and average selling prices, including negotiated selling prices and long-term customer agreements;
- the cost of raw materials or supplied components critical for the manufacture of our products;
- the timing and cost of, and level of investment in, research and development relating to our digital lidar technology and related software;
- developments involving our competitors;
- changes in governmental regulations affecting us or applications in which our customers use our products or software;
- future accounting pronouncements or changes in our accounting policies;
- the impact of epidemics or pandemics, including current or future business disruption and related financial impact resulting from the global COVID-19 health crisis;

- adverse litigation, judgments, settlements or other litigation-related costs, or claims that may give rise to such costs; and
- general market conditions and other factors, including factors unrelated to our operating performance or the operating performance of our competitors.

Many of these factors are outside of our control and may not accurately reflect the underlying performance of our business. The individual or cumulative effects of factors discussed above could result in large fluctuations and unpredictability in our quarterly and annual operating results. As a result, comparing our operating results on a period-to-period basis may not be meaningful.

This variability and unpredictability could also result in our failing to meet the expectations of industry or financial analysts or investors for any period. If our revenue or operating results fall below the expectations of analysts or investors or below any guidance we may provide, or if the guidance we provide is below the expectations of analysts or investors, the price of our common stock could decline substantially. Such a stock price decline could occur even if our performance is consistent with any previously publicly stated guidance.

Our revenue and margins could be adversely affected if we fail to maintain competitive average selling prices, high sales volumes, and/or fail to reduce product costs.

Cost-cutting initiatives adopted by our customers often place increased downward pressure on our average selling prices. We also expect that any long term or high-volume agreements with customers may require step-downs in pricing over the term of the agreement or, if commercialized, over the period of production. We strive to keep our average selling price competitive and expect to achieve profitability by maintaining competitive average sales prices and through continually lower product costs. Our average selling price may be driven down by customer-specific selling price fluctuations such as non-standard discounts on large volume purchases. These lower average selling prices on large volume purchases may cause fluctuations in revenue and gross margins on a quarterly and annual basis and ultimately adversely affect our profitability. We have experienced and may in the future experience declines in the average selling prices of our products generally as our customers seek to commercialize autonomous systems at prices low enough to achieve market acceptance and as our competitors continue to produce and commercialize lower cost competing technologies. To achieve profitability and maintain margins, we will also need to continually reduce product and manufacturing costs. Reductions in product and manufacturing costs are principally achieved by scaling our production volumes and through step changes in manufacturing and continued engineering of the most cost-effective designs for our products. Further, as we continue to provide support for REV6, we anticipate downward pressure on our margins. In addition, we must continuously drive initiatives to reduce labor cost, improve worker efficiency, reduce the cost of materials and further lower overall product costs by carefully managing component prices, inventory and shipping cost. We need to continually increase sales volume and introduce new, lower-cost products in order to maintain our overall gross margin. If we are unable to maintain competitive average selling prices, increase our sales volume or successfully introduce new, low-cost products, our revenue and overall gross margin will likely decline.

We compete against established market participants that have substantially greater resources than us and against known and unknown market entrants who may disrupt our target markets.

Our target markets are highly competitive and we may not be able to compete effectively in the market against these competitors. Competitors may offer lidar products at lower prices than ours, including pricing that we believe is below their cost, or may offer superior performing lidar products. These companies also compete with us indirectly by attempting to solve some of the same challenges with different technology. Established competitors in the market for lidar sensors have significantly greater resources and more experience than we do. These competitors have commercialized lidar technology that has achieved market adoption, strong brand recognition and may continue to improve in both anticipated and unanticipated ways. They may also have entered into commercial relationships with key customers and have built relationships and dependencies between themselves and those key customers.

In addition to current market competitors, new competitors may enter the lidar market or create products that function as an alternative to lidar, which may disrupt the commercial landscape of our target markets in ways that we may not be able to adapt to adequately or in a timely fashion. The already competitive landscape of the lidar market, including both foreseeable and unforeseeable entries of competitors and lidar technology from those competitors in our target markets, along with the potential emergence of new non-lidar solutions, may result in downward pricing pressure, reduced margins and may impede our ability to increase the sales of our products or cause us to lose market share, any of which will adversely affect our business, results of operations and financial condition.

We target many customers that are large corporations with substantial negotiating power and exacting product standards. If we are unable to sell our products to these customers, our prospects and results of operations will be adversely affected.

Many of our current and potential customers are large corporations that often possess significant leverage over their suppliers, and can successfully demand contract terms favorable to themselves, such as reserving the right to terminate their supply contracts for convenience. The disparities in negotiating power between us and larger corporations have required, and may require in the future, that we accept less favorable contract terms. These large corporations also have exacting technical specifications and requirements that we have been unable to, and may continue to be unable to, meet, thereby precluding our ability to secure sales. Meeting the technical requirements to secure and maintain significant contracts with any of these companies will require a substantial investment of our time and resources, and if we fail to comply with our customers' technical specifications and standards, we may lose existing and future business. Even when we succeed in securing contracts, these large companies have required, and may require in the future, evolving technical specifications for our products and may terminate our agreement or make a later determination that our products are not satisfactory, and even set a standard for the industry that we may not be able to meet. We therefore have no assurance that we can establish relationships with these companies, that our products will meet the needs of these or other companies, or that a contract with these companies will culminate in significant or any product sales.

Furthermore, in some instances, these large companies may have internally developed products and solutions that are competitive to our products. These companies may have substantial research and development resources, which may allow them to acquire or develop independently, or in partnership with others, competitive technologies. Such activities may foreclose significant sales opportunities for our products.

If our products are not selected for inclusion in our target markets, our business will be materially and adversely affected.

Although our products are designed for use in multiple markets, each of our target or new markets may have unique features and demands. If we are unsuccessful in meeting this demand, it may affect our entrance into these target or new markets which could adversely affect our future results of operations.

Our products are used in a wide variety of existing and emerging use cases in the industrial market, where our target customers are generally engaged in the manufacturing, operation, or after-market modification of heavy industrial machinery. These customers tend to be large companies that move slowly to larger scale production, often with years-long timelines. If our products are not chosen for deployment in these projects, or we lose a program under any circumstances, we may not have an opportunity to obtain that business again for many years. Industrial automation is a demanding industry with product specifications that our products may not always meet.

Our products also are used in a wide variety of existing and emerging use cases in the smart infrastructure market, which generally consists of public bodies and private commercial businesses engaging in the monitoring and analysis of pedestrian and vehicle movements for the purpose of providing building security, improving road user safety, and increasing roadway efficiency. This is still a nascent market, and while this industry is experimenting with the use of lidar in these applications, our customers may decide that lidar is not a viable solution for a variety of reasons, including price points, interoperability, and integration of lidar sensors. Customers in this market are often local governments, such as city governments, which may be subject to political pressures, and may not control their own budgets. For example, programs could be cancelled due to legislative action that is out of a local government's control.

Our products also may be purchased by automotive OEMs and their suppliers in connection with their design and development of autonomous driving and ADAS technology. These programs are time and resource intensive, requiring thousands of man hours and several years. Automotive OEMs and suppliers undertake extensive testing or qualification processes prior to placing orders for large quantities of products such as ours, because such products will function as part of a larger system or platform and must meet other specifications. We spend significant time and resources to pursue the business of having our products selected by automotive OEMs and their suppliers for use in the manufacture of a particular vehicle model. If we are not chosen to supply products to Tiers 1s, OEMs may be less inclined to select our products for a particular vehicle model, which could turn into a lost opportunity to supply our products to this automotive OEM for a period of several years. If our products are not selected by an automotive OEM or its suppliers for one vehicle model or if our products are not successful in that vehicle model, it is less likely that our products will be deployed in other vehicle models of that OEM. If we fail to win a significant number of vehicle models from one or more of automotive OEMs or their suppliers, our business, results of operations and financial condition may be adversely affected.

Our products also are used in a wide variety of existing and emerging use cases in the robotics market, in which our customers are generally engaged in the design, production, operation, or after-market modification of small mobile unmanned vehicles, which includes wheeled robots, legged robots, and drones. This is a competitive market that often has

strict functional and pricing requirements for products. If we are unable to make products that meet these requirements, or sell products at the required price point, we could lose this business to competitors or competitive technologies. There are diverse and potentially conflicting requirements across the robotics industry that may force us to prioritize certain segments over others, resulting in a lower total available market. Our target markets involve risks of program delay, loss, and cancellation.

The complexity of our products could result in unforeseen delays or expenses from undetected defects, errors or reliability issues in hardware or software which could reduce the market adoption of our new products, damage our reputation with current or prospective customers, expose us to product liability and other claims and adversely affect our operating costs.

Our products are highly technical and very complex and require high standards to manufacture and have in the past and will likely in the future experience defects, errors or reliability issues at various stages of development. We may be unable to timely release new products, manufacture existing products, correct problems that have arisen or correct such problems to our customers' satisfaction. Additionally, undetected errors, defects or reliability issues, especially as new products are introduced or as new versions are released, could result in serious injury to the end users of technology incorporating our products, or those in the surrounding area, our customers never being able to commercialize technology incorporating our products, litigation against us, negative publicity and other consequences. These risks are particularly prevalent in the autonomous driving and ADAS markets. Some errors or defects in our products may only be discovered after they have been tested, commercialized and deployed by customers. If that is the case, we may incur significant additional development costs and product recall expenses, repair and/or replacement costs. These problems may also result in claims, including class actions, against us by our customers or others. Our reputation or brand may be damaged as a result of these problems and customers may be reluctant to buy our products, which could adversely affect our ability to retain existing customers and attract new customers and could adversely affect our financial results.

In addition, we could face material legal claims for breach of contract, product liability, fraud, tort or breach of warranty as a result of these problems. Defending a lawsuit, regardless of its merit, could be costly and may divert management's attention and adversely affect the market's perception of us and our products. In addition, our business liability insurance coverage could prove inadequate with respect to a claim and future coverage may be unavailable on acceptable terms or at all. These product-related issues could result in claims against us and our business could be adversely affected.

Our customers use our solutions in autonomous driving and ADAS applications, which present the risk of significant injury, including fatalities. We may be subject to claims if a product using our lidar technology is involved in an accident and persons are injured or purport to be injured. Any insurance that we carry may not be sufficient or it may not apply to all situations. Similarly, our customers could be subjected to claims as a result of such accidents and bring legal claims against us to attempt to hold us liable. In addition, if lawmakers or governmental agencies were to determine that the use of our products or autonomous driving or certain ADAS applications increased the risk of injury to all or a subset of our customers, they may pass laws or adopt regulations that limit the use of our products or increase our liability associated with the use of our products or that regulate the use of or delay the deployment of autonomous driving and ADAS technology. Any of these events could adversely affect our brand, relationships with customers, operating results or financial condition.

We may incur significant direct or indirect liabilities in connection with our product warranties which could adversely affect our business and operating results.

We typically offer a limited product warranty that requires our products to conform to the applicable specifications and be free from defects in materials and workmanship for one to two years. As a result of increased competition and changing standards in our target markets, we may be required to increase our warranty period length and the scope of our warranty. To be competitive, we may be required to implement these increases before we are able to determine the economic impact of an increase. Accordingly, we may be at risk that any such warranty increase could result in foreseeable and unforeseeable losses for the Company.

In particular, the usage of our products by target customers could make us liable for warranty claims and pecuniary and reputational damages. In our target markets, our products may be placed in physical locations and environments that present harsh operating conditions, or that present a risk of product damage due to accidents or vandalism. This may result in more product failures than we anticipate, and may require us to provide warranties for our products beyond our knowledge of their performance. This could increase the rate of customer returns and warranty claims, resulting in higher-than-expected operating costs for us. Product failures may also affect market acceptance of our products and our ability to win future business. Any negative publicity related to the perceived quality of our products could affect our brand image, partner and customer demand, and adversely affect our operating results and financial condition.

We may require additional capital in order to execute our business plan, which may not be available on terms acceptable to us, or at all.

We may require additional capital in order to execute on our business plan, and we may require additional capital to fund our R&D efforts and to respond to technological advancements, competitive dynamics or technologies, customer demands, business opportunities, challenges, acquisitions or unforeseen circumstances and we may determine to utilize our “at-the-market” offering program or engage in equity or debt financings or enter into credit facilities for other reasons. In order to stay on our growth trajectory and further business relationships with current or potential customers or partners, or for other reasons, we may issue equity or equity-linked securities to such current or potential customers or partners. We may not be able to timely secure additional debt or equity financing on favorable terms, or at all, particularly in an uncertain economic environment. We maintain the majority of its cash and cash equivalents in accounts with major U.S. and multi-national financial institutions, and our deposits at these institutions exceed insured limits. Market conditions can impact the viability of these institutions. In the event of failure of any of the financial institutions where we maintain our cash and cash equivalents, there can be no assurance that we would be able to access uninsured funds in a timely manner or at all. Any inability to access or delay in accessing these funds could adversely affect our business and financial position.

If we raise additional funds through the issuance of equity or convertible debt, including through our “at-the-market” offering program, or other equity-linked securities or if we issue equity or equity-linked securities to current or potential customers to further business relationships, our existing stockholders could experience significant dilution. Any debt financing obtained by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited and our business results and operations could be materially and adversely affected.

We face risks related to our indebtedness.

As of December 31, 2023, we had total outstanding debt of \$44.0 million under our credit agreement with UBS Bank USA and UBS Financial Services Inc. We may incur additional indebtedness in the future. This credit agreement contains various covenants and other restrictions as described in Note 6, Debt included in the notes to consolidated financial statements included elsewhere in this Form 10-K. Our leverage could have important consequences to us, including:

- exposing us to the risk of increased interest rates as our borrowings under our current debt facilities are at variable rates;
- making it more difficult for us to make payments on our debt;
- limiting our ability to pay future dividends;
- increasing our vulnerability to downturns in our business, the storage and organization retail industry or the general economy and limiting our flexibility in planning for, or reacting to, changes in our business;
- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our debt, thereby reducing our ability to use our cash flow to fund our operations, capital expenditures, and future business opportunities;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- requiring us to comply with financial and operational covenants including leverage covenants, restricting us, among other things, from placing liens on our assets, making investments, incurring debt, making payments to our equity or debt holders and engaging in transactions with affiliates;
- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions, and general corporate or other purposes;
- preventing us from taking advantage of business opportunities as they arise or successfully carrying out our plans to expand our store base and product offerings; and
- placing us at a competitive disadvantage compared to our competitors who may be less leveraged.

Consequences of this indebtedness may require a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our debt, thereby reducing our ability to use our cash flow to fund operations, capital expenditures, and future business opportunities. If we cannot generate sufficient cash flow from operations to service our debt, we may need to refinance our debt, dispose of assets or issue equity to obtain necessary funds. We do not know whether we would be able to take any of these actions on a timely basis, on terms satisfactory to us, or at all. A failure by us or our subsidiaries to comply with the agreements governing our indebtedness could result in an event of default under such indebtedness, which could adversely affect our ability to respond to changes in our business and manage our operations. Upon the occurrence of an event of default under any of the agreements governing our indebtedness, the lenders could elect to declare all amounts outstanding to be due and payable and exercise other remedies as set forth in the

agreements. If any of our indebtedness were to be accelerated, there can be no assurance that our assets would be sufficient to repay this indebtedness in full, which could have a material adverse effect on our ability to continue to operate as a going concern.

Market adoption of lidar remains uncertain, and it is difficult to forecast long-term end-customer adoption rates and demand for our products.

Substantially all of our revenue is generated by the sale of our digital lidar sensors. Given the evolving nature of the markets in which we operate, it is difficult to predict the customer demand or adoption rates for lidar technology generally or our products specifically. If demand does not develop or if we cannot accurately forecast customer demand, our future financial results, business, results of operations and financial condition will be adversely affected. If current or prospective customers have a negative perception of, or experience with, lidar or a competitor's lidar products they may be reluctant to adopt lidar in general or specifically our products. Any negative publicity, regardless of its accuracy, could materially and adversely affect our business.

Additionally, existing or new non-lidar technologies may emerge as customers' preferred alternative to lidar and may adversely affect the adoption of our lidar solutions and of lidar generally. Significant developments in alternative technologies, such as cameras and radar, may materially and adversely affect our business, prospects, financial condition and operating results in ways we do not currently anticipate. Any failure by us or the lidar market generally to develop new or enhanced technologies or processes, or to react to changes in existing technologies, could adversely affect the adoption of lidar and sales of our current products or materially delay the development and introduction of new and enhanced products, which could result in the loss of competitiveness of our products, decreased revenue and a loss of market share to competitors.

We are pursuing opportunities in markets that involve novel applications that are rapidly evolving, and that include both technological and regulatory uncertainties, making it difficult to predict the size and timing of market opportunities. For example, autonomous driving and lidar-based ADAS applications require complex technology, stringent testing, and rigorous safety controls. Because these automotive systems are both themselves complex, and also depend on complex technologies from many suppliers, commercialization of autonomous driving or ADAS products could be delayed or impaired on account of technological capabilities that are not sufficiently advanced for deployment in vehicles. These standards may never be met at all. Additionally, ADAS has yet to, and may never, achieve widespread adoption, which would reduce demand for lidar in that market. Similar concerns are also applicable to our other three verticals.

Although we currently have contracts with numerous commercial customers across diverse markets, these customers may not be able to utilize our technology in the foreseeable future, or at all. Regulatory, safety or reliability developments, many of which are outside of our control, could also cause delays or otherwise impair commercial adoption of these new technologies, which will adversely affect our growth. Our future financial performance will depend on our ability to make timely investments in the correct market opportunities in this environment.

Many of our customers are still in the testing and development phases of applications with our products and it cannot be certain that they will commercialize products or systems with our digital lidar sensors or at all. We believe adoption of lidar products, including our digital lidar sensors, will depend on numerous factors, including: whether the technological capabilities of lidar and lidar-based products meet users' current and evolving needs; whether the benefits of designing lidar into larger sensing systems outweigh the costs, complexity and time needed to deploy such technology or replace or modify existing systems that may have used other modalities such as cameras and radars; whether users in other applications can move beyond the testing and development phases and proceed to commercializing systems supported by lidar technology and whether lidar developers can keep pace with rapid technological changes in certain developing markets. If lidar technology generally does not achieve commercial success or if the market adoption is slower than expected, our business, results of operation and financial condition will be materially and adversely affected.

We may experience difficulties in managing our growth and expanding our operations.

We are experiencing significant growth in the scope and nature of our operations. Our ability to manage our operations and future growth will require us to continue to improve our operational, financial and management controls, compliance programs and reporting systems. We are currently in the process of strengthening our compliance programs, including our compliance programs related to product certifications, quality management systems certifications, environmental certifications, export controls, privacy and cybersecurity and anti-corruption. We may not be able to implement improvements in an efficient or timely manner and may discover deficiencies in existing controls, programs, systems and procedures, which could have an adverse effect on our business, reputation and financial results. Additionally, rapid growth in our business may place a strain on our human and capital resources. Furthermore, we expect to continue to conduct our business internationally and anticipate increased business operations in the United States, Europe, Asia and the Middle East. These diversified, global operations place increased demands on our limited resources and require us to substantially

expand the capabilities of our administrative and operational resources and to attract, train, manage and retain qualified management, technical, manufacturing, engineering, sales and other personnel. As our operations expand domestically and internationally, we will need to continue to manage multiple locations and additional relationships with various customers, partners, suppliers and other third parties across several markets.

We are focusing our current commercial efforts across four distinct target markets. We will be required to prioritize our limited financial and managerial resources as we pursue particular development and commercialization efforts in each target market. Any resources we expend on one or more of these efforts could be at the expense of other potentially profitable opportunities.

If we are not able to effectively maintain or grow our global sales and marketing organization, or maintain or grow an effective network of distributors, resellers, and integrators, our business prospects, results of operations and financial condition could be adversely affected.

In order to generate future sales growth, we will need to maintain or grow the size and geographic coverage of our field organization, including marketing, direct sales, customer support and technical services. Accordingly, our future success will depend largely on our ability to hire, train, retain, and motivate skilled regional sales managers and direct sales representatives with significant technical knowledge and understanding of our products. Because of the competition for their skillset, we may not be able to attract or retain such personnel on reasonable terms, if at all. If we are unable to maintain or grow our global sales and marketing organizations, we may not be able to increase our revenue, which would adversely affect our business, financial condition and results of operations.

Additionally, we rely on a network of independent distributors to help generate sales of our products internationally. If a dispute arises with a distributor or if we terminate our relationship with a distributor or a distributor goes out of business, it may take time to identify an alternative distributor, to train new personnel to market our products, and our ability to sell our products in a region formerly serviced by a terminated distributor could be harmed. In addition, our distributors may not successfully market and sell our products and may not devote sufficient time and resources that we believe are necessary to enable our products to develop, achieve or sustain market acceptance. Any of these factors could reduce our revenue or impair our revenue growth in affected markets, increase our costs in those markets or damage our reputation. In addition, if an independent distributor were to depart and be retained by one of our competitors, we may be unable to prevent that distributor from soliciting business from our existing customers, which could further adversely affect us. As a result of our reliance on third-party distributors, we may be subject to disruptions and increased costs due to factors beyond our control, including labor strikes, third-party errors and other issues. If the services of any of these third-party distributors become unsatisfactory, we may experience delays in meeting our customers' demands and we may be unable to find a suitable replacement on a timely basis or on commercially reasonable terms. Any failure to deliver products in a timely manner may damage our reputation and could cause us to lose potential customers.

Our forecasts of market growth may not be accurate.

Market opportunity estimates and growth forecasts included in this Annual Report on Form 10-K and in our other public disclosures are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The forecasts and estimates relating to the expected size and growth of the markets for lidar-based technology may prove to be inaccurate. Even if these markets experience the forecasted growth, we may not grow our business at similar rates, or at all. Our future growth is subject to many factors, including market adoption of our products, which is subject to many risks and uncertainties. Accordingly, the forecasts and estimates of market size and growth described in this Annual Report on Form 10-K and in our other public disclosures, should not be taken as indicative of our future growth.

Our sales and operations in international markets expose us to operational, financial and regulatory risks.

International sales comprise a significant amount of our overall revenue and while growing our international sales is an important part of our growth strategy, these efforts may not be successful. International operations are subject to a number of other risks, including:

- import and export laws and the impact of tariffs;
- exchange rate fluctuations;
- political and economic instability, war, international terrorism and anti-American sentiment, particularly in emerging markets and the geographic regions affected by the Russia-Ukraine and Israel-Hamas wars;
- potential for violations of anti-corruption laws and regulations, such as those related to bribery and fraud;
- preference for locally branded products, and laws and business practices favoring local competition;
- increased difficulty in managing inventory;

- increased risk in collecting trade receivables;
- delayed revenue recognition;
- less effective protection and/or lack of enforceability of intellectual property;
- stringent regulation of the autonomous or other systems or products using our products and stringent consumer protection and product compliance regulations, including but not limited to General Data Protection Regulation in the European Union, European competition law, the Restriction of Hazardous Substances Directive, the Waste Electrical and Electronic Equipment Directive and the European Ecodesign Directive that are costly to comply with and may vary from country to country;
- difficulties and costs of staffing and managing foreign operations;
- changes in local tax and customs duty laws or changes in the enforcement, application or interpretation of such laws; and
- U.S. government's restrictions on certain technology transfer to certain countries of concern.

The occurrence of any of these risks could negatively affect our international business and consequently our business, operating results, and financial condition.

We are subject to the risk of cancellation or postponement of our contracts with customers or the unsuccessful implementation of our products, which may adversely affect our business, results of operations and financial condition.

We have experienced, and may experience in the future, unexpected cancellations of major purchases of our products, which has affected and may adversely affect our results of operations. Prospective customers across our target markets generally must make significant commitments of resources to test and validate our products and confirm that they can be integrated with other technologies before including them in any particular system, product or model. Our products must meet customer specifications for quality, reliability and performance. Integration of our products may reveal errors, defects or incompatibilities with other sensing modalities that, if we are unable to correct them, may result in loss of customers, loss of market share, damage to our brand and reputation, increased service and replacement costs, lack of profitability, and constitute a hindrance to market acceptance. Although our agreements may contain provisions that aim at limiting our liability for damages resulting from defects in our products, such limitations and disclaimers may not be enforceable or otherwise effectively protect us from such claims, and we may have to indemnify our customers against liabilities arising from defects in our products or in their solutions that incorporate our products. These liabilities may also include costs incurred by our channel partners or end users to correct problems or replace our products, which could adversely affect our operating results and business prospects. These inherent operational risks are all the more important that the development cycles of our products with new customers vary widely depending on the application, market, customer and the complexity of the product. In our four target markets, development cycles can be six months to seven or more years. These development cycles require us to invest significant resources prior to realizing any revenue from the commercialization. Our revenue growth may be impaired if the system, product or vehicle model that includes our digital lidar sensors is unsuccessful, including for reasons unrelated to our technology or software. Long development cycles and product cancellations or postponements may adversely affect our business, results of operations and financial condition.

If we do not adequately manage our inventory, we could lose sales or incur higher inventory-related expenses, which could negatively affect our operating results.

To ensure adequate inventory supply, we forecast inventory needs and expenses, place orders sufficiently in advance with our suppliers and manufacturing partners and manufacture products based on our estimates of future demand for particular products. Fluctuations in the adoption of lidar products may affect our ability to forecast our future operating results, including revenue, gross margins, cash flows and profitability. Our ability to accurately forecast demand for our products could be affected by many factors, including the rapidly changing nature of our current target markets, the uncertainty surrounding the market acceptance and commercialization of lidar technology, the emergence of new markets, an increase or decrease in customer demand for our products or for products and services of our competitors, product introductions by competitors, the COVID-19 pandemic, other epidemics and public health crises, and any associated work stoppages or interruptions, unanticipated changes in general market conditions and the weakening of economic conditions or consumer confidence in future economic conditions. We may face challenges acquiring adequate supplies to manufacture our products and we, Benchmark and Fabrinet may not be able to manufacture our sensors at a rate necessary to satisfy the levels of demand, which would negatively affect our short-term and long-term growth. This risk may be exacerbated by the fact that we may not carry or be able to obtain from our suppliers a significant amount of inventory to satisfy short-term demand increases. If we fail to accurately forecast customer demand, we may experience excess inventory levels or a shortage of products available for sale, which has forced us to record inventory write-downs in the past

Inventory levels in excess of customer demand have resulted and may in the future result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which would adversely affect our financial results,

including our gross margin, and have a negative effect on our brand. Conversely, if we underestimate customer demand for our products, we may not be able to deliver products to meet our requirements, and this could result in damage to our brand and customer relationships and adversely affect our revenue and operating results.

We are exposed to the risk of write-downs on the value of our inventory and other assets, in addition to purchase commitment cancellation risk.

We record a write-down for product and component inventories that have become obsolete or exceed anticipated demand, or for which cost exceeds net realizable value. We also accrue necessary cancellation fee reserves for orders of excess products and components. We review long-lived assets, including capital assets held at our suppliers' facilities, for impairment whenever events or circumstances indicate the assets may not be recoverable. If we determine that an impairment has occurred, we record a write-down equal to the amount by which the carrying value of the asset exceeds its fair value. No assurance can be given that we will not incur write-downs, fees, impairments and other charges given the rapid and unpredictable pace of product obsolescence in the industries in which we compete.

We order components for our products and build inventory in advance of product manufacturing and shipments. Manufacturing purchase obligations cover our forecasted component and manufacturing requirements, typically for periods up to three months. Because our target markets are volatile, competitive and subject to rapid technology and price changes, and because we have limited sales history, there is a risk we will forecast incorrectly and order or produce excess or insufficient amounts of components or products, or not fully utilize our firm purchase commitments.

Our business could be materially and adversely affected if our customers become unable to, or otherwise do not, pay their invoices.

If one or more of our major customers is unable to pay our invoices as they become due or a customer simply refuses to make such payments if it experiences financial difficulties, our business would be adversely affected. If a major customer were to enter into bankruptcy proceedings or similar proceedings whereby contractual commitments are subject to stay of execution and the possibility of legal or other modification, we could be forced to record a substantial loss. Additionally, a number of our customers are startup companies, small and mid-sized businesses, that are privately funded, have limited resources, and do not have a history of creditworthiness that we can audit to determine reliability and increase the potential risk to record potential losses. These companies could fail to raise enough capital and have to shut down operations. Even if they are financially solvent and stable and we are successful in securing a commercial relationship with them, their business plans for future programs may be inherently uncertain and unpredictable, and less structured than established companies.

We are exposed to credit risk on our trade accounts receivable, supplier non-trade receivables and prepayments related to long-term supply agreements, and this risk is heightened during periods when economic conditions worsen.

We sell our products directly to small and mid-sized businesses and educational customers. Our outstanding trade receivables are not covered by collateral, third-party bank support or financing arrangements, or credit insurance. Our exposure to credit and collectability risk on our trade receivables is higher in certain international markets and our ability to mitigate such risks may be limited. We also have unsecured supplier non-trade receivables resulting from purchases of components by outsourcing partners and other vendors that manufacture sub-assemblies or assemble final products for us. In addition, from time to time, we may make prepayments associated with long-term supply agreements to secure supply of inventory components. While we are implementing procedures to monitor and limit exposure to credit risk on our trade and supplier non-trade receivables, there can be no assurance such procedures will effectively limit our credit risk and avoid losses.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

It is possible that we will not generate taxable income in time to use our net operating loss carryforwards and certain tax credits before their expiration (if we generate taxable income at all).

In addition, our federal and state net operating loss carryforwards and certain tax credits may be subject to significant limitations under Section 382 and Section 383 of the Internal Revenue Code, respectively, and similar provisions of state law. Under those sections of the Internal Revenue Code, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income or taxes may be limited. In general, an "ownership change" will occur if there is a cumulative change in our ownership by certain significant shareholders that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. We have completed an analysis of Section 382 ownership changes in our stock through February 10, 2023 and have concluded that we have experienced ownership changes that will result in limitations in our ability to use an immaterial amount of tax credit carryforwards. We may experience ownership changes in the future as a result of future transactions in our stock. If it is determined that we

undergo one or more ownership changes in the future, then our ability to utilize our federal and state net operating loss carryforwards or other tax attributes may be limited or eliminated.

Key components in our products come from limited or single source third-party suppliers, and we expect to rely on third parties to manufacture a significant portion of our products for the foreseeable future. Interruptions in our relationships with these third parties could adversely impact our business.

We rely on third-party manufacturers, including Benchmark and Fabrinet, to supply our products. These arrangements are intended to lower our operating costs, but they also reduce our direct control over production and distribution. This diminished control may have an adverse effect on the quality or quantity of products or services, or our flexibility to respond to changing conditions. If Benchmark or any of our third-party component suppliers or logistics and transportation partners experience interruptions, delays or disruptions in supplying their products or services, including by natural disasters, trade restrictions, the global COVID-19 pandemic, other epidemics and public health crises, or work stoppages or capacity constraints, our ability to ship products to distributors and customers may be delayed. In addition, unfavorable economic conditions could result in financial distress among third-party suppliers or manufacturers upon which we rely, thereby increasing the risk of disruption of supplies necessary to fulfill our production requirements and meet customer demands. Additionally, if any of these third parties on whom we rely were to experience quality control problems in their operations and our products do not meet customer or regulatory requirements, we could be required to cover the cost of repair or replacement of any defective products. These delays or product quality issues could have an immediate and material adverse effect on our ability to fulfill orders and could have a negative effect on our operating results. In addition, such delays or issues with product quality could adversely affect our reputation and our relationship with our customers, distributors, value added software resellers, and integrators.

If these third parties experience financial, operational, manufacturing capacity or other difficulties, or experience shortages in required components, or if they are otherwise unable or unwilling to continue to manufacture our products in required volumes or at all, our supply may be disrupted, we may be required to seek alternate manufacturers and we may be required to re-design our products. It would be time-consuming, and could be costly and impracticable, to begin to use new manufacturers, components or designs, and such changes could cause significant interruptions in supply and could have an adverse effect on our ability to meet our scheduled product deliveries and may subsequently lead to the loss of sales. While we take measures to protect our trade secrets, the use of third-party suppliers and manufacturers may also risk disclosure of our innovative and proprietary manufacturing methodologies, which could adversely affect our business.

We believe there are a limited number of competent, high-quality suppliers in the industry that meet our strict quality and control standards, and as we seek to obtain additional or alternative supplier arrangements in the future, there can be no assurance that we would be able to do so on satisfactory terms, in a timely manner, or at all. Our suppliers could also discontinue or modify components used in our products. In some cases, the lead times associated with certain components are lengthy and preclude rapid changes in quantities and delivery schedules. We may in the future experience component shortages and price fluctuations of certain key components and materials, and the predictability of the availability and pricing of these components may be limited. Component shortages or pricing fluctuations could be material in the future. In the event of a component shortage, supply interruption or material pricing change from suppliers of these components, we may not be able to develop alternate sources in a timely manner or at all in the case of sole or limited sources. Developing alternate sources of supply for these components may be time-consuming, difficult, and costly and we may not be able to source these components on terms that are acceptable to us, or at all, which may undermine our ability to meet our requirements or to fill customer orders in a timely manner. Any interruption or delay in the supply of any of these parts or components, or the inability to obtain these parts or components from alternate sources at acceptable prices and within a reasonable amount of time, would adversely affect our ability to meet our scheduled product deliveries to our customers. This could adversely affect our relationships with customers and distributors and could cause delays in shipment of our products and adversely affect our operating results. In addition, increased component costs could result in lower gross margins. Even where we are able to pass increased component costs along to our customers, there may be a lapse of time before it is possible to do so, such that we must absorb the increased cost. If we are unable to buy these components in quantities sufficient to meet our requirements on a timely basis, we will not be able to deliver our products to our customers, and cause our customers to use competitors' products instead of ours.

Should operations at our third-party suppliers, including Benchmark and Fabrinet, encounter disruptions or losses that may be caused by work stoppages, disease outbreaks or pandemics, acts of war, terrorism, fire, earthquakes, flooding or other natural disasters, it could result in delays, postponement or reduce production of our products, which could have a material adverse effect on our business, results of operations and financial condition until such time as such production disruption is resolved or an alternate source of production or supply is secured.

Outsourcing a substantial percentage of our manufacturing outside of the United States involves certain risks or may not be successful, which could harm our ability to deliver products and recognize revenue.

Historically, we manufactured all of our digital sensors at our facility in San Francisco, California. We intend to maintain a portion of our manufacturing at this facility; however, in 2019, we began moving a portion of our manufacturing operations to a manufacturing facility in Thailand in connection with our relationship with Benchmark, which for the year ended December 31, 2023, accounted for the majority of our OS sensor manufacturing output. In 2023, after the merger with Velodyne, we began moving manufacturing operations of Velodyne sensors to a Fabrinet facility in Thailand. Any substantial delay in bringing this facility up to full production on our current schedule may hinder our ability to produce all of the products needed to meet orders and/or achieve our expected financial performance. Opening this facility has required, and will continue to require, additional capital expenditures and the efforts and attention of our management and other personnel, which has and will continue to divert resources from our existing business or operations. If and when this manufacturing facility is brought up to full production according to our current schedule, it may not provide us with all of the operational and financial benefits we expect to receive.

We have invested in manufacturing process equipment which is held at these Thailand facilities, and we may make prepayments to some of our suppliers associated with long-term supply agreements. While these arrangements help ensure the supply of components and finished goods, if our co-manufacturer or suppliers experience severe financial problems or other disruptions in their business, such continued supply would be reduced or terminated, and the recoverability of manufacturing process equipment or prepayments would be negatively impacted.

Additionally, manufacturing outside the United States is subject to several inherent risks, including:

- foreign currency fluctuations;
- local economic conditions;
- political instability;
- import or export requirements;
- foreign government regulatory requirements;
- reduced protection for intellectual property rights in some countries;
- tariffs and other trade barriers and restrictions; and
- potentially adverse tax consequences.

We do not currently have long-term, committed supply contracts with many of our suppliers. Loss of one or more of these suppliers or our inability to identify and establish relationships with new suppliers could harm our business and impede our growth.

Because we do not maintain long-term supply contracts, any of our suppliers could seek to alter or terminate its relationship with us at any time, leaving us with periods during which we have limited or no ability to manufacture our products. The production of our products is dependent on producing or sourcing certain key components, including semiconductor chips, and raw materials at acceptable price levels. If we are unable to adequately reduce and control the costs of such key components, we will be unable to realize manufacturing costs targets, which could reduce the market adoption of our products, damage our reputation with current or prospective customers, and materially and adversely impact our brand, business, prospects, financial condition and operating results.

Adverse conditions in the industries we target or the global economy more generally could have adverse effects on our results of operations.

While we make our strategic planning decisions based on the assumption that the markets we are targeting will grow, our business is dependent, in large part on, and directly affected by, business cycles and other factors affecting the robotics, industrial automation, smart infrastructure, and transportation industries and global economy generally. Our target markets are highly cyclical and depend on general economic conditions and other factors, including consumer spending and preferences, changes in interest rates and credit availability, consumer confidence, inflation, environmental impact, governmental incentives and regulatory requirements, political volatility, labor relations issues, trade agreements and other factors.

For example, general inflation in the United States, Europe and other geographies has risen to levels not experienced in recent decades. General inflation, including rising prices for inputs and rising wages, as well as rising interest rates negatively impact our business by increasing our operating costs. General inflation also negatively impacts our business by decreasing the capital for our customers to deploy to purchase our products. Inflation may cause our customers to reduce or delay orders for our products thereby causing a decrease in sales. Increased instability relating to this higher inflation as well as rising interest rates may enhance volatility in currency exchange rates, limit our suppliers' and customers' access to

credit and limit our ability to access debt and equity financing. These uncertainties may make it difficult for us and our suppliers and customers to accurately plan future business activities and materially adversely impact our operating results and financial condition.

Our future success depends in part on recruiting and retaining key personnel and if we fail to do so, it may be more difficult for us to execute our business strategy. We are currently a small organization and may need to hire additional qualified personnel to effectively implement our strategic plan.

Our success depends on our ability to attract, retain and motivate highly qualified management, technical, manufacturing, engineering and sales personnel. In particular, our success may depend on our ability to recruit and retain management personnel who are qualified to manage a public company. We are highly dependent on our senior management, including our founders, Angus Pacala and Mark Frichtl. If any of such persons left, our business could be harmed. All of our U.S. based employees are “at-will” employees. The loss of the services of one or more of our key employees could delay or have an impact on the successful commercialization of our products. We do not maintain key man insurance.

Our ability to successfully execute on our strategic plan depends in part on our ability to continue to appropriately build our organization and hire qualified personnel, especially with engineering, sales, technical, and manufacturing expertise. Competition for qualified personnel is especially severe in the San Francisco Bay Area. We may not be able to attract and retain qualified personnel on acceptable terms given the competition for such personnel. If we are unsuccessful in our recruitment and retention efforts, it may adversely affect our business and our growth prospects.

In addition, in connection with the closing of the Velodyne Merger, in February 2023, we implemented a reduction in force to reduce redundancies with the acquired business. While positions have been eliminated, certain functions necessary to our operations remain, and we have distributed the duties and obligations of departed employees among our remaining employees. The reduction in workforce could make it difficult for us to pursue, or prevent us from pursuing, new opportunities and initiatives due to insufficient personnel, or require us to incur additional and unanticipated costs to hire new personnel to pursue such opportunities or initiatives. If we are unable to realize the anticipated benefits from the reduction in force, or if we experience significant adverse consequences from the reduction in force, our business, financial condition, and results of operations may be materially adversely affected.

Some of our employees are employed by professional employer organizations which may have unexpected costs that could adversely impact our business.

We contract with non-US professional employer organizations (“PEOs”), to administer our human resources, payroll and employee benefits functions for some of our subsidiaries’ employees outside of the United States. Although we recruit and select these employees, their employment relationship is with the relevant PEO. Accordingly, these employees are compensated through the PEO, are governed by the work policies created by the PEO and receive their annual wage statements and other payroll-related reports from the PEO. In addition, some of these employees may receive stock compensation directly from the Company. The PEO relationship streamlines hiring and employee maintenance, and enables management to focus on issues other than payroll administration, but this relationship also exposes us to some risks. For example, if the PEO is unable to or otherwise fails to adequately withhold or pay employer taxes or to comply with other applicable laws, we may be held liable for such violations notwithstanding any indemnification provisions provided to us by the PEOs. In certain non-US jurisdictions, despite the PEO relationship, there is a risk that the employee may nonetheless be deemed our direct employee and that the Company may be deemed to have a permanent operation in a non-US jurisdiction. Court and administrative proceedings related to matters of employment tax, labor law and other laws applicable to PEO arrangements could distract management from our business and cause us to incur significant expense. If we were held liable for violations by PEOs, such monetary penalties may adversely affect our profitability and could negatively affect our business and results of operations.

We may be unable to successfully integrate our business with Velodyne or realize the expected benefits of the Velodyne Merger on our expected timeframe or at all. In addition, if we choose to acquire or invest in other new businesses, products or technologies, we may be unable to complete these acquisitions or to successfully integrate them in a cost-effective and/or non-disruptive manner.

Our success depends on our ability to enhance and broaden our product offerings in response to changing customer demands, competitive pressures and advances in technologies. Failure to successfully identify, complete, manage and integrate acquisitions could materially and adversely affect our business, financial condition and results of operations and could cause our stock price to decline. We continue to search for viable acquisition candidates or strategic transactions that would expand our market sector and/or global presence, as well as additional products appropriate for current distribution channels. Accordingly, we have previously and may in the future pursue the acquisition of new businesses, products or technologies instead of developing them internally. Our future success will depend, in part, upon our ability to manage the expanded business following these acquisitions, including challenges related to the management and monitoring of new

operations and associated increased costs and complexity associated with such acquisitions. For example, in February 2023, we completed the Velodyne Merger to help us enhance our robust suite of product offerings and software; grow our diverse customer base; increase operational efficiencies; further develop our innovative product roadmap in anticipation for the future needs of the market; reduce our production costs; improve our path to profitability; and strengthen our future financial position. In connection with any acquisitions, we could issue additional equity securities, which would dilute our stockholders, incur substantial debt to fund the acquisitions or assume significant liabilities.

Acquisitions involve many and diverse risks and uncertainties, including risks associated with conduction due diligence, problems integrating the purchased operations, assets, technologies or products, unanticipated costs, liabilities, and economic, political, legal and regulatory challenges due to our inexperience operating in new regions or countries, inability to achieve anticipated synergies, overpaying for acquisitions, invalid sales assumptions underlying potential acquisitions, issues maintaining uniform standards, procedures, controls and policies, diversion of management attention, adverse effects on existing business relationships or acquired company business relationships, risks associated with entering new markets, potential loss of key employees of acquired businesses, increased legal, accounting and compliance costs, and failure to successfully integrate acquired companies, such as Sense or Velodyne, or retain key personnel from the acquired company. Acquisitions may divert our attention from our core business. Acquisitions may require us to record goodwill and non-amortizable intangible assets that will be subject to testing on a regular basis and potential period impairment charges, incur amortization expenses related to certain intangible assets, and incur write offs and restructuring and other related expenses, any of which could harm our operating results and financial condition.

We compete with other companies for these opportunities, and we may be unable to consummate such acquisitions or other strategic transactions on commercially reasonable terms, or at all. In addition, acquired businesses may have ongoing or potential liabilities, legal claims (including tort and/or personal injury claims) or adverse operating issues that we fail to discover through due diligence prior to the acquisition. Even if we are aware of such liabilities, claims or issues, we may not be able to accurately estimate the magnitude of the related liabilities and damages. In particular, to the extent that prior owners of any acquired businesses or properties failed to comply with or otherwise violated applicable laws or regulations, failed to fulfill their contractual obligations to their customers, or failed to satisfy legal obligations to employees or third parties, we, as the successor, may be financially responsible for these violations and failures and may suffer reputational harm or otherwise be adversely affected. Acquisitions also frequently result in the recording of goodwill and other intangible assets which are subject to potential impairment in the future that could harm our financial results. If we were to issue additional equity in connection with such acquisitions, this may dilute our stockholders.

Legal and Regulatory Risks Related to Our Business

Our products are frequently used in applications that are subject to evolving regulations and standards.

Our customers may use our products for regulated and standardized applications that require our products to comply with regulations and standards that are applicable to both our products and to those industries and applications, including functional safety and product reliability standards. New regulations and industry standards may be adopted that result in delays or cancellations of programs. If we decide not to pursue or fail to achieve these regulatory or industry certifications, we may lose existing or potential commercial opportunities or be exposed to legal liability from regulators.

We are subject to governmental export and import controls and economic sanctions laws and regulations. Our failure to comply with these laws and regulations could have an adverse effect on our business, prospects, financial condition and results of operations.

Our products and solutions are subject to certain U.S. and foreign export controls, trade sanctions, and import laws and regulations, including the U.S. Export Administration Regulations, U.S. Customs regulations and various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Controls. U.S. export control laws and regulations and economic sanctions prohibit the shipment of certain products and services to countries, governments, and persons targeted by U.S. sanctions. Even though we take precautions to prevent our productions and solutions from being provided to entities subject to these restrictions, our products could find their way to such prohibited entities. Any such provision could have negative consequences, including government investigations, penalties, or reputational harm.

In addition, complying with export control and sanctions regulations for a particular sale may be time-consuming and create delays in the introduction of our products and solutions in some international markets, and, in some cases, prevent the export of our software and services to some countries altogether. Exports of our products and technology must be made in compliance with these laws and regulations. If a license is required from a government agency prior to sale, no exports may occur until the appropriate approvals are obtained. If we fail to comply with these laws and regulations, penalties could be imposed, including substantial monetary fines and/or denial of export privileges. In addition, in extreme cases responsible employees or managers can be held criminally liable for such violations.

Changes to trade policy, tariffs and import/export regulations may have a material adverse effect on our business, financial condition and results of operations.

Any new export or import restrictions, new legislation or shifting approaches in the enforcement or scope of existing regulations, or changes in global, political, regulatory and economic conditions affecting U.S. trade, manufacturing, development or investment, could result in additional restrictions on our ability to conduct business. In recent years, the U.S. has instituted or proposed changes in trade policies that include the negotiation or termination of trade agreements, the imposition of higher tariffs on imports into the U.S., economic sanctions on individuals, corporations or countries, and other government regulations affecting trade between the U.S. and other countries where we conduct our business. A number of other nations have proposed or instituted similar measures directed at trade with the United States in response. As a result of these developments, there may be greater restrictions and economic disincentives on international trade that could adversely affect our business. As additional trade-related policies are instituted, we may need to modify our business operations to comply and adapt to such developments, which may be time-consuming and expensive.

Moreover, China and the U.S. have each imposed tariffs, indicating the potential for further trade barriers which may escalate a nascent trade war between China and the U.S. The resulting environment of retaliatory trade or other practices or additional trade restrictions or barriers, if implemented on a broader range of products or raw materials, could harm our ability to obtain necessary materials. For example, tariffs on certain Chinese origin goods impact the cost of material and machines we import directly from our manufacturing operations in China, as well as the cost of material and components imported on our behalf by suppliers. The indirect impact of inflationary pressure on costs throughout the supply chain and the direct impact, for example, on costs for machines we import from our manufacturing operations in China, may result in higher input costs and lower margins on certain products we sell, which could have a material adverse effect on our business, prospects, results of operations and cash flows.

We have been and may in the future become involved in legal and regulatory proceedings and commercial or contractual disputes, which could have a material adverse effect on our profitability and consolidated financial position.

We have been and may in the future be, from time to time, involved in litigation, regulatory proceedings and commercial or contractual disputes and these matters may be significant. These matters may include, without limitation, disputes with our distributors, suppliers and customers, intellectual property claims, stockholder litigation, government investigations, class action lawsuits, personal injury claims, environmental issues, customs and value-added tax disputes and employment and tax issues. In addition, we have in the past and could face in the future a variety of labor and employment claims against us, which could include but is not limited to general discrimination, wage and hour, privacy, ERISA or disability claims. In such matters, government agencies or private parties may seek to recover from us large, indeterminate amounts in penalties or monetary damages (including, in some cases, treble or punitive damages) or seek to limit our operations in some way. These types of lawsuits could require significant management time and attention or could involve substantial legal liability, adverse regulatory outcomes, or substantial expenses to defend. Often these cases raise complex factual and legal issues and create risks and uncertainties.

For descriptions of legal proceedings to which we are party, including proceedings assumed in connection with the Velodyne Merger, see Note 9. Commitments and Contingencies included in the notes to our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

We have in the past and could in the future be forced to expend significant resources in the defense of these lawsuits or future ones, and we may not prevail. No assurances can be given that any proceedings and claims will not have a material adverse impact on our operating results and consolidated financial position or that our available insurance will mitigate this impact.

We are subject to, and must remain in compliance with, numerous laws and governmental regulations concerning the manufacturing, use, distribution and sale of our products. Some of our customers also require that we comply with their own unique requirements relating to these matters.

We manufacture and sell products that contain components, which may contain materials that are subject to government regulation in both the locations where we manufacture and assemble our products, as well as the locations where we sell our products. Since we operate on a global basis, this is a complex process which requires continual monitoring of

regulations and an ongoing compliance process to ensure that we and our suppliers are in compliance with existing regulations in each market where we operate. If there is an unanticipated new regulation that significantly impacts our use and sourcing of various components or requires more expensive components, that regulation could materially adversely affect our business, results of operations and financial condition. If we are not currently in compliance with existing regulations, or we fail to adhere to new regulations or fail to continually monitor the updates, we may incur costs in remedying our non-compliance and it may disrupt our operations. In addition, current or proposed regulations may adversely impact the availability of supplies needed to manufacture our products. For example, the Uyghur Forced Labor Prevention Act effectively bans all products from China's Xinjiang province due to concerns that the goods were produced with forced labor, which, is having adverse impacts on global supply chains. In such circumstances, we may also be subject to litigation, lose customers, suffer negative publicity and our business, results of operations, and financial condition could be adversely affected.

We and our vendors are subject to various environmental laws and regulations that could impose substantial costs upon us and cause delays in expanding production facilities.

Environmental pollution and climate change have been the subject of significant legislative and regulatory efforts on a global basis, and we believe this will continue both in scope and in the number of countries participating. In addition, as climate change issues become more prevalent, foreign, federal, state and local governments and our customers have increased their focus on environmental sustainability, which has resulted in, and may result in new, regulations and customer requirements, which could materially adversely impact our business, results of operations and financial condition. If we are unable to effectively address concerns about environmental impact, our reputation could be negatively impacted, and our business, results of operations or financial condition could suffer. These regulations and requirements apply to our vendors and suppliers, as well. To the extent compliance with, or the effect of, these regulations and requirements on them result in their inability to deliver their products to us on time or at all, this could materially adversely impact our business, results of operations and financial condition. For example, the SEC recently adopted rules that will require companies to provide certain climate-related disclosures. While we are still assessing the scope and impact of this rule given how recently it was adopted, we anticipate that this rule, as well as other ESG and sustainability-related regulation and legislation, may require us to incur significant additional costs to comply, including the implementation of significant additional internal controls and impose increased oversight obligations on our management and board of directors.

Any new or modified environmental regulations or laws may increase the cost of raw materials or components we use in our products. Environmental regulations require us to continually reduce product energy usage, monitor and exclude an expanding list of restricted substances and to participate in required recovery and recycling of our products. Environmental and health and safety laws and regulations can be complex, and we have limited experience complying with them. Capital and operating expenses needed to comply with environmental laws and regulations can be significant, and violations may result in substantial fines and penalties, third-party damages, suspension of production or a cessation of our operations.

If contamination is found at properties we operate or formerly operated, this may result in liability for us under environmental laws and regulations, including the Comprehensive Environmental Response, Compensation and Liability Act, which can impose liability for the full amount of remediation-related costs without regard to fault. Costs of complying with environmental laws and regulations and any claims concerning noncompliance, or liability with respect to contamination in the future, could have a material adverse effect on our financial condition or operating results.

Failure to meet evolving environmental, social, and governance ("ESG") expectations or standards or to achieve our ESG goals could adversely affect our business, results of operations, financial condition, and stock price.

We experience pressure to make commitments or set goals or targets relating to ESG matters that affect companies in our industry, including the design and implementation of specific risk mitigation strategic initiatives relating to environmental sustainability. If we are not effective in addressing ESG matters affecting our industry, such as greenhouse gas emissions and climate-related risks, renewable energy, water stewardship, waste management, diversity, equality and inclusion, responsible sourcing and supply chain, human rights, and social responsibility, among other issues, or setting and meeting relevant sustainability commitments, goals, or targets, our reputation may suffer. As we continue to develop our voluntary ESG program and disclosures, there can be no assurance that regulators, customers, investors, and employees will determine that these programs and disclosures are sufficiently robust. In addition, there can be no assurance that we will be able to attain any announced goals related to our sustainability program, as statements regarding our sustainability goals reflect our current plans and aspirations and are not guarantees that we will be able to achieve them within the timelines we announce or at all. Changing stakeholder expectations, evolving voluntary and regulatory disclosure standards, and our efforts to manage and report on ESG issues present operational, regulatory, reputational, financial, legal, and other risks, any of which could have a material adverse impact on our business, including on our reputation and stock price.

We are subject to U.S. and foreign anti-corruption and anti-money laundering laws. We can face criminal liability and other serious consequences for violations, which can harm our business.

We are subject to the U.S. Foreign Corrupt Practices Act, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the Money Laundering Control Act 18 U.S.C. §§ 1956 and 1957, and other anti-bribery and anti-money laundering laws in countries in which we conduct activities. Anti-corruption laws are interpreted broadly and prohibit companies and their employees, agents, contractors and other collaborators from authorizing, promising, offering or providing, directly or indirectly, improper payments or anything else of value to recipients in the public or private sector and failing to prevent bribery, and require that we keep accurate books and records and maintain internal accounting controls designed to prevent any such actions. We can be held liable for the corrupt or other illegal activities of our employees, agents, contractors and other collaborators, even if we do not explicitly authorize or have actual knowledge of such activities. Any violations of the laws and regulations described above may result in substantial civil and criminal fines and penalties, imprisonment, the loss of export or import privileges, debarment, tax reassessments, breach of contract and fraud litigation, reputational harm and other consequences.

As we increase our international cross-border business and expand our operations abroad, we may continue to engage with business partners and third-party intermediaries to market our services and to obtain necessary permits, licenses and other regulatory approvals. In addition, we or our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We can be held liable for the corrupt or other illegal activities of these third-party intermediaries, our employees, representatives, contractors, partners and agents, even if we do not explicitly authorize such activities. We cannot assure you that all of our employees and agents will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible. As we increase our international business, our risks under these laws may increase.

Detecting, investigating and resolving actual or alleged violations of anti-corruption laws can require a significant diversion of time, resources and attention from management. In addition, noncompliance with anti-corruption or anti-bribery laws could subject us to whistleblower complaints, investigations, sanctions, settlements, prosecution, enforcement actions, fines, damages, other civil or criminal penalties, injunctions, suspension or debarment from contracting with certain persons, reputational harm, adverse media coverage and other collateral consequences. If any subpoenas are received or investigations are launched, or governmental or other sanctions are imposed, or if we do not prevail in any possible civil or criminal proceeding, our business, operating results and financial condition could be materially harmed.

Our business may be adversely affected if it fails to comply with the regulatory requirements under the Federal Food, Drug, and Cosmetic Act or the Food and Drug Administration (the "FDA").

As a lidar technology company, we are subject to the Electronic Product Radiation Control Provisions of the Federal Food, Drug, and Cosmetic Act. These requirements are enforced by the FDA. Electronic product radiation includes laser technology. Regulations governing these products are intended to protect the public from hazardous or unnecessary exposure. Manufacturers are required to certify in product labeling and in reports to the FDA that their products comply with applicable performance standards as well as maintain manufacturing, testing, and distribution records for their products. Failure to comply with these requirements could result in enforcement action by the FDA, which could require us to cease distribution of our products, recall or remediate products already distributed to customers, or subject us to FDA enforcement.

Failures, or perceived failures, to comply with privacy, data protection, and information security requirements in the variety of jurisdictions in which we operate may adversely impact our business, and such legal requirements are evolving, uncertain and may require improvements in, or changes to, our policies and operations.

We receive, store, handle, transmit, use, and otherwise process business information and information related to individuals, including from and about actual and prospective customers, employees, business contacts, service providers, and others. We also depend on a number of third-party vendors in relation to the operation of our business, a number of which process data on our behalf. Our current and potential future operations and sales subject us to laws and regulations addressing privacy and the collection, use, storage, disclosure, transfer, processing, and protection of a variety of types of data. For example, we are subject to General Data Protection Regulation ("GDPR"), the Swiss Federal Act on Data Protection ("FADP"), and the California Consumer Privacy Act ("CCPA"), each of which provide for potentially material penalties for non-compliance. These regimes, among other things, impose data security requirements, disclosure requirements, and restrictions on data collection, uses, and sharing that may impact our operations and the development of our business. The full impact of these privacy regimes, and other privacy, data protection, and information security laws we may be subject to, on our business is rapidly evolving across jurisdictions and remains uncertain at this time.

Since these data security regimes are evolving, uncertain, and complex, especially for a global business like ours, we may need to update or enhance our compliance measures as our products, markets and customer demands further develop, and

these updates or enhancements may require implementation costs. In addition, we may not be able to monitor and react to all legal developments in a timely manner. Any compliance measures we do adopt may prove ineffective. Any failure, or perceived failure, by us to comply with current and future regulatory or customer-driven privacy, data protection, and information security requirements, or to prevent or mitigate security breaches, cyber-attacks, or improper access to, use of, or disclosure of data, or any security issues or cyber-attacks affecting us, could result in significant liability, costs (including the costs of mitigation and recovery), and a material loss of revenue resulting from the adverse impact on our reputation and brand, loss of proprietary information and data, disruption to our business and relationships, and diminished ability to retain or attract customers and business partners. Such events may result in governmental enforcement actions and prosecutions, private litigation, fines and penalties or adverse publicity, and could cause customers and business partners to lose trust in us, which could have a material adverse effect on our reputation, result of operations, financial condition, and business.

Risks Related to Our Intellectual Property

We may not be able to adequately protect or enforce our intellectual property rights or prevent competitors or other unauthorized parties from copying or reverse engineering our technology.

Our success depends in part on our ability to obtain patents and other intellectual property rights covering our technology and products, and to maintain adequate legal protection for our technology and products in the United States and worldwide. We rely on patent, trademark, copyright, and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect our proprietary rights, all of which provide only limited protections.

We can make no assurances whether any of our pending patent applications will mature into issued patents, or that any of our pending trademark applications will be registered, in a manner that gives us any or adequate defensive protection or competitive advantages. We also do not know whether any patents issued to us or any trademarks registered by us will not be challenged, invalidated or circumvented. Our portfolio of currently-issued patents and registered trademarks, and any patents that may be issued, any copyrights and trademarks that may be registered in the future, may not provide sufficiently broad protections to us, or may not prove to be enforceable in actions against alleged infringers. We cannot be certain that the actions we have undertaken to protect our technology and products will prevent unauthorized use of our technology or the reverse engineering of our products. Moreover, others may independently develop technologies and products that compete with ours, or infringe our intellectual property.

We have filed for patents and trademarks in the United States and in certain international jurisdictions, but such protections may not be available, and we may not have applied for protections in all countries in which we operate or sell our products. Though we may have obtained intellectual property and related proprietary rights in various jurisdictions, it may prove difficult to enforce our intellectual property rights in practice. Discovering and protecting against unauthorized use of our intellectual property, products and other proprietary rights is expensive and difficult, particularly internationally. We believe that our patents are foundational in the area of lidar products, and intend to enforce our intellectual property rights. Competitors and other unauthorized parties may attempt to copy or reverse engineer our lidar technology and other aspects of our solutions that we consider proprietary. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to prevent unauthorized parties from copying or reverse engineering our products, to determine the validity and scope of the proprietary rights of others or to block the importation of infringing products into the United States or other markets. Failure to adequately protect our intellectual property rights could result in our competitors offering infringing products, potentially resulting in the loss of some of our competitive advantage, market share and a decrease in our revenue, which would adversely affect our business, operating results, financial condition and prospects.

Claims that we are infringing third-party intellectual property, whether successful or not, could subject us to costly and time-consuming litigation or expensive licenses, and adversely affect our business.

Any intellectual property and related contractual litigation, if it is initiated in the future by us or a third-party, would result in substantial costs and diversion of management resources, either of which could materially and adversely affect our business, operating results and financial condition. Such claims may also divert management resources and attention away from other business efforts and force us to acquire intellectual property rights and licenses, which may involve substantial royalty or other payments that may not be acceptable to us. Further, a party making such a claim against us, if successful, could secure a judgment that requires us to pay substantial damages or such a party could obtain an injunction. An adverse determination also could invalidate our intellectual property rights and adversely affect our ability to offer our products to our customers and may require that we procure or develop substitute products that do not infringe, which could require significant effort and expense. Even if we obtain favorable outcomes in any such litigation, we may not be able to obtain adequate remedies, or may have incurred costs that threaten our financial stability. Assertions of our attempts to enforce our rights against third parties could also lead these third parties to assert their own intellectual property or other rights

against us or seek invalidation or a narrowed scope of our rights, in whole or in part. Any of these events could adversely affect our business, operating results, financial condition and prospects.

Lidar is a heavily populated intellectual property field, in which many companies, both within and outside of the lidar industry, hold patents covering lidar products and other adjacent technologies. In addition to patents, companies in the lidar industry typically rely on copyrights and trade secrets to protect their technology. As a result, there has been frequent litigation in the lidar industry based on allegations of patent infringement, misappropriation or other violations of intellectual property rights. We have, and in the future may, receive inquiries from other intellectual property holders and we may become subject to claims that we infringe others' intellectual property rights, particularly as our market presence increases, as our products expand to new use cases and geographies, and as we face increasing competition. In addition, parties may claim that our name and the branding of our products infringe their trademark rights in certain countries or territories. If such a claim were to prevail, we may have to change the names of and branding of our products in the affected territories which would be costly and could cause market confusion.

We currently have various agreements in effect pursuant to which we have agreed to defend, indemnify and hold harmless our customers, suppliers, and other partners from damages and costs which may arise from the infringement by our products of third-party patents or other intellectual property rights. The scope of these indemnity obligations vary, but may, in some instances, include indemnification for damages and expenses, including attorneys' fees. Our insurance does not typically cover intellectual property infringement claims. A claim that our products infringe a third-party's intellectual property rights, even if untrue, could adversely affect our relationships with our customers and deter future customers from purchasing our products. Our defense of intellectual property rights claims brought against us, or our customers, suppliers or partners, with or without merit, could be time-consuming and expensive to litigate or settle.

Even if we are not a party to any litigation between a customer and a third-party relating to infringement of its products, an adverse outcome in any such litigation could make it more difficult for us to defend our products against intellectual property infringement claims in any subsequent litigation matter in which we are a named party. Any of these results could adversely affect our brand and operating results.

Any intellectual property and related contractual litigation, if it is initiated in the future by us or a third-party, would result in substantial costs and diversion of management resources, either of which could adversely affect our business, operating results and financial condition. Such claims may also divert management resources and attention away from other business efforts and force us to acquire intellectual property rights and licenses, which may involve substantial royalty or other payments that may not be acceptable to us. Further, a party making such a claim against us, if successful, could secure a judgment that requires us to pay substantial damages or such a party could obtain an injunction. An adverse determination also could invalidate our intellectual property rights and adversely affect our ability to offer our products to our customers and may require that we procure or develop substitute products that do not infringe, which could require significant effort and expense. Even if we obtain favorable outcomes in any such litigation, we may not be able to obtain adequate remedies, or may have incurred costs that threaten our financial stability. Assertions of our rights against third parties could also lead third parties to assert their own intellectual property or other rights against us or seek invalidation or a narrowed scope of our rights, in whole or in part. Any of these events could adversely affect our business, operating results, financial condition and prospects.

Our intellectual property applications may not issue or be registered, which may have a material adverse effect on our ability to prevent others from commercially exploiting products similar to ours.

We cannot be certain that we are the first inventor of the subject matter to which we have filed any particular patent application, or if we are the first party to file such a patent application. If another party has filed a patent application to, or otherwise publicly disclosed, subject matter that we are seeking to protect in a given patent application, we may not be entitled to the protection sought by the patent application. We also cannot be certain whether the claims included in a patent application will ultimately be granted as an issued patent since the patent office of the jurisdiction in which a patent application is filed may rule that the subject matter we are seeking to patent is not novel or is obvious or otherwise non-inventive or rule that the patent application and/or claims of the patent application do not comply with one or more other requirements of the patent laws of the jurisdiction. Further, the scope of protection of issued patent claims is often difficult to determine. As a result, we cannot be certain that our issued patents will afford protection against competitors with similar technology. In addition, our competitors may design around our issued patents, which may adversely affect our business, prospects, financial condition and operating results.

In addition to patented technology, we rely on our unpatented proprietary technology, copyrights, trade secrets, proprietary processes and know-how.

We rely on proprietary information (including, for example, trade secrets, know-how and confidential information) to protect intellectual property that may not be patentable or subject to copyright or trademark protection, or that we believe is best protected by means that do not require public disclosure. We may seek to protect this proprietary information by entering into confidentiality agreements, or consulting, services or employment agreements that contain non-disclosure and non-use provisions with our employees, consultants, contractors and third parties. We may fail, however, to enter into the necessary agreements, and even if properly executed and entered into, these agreements may be breached or may otherwise fail to prevent disclosure, third-party infringement or misappropriation of our proprietary information, may be limited as to their term and may not provide an adequate remedy in the event of unauthorized disclosure or use of proprietary information. Additionally, we have limited control over the protection of trade secrets used by our current or future manufacturing partners and suppliers and could lose future trade secret protection if any unauthorized disclosure of such information occurs. In addition, our proprietary information may otherwise become known or be independently developed by our competitors or other third parties. To the extent that our employees, consultants, contractors, advisors and other third parties use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain protection for our proprietary information could adversely affect our competitive business position. Furthermore, laws regarding trade secret rights in certain markets where we operate may afford little or no protection to our trade secrets.

We also rely on security measures, both physical and electronic, to protect our proprietary information, but we cannot provide assurance that these security measures will not be breached or provide adequate protection for our property. There is a risk that third parties may obtain and improperly utilize our proprietary information to our competitive disadvantage. Also, we may not be able to detect or prevent the unauthorized use of such information or take appropriate and timely steps to enforce our intellectual property rights.

We may be subject to damages resulting from claims that we or our employees have wrongfully used or disclosed alleged trade secrets of our employees' former employers.

We may be subject to claims that we or our employees have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of one or more of an employee's former employers. Litigation may be necessary to defend us against these claims. If we fail in defending such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. A loss of key personnel or their work product could hamper or prevent our ability to commercialize our products, which could severely harm our business. Even if we are successful in defending against any such claims, litigation could result in substantial costs and demand on management resources.

Risks Related to Being a Public Company

Certain of our warrants are accounted for as liabilities and the changes in value of such warrants could have a material effect on our financial results.

We have determined to classify the private placement warrants assumed from CLA as derivative liabilities measured at fair value, with changes in fair value each period reported in earnings. Due to the recurring fair value measurement, we recognize non-cash gains or losses on the private placement warrants each reporting period and the amount of such gains or losses has been material and could continue to be material in the future. Our accounting treatment of our warrants is based on its current interpretation of the SEC Statement and other guidance and may change in light of any further interpretive guidance, as may be applicable.

We have identified material weaknesses in our internal control over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain effective internal control over financial reporting, which may result in material misstatements of our consolidated financial statements, cause us to fail to meet our periodic reporting obligations, or cause our access to the capital markets to be impaired.

We identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We did not design and maintain an effective control environment commensurate with our financial reporting requirements. Specifically, we did not maintain a sufficient complement of personnel with an appropriate degree of internal controls and accounting knowledge, experience, and training commensurate with our accounting and reporting requirements. This material weakness contributed to the following additional material weaknesses:

- We did not design and maintain effective controls over the period-end financial reporting process to achieve complete, accurate and timely financial accounting, reporting and disclosures, including segregation of duties and adequate controls related to journal entries and certain other business processes, and verifying transactions are properly classified in the financial statements. These material weaknesses resulted in adjustments to several account balances and disclosures in the consolidated financial statements for the years ended December 31, 2019 and 2018, and adjustments to the equity and warrant liabilities accounts and related disclosures in the condensed consolidated financial statements for the three months ended March 31, 2021.

Additionally, each of these material weaknesses could result in a misstatement of account balances or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

As it relates to the above material weaknesses that continued to exist as of December 31, 2023, our management is committed and continues to make progress to improve our internal control over financial reporting. We continued implementation of a plan to remediate the control deficiencies that led to the above material weaknesses. These remediation measures are ongoing and include the following:

- Continuing to recruit personnel with appropriate internal controls, accounting knowledge and experience commensurate with our accounting and reporting requirements, in addition to engaging and utilizing third-party consultants and specialists. Our management also reallocated roles and responsibilities within the accounting team based on skills and experience of various personnel.
- Continuing to operate entity level controls (ELCs) including Board and Audit Committee oversight, senior management review of financial and business performance and internal controls, and expansion of the internal audit team. We have designed and implemented these controls in the previous financial years.
- Continuing to provide internal control training for personnel responsible for implementing internal controls for the Company.
- Continuing to operate internal controls for financial close and reporting including review of accounting policies, journal entry review controls including segregation of duties, period end close procedures, financial statement preparation, review, and reporting, and controls within various business processes as they relate to financial reporting, including controls to ensure segregation of duties. This included controls around classification of balances in our financial statements and strengthening processes for management oversight over financial reporting and disclosure controls. We have designed and implemented these controls in the previous financial years.

These investments in resources have improved the stability of our accounting organization. While significant progress has been made in response to the material weakness, time is needed to demonstrate sustainability as it relates to our internal control over financial reporting and improvements made to our complement of resources, including demonstrating sustained operating effectiveness of our internal controls. We are committed to continuous improvement and will continue to diligently review our internal control over financial reporting. At this time, we cannot predict the success of these efforts or the outcome of our assessment of the remediation efforts. We can give no assurance that our efforts will remediate these material weaknesses in our internal control over financial reporting, or that additional material weaknesses will not be identified in the future. Our failure to implement and maintain effective internal control over financial reporting could result in errors in our consolidated financial statements that could result in a restatement of our financial statements and could cause us to fail to meet our reporting obligations, any of which could diminish investor confidence in us and cause a decline in the price of our common stock. Additionally, ineffective internal control could expose us to an increased risk of financial reporting fraud and the misappropriation of assets and subject us to potential delisting from the stock exchange on which we list or to other regulatory investigations and civil or criminal sanctions.

As a public company, we are required pursuant to Section 404(a) of the Sarbanes-Oxley Act to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting for each annual report on Form 10-K filed with the SEC. This assessment includes disclosure of any material weaknesses identified by our management in internal control over financial reporting. In the future, to the extent we are considered an accelerated filer or a large accelerated filer, our independent registered public accounting firm will also be required pursuant to Section 404(b)

of the Sarbanes-Oxley Act to attest to the effectiveness of our internal control over financial reporting in each annual report on Form 10-K to be filed with the SEC. We are also required to disclose material changes made in our internal control over financial reporting on a quarterly basis. Failure to comply with the Sarbanes-Oxley Act could potentially subject us to sanctions or investigations by the SEC, the stock exchange on which our securities are listed or other regulatory authorities, which would require additional financial and management resources.

There can be no assurance that we will be able to comply with the continued listing standards of the New York Stock Exchange (“NYSE”).

If we fail to satisfy the continued listing requirements of NYSE, such as the corporate governance requirements or the minimum share price requirement, NYSE may take steps to delist our securities. Such a delisting would likely have a negative effect on the price of the securities and would impair stockholders’ ability to trade in the Company’s securities. In the event of a delisting, we can provide no assurance that any action taken by us to restore compliance with listing requirements would allow our securities to become listed again, stabilize the market price or improve the liquidity of our securities, prevent our securities from dropping below the NYSE minimum share price requirement or prevent future non-compliance with NYSE’s listing requirements. Additionally, if our securities are not listed on, or become delisted from the NYSE, for any reason, and are quoted on the OTC Bulletin Board, an inter-dealer automated quotation system for equity securities that is not a national securities exchange, the liquidity and price of our securities may be more limited than if we were quoted or listed on the NYSE or another national securities exchange. If our securities become illiquid, stockholders may be unable to trade their securities unless a market can be established or sustained, and similarly if investors are precluded from trading their securities, it could have adverse consequences on our ability to raise more capital.

General Risk Factors

Our business, results of operations and financial condition have been and could continue to be adversely affected by the COVID-19. Other pandemics or public health crises may have similar impacts in the future.

COVID-19 continues to evolve, with pockets of resurgence and the emergence of variant strains contributing to continued uncertainty about its scope, duration, severity, trajectory, and lasting impact. The effects of the COVID-19 pandemic on our business and our financial condition previously included and may in the future include, among others: the reduced pace of manufacturing ramp up due to employees’ inability to travel to our manufacturing facility in Thailand; disruptions to the operations of certain of our suppliers; supply chain disruptions; and increased compensation related costs resulting from overtime pay and additional personnel in San Francisco to create separate manufacturing teams that rotate every other week in our facility to avoid any possible transmission of COVID-19 between teams. COVID-19 or other pandemics or public health crises and the associated business interruptions may affect our sales, supply chain or the manufacture and/or distribution of products, which could result in a material adverse effect on our financial condition. The COVID-19 pandemic may also intensify or exacerbate other risks described in this section. Other pandemics or public health crises may have similar impacts in the future.

Our facilities in California are located near an earthquake fault and an earthquake or other natural disaster or resource shortage could disrupt our operations.

Important documents and records for our products and manufacturing operations are located in our various facilities in San Francisco, California near active earthquake zones. In the event of a natural disaster such as an earthquake, drought, flood or fire or localized extended outages of critical utilities or transportation we do not have a formal business continuity or disaster recovery plan, and therefore could experience a significant business interruption. In addition, California has from time to time experienced shortages of water, natural gas, and electric power. Future shortages and conservation measures could impact our operations and result in increased expense. In addition, we rely on information technology systems to communicate among our workforce and with third parties. Any disruption to our communications, whether caused by a natural disaster or by man-made problems, such as power disruptions, could adversely affect our business. To the extent that any such disruptions result in delays or cancellations of orders or impede our suppliers’ ability to timely deliver product components, our business, operating results and financial condition would be adversely affected.

We and our third-party providers are subject to cybersecurity risks to our IT Systems and Confidential Information, and any material failure, weakness, interruption, cyber event, incident, or breach of security could materially adversely affect our business, results of operations, and financial condition.

We rely on computer systems, hardware, software, technology infrastructure and online sites and networks for both internal and external operations that are critical to our business (collectively, “IT Systems”). We own and manage some of these IT Systems, but also rely on third parties for a range of IT Systems and related products and services. We and certain of our third-party providers collect, maintain and process data about customers, employees, business partners and others,

including information about individuals — as well as proprietary information belonging to our business such as trade secrets (collectively, “Confidential Information”).

We and our third-party vendors and suppliers face numerous and evolving cybersecurity risks that threaten the confidentiality, integrity, and availability of our IT Systems and Confidential Information, including from diverse threat actors, such as state-sponsored organizations, opportunistic hackers, and hacktivists, as well as through diverse attack vectors including acts of vandalism, malware (including ransomware), social engineering, denial or degradation of service attacks, computer viruses, software bugs or vulnerabilities, supply chain attacks, phishing attacks, ransomware attacks, misplaced or lost data, human errors, malicious insiders or other similar events. Moreover, any integration of artificial intelligence in our or any third-party’s operations, products or services is expected to pose new or unknown cybersecurity risks and challenges.

We and certain of our third-party providers regularly experience actual and attempted cyberattacks and other incidents. Although none of these actual or attempted cyber-attacks has had a material adverse impact on our operations or financial condition to date, we cannot guarantee that any such incidents will not have such an impact in the future. For example, we are at risk for interruptions, outages and breaches of: IT Systems, including in relation to business, financial, accounting, product development, data processing or production processes, owned by us or our third-party vendors or suppliers; facility security systems, owned by us or our third-party vendors or suppliers; in-product technology owned by us or our third-party vendors or suppliers; the integrated software in our lidar solutions; or Confidential Information that we process or our third-party vendors or suppliers process on our behalf. Such cyber incidents could materially disrupt IT Systems; result in loss of Confidential Information including intellectual property, trade secrets or other proprietary or competitively sensitive information, certain information of customers, employees, suppliers, drivers or others; jeopardize the security of our facilities; or affect the performance of in-product technology and the integrated software in our lidar solutions.

Cyberattacks are expected to accelerate on a global basis in frequency and magnitude as threat actors are becoming increasingly sophisticated in using techniques and tools—including artificial intelligence—that circumvent security controls, evade detection and remove forensic evidence. As a result, we may be unable to detect, investigate, remediate or recover from future attacks or incidents, or to avoid a material adverse impact to our IT Systems, Confidential Information or business. We also cannot guarantee that our cybersecurity risk management program and processes, including our policies, controls, or procedures will be fully implemented, complied with, or adequate to detect, prevent or mitigate cyber incidents. Further, the implementation, maintenance, segregation and improvement of these programs and processes require significant management time, support and cost. Moreover, there are inherent risks associated with developing, improving, expanding and updating current programs and processes, including the disruption of our data management, procurement, production execution, finance, supply chain and sales and service processes. These risks may affect our ability to manage our data and inventory, procure parts or supplies or produce, sell, deliver and service our solutions, adequately protect our intellectual property or achieve and maintain compliance with, or realize available benefits under, applicable laws, regulations and contracts. We cannot be sure that the programs and processes upon which we rely, including those of our third-party vendors or suppliers, will be effectively implemented, maintained or expanded as planned. If we do not successfully implement, maintain or expand these programs and processes as planned, our operations may be disrupted, our ability to accurately and timely report our financial results could be impaired, and deficiencies may arise in our internal control over financial reporting, which may impact our ability to certify our financial results. Moreover, our Confidential Information, including proprietary information or intellectual property, could be compromised or misappropriated and our reputation may be adversely affected. If these programs and processes do not operate as we expect them to, we may be required to expend significant resources to make corrections or find alternative sources for performing these functions.

A significant cyber incident could impact production capability, harm our reputation, cause us to breach our contracts with other parties or subject us to regulatory actions or litigation (including class actions), and require significant incident response, system restoration, or remediation and future compliance costs, any of which could materially affect our business, prospects, financial condition and operating results.

In addition, our insurance coverage for cyber-attacks may not be sufficient to cover all the losses we may experience as a result of a cyber incident, and we cannot guarantee that applicable insurance will be available to us or in the future on economically reasonable terms at all.

Risks Related to Ownership of Our Common Stock and Our Warrants

Amazon owns a warrant to purchase a significant portion of our outstanding common stock, and it may in the future be able to influence the Company's corporate decisions.

Amazon.com NV Investment Holdings LLC, a wholly-owned subsidiary of Amazon.com, Inc. ("Amazon"), holds a warrant ("Amazon Warrant") to acquire, following customary antidilution adjustments, up to an aggregate of 3,264,516 (1,933,613 of which are currently vested) shares of our common stock at an exercise price of \$50.70 per share, representing 8.0% of our outstanding common stock as of March 21, 2024. We assumed the Amazon Warrant as part of the Velodyne Merger. The exercise price and the warrant shares issuable upon exercise of the Amazon Warrant are subject to further antidilution adjustments, including in the event we make certain sales of common stock (or securities exercisable or convertible into or exchangeable for shares of our common stock) at a price less than the exercise price of the Amazon Warrant. If Amazon were to exercise the Amazon Warrant to purchase significant amounts of our common stock, it may be able to exert significant control over us. It also may have interests that differ from other stockholders and may vote or otherwise act in ways with which we or other stockholders disagree or that may be adverse to the interests of our stockholders.

The price of our common stock and warrants may be volatile.

The price of our common stock, as well as our warrants, may fluctuate due to a variety of factors, including:

- changes in the industries in which we and our customers operate;
- developments involving our competitors;
- changes in laws and regulations affecting our business;
- variations in our operating performance and the performance of our competitors in general;
- actual or anticipated fluctuations in our quarterly or annual operating results;
- publication of research reports by securities analysts about us or our competitors or our industry;
- the public's reaction to our press releases, our other public announcements and our filings with the SEC;
- actions by stockholders, including the sale by significant stockholders of any of their shares of our common stock;
- additions and departures of key personnel;
- commencement of, or involvement in, litigation involving our Company;
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;
- the volume of shares of our common stock available for public sale; and
- general economic and political conditions, such as the effects of the COVID-19 outbreak, recessions, interest rates, local and national elections, fuel prices, international currency fluctuations, corruption, political instability and acts of war or terrorism.

These market and industry factors may materially reduce the market price of our common stock and warrants regardless of our operating performance.

We do not intend to pay cash dividends for the foreseeable future.

We currently intend to retain our future earnings, if any, to finance the further development and expansion of our business and do not intend to pay cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, restrictions contained in future agreements and financing instruments, business prospects and such other factors as our board of directors deems relevant.

If analysts do not publish research about our business or if they publish inaccurate or unfavorable research, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that analysts publish about our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, the price of our common stock would likely decline. If few analysts cover us, demand for our common stock could decrease and our common stock price and trading volume may decline. Similar results may occur if one or more of these analysts stop covering us in the future or fail to publish reports on us regularly.

We may be subject to securities litigation, class action and derivative lawsuits, which could result in substantial costs and could divert management attention away from other business concerns.

The market price of our common stock may be volatile and, in the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Additionally, securities class action lawsuits and derivative lawsuits are often brought against public companies that have entered into merger agreements. Even if the lawsuits are without merit, defending against these claims can result in substantial costs and divert management time and resources from other business concerns, which could seriously harm our business. An adverse judgment could result in monetary damages, which could have a negative impact on our liquidity and financial condition. For example, on December 1, 2022, December 20, 2022, December 29, 2022, and January 9, 2023, purported stockholders of Velodyne filed the following lawsuits against Velodyne and certain of its directors and officers in the Southern District of New York for violations of Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 and SEC Rule 14a-9: *O'Dell v. Velodyne, et. al.*, *Carlisle v. Velodyne, et. al.*, *Wheeler v. Velodyne et. al.*, and *Cristino v. Velodyne, et. al.* The complaints allege that Velodyne's disclosures in connection with the merger with Ouster were materially incomplete and misleading. The plaintiff in *O'Dell v. Velodyne et. al.* voluntarily dismissed his complaint on January 17, 2023 and the plaintiff in *Carlisle v. Velodyne, et. al.* voluntarily dismissed his complaint on February 21, 2023. Velodyne also received eleven demand letters from stockholders making similar allegations regarding Velodyne's disclosures relating to the Velodyne Merger. The parties settled for immaterial mootness fees in September 2023.

Securities litigation against us could result in substantial costs and divert management's attention from other business concerns, which could seriously harm our business.

Delaware law and our Certificate of Incorporation and Bylaws contain certain provisions, including anti-takeover provisions that limit the ability of stockholders to take certain actions and could delay or discourage takeover attempts that stockholders may consider favorable.

Our Certification of Incorporation and Bylaws and the Delaware General Corporations Law ("DGCL") contain provisions that could have the effect of rendering more difficult, delaying, or preventing an acquisition that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, and therefore depress the trading price of our common stock. These provisions could also make it difficult for stockholders to take certain actions, including electing directors who are not nominated by the current members of our board of directors or taking other corporate actions, including effecting changes in our management. Among other things, the Certification of Incorporation and Bylaws include provisions regarding:

- providing for a classified board of directors with staggered, three-year terms;
- the ability of our board of directors to issue shares of preferred stock, including "blank check" preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- the Certificate of Incorporation prohibits cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the limitation of the liability of, and the indemnification of, our directors and officers;
- the ability of our board of directors to amend the bylaws, which may allow our board of directors to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquirer to amend the bylaws to facilitate an unsolicited takeover attempt; and
- advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which could preclude stockholders from bringing matters before annual or special meetings of stockholders and delay changes in our board of directors and also may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of us.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our board of directors or management.

The provisions of our Certificate of Incorporation requiring exclusive forum in the Court of Chancery of the State of Delaware and the federal district courts of the United States for certain types of lawsuits may have the effect of discouraging lawsuits against our directors and officers.

Our Certificate of Incorporation provides that, to the fullest extent permitted by law, and unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, in the event that the Chancery Court does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware) will be the sole and exclusive forum for (i) any derivative action, suit or proceeding brought on our behalf, (ii) any action, suit or proceeding asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or stockholders to us or our stockholders, (iii) any action, suit or proceeding arising pursuant to any provision of the DGCL or our Bylaws or Certificate of Incorporation (as each may be amended from time to time), (iv) any action, suit or proceeding as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware, or (v) any action, suit or proceeding asserting a claim against us or any current or former director, officer or stockholder governed by the internal affairs doctrine.

Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, both state and federal courts have jurisdiction to entertain such Securities Act claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, the Certificate of Incorporation will also provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act; however, there is uncertainty as to whether a court would enforce such provision, and investors cannot waive compliance with federal securities laws and the rules and regulations thereunder. Notwithstanding the foregoing, the Certificate of Incorporation provides that the exclusive forum provision will not apply to suits brought to enforce any cause of action arising under the Securities Act, any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder.

These provisions may have the effect of discouraging lawsuits against our directors and officers. The enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with any applicable action brought against us, a court could find the choice of forum provisions contained in the Certificate of Incorporation to be inapplicable or unenforceable in such action.

Holders of our publicly traded warrants will not be permitted to exercise their warrants unless the warrants remain registered or certain exemptions are available.

If the issuance of the common stock upon exercise of our publicly traded warrants is not registered, qualified or exempt from registration or qualification under the Securities Act and applicable state securities laws, holders of warrants will not be entitled to exercise such warrants and such warrants may have no value and expire worthless. In such event, holders who acquired their warrants as part of a purchase of units will have paid the full unit purchase price solely for the common stock included in the units.

If the common stock issuable upon exercise of the publicly traded warrants are not registered under the Securities Act, under the terms of the warrant agreement, holders of warrants who seek to exercise their warrants will not be permitted to do so for cash and, instead, will be required to do so on a cashless basis in accordance with Section 3(a)(9) of the Securities Act or another exemption.

In no event will warrants be exercisable for cash or on a cashless basis, and we will not be obligated to issue any shares to holders seeking to exercise their warrants, unless the issuance of the shares upon such exercise is registered or qualified under the securities laws of the state of the exercising holder, or an exemption from registration or qualification is available.

If our common stock are at the time of any exercise of a warrant not listed on a national securities exchange such that they satisfy the definition of "covered securities" under Section 18(b)(1) of the Securities Act, we may, at our option, not permit holders of warrants who seek to exercise their warrants to do so for cash and, instead, require them to do so on a cashless basis in accordance with Section 3(a)(9) of the Securities Act; in the event we so elect, we will not be required to file or maintain in effect a registration statement or register or qualify the shares underlying the warrants under applicable state securities laws, and in the event we do not so elect, we will use our best efforts to register or qualify the shares underlying the warrants under applicable state securities laws to the extent an exemption is not available.

In no event will we be required to net cash settle any warrant, or issue securities (other than upon a cashless exercise as described above) or other compensation in exchange for the warrants in the event that we are unable to register or qualify the shares underlying the warrants under the Securities Act or applicable state securities laws.

Holders of our publicly traded warrants may only be able to exercise such warrants on a “cashless basis” under certain circumstances, and if they do so, they will receive fewer shares of common stock from such exercise than if they were to exercise such warrants for cash.

The warrant agreements provide that in the following circumstances holders of warrants who seek to exercise their warrants will not be permitted to do for cash and will, instead, be required to do so on a cashless basis in accordance with Section 3(a)(9) of the Securities Act: (i) if the common stock issuable upon exercise of the warrants are not registered under the Securities Act in accordance with the terms of the warrant agreement; (ii) if we have so elected and the common stock are at the time of any exercise of a warrant not listed on a national securities exchange such that they satisfy the definition of “covered securities” under Section 18(b)(1) of the Securities Act; and (iii) if we have so elected and we call the public warrants for redemption. If holder exercises public warrants on a cashless basis, they would pay the warrant exercise price by surrendering the warrants for that number of common stock equal to the quotient obtained by dividing (x) the product of the number of common stock underlying the warrants, multiplied by the excess of the “fair market value” of our common stock (as defined in the next sentence) over the exercise price of the warrants by (y) the fair market value. The “fair market value” is the average reported closing price of the common stock for the 10 trading days ending on the third trading day prior to the date on which the notice of exercise is received by the warrant agent or on which the notice of redemption is sent to the holders of warrants, as applicable. As a result, an impacted warrant holder would receive fewer shares of common stock from such exercise than if you were to exercise such warrants for cash.

We may amend the terms of the publicly traded warrants in a manner that may be adverse to holders of public warrants with the approval by the holders of at least 50% of the then outstanding public warrants. As a result, the exercise price of the publicly traded warrants could be increased, the exercise period could be shortened and the number of common stock purchasable upon exercise of a warrant could be decreased, all without warrant holder approval.

Our publicly traded warrants were issued in registered forms under warrant agreements between Continental Stock Transfer & Trust Company, as warrant agent, and us (or formerly, Velodyne). The warrant agreements provide that the terms of each class of warrants may be amended without the consent of any holder for certain limited administrative provisions, and that the approval by the holders of at least 50% of the then-outstanding public warrants in such class is required to make any change that adversely affects the interests of the registered holders of publicly traded warrants. Accordingly, we may amend the terms of either class of public warrants in a manner adverse to a holder of such class of public warrants if holders of at least 50% of the then outstanding public warrants in such class approve of such amendment. Although our ability to amend the terms of the public warrants with the consent of at least 50% of the then outstanding class of public warrants is unlimited, examples of such amendments could be amendments to, among other things, increase the exercise price of the warrants, convert the warrants into cash or shares, shorten the exercise period or decrease the number of shares of common stock purchasable upon exercise of a warrant.

Our warrant agreements designate the courts of the State of New York or the United States District Court for the Southern District of New York as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by holders of our warrants, which could limit the ability of warrant holders to obtain a favorable judicial forum for disputes with us.

Our warrant agreements for our publicly traded warrants provide that, subject to applicable law, (i) any action, proceeding or claim against us arising out of or relating in any way to the warrant agreements, including under the Securities Act, will be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York, and (ii) that we irrevocably submit to such jurisdiction, which jurisdiction shall be the exclusive forum for any such action, proceeding or claim. We will waive any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum.

Notwithstanding the foregoing, these provisions of the warrant agreements will not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal district courts of the United States of America are the sole and exclusive forum. Any person or entity purchasing or otherwise acquiring any interest in any of our warrants shall be deemed to have notice of and to have consented to the forum provisions in our warrant agreement. If any action, the subject matter of which is within the scope the forum provisions of the warrant agreements, is filed in a court other than a court of the State of New York or the United States District Court for the Southern District of New York (a “foreign action”) in the name of any holder of our warrants, such holder shall be deemed to have consented to: (x) the personal jurisdiction of the state and federal courts located in the State of New York in connection with any action brought in any such court to enforce the forum provisions (an “enforcement action”), and (y) having service of process made upon

such warrant holder in any such enforcement action by service upon such warrant holder's counsel in the foreign action as agent for such warrant holder.

This choice-of-forum provision may limit a warrant holder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us, which may discourage such lawsuits. Alternatively, if a court were to find this provision in our warrant agreements inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could materially and adversely affect our business, financial condition and results of operations and result in a diversion of the time and resources of our management and board of directors.

We may redeem unexpired publicly traded warrants prior to their exercise at a time that is disadvantageous to warrant holders, thereby making such warrants worthless.

We have the ability to redeem the outstanding publicly traded warrants at any time prior to their expiration. For the class of publicly traded warrants traded under the symbol "OUST.WS", we may redeem such warrants at a price of \$0.10 per warrant, provided that the closing price of our common stock equals or exceeds \$180.00 per share (as adjusted for share splits, share capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within a 30 trading-day period ending on the third trading day prior to the date on which we give proper notice of such redemption to the warrant holders and provided certain other conditions are met. For the class of publicly traded warrants traded under the symbol "OUST.WSA", we may redeem such warrants at a price of \$0.10 per warrant, provided that the closing price of our common stock equals or exceeds \$219.41 per share (as adjusted for share splits, share capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within a 30 trading-day period ending on the third trading day prior to the date on which we give proper notice of such redemption to the warrant holders and provided certain other conditions are met. If and when the warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws. Redemption of the outstanding warrants could force you to (i) exercise your warrants and pay the exercise price therefor at a time when it may be disadvantageous for you to do so, (ii) sell your warrants at the then-current market price when you might otherwise wish to hold your warrants or (iii) accept the nominal redemption price which, at the time the outstanding warrants are called for redemption, is likely to be substantially less than the market value of your warrants. None of the private placement warrants initially issued by CLA will be redeemable by us so long as they are held by Colonnade Sponsor LLC or its permitted transferees.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Our cybersecurity program seeks to ensure the confidentiality, integrity, and availability of the Company's information assets, including its critical systems. The Company's cybersecurity program is based on an ISO 27001 compliant Information Security Management System (ISMS). This does not imply that we meet any particular technical standards, specifications, or requirements, only that we use ISO 27001 as a guide to help us identify, assess, and manage cybersecurity risks relevant to our business. Our cybersecurity program is integrated into our overall risk management program, and is used to assess cybersecurity risks as part of the Company's enterprise risk assessment.

Our cybersecurity program focuses on (i) raising security awareness of our employees and product development teams, and (ii) implementing and maintaining security operations that are designed to protect identities, networks, systems and data and provide for detection, response and recovery, including a cyber incident response plan. Our cyber incident response plan outlines a process for detecting and responding to cybersecurity incidents.

We engage external parties to enhance our cybersecurity program and to operate a variety of operational functions. In accordance with the third-party's criticality to our operations and respective risk profile, we assess and engage consultants, advisors and vendors who are recognized for their cybersecurity expertise or products to supplement, augment and/or test specific elements of our security program, such as identity management, email security, network security, system/endpoint protection and managed detection and response. We also engage third-party specialists to conduct security assessments and independent audits of the security of the Company's systems and networks. The results of these assessments are used to help us improve our cybersecurity program.

In February 2023, the Company adopted a third-party management policy to formalize the baseline of security controls that it expects its partners and other third-party companies to meet, in accordance with their criticality to our operations and respective risk profile, when directly interacting with the Company's data. To mitigate risks that may arise from the

Company's interactions with service providers, suppliers, and vendors, we strive to ensure that our systems/services are integrated with trustworthy vendors.

Although to date we have not experienced a material cybersecurity incident resulting in an interruption of our operations, the scope or impact of any future incident cannot be predicted with complete certainty. For additional information on our cybersecurity risks, see "We are subject to cybersecurity risks to operational systems, security systems, infrastructure, firmware in our lidar and customer data processed by us or third-party vendors or suppliers and any material failure, weakness, interruption, cyber event, incident or breach of security could harm our reputation and adversely affect our ability to conduct our business and we may incur significant liabilities." in Part 1, Item 1A for more information.

Cybersecurity Governance

Our Board considers cybersecurity risk as part of its risk oversight function and has delegated to the Audit Committee oversight of the Company's cybersecurity program and other information technology risks. The Audit Committee receives regular cybersecurity updates and reports from members of the Company's executive team and the Director of Information, Cyber-Security and Compliance. The Company's executive team monitors the activities of the breach response team ("BRT") and where appropriate participates in and supports the BRT in the evaluation and remediation of actual or perceived cyber incidents in accordance with the Company's incident response plan.

Item 2. Properties

Our corporate headquarters are located in San Francisco, California where we lease properties as follows: (i) 26,125 square feet of office space pursuant to a lease that is scheduled to expire in August 2027, (ii) 20,032 square feet of office space in a building adjacent to our corporate headquarters, which term is scheduled to expire in August 2027 and approximately 204,000 square feet of office and manufacturing space in San Jose, California. Other functions of the Company are also performed in San Francisco, California, such as engineering, manufacturing, research and development and administrative functions.

We also lease other small facilities that we use as offices for our sales and office personnel. These facilities are not material to our business or operations.

Item 3. Legal Proceedings

We are, from time to time, party to various claims and legal proceedings arising in the ordinary course of our business. See Note 9. Commitments and Contingencies included in the notes to our audited financial statements included elsewhere in the Annual Report on Form 10-K for a discussion of our material legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock and warrants expiring in 2026 are listed for trading on the NYSE under the symbols “OUST” and “OUST-WS”, respectively, and our warrants expiring in 2025 are listed for trading on the NYSE American under the symbol “OUST WSA”.

Holders

As of March 21, 2024, there were 218 registered holders of record of our common stock. The actual number of stockholders of our common stock is greater than this number of record holders and includes stockholders who are beneficial owners but whose shares of common stock are held in street name by banks, brokers and other nominees.

Recent Sales of Unregistered Securities; Purchases of Equity Securities by the Issuer or Affiliated Purchaser

None.

Dividend Policy

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain all available funds and future earnings, if any, for the operation and expansion of our business and do not anticipate declaring or paying any dividends in the foreseeable future. Any future determination related to our dividend policy will be made at the discretion of our board of directors after considering our financial condition, results of operations, capital requirements, contractual requirements, business prospects and other factors the board of directors deems relevant, and subject to the restrictions contained in any future financing instruments.

Item 6. [Reserved]

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis of our financial condition and results of operations together with our audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements based upon current plans, expectations and beliefs involving risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and in other parts of this Annual Report on Form 10-K.

On April 20, 2023, we filed with the Secretary of State of the State of Delaware a Certificate of Amendment to our Certificate of Incorporation to effect a one-for-10 reverse stock split of our common stock and a corresponding reduction in our authorized shares of common stock (the “Reverse Stock Split”). The historical share and per share information included herein have been adjusted to reflect the Reverse Stock Split.

Overview

We founded Ouster in 2015 with the invention of our high-performance digital lidar. To continue to grow our business in the coming years, we have expanded and plan to continue to maintain and opportunistically expand our sales and marketing efforts and our software development capabilities, and to accelerate sensor development efforts. We are headquartered in San Francisco, CA.

We are a leading global provider of high-resolution digital lidar sensors that offer advanced 3D vision to machinery, vehicles, robots, and fixed infrastructure assets, which allows each to understand and visualize the surrounding world and enable safe operation and autonomy. We design and manufacture digital lidar sensors that we believe are one of the highest-performing, lowest-cost lidar solutions available today across each of our four target markets: industrial automation; smart infrastructure; robotics; and automotive.

We also provide perception software platforms for smart infrastructure deployments. Our software enables real-time people and object detection, classification, and tracking for actionable, intuitive, and customizable insights while preserving personally identifiable information. Our digital lidar sensors leverage a simplified architecture based on two semiconductor chips and are backed by a suite of patent-protected technology.

We have invested heavily in patents since our inception, pursuing comprehensive coverage of invention families and use cases, with broad international coverage. We believe that our extensive patent coverage creates material barriers to entry for anyone aiming to compete in the digital lidar space.

Our product offering currently includes four models of sensors in our OS product line: the hemispheric field of view OSDome, the ultra-wide field of view OS0, the mid-range OS1, and the long-range OS2. Within our OS sensor models, we offer numerous customization options, all enabled by embedded software. For each of our three models in the OS product line, we offer resolution options of 128 lines vertically (“channels”), 64 channels, or 32 channels, as well as many beam spacing options. On October 19, 2022, we announced the launch of our newest OS series scanning sensors, REV7, powered by our next-generation L3 chip. REV7 features the all-new OSDome sensor, as well as upgraded OS0, OS1, and OS2 sensors that deliver double the range, enhanced object detection, increased precision and accuracy, and greater reliability. The new REV7 sensors offer performance upgrades that we believe will enhance Ouster’s market opportunity, driven by new opportunities for longer-range and mapping applications. We are currently developing our solid-state DF product line, which is a suite of short, mid, and long-range solid-state digital lidar sensors that provide uniform precision imaging without motion blur across an entire field of view.

We believe the simplicity of our digital lidar design gives us a meaningful advantage in costs related to manufacturing, supply chain and production yields. Within our OS sensor models, we offer numerous customization options, all enabled by embedded software which minimizes changes to manufacturing or inventory. Our main manufacturing partners are Benchmark and Fabrinet. Benchmark and Fabrinet manufacture the majority of our products at their facilities in Thailand, which we expect will continue to reduce our product costs and allow us to continue to rapidly scale production to meet our anticipated product demand. Based on cost quotes for our products in mass production, we anticipate our manufacturing costs per unit will decrease further with higher volumes.

Merger with Velodyne Lidar, Inc.

On November 4, 2022, we entered into an Agreement and Plan of Merger (the “Velodyne Merger Agreement”) with Velodyne Lidar, Inc., a Delaware corporation (“Velodyne”), Oban Merger Sub, Inc., a Delaware corporation and one of our direct, wholly owned subsidiaries (“Velodyne Merger Sub I”) and Oban Merger Sub II LLC, a Delaware limited liability company and one of our direct, wholly owned subsidiaries (“Velodyne Merger Sub II”).

On February 10, 2023, we completed our merger of equals with Velodyne pursuant to the terms of the Agreement and Plan of Merger with Velodyne, Merger Sub I and Merger Sub II (the “Velodyne Merger”). In connection with the closing of the Velodyne Merger, we and Velodyne now operate as a single combined company. We believe the Velodyne Mergers will enhance our robust suite of product offerings; grow our diverse customer base; increase operational efficiencies; further develop our innovative product roadmap in anticipation for the future needs of the market; reduce our production costs; improve our path to profitability; and strengthen our future financial position.

Our product offerings acquired through the Velodyne Merger includes three models of sensors. The Alpha Prime (VLS-128) is a lidar sensor designed for autonomous driving and advanced vehicle safety, offering a 300-meter range with 128 lasers and real-time 3D data at 0.1-degree vertical and horizontal resolution. Recognized at the Pace Automotive Award in 2019, it provides a superior combination of range, resolution, and precision for Level 4 and Level 5 autonomous vehicles in both highway and low-speed urban environments. On the other hand, the Puck (VLP-16) is designed for mass production and affordability, featuring 16 lasers, a 100-meter range, and a multi-laser design with lower power consumption, lighter weight, and a compact footprint, making it suitable for low-speed autonomy and driver assistance. The Puck Hi-Res (VLP-16 Hi-Res) is an enhanced version of the original Puck, designed for applications requiring high image resolution, maintaining a 100-meter range and introducing a tighter laser distribution for more details in the 3D image at longer ranges, enabling better object identification.

Amazon Warrant

Amazon.com NV Investment Holdings LLC, a wholly-owned subsidiary of Amazon.com, Inc. (“Amazon”), holds a warrant (“Amazon Warrant”) to acquire shares of our common stock. We assumed the Amazon Warrant as part of the Velodyne Merger. As a result of the issuance and sale by us of an additional 2,878,875 shares of common stock in the year ended December 31, 2023 pursuant to the At-Market-Issuance Sales Agreement at prices below the exercise price of the Amazon Warrant, an antidilution adjustment to the terms of the Amazon Warrant occurred, resulting in the increase in the number of shares issuable under the Amazon Warrant by 618 shares of common stock and a reduction to the original strike price of the Amazon Warrant to \$50.70 per share. As of December 31, 2023, there were 3,264,516 shares of common stock issuable under the Amazon Warrant. The exercise price and the warrant shares issuable upon exercise of the Amazon Warrant are subject to further antidilution adjustments, including in the event we make certain sales of common stock (or securities exercisable or convertible into or exchangeable for shares of our common stock) at a price less than the exercise price of the Amazon Warrant. The Amazon Warrant is subject to vesting; 50% of the unvested Amazon Warrant as of the date of the Velodyne Merger vested as a result of the Velodyne Merger and the remainder will vest over time based on payments by Amazon or its affiliates to us in connection with Amazon’s purchase of goods and services from us.

Factors Affecting Our Performance

Commercialization of Lidar Applications. We believe that lidar and system solutions, including our subscription-based software, are approaching an inflection point of adoption across our target end market applications, and that we are well-positioned to capitalize on this market adoption. However, as our customers continue research and development projects that rely on lidar technology, it is difficult to estimate the timing of ultimate end market and customer adoption. As a result, we expect that our results of operations, including revenue and gross margins, will continue to fluctuate on a quarterly and annual basis for the foreseeable future. As the market for lidar solutions matures and more customers reach a commercialization phase with solutions that rely on our technology, the fluctuations in our operating results may become less pronounced. In May 2023, the Company announced that it had been awarded a serial production agreement with Motional, a global leader in driverless technology, to be Motional’s exclusive supplier of long-range lidar using the VLS-128 lidar sensor through 2026, and we intend to seek to establish similar relationships with other customers. In 2024, our strategic business objectives include expanding software solutions. Accordingly, we expect to make progress towards growing our revenue and expanding gross margins. Nonetheless, our revenue and gross margins may not increase as we expect unless and until more customers commercialize their products and lidar technology becomes more prevalent across our target end markets.

Number of Customers in Production. For certain strategic customers and markets, our products must be integrated into a broader platform, which then must be tested, validated, and achieve system-level performance and reliability thresholds that enable commercial production and sales. The time necessary to reach commercial production varies from six months to seven years, based on the market and application. For example, the production cycle in the automotive market tends to be substantially longer than in our other target markets, including industrial automation, smart infrastructure and robotics. It is critical to our future success in each of our target end markets that our customers reach commercial production and sales and that they select our products in their commercial production applications. Because the timelines to reach production vary significantly and the revenue generated by each customer in connection with commercial production and sales is unpredictable, it is difficult for us to reliably predict our financial performance.

Customers’ Sales Volumes. Our customer base is diversified and we aim to continue to penetrate into diverse end markets to increase our sales volumes. Ultimately widespread adoption of our customers’ products that incorporate our lidar solutions will depend on many factors, including the size of our customers’ end markets, end market penetration of our customer’s products that incorporate our digital lidar solutions, our end customers’ ability to sell their products, and the financial stability and reputation of the customers. In 2024, our strategic business objectives include growing our installed base of customers. We believe our sales volume by customer depends on the end market demand for our customers’ products that incorporate our digital lidar solutions as well as our ability to grow our sales force.

Average Selling Prices (“ASPs”), Product Costs and Margins. Our product costs and gross margins depend largely on the volumes of sensors shipped, the mix of existing and new products sold and the number and variety of solutions we provide to our customers. We anticipate that our selling prices will vary by target end market and application due to market-specific supply and demand dynamics. We expect to continue to experience some downward pressure on margins from signing anticipated large multi-year agreements in the near term with multi-year negotiated pricing. We expect that these customer-specific selling price fluctuations combined with our volume-driven product costs may drive fluctuations in revenue and gross margins on a quarterly basis. However, notwithstanding any short-term price surcharges on our products, we expect that over time our volume-driven product costs will decrease.

Competition. Lidar is an emerging market, and there are many competitors for the growing market. This has created downward pressure on our ASPs. We expect this pressure to continue to push our ASPs lower in the coming years. However, we believe that because of our complementary metal-oxide-semiconductor, digital lidar technology, we are well-positioned to scale more rapidly than our competitors and leverage our scale to deliver positive gross margins.

Continued Investment and Innovation. We believe that we are a leading lidar provider. Our financial performance is significantly dependent on our ability to maintain this leading position which is further dependent on the investments we make in research and development. We believe it is essential that we continue to identify and respond to rapidly evolving customer requirements, including successfully progressing our digital lidar roadmap and developing technologies that will enhance the operating performance of our products. For example, our next generation L4 custom silicon chip is taped out and we believe it will bring significant improvements in range, field of view, and manufacturability, along with safety certifications to the OS sensor family, and we currently plan to integrate the Chronos chip into its solid-state digital flash sensors in 2024. If we fail to continue our innovation, our market position and revenue may be adversely affected, and our investments in that area will not be recovered.

Market Trends and Uncertainties. We anticipate increasing demand for our digital lidar solution. We estimate a multibillion dollar total addressable market (“TAM”) for our solutions in the future. We define our TAM as automation applications in the industrial, smart infrastructure, robotics and automotive end markets where we actively engage and maintain customer relationships. Each of our target markets is potentially a significant global opportunity, and these markets have historically been underserved by limited or inferior technology or not served at all. We believe we are well positioned in our market as a leading provider of high-resolution lidar sensors.

Although increasing adoption of semi-autonomous solutions that rely on lidar technology may generate higher demand, we may not be able to take advantage of demand if we are unable to anticipate regulatory changes and adapt quickly enough to meet such new regulatory standards or requirements applicable to us or to our customers’ products in which our lidar sensors are used. Market acceptance of semi-autonomous solutions and active safety technology depend upon many factors, including cost, performance, safety performance, regulatory requirements and international taxes or tariffs related to such technologies. These factors may impact the ultimate market acceptance of our lidar technology.

International Expansion. We view international expansion as an important element of our strategy to increase revenue and achieve profitability. We continue to position ourselves in geographic markets that we expect to serve as important sources of future growth. We have an existing presence in three regions: Americas; Asia-Pacific; and Europe, Middle East and Africa. We intend to expand our presence in these regions over time including through distribution partnerships. Expanded global reach will require continued investment and may expose us to additional foreign currency risk, international taxes and tariffs, legal obligations and additional operational costs, risks and challenges that may impact our ability to meet our projected sales volumes, revenue and gross margins.

Components of Results of Operations

Revenue

The majority of our revenue comes from the sale of our lidar sensors and accessories both directly to end users and through distributors both domestically and internationally. We recognize revenue from product sales when the performance obligation of transferring control of the product to the customer has been met, generally when the product is shipped. We also recognize revenue by performing services related to product development, validation, maintenance under our extended warranty contracts and shipping; however, we do not expect product development and validation and license and services to be material components of revenue, cost of revenue or gross margin in the foreseeable future. Performance obligations related to services are generally recognized over time, based on cost-to-cost input basis or straight-line over time. Amounts billed to customers related to shipping and handling are classified as revenue, and we have elected to recognize the cost of shipping activities that occur after control has transferred to the customer as a fulfillment cost rather than a separate performance obligation. All related costs are accrued and recognized within cost of revenue when the related revenue is recognized.

Most of our customers are innovators and early technology adopters incorporating our products into their solutions. Currently, our product revenue consists of both customers ordering small volumes of our products that are in an evaluation phase and customers that order larger volumes of our products and have more predictable long-term production schedules. However, we believe we are still at the very beginning of the lidar adoption curve, and some customers are still learning their growth and demand rates which can impact the timing of purchase orders quarter to quarter. As we grow our business, we expect to continue to improve our own understanding of our customers’ needs and timelines, and expect the timing of orders will have a less notable impact on our quarterly results.

Cost of Revenue

Cost of revenue consists of the manufacturing cost of our lidar sensors, which primarily consists of sensor components, personnel-related expenses, including salaries, benefits, and stock-based compensation directly associated with our manufacturing organization, and amounts paid to our third-party contract manufacturer and vendors. Our cost of revenue also includes depreciation of manufacturing equipment, amortization of intangible assets, an allocated portion of overhead, facility and IT costs, warranty expenses, excess and obsolete inventory and shipping costs.

Gross Profit and Gross Margin

Our gross profit equals total revenues less our total cost of revenues, and our gross margin is our gross profit expressed as a percentage of total revenue. Subject to quarterly fluctuations and volatility, we expect unit costs to decline as we manufacture higher unit volumes of sensors and a greater portion of our sensors are produced by our contract manufacturers in Thailand.

Operating Expenses

Research and Development Expenses

Research and development (“R&D”) activities are primarily conducted at our San Francisco based headquarters and our additional R&D facilities in Scotland and Canada and consist of the following activities:

- Design, prototyping, and testing of proprietary electrical, optical, and mechanical subsystems for our digital lidar products;
- Robust testing for industrial and autonomous vehicle safety certifications;
- Development of new products and enhancements to existing products in response to customer requirements including firmware development and software development of lidar integration products;
- Custom system-on-a-chip (“SoC”) design for Ouster’s digital lidar products; and
- Development of custom manufacturing equipment.

R&D expenses consist of personnel-related expenses, including salaries, benefits, and stock-based compensation, for all personnel directly involved in R&D activities, third-party engineering and contractor costs, prototype expenses, amortization of intangible assets, and an allocation of shared overhead costs including facilities, utilities and IT-related costs that support R&D activities.

R&D costs are expensed as they are incurred. Our investment in R&D will continue to grow as we invest in new lidar technology and related software. Our absolute amount of R&D expenses is expected to grow over time; however, we expect R&D as a percentage of revenue to decrease over time as our business grows.

Sales and Marketing Expenses

Our business development, customer support and marketing teams are located in offices worldwide. Selling and marketing expenses consist of personnel-related expenses, including salaries, benefits, and stock-based compensation, for all personnel directly involved in business development, customer support, and marketing activities, and marketing expenses including trade shows, advertising, and demonstration equipment. Sales and marketing expenses also include amortization expense of intangible assets related to customer relationships associated with the acquisitions. We have experienced additional sales and marketing expenses as a result of our global expansion, and expect sales and marketing spend as a percentage of revenue to decrease over time as our business grows.

General and Administrative Expenses

General and administrative expenses consist of personnel-related expenses, including salaries, benefits, and stock-based compensation, of our executives and members of the board of directors, finance, human resources, an allocation of shared overhead costs including facilities, utilities and IT-related costs that support general and administrative activities, as well as amortization of intangible assets, fees related to legal fees, patent prosecution, accounting, finance and professional services, as well as insurance and bank fees. Our absolute amount of general and administrative expenses will grow over time; however, we expect the general and administrative spend as a percentage of revenue to decrease over time as our business grows. We have experienced and may in the near-term experience additional increases in general and administrative expenses related to legal, accounting, finance and professional services costs associated with the Velodyne Merger, litigation activities, hiring more personnel and consultants to support our growing international expansion and compliance with the applicable provisions of the Sarbanes-Oxley Act (“SOX”) and other SEC rules and regulations as a result of being a public company.

Goodwill Impairment Charges

In the year ended December 31, 2023, we recorded goodwill impairment charges of \$166.7 million. These charges were primarily driven by the decrease in the Company’s market capitalization during the period. Our goodwill impairment analysis includes a comparison of the aggregate estimated fair value of our reporting unit to our total market capitalization. There were no goodwill impairment charges during the year ended December 31, 2022. As of December 31, 2023, our remaining goodwill balance was nil.

Interest Income, Interest Expense, and Other Income (Expense), Net

Interest income consists primarily of income earned on our cash and cash equivalents and short-term investments. These amounts will vary based on our respective balances and market rates. Interest expense consists primarily of interest on our debt, amortization of debt issuance costs and discounts, fees paid on refinancing and loss on debt extinguishment from our former credit line with Hercules. Other income (expense), net consists primarily of realized and unrealized gains and losses on foreign currency transactions and balances, realized gains and losses related to sales of our available-for-sale investments, the change in fair value of the private placement warrant liability.

Income Taxes

Our income tax provision consists of federal, state and foreign current and deferred income taxes. Our income tax provision for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items arising in the quarter. Our effective tax rate differs from the U.S. statutory tax rate primarily due to valuation allowances on deferred tax assets as it is more likely than not that some, or all, of our deferred tax assets will not be realized. We continue to maintain a full valuation allowance against our U.S. Federal and state deferred tax assets, excluding specific balances due to the Velodyne Merger. Income tax provision for the years ended December 31, 2023 and 2022, respectively, was not material to the Company’s consolidated financial statements.

Results of Operations:

The following table summarizes key components of our results of operations for the years ended December 31, 2023 and 2022:

	Year Ended December 31,	
	2023	2022
	(dollars in thousands)	
Revenue	\$ 83,279	\$ 41,029
Cost of revenue ⁽¹⁾	74,965	30,099
Gross profit	8,314	10,930
Operating expenses ⁽¹⁾ :		
Research and development	91,210	64,317
Sales and marketing	41,639	30,833
General and administrative	81,982	61,203
Goodwill impairment charges	166,675	—
Total operating expenses	381,506	156,353
Loss from operations	(373,192)	(145,423)
Other (expense) income:		
Interest income	9,038	2,208
Interest expense	(9,303)	(2,694)
Other income (expense), net	(130)	7,654
Total other income (expense), net	(395)	7,168
Loss before income taxes	(373,587)	(138,255)
Provision for income tax expense	523	305
Net loss	\$ (374,110)	\$ (138,560)

The following table sets forth the components of our consolidated statements of operations and comprehensive loss data as a percentage of revenue for the periods presented:

	Year Ended December 31,	
	2023	2022
	(% of total revenue)	
Revenue	100 %	100 %
Cost of revenue ⁽¹⁾	90	73
Gross profit	10	27
Operating expenses ⁽¹⁾ :		
Research and development	110	157
Sales and marketing	50	75
General and administrative	98	149
Goodwill impairment charges	200	—
Total operating expenses	458	381
Loss from operations	(448)	(354)
Other (expense) income:		
Interest income	11	5
Interest expense	(11)	(7)
Other income (expense), net	—	19
Total other income (expense), net	—	17
Loss before income taxes	(448)	(337)
Provision for income tax expense	1	1
Net loss	(449)%	(338)%

⁽¹⁾Includes stock-based compensation expense as follows:

	Year Ended December 31,	
	2023	2022
	(dollars in thousands)	
Cost of revenue	\$ 2,854	\$ 783
Research and development	24,551	14,611
Sales and marketing	9,966	7,065
General and administrative	20,354	10,862
Total stock-based compensation	<u>\$ 57,725</u>	<u>\$ 33,321</u>

Comparison of the years ended December 31, 2023 and 2022

Revenue

	Year Ended December 31,		2023 - 2022 Change	
	2023	2022	\$	%
	(dollars in thousands)			
Revenue by geographic location:				
Americas	\$ 45,744	\$ 15,977	\$ 29,767	186 %
Asia-Pacific	12,929	9,510	3,419	36
Europe, Middle East and Africa	24,606	15,542	9,064	58
Total	<u>\$ 83,279</u>	<u>\$ 41,029</u>	<u>\$ 42,250</u>	<u>103 %</u>

Revenue

Revenue increased by \$42.3 million, or 103%, to \$83.3 million for the year ended December 31, 2023 from \$41.0 million for the prior year. The increase in revenue was driven by higher volume that was primarily due to the Velodyne Merger, which contributed \$29.0 million of revenue in 2023. In addition, the Company realized higher revenues relating to sales of our OS sensors.

Geographic Locations

Revenue increased across the geographic regions of the Americas, Asia-Pacific, and Europe, Middle East and Africa as compared to the comparable period in the prior year. The revenue increases in those geographic regions were primarily attributable to the Velodyne Merger, our focus and investment in our global sales team and increased demand for our OS sensors during the year ended December 31, 2023.

Cost of Revenue and Gross Margin

	Year Ended December 31,		2023 - 2022 Change	
	2023	2022	\$	%
(dollars in thousands)				
Cost of revenue	\$ 74,965	\$ 30,099	\$ 44,866	149 %

Cost of revenue and Gross Margin

Cost of revenue increased by \$44.9 million, or 149%, to \$75.0 million for the year ended December 31, 2023 from \$30.1 million for the prior year. The increase in cost of revenue was primarily attributable to the Velodyne Merger. In addition, the Company recognized \$10.0 million in inventory write downs primarily related to canceling certain Velodyne products and transitioning to the REV7 sensors. In addition, we had higher costs due to higher OS product revenues in the year ended December 31, 2023.

Gross margin fell to 10% for the year ended December 31, 2023 from 27% in the prior year primarily as a result of the factors described above related to the Velodyne Merger.

Operating Expenses

	Year Ended December 31,		2023 - 2022 Change	
	2023	2022	\$	%
(dollars in thousands)				
Operating expenses:				
Research and development	\$ 91,210	\$ 64,317	\$ 26,893	42 %
Sales and marketing	41,639	30,833	10,806	35
General and administrative	81,982	61,203	20,779	34
Goodwill impairment charges	\$ 166,675	\$ —	\$ 166,675	100 %
Total operating expenses:	\$ 381,506	\$ 156,353	\$ 225,153	144 %

Research and Development

Research and development expenses increased by \$26.9 million, or 42%, to \$91.2 million for the year ended December 31, 2023 from \$64.3 million in the prior year. The increase was primarily attributable to the Velodyne Merger, which increased headcount-related expenses including stock based compensation by \$19.0 million in 2023.

Sales and Marketing

Sales and marketing expenses increased by \$10.8 million, or 35%, to \$41.6 million for the year ended December 31, 2023 from \$30.8 million in the prior year. The increase was primarily attributable to the Velodyne Merger, which increased headcount-related expenses including stock based compensation by \$8.1 million in 2023.

General and Administrative

General and administrative expenses increased by \$20.8 million, or 34%, to \$82.0 million for the year ended December 31, 2023 from \$61.2 million in the prior year. The increase was primarily attributable to the Velodyne Merger, which increased headcount-related expenses including stock based compensation and litigation related costs by \$29.6 million.

Goodwill Impairment Charges

Goodwill impairment charges were \$166.7 million for the year ended December 31, 2023 and related to the reasons described above under “Goodwill impairment charges.” There were no goodwill impairment charges during the year ended December 31, 2022.

Interest Income, Interest Expense and Other Income (Expense), Net

	Year Ended December 31,		2023 - 2022 Change	
	2023	2022	\$	%
	(dollars in thousands)			
Interest income	\$ 9,038	\$ 2,208	\$ 6,830	309 %
Interest expense	(9,303)	(2,694)	(6,609)	245
Other income (expense), net	(130)	7,654	(7,784)	(102)

Interest income was \$9.0 million for the year ended December 31, 2023 compared to \$2.2 million for the prior year. The increase in interest income was primarily attributable to a higher average cash and cash equivalent balance driven by additions from the Velodyne Merger transaction and higher interest rates earned on held balances.

Interest expense was \$9.3 million for the year ended December 31, 2023 compared to \$2.7 million for the prior year. We utilized proceeds from a revolving credit line with UBS to prepay and terminate our existing term loan with Hercules. We recognized a loss of extinguishment of debt of \$3.6 million and recorded it as interest expense, along with amortization of debt issuance costs and discount in the year ended December 31, 2023. Interest expense recorded in the year ended December 31, 2022 primarily consisted of interest and amortization of debt issuance cost and discount on the Loan and Security Agreement with Hercules Capital, Inc. and interest expense on the Revolving Credit Line Agreement with UBS Bank USA and UBS Financial Services Inc.

Other income (expense), net was \$(0.1) million for the year ended December 31, 2023 compared to \$7.7 million for the prior year. Other income (expense) included the fair value change of private placement warrant liability and was not material during the year ended December 31, 2023. During the year ended December 31, 2022, we recorded a gain of \$7.4 million for the fair value change of private placement warrant liability.

Income Taxes

	Year Ended December 31,		2023 - 2022 Change	
	2023	2022	\$	%
	(dollars in thousands)			
Loss before income taxes	\$ (373,587)	\$ (138,255)	\$ (235,332)	170 %
Provision for income tax expense	523	305	218	71
Effective tax rate	(0.14)%	(0.22)%		

Our effective tax rate was (0.14)% for the year ended December 31, 2023 compared to our effective tax rate of (0.22)% for the prior year. Our tax expense changed by \$0.2 million during the year ended December 31, 2023, compared to the prior year, primarily due to withholding taxes in the United States and income tax expense from profitable foreign jurisdictions.

Liquidity and Capital Resources

Our principal sources of liquidity are our cash and cash equivalents and short-term investments, cash generated from product revenues, sales of common stock under our at-the market equity offering program and proceeds from debt financing.

Our primary requirements for liquidity and capital are working capital, inventory management, capital expenditures, public company costs and general corporate needs. We expect these needs to continue as we develop and grow our business.

As of December 31, 2023 we had an accumulated deficit of \$816.0 million and cash, cash equivalents, restricted cash and short-term investments of approximately \$191.8 million. Management believes that our existing sources of liquidity will be adequate to fund our operations for at least twelve months from the date of this Annual Report on Form 10-K. However, we may need to raise additional capital in the future to support our operations.

We manage our cash and cash equivalents with financial institutions that we believe have high credit quality and, at times, such amounts exceed federally insured limits. The failure of any bank with which we maintain a commercial relationship could cause us to lose our deposits in excess of the federally insured or protected amounts. We have experienced recurring losses from operations, and negative cash flows from operations, and we expect to continue operating at a loss and to have negative cash flows from operations for the foreseeable future. Because we are in the growth stage of our business and

operate in an emerging field of technology, we expect to continue to invest in research and development and expand our sales and marketing teams worldwide. We may require additional capital to respond to technological advancements, competitive dynamics or technologies, customer demands, business opportunities, challenges, acquisitions or unforeseen circumstances and in either the short-term or long-term may determine to engage in equity or debt financings or enter into credit facilities for other reasons. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited. In particular, current macroeconomic conditions, including elevated inflation rates and high interest rates, have resulted in, and may continue to result in, significant disruption of global financial markets, reducing our ability to access capital. If we are unable to raise additional funds when or on the terms desired, our business, financial condition and results of operations could be adversely affected.

ATM Agreement

On April 29, 2022, we entered into an open market sale agreement with B. Riley Securities, Inc., Cantor Fitzgerald & Co. and Oppenheimer & Co. Inc. (the “ATM Agreement”), pursuant to which we may offer and sell shares of our common stock with an aggregate offering price of up to \$150.0 million under an “at the market” offering program. Subject to the terms and conditions of the agreement, we may sell the shares in amounts and at times to be determined by us but we are under no obligation to sell any of the shares. Actual sales, if any, will depend on a variety of factors to be determined by us from time to time, including, among other things, market conditions, the trading price of our common stock, capital needs and determinations by us of the appropriate sources of funding. During the year ended December 31, 2022, we sold 783,371 shares of common stock for net proceeds of \$15.8 million under the ATM Agreement, and during the year ended December 31, 2023, we sold 2,878,875 shares of common stock for net proceeds of \$32.2 million. We currently intend to use the net proceeds from the sale of shares pursuant to the ATM Agreement for working capital and general corporate purposes.

Debt Arrangements

On April 29, 2022, we entered into the Loan Agreement with Hercules, which provided us with a term loan facility of up to \$50.0 million, subject to terms and conditions (the “Term Loan Facility”). As of December 31, 2022, \$40.0 million had been drawn under the Term Loan Facility, and could be used for general working capital purposes subject to certain terms and conditions. On October 25, 2023, the Company entered into the Credit Line Account Application and Agreement for Organizations and Businesses (the “Credit Agreement”) and the Addendum to Credit Line Account Application and Agreement (the “Addendum”; and the Credit Agreement as amended, modified, and/or supplemented by the Addendum, the “UBS Agreement”) by and among the Company, UBS Bank USA (the “Bank”), and UBS Financial Services Inc. The facility under the UBS Agreement matures and terminates on August 2, 2025 (the “Maturity Date”).

The UBS Agreement provides us with a revolving credit line of up to \$45.0 million, subject to certain terms and conditions. We initially borrowed \$44.0 million, and all of the proceeds were used to prepay and terminate our Term Loan Facility with Hercules on October 25, 2023. We recognized a loss on extinguishment of debt of \$3.6 million and recorded it as interest expense in its consolidated statements of operations and comprehensive loss.

Pursuant to the terms of the UBS Agreement, we have agreed to maintain minimum liquidity, comprised of unencumbered cash and cash equivalents, U.S. treasuries and other assets acceptable to the Bank, of \$52.0 million in an account maintained with the Bank or its affiliates at all times. The facility under the UBS Agreement is secured by our assets in securities accounts and any other accounts maintained with the Bank or its affiliates, and any supporting obligations, general intangibles and other rights ancillary or attributable to such assets, subject to customary exceptions.

Loans under the UBS Agreement bear interest at a rate equal to (x) for variable rate loans, the sum of (i) the applicable SOFR average plus 0.110%, plus (ii) 1.20%, and (y) for fixed rate loans, the sum of either (1) CME Term Rate or (2) the U.S. Treasury Rate, as applicable and as defined in the UBS Agreement, as determined based on the duration of the advance, plus the applicable liquidity premium with a range of 0.15% to 0.50%, as set forth in the UBS Agreement. Interest payments are due (x) for variable rate loans, on the last day of each calendar month, and on each date that any portion of the principal amount is due, including on the Maturity Date, and (y) for fixed rate loans, on the last day of the applicable interest period, and on each date that any portion of the principal amount is due, including on the Maturity Date. We may repay any variable rate loans at any time in whole or in part, without penalty. We may repay any fixed rate loans in whole, but not in part, subject to certain breakage costs.

We have agreed to pay an unused line fee in an amount equal to (i) the commitment amount of \$45.0 million less the average daily balance of the sum of the principal amount of the obligations outstanding during the preceding calendar quarter, multiplied by (ii) 0.50% per annum, and such unused line fee is payable quarterly in arrears on the last day of each calendar quarter.

The UBS Agreement also contains affirmative and negative covenants customary for a credit line of this type, including requirements for maintenance of the collateral accounts and certain limitations on withdrawal of cash from such collateral accounts. The UBS Agreement also provides for customary events of default, including, among others, non-payment, failure to maintain an amount equal to the greater of (x) the outstanding loans and (y) the collateral value as determined by the Bank, in the securities accounts maintained with the Bank, bankruptcy, or breach of a covenant, representation and warranty.

For additional information regarding the terms of the UBS Agreement, see Note 6. Debt to our consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Material Cash Requirements

We are a party to many contractual obligations involving commitments to make payments to third parties. These obligations impact our short-term and long-term liquidity and capital resource needs. Certain contractual obligations are reflected on the consolidated balance sheet as of December 31, 2023, while others are considered future commitments. Our contractual obligations primarily consist of non-cancelable purchase commitments with various parties to purchase goods or services, primarily inventory, entered into in the normal course of business and operating leases. For information regarding our other contractual obligations, refer to Note 8. Leases and Note 9. Commitments and Contingencies.

Cash Flow Summary

	For the Years ended December 31,	
	2023	2022
	(dollars in thousands)	
Net cash provided by (used in):		
Operating activities	\$ (137,890)	\$ (110,690)
Investing activities	50,601	(5,147)
Financing activities	15,657	55,602

Operating Activities

During the year ended December 31, 2023, operating activities used \$137.9 million in cash. The primary factors affecting our operating cash flows during this period were our net loss of \$374.1 million, impacted by our non-cash charges of \$257.7 million primarily consisting of inventory write-down of \$10.0 million, interest expense and loss on extinguishment of debt of \$4.0 million, goodwill impairment charges of \$166.7 million, depreciation and amortization of \$17.1 million, stock-based compensation of \$57.7 million, loss on write-off of construction in-progress and right-of-use asset impairment of \$1.7 million, and amortization of right-of-use asset of \$4.5 million. The cash used in changes in our operating assets and liabilities of \$21.5 million was primarily due to an increase in inventories of \$4.0 million, a decrease in accounts payable of \$8.5 million, an increase in accrued and other liabilities of \$8.1 million.

During the year ended December 31, 2022, operating activities used \$110.7 million in cash. The primary factors affecting our operating cash flows during this period were our net loss of \$138.6 million, impacted by our non-cash charges of \$41.4 million primarily consisting of depreciation and amortization of \$9.5 million, stock-based compensation of \$33.3 million, change in right-of-use asset of \$2.7 million, interest expense and amortization of debt issuance costs and debt discount of \$1.0 million, a \$7.4 million change in fair value of warrant liabilities, inventory write down of \$1.6 million allowance for expected credit losses of \$0.3 million and loss from disposal of property and equipment of \$0.4 million. The cash used in changes in our operating assets and liabilities of \$13.5 million was primarily due to an increase in accounts receivable of \$0.9 million, an increase in inventories of \$13.7 million, an increase in prepaid expenses and other assets of \$3.1 million, an increase in accounts payable of \$4.2 million, an increase in accrued and other liabilities of \$3.2 million and a decrease in operating lease liability of \$3.2 million.

Investing Activities

During the year ended December 31, 2023, cash used in investing activities was \$50.6 million, which was attributed primarily to the Velodyne Merger and proceeds and purchases of short-term investments.

During the year ended December 31, 2022, cash used in investing activities was \$5.1 million, which was primarily related to purchases of property, plant and equipment of \$5.4 million, partially offset by sales of property and equipment of \$0.3 million.

Financing Activities

During the year ended December 31, 2023, cash provided by financing activities was \$15.7 million, consisting primarily of \$14.6 million of proceeds from the issuance of common stock under the ATM Agreement and proceeds from employee stock purchase program of \$1.2 million.

During the year ended December 31, 2022, cash provided by financing activities was \$55.6 million, consisting primarily of \$39.1 million of proceeds from borrowings, net of debt discount and issuance costs, \$16.3 million of proceeds from the issuance of common stock under the ATM Agreement, net of commissions and fees, proceeds from exercise of stock options of \$0.5 million and proceeds from ESPP purchase of \$0.4 million.

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates, assumptions and judgments that can significantly impact the amounts we report as assets, liabilities, revenue, costs and expenses and the related disclosures. We base our estimates on historical experience and other assumptions that we believe are reasonable under the circumstances. Our actual results could differ significantly from these estimates under different assumptions and conditions. We believe that the accounting policies discussed below are critical to understanding our historical and future performance as these policies involve a greater degree of judgment and complexity.

Business Combinations

Business combinations are accounted for under the acquisition method. We recognize the assets acquired and liabilities assumed in business combinations on the basis of their fair values at the date of acquisition. We assess the fair value of assets acquired, including intangible assets, and liabilities assumed using a variety of methods. Each asset acquired and liability assumed is measured at fair value from the perspective of a market participant. The method used to estimate the fair values of intangible assets incorporates significant estimates and assumptions regarding the estimates a market participant would make in order to evaluate an asset, including a market participant's use of the asset, future cash inflows and outflows, probabilities of success, asset lives, and the appropriate discount rates. Any excess purchase price over the fair value of the net tangible and intangible assets acquired is allocated to goodwill. Transaction costs and restructuring costs associated with a business combination are expensed as incurred.

During the measurement period, which extends no later than one year from the acquisition date, we may record certain adjustments to the carrying value of the assets acquired and liabilities assumed with the corresponding offset to goodwill. After the measurement period, all adjustments are recorded in the consolidated statements of operations within other income (expense), net.

Goodwill

The recoverability of goodwill is evaluated annually or whenever events or changes in circumstances indicate that the fair value of the reporting unit is less than its carrying amount. The Company's impairment evaluation of goodwill consists of a qualitative assessment to determine if it is more likely than not that the fair value of its single reporting unit is less than its carrying amount. The Company's qualitative assessment considers factors including changes in the macroeconomic, industry and market conditions, a sustained share price or market capitalization decrease, and if there is any other specific event. If this qualitative assessment indicates it is more likely than not that the estimated fair value of a reporting unit exceeds its carrying value, no further analysis is required and goodwill is not impaired. Otherwise, we compare the estimated fair value of the asset to its carrying amount with an impairment loss recognized for the amount, if any, by which carrying value exceeds estimated fair value.

When the Company performs the quantitative test for goodwill, fair values are determined using a combination of the discounted cash flow approach ("income approach") and the guideline public company method ("market approach"). This approach requires the use of significant estimates and assumption including forecasted future cash flows, long-term future growth rates and discount rates. Estimating the fair value of reporting unit requires the use of estimates and significant judgments that are based on a number of factors including actual operating results. It is reasonably possible that the judgments and estimates described above could change in future periods.

In connection with the Company's goodwill impairment assessments for the year ended December 31, 2023, the Company impaired all of its goodwill.

Inventory Valuation

Inventories are stated at the lower of cost or estimated net realizable value. Costs are computed under the standard cost method, which approximates actual costs determined on the first in, first out basis. We record write-downs of inventories which are obsolete or in excess of anticipated demand. Significant judgment is used in establishing our forecasts of future demand and obsolete material exposures. We consider marketability and product life cycle stage, product development plans, demand forecasts, and assumptions about future demand and market conditions in establishing our estimates. If the actual component usage and product demand are significantly lower than forecast, which may be caused by factors within and outside of our control, or if there were a higher incidence of inventory obsolescence because of rapidly changing technology and our customer requirements, we may be required to increase our inventory write-downs. A change in our estimates could have a significant impact on the value of our inventory and our results of operations.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates, foreign currency exchange rates and to a lesser extent, inflation risk. The following analysis provides quantitative and qualitative information regarding these risks.

Inflation Risk

General inflation in the U.S., Europe and other geographies has risen to levels not experienced in recent decades. General inflation, including rising prices for inputs and rising wages, as well as rising interest rates negatively impact our business by increasing our operating costs. General inflation also negatively impacts our business by decreasing the capital for our customers to deploy to purchase our products. Inflation may cause our customers to reduce or delay orders for our products thereby causing a decrease in sales. Increased instability relating to this higher inflation as well as rising interest rates may enhance volatility in currency exchange rates, limit our suppliers' and customers' access to credit and limit our ability to access debt and equity financing. These uncertainties may make it difficult for us and our suppliers and customers to accurately plan future business activities and materially adversely impact our operating results and financial condition. While we adjust our prices to try to offset rising operating costs, we may not be able to fully offset such higher costs or demand may decline. Our inability to offset costs or consequential decline in demand could harm our business, results of operations or financial condition. We do not believe that inflation has had a material effect on our business, financial condition, or results of operations, other than its impact on the general economy. We cannot assure you, however, that our results of operations and financial condition will not be materially impacted by inflation in the future.

Interest Rate Risk

As of December 31, 2023, we had cash, cash equivalents, restricted cash and short-term investments of approximately \$191.8 million, of which \$7.4 million consisted of institutional money market funds, \$83.6 million consisted of commercial paper, and \$58.5 million consisted of corporate debt and U.S. government agency securities, all of which carries a degree of interest rate risk. The primary goals of our investment policy are liquidity and capital preservation. We do not enter into investments for trading or speculative purposes. These investments are subject to interest rate risk, as sharp increases in market interest rates could have an adverse impact on their fair value. Although the fair values of these instruments can fluctuate, we believe that the short-term, highly liquid nature of these investments, and our ability to hold these instruments to maturity, reduces our risk for potential material losses. A hypothetical 100 basis point change in interest rates would not have a material impact on our financial condition or results of operations due to the short-term nature of our investment portfolio.

In addition, our operating results are subject to risk from interest rate fluctuations on borrowings under our debt financing arrangements, which carry variable interest rates. Interest rate risk is the exposure to loss resulting from changes in the level of interest rates and the spread between different interest rates. Because our borrowings under our financing arrangements bear interest at variable rates, we are exposed to market risks relating to changes in interest rates. Interest rate risk is highly sensitive due to many factors, including U.S. monetary and tax policies, U.S. and international economic factors and other factors beyond our control. As of December 31, 2023, we had \$44.0 million of variable rate debt outstanding under our UBS Agreement. Based upon a sensitivity analysis of our debt levels on December 31, 2023, an increase or decrease of 1% point in the effective interest rate under our UBS Agreement would cause an increase or decrease in interest expense of approximately \$0.4 million over the next 12 months.

We anticipate that interest payable on borrowings under the UBS Agreement will be substantially less than the interest payable on the term loan facility with Hercules Capital, Inc, and that the new Agreement will provide more operational flexibility.

Foreign Currency Exchange Risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. Substantially all of our revenue is generated in U.S. dollars. Our expenses are generally denominated in the currencies of the jurisdictions in which we conduct our operations, which are primarily in the U.S. and to a lesser extent in Asia and Europe. Our results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have a material impact on our historical consolidated financial statements. To date, we have not engaged in any hedging strategies. As our international operations grow, we will continue to reassess our approach to manage our risk relating to fluctuations in currency rates. No strategy can completely insulate us from risks associated with such fluctuations and our currency exchange rate risk management activities could expose us to substantial losses if such rates move materially differently from our expectations.

Item 8. Financial Statements and Supplementary Data

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OUSTER, INC.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Ouster, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Ouster Inc. and its subsidiaries (the “Company”) as of December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive loss, of stockholders' equity and of cash flows for the years then ended, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Merger with Velodyne Lidar, Inc. – Valuation of Hardware Developed Technology and Customer Relationships

As described in Notes 1, 2 and 3 to the consolidated financial statements, on February 10, 2023, the Company completed its merger with Velodyne Lidar, Inc. for an acquisition price of \$306.6 million. Management accounted for the merger as a business combination using the acquisition method of accounting and allocated the purchase price to the identifiable tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. Of the identified intangible assets acquired, \$2.5 million of hardware developed technology and \$5.4 million of customer relationships were recorded. Management valued the hardware developed technology using the relief-from-royalty method, which involved significant assumptions related to the relief-from-royalty rate, the migration curve, the discount rate, and the economic life. Management valued the customer relationships using the distributor method, which involved significant assumptions related to the distributions margin.

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The principal considerations for our determination that performing procedures relating to the valuation of hardware developed technology and customer relationships acquired in the merger with Velodyne Lidar, Inc. is a critical audit matter are (i) the significant judgment by management when developing the fair value estimate of the hardware developed technology and customer relationships acquired; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to the relief-from-royalty rate, the migration curve, the discount rate, and the economic life for hardware developed technology and the distributions margin for customer relationships; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others (i) reading the agreement and plan of merger; (ii) testing management's process for developing the fair value estimate of the hardware developed technology and customer relationships acquired; (iii) evaluating the appropriateness of the relief-from-royalty and distributor methods used by management; (iv) testing the completeness and accuracy of the underlying data used by management in the relief-from-royalty and distributor methods; and (v) evaluating the reasonableness of the significant assumptions used by management related to the relief-from-royalty rate, the migration curve, the discount rate, and the economic life for hardware developed technology and the distributions margin for customer relationships. Evaluating management's assumptions related to the distributions margin for customer relationships involved considering (i) the consistency with external market and industry data; (ii) the completeness and accuracy of the distributor data; and (iii) whether the assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating (i) the appropriateness of the relief-from-royalty and distributor methods and (ii) the reasonableness of the relief-from-royalty rate, the migration curve, the discount rate, and the economic life assumptions for hardware developed technology.

/s/ PricewaterhouseCoopers LLP

San Jose, California
March 28, 2024

We have served as the Company's auditor since 2019.

OUSTER, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	December 31,	
	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 50,991	\$ 122,932
Restricted cash, current	552	257
Short-term investments	139,158	—
Accounts receivable, net	14,577	11,233
Inventory	23,232	19,533
Prepaid expenses and other current assets	34,647	8,543
Total current assets	263,157	162,498
Property and equipment, net	10,228	9,695
Operating lease, right-of-use assets	18,561	12,997
Unbilled receivable, long-term portion	10,567	—
Goodwill	—	51,152
Intangible assets, net	24,436	18,165
Restricted cash, non-current	1,091	1,089
Other non-current assets	2,703	541
Total assets	\$ 330,743	\$ 256,137
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 3,545	\$ 8,798
Accrued and other current liabilities	58,166	17,071
Contract liabilities	12,885	402
Operating lease liability, current portion	7,096	3,221
Total current liabilities	81,692	29,492
Operating lease liability, long-term portion	18,827	13,400
Debt	43,975	39,574
Contract liability, long-term portion	4,967	342
Other non-current liabilities	1,610	1,710
Total liabilities	151,071	84,518
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Common stock, \$0.0001 par value; 100,000,000 shares authorized at December 31, 2023 and 2022; 43,257,862 and 18,658,798 issued and outstanding at December 31, 2023 and 2022, respectively	42	19
Additional paid-in capital	995,464	613,665
Accumulated deficit	(816,026)	(441,916)
Accumulated other comprehensive income (loss)	192	(149)
Total stockholders' equity	179,672	171,619
Total liabilities and stockholders' equity	\$ 330,743	\$ 256,137

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

OUSTER, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except share and per share data)

	Year Ended December 31,	
	2023	2022
Revenue	\$ 83,279	\$ 41,029
Cost of revenue	74,965	30,099
Gross profit	8,314	10,930
Operating expenses:		
Research and development	91,210	64,317
Sales and marketing	41,639	30,833
General and administrative	81,982	61,203
Goodwill impairment charges	166,675	—
Total operating expenses	381,506	156,353
Loss from operations	(373,192)	(145,423)
Other (expense) income:		
Interest income	9,038	2,208
Interest expense	(9,303)	(2,694)
Other (expense) income, net	(130)	7,654
Total other (expense) income, net	(395)	7,168
Loss before income taxes	(373,587)	(138,255)
Provision for income tax expense	523	305
Net loss	\$ (374,110)	\$ (138,560)
Other comprehensive loss		
Changes in unrealized gain (loss) on available for sale securities	\$ 354	\$ —
Foreign currency translation adjustments	(13)	(143)
Total comprehensive loss	\$ (373,769)	\$ (138,703)
Net loss per common share, basic and diluted	\$ (10.10)	\$ (7.79)
Weighted-average shares used to compute basic and diluted net loss per share	37,042,081	17,792,316

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

OUSTER, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)

	Common Stock		Additional Paid-in- Capital	Accumulated Deficit	Accumulated other comprehensive loss	Total Stockholders' Equity
	Shares	Amount				
Balance — January 1, 2022	17,220,042	\$ 17	\$ 564,045	\$ (303,356)	\$ (6)	\$ 260,700
Proceeds from at-the-market offering, net of commissions and fees of \$505 and issuance costs of \$546	783,371	1	15,775	—	—	15,776
Issuance of common stock upon exercise of stock options	215,850	—	470	—	—	470
Issuance of common stock upon vesting of restricted stock units - net of tax withholding	443,971	1	(59)	—	—	(58)
Issuance of common stock to employees under employee stock purchase plan	32,201	—	378	—	—	378
Repurchase of common stock	(31,124)	—	(45)	—	—	(45)
Cancellation of Sense acquisition shares	(5,513)	—	(358)	—	—	(358)
Vesting of early exercised stock options	—	—	138	—	—	138
Stock-based compensation expense	—	—	33,321	—	—	33,321
Net loss	—	—	—	(138,560)	—	(138,560)
Other Comprehensive loss	—	—	—	—	(143)	(143)
Balance — December 31, 2022	18,658,798	\$ 19	\$ 613,665	\$ (441,916)	\$ (149)	\$ 171,619
Issuance of common stock upon Velodyne Merger	19,483,269	20	306,582	—	—	306,602
Common Stock adjustment reflected as a result of the one-for-10 reverse stock split effectuated on April 6, 2023	85,893	—	—	—	—	—
Proceeds from at-the-market offering, net of commissions and fees of \$872 and issuance costs of \$327	2,878,875	3	15,424	—	—	15,427
Issuance of common stock upon exercise of stock options	142,117	—	270	—	—	270
Issuance of common stock upon vesting of restricted stock units	1,755,157	—	—	—	—	—
Issuance of common stock to employees under employee stock purchase plan	257,506	—	1,175	—	—	1,175
Repurchase of common stock	(3,753)	—	(3)	—	—	(3)
Common stock warrants issuable to customer	—	—	528	—	—	528
Vesting of early exercised stock options	—	—	98	—	—	98
Stock-based compensation expense	—	—	57,725	—	—	57,725
Net loss	—	—	—	(374,110)	—	(374,110)
Other Comprehensive income	—	—	—	—	341	341
Balance — December 31, 2023	43,257,862	\$ 42	\$ 995,464	\$ (816,026)	\$ 192	\$ 179,672

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

OUSTER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Years ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (374,110)	\$ (138,560)
Adjustments to reconcile net loss to net cash used in operating activities:		
Goodwill impairment charges	166,675	—
Depreciation and amortization	17,148	9,456
Loss on write-off of construction in progress and right-of-use asset impairment	1,732	—
Gain on lease termination	(807)	—
Stock-based compensation	57,725	33,321
Reduction of revenue related to stock warrant issued to customer	528	—
Amortization of right-of-use asset	4,519	2,730
Non-cash interest income	(732)	—
Interest expense and loss on debt extinguishment	4,001	799
Amortization of debt issuance costs and debt discount	190	160
Accretion or amortization on short-term investments	(4,685)	—
Change in fair value of warrant liabilities	49	(7,446)
Inventory write down	10,047	1,600
Provision for doubtful accounts	1,346	346
(Gain)/loss from disposal of property and equipment	(59)	430
Changes in operating assets and liabilities:		
Accounts receivable	3,574	(856)
Inventory	(4,047)	(13,684)
Prepaid expenses and other assets	(21,575)	(3,148)
Accounts payable	(8,520)	4,191
Accrued and other liabilities	8,081	3,196
Contract liabilities	6,597	—
Operating lease liability	(5,567)	(3,225)
Net cash used in operating activities	(137,890)	(110,690)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property & equipment	560	275
Purchases of property and equipment	(3,006)	(5,422)
Purchase of short-term investments	(137,104)	—
Proceeds from sales of short-term investments	158,014	—
Cash and cash equivalents acquired in the Velodyne Merger	32,137	—
Net cash used in investing activities	50,601	(5,147)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of common stock	—	(45)
Proceeds from exercise of stock options	271	470
Proceeds from ESPP purchase	1,174	378
Proceeds from borrowings, net of debt discount and issuance costs	43,975	39,077
Repayments of borrowings	(43,975)	—
Proceeds from the issuance of common stock under at-the-market offering, net of commissions and fees	14,575	16,322
At-the-market offering costs for the issuance of common stock	(363)	(541)
Taxes paid related to net share settlement of restricted stock units	—	(59)
Net cash provided by financing activities	15,657	55,602
Effect of exchange rates on cash and cash equivalents	(12)	(143)
Net increase decrease in cash, cash equivalents and restricted cash	(71,644)	(60,378)
Cash, cash equivalents and restricted cash at beginning of year	124,278	184,656
Cash, cash equivalents and restricted cash at end of year	\$ 52,634	\$ 124,278
SUPPLEMENTAL DISCLOSURES OF OPERATING ACTIVITIES:		
Cash paid for interest	\$ 5,115	\$ 1,735
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING INFORMATION:		
Proceeds from the issuance of common stock under at-the-market offering not received	\$ 1,255	\$ —
Property and equipment purchases included in accounts payable and accrued liabilities	\$ 524	\$ 269
Common stock shares issued in the Velodyne Merger	\$ 297,425	\$ —
Common stock warrants issued in the Velodyne Merger	\$ 9,177	\$ —

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

OUSTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Description of Business and Basis of Presentation

Description of Business

Ouster, Inc. was incorporated in the Cayman Islands on June 4, 2020 as “Colonnade Acquisition Corp.” (“CLA”). Following the closing of the business combination in March 2021, the Company domesticated as a Delaware corporation and changed its name to “Ouster, Inc.” The Company’s prior operating subsidiary, Ouster Technologies, Inc. (“OTI” and prior to the Merger (as defined below)), was incorporated in the state of Delaware on June 30, 2015. The Company is a leading provider of high-resolution digital lidar sensors that offer advanced 3D vision to machinery, vehicles, robots, and fixed infrastructure assets, allowing each to understand and visualize the surrounding world and ultimately enabling safe operation and ubiquitous autonomy. Unless the context otherwise requires, references in this subsection to “the Company” refer to the business and operations of OTI (formerly known as Ouster, Inc.) and its consolidated subsidiaries prior to the Merger (as defined below) and to Ouster, Inc. (formerly known as CLA) and its consolidated subsidiaries following the consummation of the Merger.

CLA, the Company’s legal predecessor, was originally a blank check company incorporated as a Cayman Islands exempted company on June 4, 2020. CLA was formed for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses. On March 11, 2021, CLA consummated a merger (the “Merger”) with OTI pursuant to an Agreement and Plan of Merger (the “Merger Agreement”) dated as of December 21, 2020. As a result of the Merger, among a number of other things, (1) each of the then issued and outstanding 10,000,000 redeemable warrants of CLA (the “CLA warrants”) converted automatically into a redeemable warrant to purchase one share of Ouster common stock (the “Public warrants”) pursuant to the Warrant Agreement, dated August 20, 2020 (the “Warrant Agreement”), between CLA and Continental Stock Transfer & Trust Company (“Continental”), as warrant agent and (2) each of the then issued and outstanding 6,000,000 private placement warrants of CLA (the “Private Placement warrants”) converted automatically into a Public warrant pursuant to the Warrant Agreement. No fractional Public warrants were issued upon separation of the CLA units.

On February 10, 2023, the Company completed the merger with Velodyne Lidar, Inc., a Delaware corporation (“Velodyne”) pursuant to the terms of the Agreement and Plan of Merger (the “Velodyne Merger Agreement”) with Velodyne, Oban Merger Sub, Inc. (“Merger Sub I”) and Oban Merger Sub II LLC (“Merger Sub II”) (the “Velodyne Merger”) dated as of November 4, 2022, accounted for as a business combination with the Company being an accounting acquirer (Note 3).

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries (all of which are wholly owned) and have been prepared in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”). All intercompany balances and transactions have been eliminated in consolidation. The presentation of certain prior period amounts has been reclassified to conform with current year presentation.

On April 6, 2023, the Board of Directors approved a one-for-10 reverse stock split and a corresponding reduction in authorized shares of common stock (the “Reverse Stock Split”). On April 20, 2023, the Company filed with the Secretary of State of the State of Delaware a Certificate of Amendment to its Certificate of Incorporation to effect the one-for-10 Reverse Stock Split of the Company’s common stock and a corresponding reduction in authorized shares of common stock. The par value of the Company’s common stock was not adjusted as a result of the Reverse Stock Split. All share and per share amounts and related stockholders’ equity balances presented herein have been retroactively adjusted to reflect the Reverse Stock Split.

Liquidity

The Company’s principal sources of liquidity are its cash and cash equivalents, short-term investments, cash generated from revenues, sales of common stock under its at-the-market equity offering program and debt financing.

The accompanying consolidated financial statements have been prepared on a going concern basis. The Company has experienced recurring losses from operations, and negative cash flows from operations. As of December 31, 2023, the Company’s existing sources of liquidity included cash and cash equivalents, restricted cash and short-term investments of \$191.8 million.

Management expects significant operating losses and negative cash flows from operations to continue for the foreseeable future. The Company expects to continue investing in product development and sales and marketing activities. The long-term continuation of the Company's business plan is dependent upon the generation of sufficient revenues from its products to offset expenses. The Company may require additional capital in order to execute management's current business plan and in the event that the Company does not generate sufficient cash flows from operations and is unable to obtain funding, the Company may be forced to delay, reduce, or eliminate some or all of its discretionary spending, which could adversely affect the Company's business prospects, ability to meet long-term liquidity needs or ability to continue operations.

The Company has concluded that it has sufficient capital to fund its obligations in the ordinary course of business for at least one year from the date these consolidated financial statements were issued.

Merger Agreement with Velodyne Lidar, Inc.

On November 4, 2022, the Company entered into an Agreement and Plan of Merger (the "Velodyne Merger Agreement") with Velodyne Lidar, Inc., a Delaware corporation ("Velodyne"), Oban Merger Sub, Inc., a Delaware corporation and one of the Company's direct, wholly owned subsidiaries ("Velodyne Merger Sub I") and Oban Merger Sub II LLC, a Delaware limited liability company and one of the Company's direct, wholly owned subsidiaries ("Velodyne Merger Sub II").

On February 10, 2023, the Company completed the merger with Velodyne Lidar, Inc., a Delaware corporation ("Velodyne") pursuant to the terms of the Agreement and Plan of Merger (the "Velodyne Merger Agreement") with Velodyne, Oban Merger Sub, Inc. ("Merger Sub I") and Oban Merger Sub II LLC ("Merger Sub II") (the "Velodyne Merger") dated as of November 4, 2022, accounted for as a business combination with the Company being an accounting acquirer (Note 3).

At the Market Issuance Sales Agreement

On April 29, 2022, the Company entered into an At-Market-Issuance Sales Agreement (the "ATM Agreement") with B. Riley Securities, Inc., Cantor Fitzgerald & Co. and Oppenheimer & Co. Inc., pursuant to which the Company may offer and sell, from time to time, through or to the agents, acting as agent or principal, shares of the Company's common stock having an aggregate offering price of up to \$150.0 million under the Company's Form S-3 registration statement. During the years ended December 31, 2023 and 2022, the Company sold 2,878,875 and 783,371 shares, respectively. The weighted-average sales price and gross proceeds to the Company before deducting offering costs, sales commissions and fees were approximately \$5.67 and \$21.48 per share and \$33.1 million and \$16.8 million, respectively, during the year ended December 31, 2023 and 2022.

Note 2 – Summary of Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make certain 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 revenue and expenses during the reported periods. The most significant estimates included in these consolidated financial statements are the useful lives of long-lived assets, revenue recognition, inventory write downs, the realizability of deferred tax assets, the measurement of stock-based compensation, and the valuation of the Company's various financial instruments. The complexity of the estimation process and factors relating to assumptions, risks and uncertainties inherent with the use of the estimates affect the amount of revenue and related expenses reported in the Company's consolidated financial statements. Internal and external factors can affect the Company's estimates. Actual results could differ from these estimates under different assumptions or conditions.

Business Combinations

Business combinations are accounted for under the acquisition method. The Company recognizes the assets acquired and liabilities assumed in business combinations on the basis of their fair values at the date of acquisition. The Company assesses the fair value of assets acquired, including intangible assets, and liabilities assumed using a variety of methods. Each asset acquired and liability assumed is measured at fair value from the perspective of a market participant. The method used to estimate the fair values of intangible assets incorporates significant estimates and assumptions regarding the estimates a market participant would make in order to evaluate an asset, including a market participant's use of the asset, future cash inflows and outflows, probabilities of success, asset lives, and the appropriate discount rates. Any excess purchase price over the fair value of the net tangible and intangible assets acquired is allocated to goodwill. Transaction costs and restructuring costs associated with a business combination are expensed as incurred.

During the measurement period, which extends no later than one year from the acquisition date, the Company may record certain adjustments to the carrying value of the assets acquired and liabilities assumed with the corresponding offset to goodwill. After the measurement period, all adjustments are recorded in the consolidated statements of operations within other income (expense), net.

Foreign Currencies

The functional currency of the Company is the U.S. dollar. The functional currency of the Company's wholly-owned foreign subsidiaries is generally the same as the entity's local currency. Accordingly, the asset and liability accounts of our foreign operations are translated into U.S. dollars using the current exchange rate in effect at the balance sheet date and equity accounts are translated into U.S. dollars using historical rates. The revenues and expenses are translated using the weighted-average exchange rates in effect during the period, and gains and losses from foreign currency translation adjustments are included as a component of accumulated other comprehensive loss in the consolidated balance sheets. Foreign currency translation adjustments are recorded in other comprehensive loss in the consolidated statements of operations and comprehensive loss.

Foreign currency transaction gains and losses are a result of the effect of exchange rate changes on transactions denominated in currencies other than the functional currency. Foreign currency transaction gains and losses are recorded in other income (expense), net in the consolidated statements of operations and comprehensive loss.

Segment Information

The Company operates as one reportable and operating segment, which relates to the sale and production of lidar sensor kits. The Company's chief operating decision maker ("CODM") is its chief executive officer, who reviews financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance and allocating resources. The profitability of the Company's product group is not a determining factor in allocating resources and the CODM does not evaluate profitability below the level of the consolidated company.

Revenue Recognition

The Company recognizes revenue when a customer obtains control of promised products or services. The amount of revenue recognized reflects the consideration that the Company expects to be entitled to receive in exchange for these products or services. To achieve the core principle of this standard, the Company performs the following five steps:

1) Identify the contract with a customer

A contract with a customer exists when the contract is approved, each party's rights regarding the product or services to be transferred and the payment terms for the product or services can be identified, it is determined that the customer has the ability and intent to pay and the contract has commercial substance. The Company applies judgement in determining the customer's ability and intent to pay, which is based on a variety of factors, including the customer's historical payment experience or, in the case of a new customer, credit and financial information pertaining to the customer. Accounts receivable are due under normal trade terms, typically three months or less.

2) Identify the performance obligations in the contract

Performance obligations promised in a contract are identified based on the product or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the product or service either on its own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the product or services is separately identifiable from other promises in the contract.

3) Determine the transaction price

The transaction price is determined based on the consideration to which the Company expects to be entitled in exchange for transferring product or services to the customer. Royalties from the license of intellectual property (“IP”) are included in the transaction price in the period the sales occur. Other forms of variable consideration are included in the transaction price if the Company judges that it is probable that a significant future reversal of cumulative revenue under the contract will not occur. None of the Company’s contracts contain a significant financing component. All taxes assessed by a governmental authority on a specific revenue-producing transaction collected by the Company from a customer are excluded from the transaction price.

4) Allocate the transaction price to performance obligations in the contract

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price (“SSP”). In 2023 and 2022, the Company did not have a material volume of contracts that required the allocation of transaction price to multiple performance obligations.

5) Recognize revenue when or as the Company satisfies a performance obligation

Revenue is recognized at the time the related performance obligation is satisfied by transferring the promised product or service to a customer.

Product revenue

The majority of the Company’s revenue comes from product sales of lidar sensors to direct customers and distributors. Revenue is recognized at a point in time when control of the goods is transferred to the customer, generally occurring upon shipment or delivery dependent upon the terms of the underlying contract. Product sales to certain customers may require customer acceptance due to performance acceptance criteria that are considered more than a formality. For these product sales, revenue is recognized upon the expiration of the customer acceptance period. Amounts billed to customers for shipping and handling are included in revenue, and the Company has elected to recognize the cost of shipping activities that occur after control has transferred to the customer as a fulfillment cost rather than a separate performance obligation. All related shipping costs are accrued and recognized within cost of revenue when the related revenue is recognized.

Services

The Company’s services revenue consists primarily of product development and validation services. The obligation to provide services is generally satisfied over time, with the customer simultaneously receiving and consuming the benefits as the Company satisfies its performance obligations. For product development and validation service projects, the Company bills and recognizes revenue as the services are performed. For these arrangements, control is transferred over as the Company’s inputs are incurred to complete the project; therefore, revenue is recognized over the service period with the measure of progress using the input method based on labor costs incurred to total labor cost (“cost-to-cost”) as the services are provided.

IP Licenses

The Company licenses rights to its IP to certain customers and collects royalties based on customer’s product sales. IP revenue recognition is dependent on the nature and terms of each agreement. The Company recognizes license revenue upon the later of (a) delivery of the IP or (b) commencement of the license term if there are no substantive future obligations to perform under the arrangement. Revenue for licenses to future technology developed on a when-and-if -available basis is recognized straight-line over the license period as long as customers continue to have access to the future technology. Royalties from the license of IP are recognized at the later of the period the sales occur or the satisfaction of the performance obligation to which some or all of the royalties have been allocated.

Software Licenses

The Company’s Gemini software license arrangements provide the customer with the right to install and use functional intellectual property (as it exists at the point in time at which the license is granted) for the duration of the contract term (perpetual or term license). Revenue from distinct software licenses is recognized at the point in time when the software is made available to the customer.

Maintenance

The Company's Gemini software license arrangements typically include an initial (bundled) post contract customer support (maintenance or "PCS") term. Those software license arrangements, which include PCS represent a distinct, stand-alone performance obligation. Contract consideration is allocated to the PCS based on its relative SSP and revenue is recognized ratably over the PCS term.

Product Warranties

The Company provides standard product warranties for a term of typically one to two years to ensure that its products comply with agreed-upon specifications. Standard warranties are considered to be assurance type warranties and are not accounted for as separate performance obligations. The Company also provides service type extended warranties for typically an additional term ranging up to two additional years. For service type extended warranty contracts, the Company allocates revenue to this performance obligation on a relative standalone selling price basis and recognizes the revenue on a ratable basis over time during the effective period of the services as the Company stands ready to provide services as needed.

Costs to obtain a contract

The Company expenses the incremental costs of obtaining a contract when incurred because the amortization period for these costs would typically be less than one year. These costs primarily relate to sales commissions and are expensed as incurred in sales and marketing expense in the Company's consolidated statements of operations and comprehensive loss. The incremental cost of obtaining a contract for the years ended December 31, 2023 and 2022 was \$5.0 million and \$2.9 million, respectively.

Right of return

The Company's general terms and conditions for its contracts do not contain a right of return that allows the customer to return products and receive a credit, however it has in practice permitted returns of its sensor kits in limited circumstances. Allowances for sales returns, which reduce revenue, are estimated using historical experience and were immaterial as of December 31, 2023 and 2022. Actual returns in subsequent periods have been consistent with estimated amounts.

Net loss per common share

The Company follows the two-class method when computing net loss per common share. The two-class method determines net loss per common share for common and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires income available to common stockholders for the period to be allocated between common and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed. The Company has no participating securities outstanding for the periods presented.

Basic net loss per common share attributable to common stockholders is computed by dividing the net loss by the weighted average number of common shares outstanding for the period. Diluted net loss attributable to common stockholders is computed by adjusting net loss attributable to common stockholders to reallocate undistributed earnings based on the potential impact of dilutive securities. Diluted net loss per common share attributable to common stockholders is computed by dividing the diluted net loss attributable to common stockholders by the weighted average number of common shares outstanding for the period, including potential dilutive common shares assuming the dilutive effect of common stock equivalents.

In periods in which the Company reports a net loss attributable to common stockholders, diluted net loss per common share attributable to common stockholders is the same as basic net loss per common share attributable to common stockholders, since dilutive common shares are not assumed to have been issued if their effect is anti-dilutive. The Company reported a net loss attributable to common stockholders for the years ended December 31, 2023 and 2022.

Comprehensive Loss

Comprehensive loss is comprised of net loss and other comprehensive income (loss). The Company's changes in unrealized loss on available for sale securities and foreign currency translation adjustment are the only components of other comprehensive loss that is excluded from the reported net loss for all periods presented.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity from the date of purchase of three months or less to be cash equivalents. Cash and cash equivalents consist of cash deposited with banks, money market accounts and commercial paper.

Restricted Cash

Restricted cash consists of certificates of deposit held by banks as security for outstanding letters of credit.

Investments

The Company considers investments with an original maturity greater than three months and remaining maturities less than one year to be short-term investments. The Company classifies those investments that are not required for use in current operations and that mature in more than 12 months as long-term investments.

The Company classifies its investments as available for sale and reports them at fair value, with unrealized gains and losses recorded in accumulated other comprehensive loss. For investments sold prior to maturity, the cost of investments sold is based on the specific identification method. Realized gains and losses on the sale of investments are recorded in other income, net in the consolidated statement of operations and comprehensive loss.

Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for expected credit losses representing its best estimate of expected credit losses related to its existing accounts receivable and their net realizable value. The allowance is determined using a combination of factors including historical losses adjusted to take into account current market conditions and customers' financial condition, the amount of receivables in dispute, and the current receivables aging and current payment patterns. The Company writes off accounts receivable against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Changes in the Company's allowance for expected credit losses were as follows (in thousands):

	Year Ended December 31,	
	2023	2022
Beginning balance	\$ 853	\$ 507
Provisions	1,346	346
Uncollectible accounts written off, net of recoveries	(1,095)	—
Ending balance	<u>\$ 1,104</u>	<u>\$ 853</u>

Inventory

Inventory consists primarily of raw materials, work-in-process, and finished goods and is stated at the lower of cost or estimated net realizable value. Costs are computed under the standard cost method, which approximates actual costs determined on the first-in, first-out basis. The Company charges cost of revenue for write-downs of inventories which are obsolete or in excess of anticipated demand based on purchase commitments, production needed to fulfill the warranty obligations, consideration of product marketability and product development plans, historical revenue and assumptions about future demand and market conditions.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditures for repairs and maintenance are charged to expense as incurred. Upon disposition, the cost and related accumulated depreciation and amortization are removed from the accounts and resulting gain or loss is reflected in the consolidated statement of income. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (see Note 5).

Impairment of Long-Lived Assets

The Company evaluates events and changes in circumstances that could indicate carrying amounts of long-lived assets, including intangible assets, may not be recoverable. When such events or changes in circumstances occur, the Company assesses the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the future undiscounted cash flows is less than the carrying amount of those assets, the Company records an impairment charge in the period in which such determination is made. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net tangible and identified intangible assets acquired in a business combination. Goodwill is not amortized but is evaluated at least annually for impairment or when a change in facts and circumstances indicate that the fair value of the goodwill may be below the carrying value.

Goodwill is tested for impairment at the reporting unit level annually in the fourth quarter, or more frequently when events or changes in circumstances indicate that the asset might be impaired. Examples of such events or circumstances include, but are not limited to, a significant adverse change in legal or business climate, an adverse regulatory action or unanticipated competition. The Company has determined that it operates in a single operating segment and has a single reporting unit.

Prior to performing the impairment test, the Company assesses qualitative factors to determine whether the existence of events or circumstances would indicate that it is more likely than not that the fair value of the reporting unit was less than the carrying amount. If after assessing the totality of events or circumstances, the Company were to determine that it is more likely than not that the fair value of the reporting unit is less than the carrying amount, then the Company would perform a quantitative impairment test.

The quantitative impairment test involves comparing the fair value of the reporting unit to the carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets, goodwill is not impaired, and no further testing is required. If the fair value of the reporting unit is less than the carrying value, the Company measures the amount of impairment loss, if any, as the excess of the carrying value over the fair value of the reporting unit. In connection with the Company's goodwill impairment assessments during the year ended December 31, 2023, the Company impaired all of its goodwill.

Intangible Assets

Intangible assets consist of developed technology, vendor relationship and customer relationships. Acquired intangible assets are initially recorded at the acquisition-date fair value. Intangible assets are amortized on a straight-line basis over their estimated useful lives, generally 3 to 8 years.

Fair Value of Financial Instruments

The Company applies the fair value measurement accounting standard whenever other accounting pronouncements require or permit fair value measurements. Fair value is defined in the accounting standard as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources, while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions. The fair value hierarchy consists of the following three levels:

- Level 1 - Quoted prices for identical instruments in active markets.
- Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3 - Instruments whose significant value drivers are unobservable.

Warrant Liabilities

Warrant liabilities consist of Private Placement warrants. The Private Placement warrants are not redeemable for cash so long as they are held by the initial purchasers or their permitted transferees but may be redeemable for common stock if certain other conditions are met. If the Private Placement warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Placement warrants are redeemable by the Company and exercisable by such holders subject to certain conditions, such as the reported closing price of our common stock equaling or exceeding \$180.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within a 30 trading-day period ending three business days before the Company sends the notice of redemption to the holders of Private Placement warrants. The Company evaluated the Private Placement warrants and concluded that they do not meet the criteria to be classified within stockholders' equity. The agreement governing the Private Placement warrants includes a provision, the application of which could result in a different settlement value for the Private Placement warrants depending on their holder. Because the holder of an instrument is not an input into the pricing of a fixed-for-fixed option on the Company's ordinary shares, the Private Placement warrants are not considered to be "indexed to the Company's own stock." This provision precludes the Company from classifying the Private Placement warrants in stockholders' equity.

As the Private Placement warrants meet the definition of a derivative, the Company recorded these warrants as liabilities on the consolidated balance sheet at fair value, with subsequent changes in their respective fair values recognized in the consolidated statements of operations and comprehensive loss at each reporting date.

Concentrations of credit risk

Financial instruments that potentially subject the Company to credit risk consist primarily of cash, cash equivalents, short-term investments, restricted cash and accounts receivable. Cash, cash equivalents, restricted cash are deposited with federally insured commercial banks in the U.S. and UK, Netherlands, France, Hong Kong, China, Thailand, India, Canada and Germany. At times, cash balances in the U.S. may be in excess of federal insurance limits. As of December 31, 2023 and 2022, the Company had cash, cash equivalents, short-term investment and restricted cash with financial institutions in U.S. of \$184.8 million and \$123.5 million, respectively. As of December 31, 2023 and 2022, the Company also had cash with financial institutions in countries other than the U.S. of approximately \$7.0 million and \$0.8 million, respectively, that was not federally insured.

The Company generally does not require collateral or other security deposits for accounts receivable.

To reduce credit risk, the Company considers customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms when determining the collectability of specific customer accounts. Past due balances over 90 days and other higher risk amounts are reviewed individually for collectability. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to valuation allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Accounts receivable from the Company's major customers representing 10% or more of total accounts receivable was as follows:

	December 31,	
	2023	2022
Customer A	42 %	— %
Customer B	12 %	— %

Concentrations of supplier risk

Purchases from the Company's suppliers and vendors representing 10% or more of total purchases were as follows:

	Year Ended December 31,	
	2023	2022
Supplier A	11 %	— %
Supplier B	17 %	28 %

Supplier B accounted for 44% and 39% of total accounts payable balance as of December 31, 2023 and 2022.

No professional services vendor accounted for 10% greater of total accounts payable balance as of December 31, 2023. One professional services vendor accounted for approximately 14% of total accounts payable balance as of December 31, 2022.

Amazon Warrant

The Amazon Warrant (as defined in Note 7) is accounted for as an equity instrument. To determine the fair value of the Amazon Warrant on its issuance date, the Company used the Black-Scholes option pricing model.

For awards granted to a customer, which are not in exchange for distinct goods or services, the fair value of the awards earned based on service or performance conditions is recorded as a reduction of the transaction price. Accordingly, when Amazon purchases goods or services and vesting conditions become probable of being achieved, the Company records a non-cash stock-based reduction to revenue associated with the Amazon Warrant, which is calculated based on the fair value of the Amazon Warrant shares as of the Velodyne Merger date.

Stock-based compensation

The Company measures and recognizes stock-based compensation expense for stock-based awards granted to employees, directors, and consultants over the requisite service periods based on the estimated grant date fair value, which for options is using the Black-Scholes-Merton option pricing model using the following variables:

- *Common Stock Valuation* – The fair value of the shares of common stock underlying the Company’s stock-based awards issued after the Colonnade Merger is based on the grant date closing fair market value of the Company’s common stock. Before closing of the Colonnade Merger, the fair value of the shares of common stock underlying the Company’s stock-based awards was historically determined by management and approved by the board of directors. Because there was no public market for the Company’s common stock, the board of directors determined the fair value of the common stock at the time of grant of the option by considering a number of objective and subjective factors, including contemporaneous valuations performed by an unrelated third-party specialist, valuations of comparable public companies, operating and financial performance, the lack of liquidity of capital stock, and general and industry-specific economic outlook. Valuations performed by the third-party valuation specialist used methodologies, approaches, and assumptions consistent with the American Institute of Certified Public Accountants Accounting and Valuation Guide, Valuation of Privately-Held-Company Equity Securities Issued as Compensation (“AICPA” Accounting and Valuation Guide). In relation to options, the Board intends all options granted to be exercisable at a price per share not less than the per share fair value of the common stock underlying those options on the date of grant.
- *Expected Term* – The expected term represents the period that the Company’s stock-based awards are expected to be outstanding and is determined using the simplified method, which deems the term to be the average of the time to vesting and the contractual life of the options.
- *Expected Volatility* – The expected volatility is based on the historical volatility for the period commensurate with the expected term of the awards for a peer group of comparable companies with publicly traded shares.
- *Expected Dividends* – The Company does not currently pay cash dividends on its common stock and does not anticipate doing so in the foreseeable future. Accordingly, the expected dividend yield is 0%.
- *Risk-Free Interest Rate* – The risk-free interest rate is based on the U.S. Treasury yield for a term consistent with the expected life of the awards in effect at the time of grant.

The fair values of the restricted stock awards and restricted stock units were determined based on the fair value of the Company’s common stock on the grant date. The Company recognizes stock-based compensation expense over the requisite service period. Forfeitures are accounted for as they occur. The Company’s policy for issuing stock upon stock option exercise is to issue new common stock.

Income taxes

Deferred tax liabilities and assets are recognized for the expected future tax consequences of temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities and net operating loss (“NOL”) and tax credit carryforwards. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Due to its history of operating losses, the Company has recorded a full valuation allowance against its deferred tax assets as of December 31, 2023 and 2022.

The Company accounts for uncertainty in income taxes using a two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of the related appeals or litigation processes, if any. An uncertain tax position that meets a more likely than not standard based on its technical merit would then be evaluated under the measurement step to determine the largest tax benefit that the taxpayer more likely than not will realize. The Company classifies any liabilities for unrecognized tax benefits as current to the extent that the Company anticipates payment of cash within one year. Interest and penalties related to uncertain tax positions are recognized in the provision for income taxes.

Recently Issued and Adopted Accounting Pronouncements

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which amends ASC 805 to add contract assets and contract liabilities to the list of exceptions to the recognition and measurement principles that apply to business combinations and to require that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. The amendments in this ASU are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years and should be applied prospectively to business combinations occurring on or after the effective date of the amendments. Early adoption of the amendments is permitted, including adoption in an interim period. In the fourth quarter of 2022, Ouster adopted the amendments and recognized contract assets acquired and contract liabilities assumed in the mergers in accordance with ASC 606. Ouster has elected to apply the practical expedient under paragraph ASC 805-20-30-29(b) of the adopted amendments and allocated the transaction price based on the standalone selling price of each performance obligation in the contract with a customer for all contracts acquired in the mergers. As of December 31, 2022, the adoption of this new standard had no impact on the Company's consolidated financial statements and related footnote disclosures.

Recently Issued Accounting Pronouncements Not Yet Adopted

The Company considers the applicability and impact of all ASUs. ASUs not referenced below were assessed and determined to be either not applicable or are not expected to have a material impact on the Company's consolidated financial statements.

In November 2023, the FASB issued ASU No. 2023-07 "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" ("ASU 2023-07"). The ASU expands public entities' segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the CODM and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items, and interim disclosures of a reportable segment's profit or loss and assets. This guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and requires retrospective adoption. The Company does not expect ASU 2023-07 to have a material impact on the Company's financial statement and related disclosures.

In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes (Topic 740) Improvements to Income Tax Disclosures" ("ASU 2023-09"), which prescribes standard categories for the components of the effective tax rate reconciliation and requires disclosure of additional information for reconciling items meeting certain quantitative thresholds, requires disclosure of disaggregated income taxes paid, and modifies certain other income tax-related disclosures. ASU 2023-09 is effective for annual periods beginning after December 15, 2024 and can be adopted on a prospective or retrospective basis. The Company is currently evaluating the potential impact of the adoption of ASU 2023-09 on its consolidated financial statements and related disclosures.

Note 3. Business Combination and Related Transactions

On February 10, 2023, the Company completed the Velodyne Merger. Velodyne shares ceased trading on the Nasdaq Stock Market LLC after market close on February 10, 2023, and each Velodyne share was exchanged for 0.8204 shares of the Company's common stock. Velodyne is treated as the acquired company for financial reporting purposes. This determination is primarily based on the Company's senior management prior to the Velodyne Merger comprising a majority of the senior management of the Company following the Velodyne Merger, the Company being the initiator of acquiring Velodyne and the Company being the party issuing shares in the Velodyne Merger. The acquisition price for the Velodyne Merger was \$306.6 million, primarily consisting of fair value of the Company's common stock issued in exchange for Velodyne shares and fair value of the Amazon Warrant (Note 7) of \$8.6 million. Through December 31, 2023, transaction costs incurred by the Company in connection with the Velodyne Merger, including professional fees, were \$13.0 million.

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Under the acquisition method of accounting in accordance with ASC 805, the total purchase price was allocated to identifiable tangible and intangible assets acquired and liabilities assumed based on their respective estimated fair values using management's best estimates and assumptions to assign fair value as of the acquisition date. The purchase accounting, including the identification and allocation of consideration to assets acquired was completed as of the fourth quarter of 2023. The following table provides the assets acquired and liabilities assumed as of the date of acquisition (in thousands):

	Estimated Fair Value
Purchase consideration	\$ 306,602
Preliminary amounts of identifiable assets and liabilities assumed	
Cash and cash equivalents	\$ 32,137
Short-term investments	155,031
Accounts receivable, net	8,611
Inventory	9,700
Prepaid expenses and other current assets	4,387
Unbilled receivable, long-term portion	6,657
Property and equipment, net	9,900
Operating lease, right-of-use assets	10,887
Intangible assets, net	13,000
Other non-current assets	1,047
Accounts payable	(3,356)
Accrued and other current liabilities	(32,821)
Contract liabilities	(5,475)
Operating lease liability, current portion	(3,735)
Operating lease liability, long-term portion	(11,940)
Contract liabilities, long-term portion	(2,206)
Other non-current liabilities	(745)
Total identifiable net assets	\$ 191,079
Goodwill	\$ 115,523
	<u>\$ 306,602</u>

Identified intangible assets acquired and their estimated useful lives as of February 10, 2023, were (in thousands, except years):

	Estimated Useful Life (in years)	Estimated Fair Value
Developed technology - Hardware	3	\$ 2,500
Developed technology - Software	5	5,100
Customer relationships	8	5,400
Intangible assets, net	5.9	<u>\$ 13,000</u>

Developed technology relates to Velodyne's lidar sensors and Blue City AI software used to monitor traffic networks and public spaces. The Company applied significant judgment in estimating the fair value of the developed technology, which involved significant assumptions related to the relief-from-royalty rate, the migration curve, the discount rate, and the economic life. The Company valued the hardware developed technology using the relief-from-royalty method under the income approach. Software developed technology was valued using the excess earnings method. The economic useful life was determined based on the technology cycle related to each developed technology, as well as the cash flows over the forecasted period.

The estimated fair value of the customer relationships was determined using the distributor method, which involved significant assumptions related to the distributions margin. The Company estimated customer relationships useful life of 8 years that approximates the pattern in which the economic benefits are expected to be realized.

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The estimated fair value of the inventory was determined using the comparative sales method, which estimated the expected sales price of the product, reduced by all costs expected to be incurred to complete or dispose of the inventory, as well as a profit on the sale.

The estimated fair value of property and equipment utilized a replacement cost method incorporating the age, quality and condition of the assets.

The excess of the purchase consideration and the fair value of identifiable assets acquired and liabilities assumed at the acquisition date over the fair value of net tangible and identified intangible assets acquired was recorded as goodwill, which is not deductible for tax purposes. Goodwill is primarily attributable to the assembled workforce and the anticipated operational synergies at the time of the Velodyne Merger.

The Company's consolidated statement of operations as of December 31, 2023, includes Velodyne revenue of \$29.0 million for the period from the acquisition date of February 10, 2023 to December 31, 2023. Due to the integration of the combined businesses, it was impractical to determine the earnings.

The unaudited supplemental pro forma information below presents the combined historical results of operations of the Company and Velodyne as if the Velodyne Merger had been completed as of January 1, 2022 (in thousands):

	Year Ended December 31,	
	2023	2022
Revenue	\$ 86,935	\$ 84,984
Net loss	\$ (372,689)	\$ (326,269)

The unaudited supplemental pro forma information above includes the following adjustments to net loss in the appropriate pro forma periods (in thousands):

	Year Ended December 31,	
	2023	2022
An increase in amortization expense related to the fair value of acquired identifiable intangible assets, net of the amortization expense already reflected in actual historical results	\$ (277)	\$ (2,820)
A decrease (increase) in expenses related to the transaction expenses	\$ 6,058	\$ (6,058)
A net increase in revenue related to the impact of the acceleration of the Amazon Warrant vesting recognized by Velodyne at the close of the Velodyne Merger transaction	\$ 3,656	\$ —
A decrease in expenses related to the impact of the acceleration of the Amazon Warrant vesting recognized by Velodyne at the close of the Velodyne Merger transaction	\$ 26,704	\$ —
Represents decrease (increase) in additional stock-based compensation expense related to Ouster employee terminations due to change in control.	\$ 6,383	\$ (5,195)
Represents a decrease (increase) in severance expense in connection with the Velodyne Merger transaction	\$ 10,586	\$ (10,586)

The unaudited supplemental pro forma information has been presented for illustrative purposes only and is not necessarily indicative of results of operations that would have been achieved had the Velodyne Merger taken place on the date indicated, or of the Company's future consolidated results of operations. The supplemental pro forma information presented above has been derived from the Company's historical consolidated financial statements and from historical consolidated financial statements and the historical accounting records of Velodyne.

Note 4. Fair Value of Financial Instruments

The following table provides information by level for the Company's assets and liabilities that were measured at fair value on a recurring basis (in thousands):

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents:				
Money market funds	\$ 7,354	\$ —	\$ —	\$ 7,354
Commercial paper	—	2,989	—	2,989
Short-term investments:				
Commercial paper	—	80,620	—	80,620
Corporate debt and U.S. government agency securities	—	58,538	—	58,538
Total short-term investments	—	139,158	—	139,158
Total financial assets	\$ 7,354	\$ 142,147	\$ —	\$ 149,501
Liabilities				
Warrant liabilities	\$ —	\$ —	\$ 229	\$ 229
Total financial liabilities	\$ —	\$ —	\$ 229	\$ 229

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Money market funds	\$ 121,100	\$ —	\$ —	\$ 121,100
Total financial assets	\$ 121,100	\$ —	\$ —	\$ 121,100
Liabilities				
Warrant liabilities	\$ —	\$ —	\$ 180	\$ 180
Total financial liabilities	\$ —	\$ —	\$ 180	\$ 180

Money market funds are included within Level 1 of the fair value hierarchy because they are valued using quoted market prices in active markets.

The fair value of the Private Placement warrant liabilities is based on significant unobservable inputs, which represent Level 3 measurements within the fair value hierarchy. In determining the fair value of the warrant liabilities, the Company used the Black-Scholes option pricing model to estimate the fair value using unobservable inputs including the expected term, expected volatility, risk-free interest rate and dividend yield (see Note 7).

Non-Recurring Fair Value Measurements

The Company has certain assets, including intangible assets, which are measured at fair value on a non-recurring basis and are adjusted to fair value only if an impairment charge is recognized. The categorization of the framework used to measure fair value of the assets is considered to be within the Level 3 valuation hierarchy due to the subjective nature of the unobservable inputs used.

Disclosure of Fair Values

Our financial instruments that are not re-measured at fair value include accounts receivable, accounts payable, accrued and other current liabilities and debt. The carrying values of these financial instruments approximate their fair values.

Note 5. Balance Sheet Components

Cash and Cash Equivalents and Short-Term Investments

The Company's cash and cash equivalents consist of the following (in thousands):

	December 31,	
	2023	2022
Cash	\$ 40,648	\$ 1,832
Cash equivalents:		
Money market funds ⁽¹⁾	7,354	121,100
Commercial paper	2,989	—
Total cash and cash equivalents	\$ 50,991	\$ 122,932

⁽¹⁾The Company maintains a cash sweep account, which is included in money market funds as of December 31, 2023 and 2022, respectively. Cash is invested in short-term money market funds that earn interest.

The Company acquired short-term investments consisting of commercial paper, corporate debt and U.S. government agency securities as a result of the merger with Velodyne that closed on February 10, 2023 (see Note 3). Short-term investments were \$139.2 million as of December 31, 2023. Unrealized gains and losses on the Company's short-term investments were not significant as of December 31, 2023 and therefore, the amortized cost of the Company's short-term investments approximated their fair value.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported in the consolidated balance sheets to the total of the amounts reported in the consolidated statements of cash flows (in thousands):

	December 31,		
	2023	2022	2021
Cash and cash equivalents	\$ 50,991	\$ 122,932	\$ 182,644
Restricted cash, current	552	257	977
Restricted cash, non-current	1,091	1,089	1,035
Total cash, cash equivalents and restricted cash	\$ 52,634	\$ 124,278	\$ 184,656

Inventory

Inventory, consisting of material, direct and indirect labor, and manufacturing overhead, consists of the following (in thousands):

	December 31,	
	2023	2022
Raw materials	\$ 10,062	\$ 6,971
Work in process	75	3,857
Finished goods	13,095	8,705
Total inventory	\$ 23,232	\$ 19,533

During the years ended December 31, 2023 and 2022, \$10.0 million and \$1.3 million of inventory write downs were charged to cost of revenue.

Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following (in thousands):

	December 31,	
	2023	2022
Prepaid expenses	\$ 5,377	\$ 2,502
Prepaid insurance	648	1,442
Receivable from contract manufacturers	2,028	2,526
Insurance receivable	23,375	—
Other current assets	3,219	2,073
Total prepaid and other current assets	<u>\$ 34,647</u>	<u>\$ 8,543</u>

Property and Equipment, net

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

	Estimated Useful Life (in years)	December 31,	
		2023	2022
Machinery and equipment	3	\$ 16,535	\$ 8,716
Computer equipment	3	1,104	340
Automotive and vehicle hardware	5	22	93
Software	3	593	85
Furniture and fixtures	7	946	848
Construction in progress		3,572	3,448
Leasehold improvements	Shorter of useful life or lease term	10,879	9,319
		33,651	22,849
Less: Accumulated depreciation		(23,423)	(13,154)
Property and equipment, net		<u>\$ 10,228</u>	<u>\$ 9,695</u>

Depreciation expense associated with property and equipment was \$10.4 million and \$5.0 million in the years ended December 31, 2023 and 2022, respectively.

The following table summarizes the Company's property and equipment, net by geography (in thousands):

	December 31,	
	2023	2022
United States	\$ 4,967	\$ 5,295
Thailand	2,733	2,481
France	2,416	1,750
Others	112	169
Total	<u>\$ 10,228</u>	<u>\$ 9,695</u>

Goodwill and Acquired Intangible Assets, Net

In the first quarter of 2023, the Company completed the acquisition of Velodyne. The transaction has been accounted for as a business combination. The Company acquired Velodyne for the price of \$306.6 million, primarily consisting of fair value of the Company's common stock issued in exchange for Velodyne shares and fair value of the Amazon Warrant (Note 7) of \$8.6 million. Goodwill represents the excess of the purchase price over the preliminary estimated fair values of the identifiable assets and assumed liabilities acquired and is primarily attributable to the assembled workforce and expected synergies at the time of the acquisition. Goodwill is not deductible for tax purposes.

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The following table presents goodwill activity (in thousands):

	Goodwill
December 31, 2022	\$ 51,152
Goodwill addition related to Velodyne Merger	115,523
Goodwill impairment charges	(166,675)
December 31, 2023	<u>\$ —</u>

Goodwill is not amortized and is tested for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In 2023 the Company experienced a significant decline in its stock price. This decline resulted in the total market value of its shares of stock outstanding (“market capitalization”) being less than the carrying value of its reporting unit as of March 31, 2023 and June 30, 2023. The Company also considered the impact of current macroeconomic conditions in the lidar sensor industry that potentially impact the fair value of the Company’s reporting unit. The macroeconomic conditions considered include deterioration in the equity markets evidenced by sustained declines in the Company’s stock price, those of its peers, along with an increase in the weighted-average cost of capital primarily driven by an increase in interest rates. After considering all available evidence in the evaluation of goodwill impairment indicators, the Company determined it was appropriate to perform an interim quantitative assessment of its goodwill as of March 31, 2023 and June 30, 2023. In connection with the Company’s interim goodwill impairment assessments the Company recorded goodwill impairment charges of approximately \$99.4 million in the three months ended March 31, 2023 and \$67.3 million in the three months ended June 30, 2023. The Company’s goodwill impairment analysis included a comparison of the aggregate estimated fair value of our reporting unit to our total market capitalization.

As of December 31, 2023, remaining goodwill balance was nil. No goodwill impairment charges were recognized during the year ended December 31, 2022.

The following tables present acquired intangible assets, net as of December 31, 2023 and 2022 (in thousands):

	Estimated Useful Life (in years)	December 31, 2023		
		Gross Carrying amount	Accumulated Amortization	Net Book Value
Developed technology	3 - 8	\$ 23,500	\$ (5,948)	\$ 17,552
Vendor relationship	3	6,600	(4,767)	1,833
Customer relationships	3 - 8	6,300	(1,249)	5,051
Intangible assets, net		<u>\$ 36,400</u>	<u>\$ (11,964)</u>	<u>\$ 24,436</u>

	Estimated Useful Life (in years)	December 31, 2022		
		Gross Carrying amount	Accumulated Amortization	Net Book Value
Developed technology	8	\$ 15,900	\$ (2,318)	\$ 13,582
Vendor relationship	3	6,600	(2,567)	4,033
Customer relationships	3	900	(350)	550
Intangible assets, net		<u>\$ 23,400</u>	<u>\$ (5,235)</u>	<u>\$ 18,165</u>

Amortization expense was \$6.7 million and \$4.5 million in the years ended December 31, 2023 and 2022, respectively.

The following table summarizes estimated future amortization expense of finite-lived intangible assets-net (in thousands):

Years:	Amount
2024	6,604
2025	4,514
2026	3,776
2027	3,682
2028	2,779
Thereafter	3,081
Total	<u>\$ 24,436</u>

Product Warranties

The following table reflects the activity in accrued warranty cost (in thousands):

	December 31,	
	2023	2022
Beginning balance	\$ 2,096	\$ 983
Additions from acquisitions	802	—
Warranty expenditures	(2,820)	(1,702)
Increase to warranty accrual	3,583	2,815
Ending balance	\$ 3,661	\$ 2,096

Accrued and Other Current Liabilities

Accrued and other current liabilities consist of the following (in thousands):

	December 31,	
	2023	2022
Uninvoiced receipts	\$ 12,980	\$ 10,727
Accrued compensation	6,387	3,758
Accrued legal contingencies	27,500	—
Sales and use taxes	2,667	403
Other	8,632	2,183
Total accrued and other current liabilities	\$ 58,166	\$ 17,071

Note 6. Debt**Loan and Security Agreement**

On April 29, 2022 the Company entered into a Loan Agreement with Hercules Capital, Inc. (“Hercules”) (as amended, the “Loan Agreement”). The Loan Agreement provided the Company with a term loan facility of up to \$50.0 million, subject to certain terms and conditions. The Company borrowed the initial tranche of \$20.0 million on April 29, 2022. On October 17, 2022, the Company borrowed an additional \$20.0 million.

The Loan Agreement included a minimum liquidity financial covenant whereby the Company was required to maintain at least \$60.0 million of cash in deposit accounts that are subject to an account control agreement in favor of Hercules.

On February 10, 2023, the Company entered into the Third Amendment, which amended the Loan Agreement to (i) increase the existing debt baskets for (a) purchase money debt and capital leases and (b) letter of credit obligations, (ii) provide for increased flexibility to maintain cash in non-US accounts, and (iii) provide for increased flexibility to relocate certain equipment.

Advances under the Loan Agreement bore interest at the rate of interest equal to greater of either (i) (x) the prime rate as reported in The Wall Street Journal plus (y) 6.15%, and (ii) 9.40%, subject to compliance with financial covenants and other conditions. The Loan Agreement included covenants, limitations, and events of default customary for similar facilities.

In connection with the Loan Agreement, the Company paid the lender a cash facility and legal fees of \$0.6 million and incurred debt issuance costs to third parties that were directly related to issuing debt in the amount of \$0.3 million. The effective interest rate on this debt was 17.90% after giving effect to the debt discount, debt issuance costs and the end of term charge. Amortization expense included in the interest expense related to debt discount and debt issuance costs of the Loan Agreement was not material for the year ended December 31, 2023.

Prior to repayment of the Loan Agreement, interest on amounts borrowed was payable on a monthly basis until June 1, 2025 (the “Amortization Date”). On and as of the Amortization Date, payments consist of equal monthly installments of principal and interest payable until the secured obligations are repaid in full. However, if the Company achieved certain equity proceeds, revenue or profit targets for the twelve-month period ending December 31, 2023, then the Amortization Date would have been extended to the Maturity Date. The entire principal balance and all accrued but unpaid interest were to be due and payable on the Maturity Date. On the earliest to occur of May 1, 2026, the date on which the obligations under the Loan Agreement were paid and the date on which such obligations became due and payable, the Company was also required to pay Hercules an end of term fee in an amount equal to 7.45% of the aggregated amount of all Advances made under the Loan Agreement.

The Company was permitted to prepay the principal of any advance made pursuant to the terms of the Term Loan Facility at any time subject to a prepayment charge equal to: 2.50%, if such advance was prepaid in any of the first 12 months following the Closing Date, 1.50%, if such advance was prepaid after 12 months but prior to 24 months following the Closing Date, and 1.0%, if such advance was prepaid anytime thereafter.

On October 25, 2023, the Loan Agreement was repaid with proceeds of the loans drawn under the Credit Agreement (as defined below) with UBS Bank USA and UBS Financial Services Inc. resulting in a loss on extinguishment of debt of \$3.6 million and recorded it as interest expense in its consolidated statements of operations and comprehensive loss for the twelve months ended December 31, 2023.

Revolving Credit

On October 25, 2023, the Company entered into the Credit Line Account Application and Agreement for Organizations and Businesses (the “Credit Agreement”) and the Addendum to Credit Line Account Application and Agreement (the “Addendum”); and the Credit Agreement as amended, modified, and/or supplemented by the Addendum, the “UBS Agreement”) by and among the Company, UBS Bank USA (the “Bank”), and UBS Financial Services Inc. The facility under the UBS Agreement matures and terminates on August 2, 2025 (the “Maturity Date”).

The UBS Agreement provides the Company with a revolving credit line of up to \$45.0 million, subject to certain terms and conditions. The Company borrowed \$44.0 million on October 25, 2023, and all of the proceeds were used to prepay and terminate the Company’s Loan Agreement on October 25, 2023. The Company recognized constructive financing cash outflows and financing cash inflows on the statement of cash flows of \$44.0 million, respectively, even though no funds were actually paid or received.

Pursuant to the terms of the UBS Agreement, the Company has agreed to maintain minimum liquidity, that can be comprised of unencumbered cash and cash equivalents, U.S. treasuries and other assets acceptable to the Bank, of \$52.0 million in an account maintained with the Bank or its affiliates at all times. As of December 31, 2023, the Company is in compliance with this minimum liquidity requirement within the loan agreement.

Loans under the UBS Agreement bear interest at a rate equal to (x) for variable rate loans, the sum of (i) the applicable SOFR average plus 0.110%, plus (ii) 1.20%, and (y) for fixed rate loans, the sum of either (1) CME Term Rate or (2) the U.S. Treasury Rate, as applicable and as defined in the UBS Agreement, as determined based on the duration of the advance, plus the applicable liquidity premium with a range of 0.15% to 0.50%, as set forth in the UBS Agreement. Interest payments are due (x) for variable rate loans, on the last day of each calendar month, and on each date that any portion of the principal amount is due, including on the Maturity Date, and (y) for fixed rate loans, on the last day of the applicable interest period, and on each date that any portion of the principal amount is due, including on the Maturity Date. The Company may repay any variable rate loans at any time in whole or in part, without penalty. The Company may repay any fixed rate loans in whole, but not in part, subject to certain breakage costs.

The Company has agreed to pay an unused line fee in an amount equal to (i) the commitment amount of \$45.0 million less the average daily balance of the sum of the principal amount of the obligations outstanding during the preceding calendar quarter, multiplied by (ii) 0.50% per annum, and such unused line fee is payable quarterly in arrears on the last day of each calendar quarter.

The UBS Agreement also contains affirmative and negative covenants customary for a credit line of this type, including requirements for maintenance of the collateral accounts and certain limitations on withdrawal of cash from such collateral accounts. The UBS Agreement also provides for customary events of default, including, among others, non-payment, failure to maintain an amount equal to the greater of (x) the outstanding loans and (y) the collateral value as determined by the Bank, in the securities accounts maintained with the Bank, bankruptcy, or breach of a covenant, representation and warranty. As of December 31, 2023, the Company was in compliance with the covenants set forth in the UBS Agreement.

Note 7. Warrants***Private Placement Warrants***

Simultaneously with the closing of the Company's initial public offering (the "IPO") in August 2020, the sponsor of CLA, Colonnade Sponsor LLC, purchased an aggregate of 600,000 Private Placement warrants at a price of \$10.00 per warrant, for an aggregate purchase price of \$6,000,000. The Private Placement warrants became exercisable 12 months following the closing of the Company's IPO, and will expire 5 years from the completion of the Colonnade Merger, or earlier upon redemption or liquidation. On March 11, 2021, as adjusted to reflect the Reverse Stock Split, each outstanding Private Placement warrant automatically converted into a warrant to purchase one-tenth of a share of Ouster common stock pursuant to the Warrant Agreement. Each 10 Private Placement warrants is exercisable for one share of Ouster common stock at an exercise price of \$115.00 per share, with no fractional shares being issuable upon exercise of a warrant.

The private placement warrant liability was initially recognized as a liability at a fair value of \$19.4 million and the private placement warrant liability was remeasured to fair value as of December 31, 2023 and 2022, resulting in a loss of \$0.05 million and \$7.4 million in the years ended December 31, 2023 and 2022, respectively, classified within other income (expense), net in the consolidated statements of operations and comprehensive loss.

The private placement warrant was valued using the following assumptions under the Black-Scholes option-pricing model:

	December 31, 2023	December 31, 2022
Stock price	\$ 7.67	\$ 8.60
Exercise price of warrant	\$ 115.00	\$ 115.00
Term (years)	2.19	3.19
Expected volatility	94.00 %	70.01 %
Risk-free interest rate	4.19 %	4.39 %

Public Warrants

CLA, in its IPO in August 2020, issued units that each consisted of one Class A ordinary share and one-half warrant to purchase a Class A ordinary share (the "Public warrants"). The warrants became exercisable 12 months following the closing of the Company's IPO, and expire five years from the completion of the Merger, or earlier upon redemption or liquidation. On March 11, 2021, upon the closing of the Colonnade Merger each of the 999,999 outstanding warrants, as adjusted for any fractional warrants that were not issued upon separation, was converted automatically into a redeemable Public warrant to purchase one share of the Company's common stock. As adjusted for the Reverse Stock Split, each 10 Public warrants is exercisable for one share of Ouster common stock at an exercise price of \$115.00 per share with no fractional shares issuable upon exercise of a warrant. The Public warrants were recognized as equity upon the Merger in the amount of \$17.9 million.

Prior to their expiration, the Company may redeem the Public warrants at a price of \$0.10 per warrant, provided that the closing price of the Company's common stock equals or exceeds \$180.00 per share for any 20 trading days within a 30 trading-day period ending on the third trading day prior to the date on which the Company gives proper notice of such redemption to the warrants holders.

The Company also assumed 5,973,170 outstanding public warrants upon closing the Velodyne Merger to purchase shares of the Company's common stock (the "Velodyne Public warrants"). Each warrant entitles the holder to purchase 0.06153 shares of the Company's common stock. Each 10 Velodyne Public warrants is exercisable for 0.6153 shares of the Company's common stock at an exercise price of \$140.20 per 0.6153 share of common stock, with no fractional shares being issuable upon exercise of a warrant. The warrants are exercisable at any time and expire in September 2025. The Company may redeem the outstanding warrants in whole and not in part at a price of \$0.10 per warrant at any time after they become exercisable, provided that the last sale price of the Company's common stock equals or exceeds \$219.41 per share, subject to adjustments, for any 20-trading days within a 30-trading day period ending three business days prior to the date on which the Company sends the notice of redemption to the warrant holders. The Velodyne Public warrants were recognized as equity upon the Velodyne Merger.

Amazon Warrant

On February 10, 2023, as part of the Velodyne Merger, the Company assumed a warrant agreement and a transaction agreement, pursuant to which Velodyne agreed to issue to Amazon.com NV Investment Holdings LLC, a wholly-owned subsidiary of Amazon Inc. (“Amazon”), a warrant to acquire, following customary antidilution adjustments, up to an aggregate of 3,263,898 shares of the Company’s common stock at an exercise price of \$50.71 per share (the “Amazon Warrant”). The exercise price and the warrant shares issuable upon exercise of the Amazon Warrant are subject to further antidilution adjustments, including in the event the Company makes certain sales of common stock (or securities exercisable or convertible into or exchangeable for shares of the Company’s common stock) at a price less than the exercise price of the Amazon Warrant. As a result of the issuance and sale by the Company of an additional 2,878,875 shares of common stock in the twelve months ended December 31, 2023 pursuant to the At-Market-Issuance Sales Agreement at prices below the exercise price of the Amazon Warrant, an antidilution adjustment to the terms of the Amazon Warrant occurred (see Note 11), resulting in the increase in the number of shares issuable under the Amazon Warrant by 618 shares of common stock and a reduction to the original strike price of the Amazon Warrant to \$50.70 per share. As of December 31, 2023, there were 3,264,516 shares of common stock issuable under the Amazon Warrant.

The Amazon Warrant is subject to vesting. As a result of the Velodyne Merger, 50% of the unvested Amazon Warrant as of the date of the Velodyne Merger have vested and the remainder will vest over time based on payments by Amazon or its affiliates to us in connection with Amazon’s purchase of goods and services from the Company. The vested portion of the Amazon Warrant, representing 1,848,694 shares of Ouster common stock with a fair value of \$8.6 million, was included in the Velodyne Merger purchase price consideration on February 10, 2023.

The Amazon Warrant shares vest in multiple tranches over time based on payments of up to \$100.0 million by Amazon or its affiliates (directly or indirectly through third parties) to the Company in connection with Amazon’s purchase of goods and services. The fair value of the unvested Amazon Warrant, representing 1,330,903 unvested Ouster common stock shares will be recognized as a non-cash stock-based reduction to revenue when Amazon makes payments and vesting conditions become probable of being achieved.

For the year ended December 31, 2023, 56,613 Amazon Warrant shares vested and the Company recognized non-cash stock-based reduction to revenue of \$0.5 million.

The fair value of the Amazon Warrant shares was estimated on February 10, 2023, the date of completion of the Velodyne Merger, using the Black-Scholes option pricing model on the remaining contractual term of 6.98 years, an expected volatility of 53.7%, a 3.86% risk-free interest rate and a 0% expected dividend yield. The Company estimated expected volatility by using historical volatility of the Company’s publicly traded stock and historical volatility of a group of publicly traded peer companies for the period commencing February 16, 2016 and ending on the date of the Merger.

The right to exercise the Amazon Warrant and receive the warrant shares that have vested expires February 4, 2030.

As of December 31, 2023, 1,933,613 Amazon Warrant shares have vested.

Note 8. Leases

The Company leases its headquarters located in San Francisco, California, where the Company lease properties as follows: (i) 26,125 square feet of office space pursuant to a lease that is scheduled to expire in August 2027 and (ii) 20,032 square feet of office space in a building adjacent to our corporate headquarters, which term is scheduled to expire in August 2027. Prior to 2023, the Company had executed or assumed as lessee other five operating leases for rental of office space. The terms of those leases range from 1 to 3 years.

On February 10, 2023, the Company assumed long-term non-cancellable lease agreements stemming from the Velodyne Merger: (i) approximately 204,000 square feet of office and manufacturing space in San Jose, California and (ii) additional space pursuant to the assumed leases for offices located in Alameda, California; and Bengaluru, India.

Supplemental balance sheet information related to leases was as follows:

	December 31,	
	2023	2022
Weighted-average remaining lease term	3.84	4.52
Weighted-average discount rate	6.83 %	4.66 %

The Company incurred total lease costs in its consolidated statements of operations and comprehensive loss of \$8.1 million and \$3.9 million for the years ended December 31, 2023 and 2022, respectively.

Additionally, the Company determined that the lease office facility located in Bengaluru, India assumed in the Velodyne Merger was not needed to support the future growth of its business. The Company fully vacated the facilities in March 2023 and remained contractually obligated to the lessor for the underlying lease. The Company recorded \$0.8 million for right-of-use asset impairment in connection with these leased office facilities in the three months ended March 31, 2023. In the twelve months ended December 31, 2023, the Company recorded \$0.8 million gain on lease modification due to the termination of its Bengaluru, India lease.

350 Treat Building Lease

In September 2017, the Company entered into a lease agreement (the “350 Treat Building Lease”) to lease approximately 26,125 square feet of office and warehouse space located in San Francisco, California for its corporate headquarters.

In November 2021, the Company entered into an amendment to the 350 Treat Building Lease agreement, whereby the parties agreed to extend the term of the lease for an additional four years and seven months and provided for an additional tenant improvement allowance. The total base lease payments for the extended period of 4.6 years equals \$7.6 million. The amendment resulted in an adjustment of \$5.5 million to the right-of-use asset and right-of-use operating lease liability which was recorded in November 2021. As of December 31, 2023 the remaining lease term is 3.7 years that expires on August 31, 2027. In addition to minimum lease payments, the lease requires the Company to pay associated taxes and operating costs.

The 350 Treat Building Lease is considered to be an operating lease as it does not meet the criteria of a finance lease. As of December 31, 2023, the operating lease right-of-use asset and operating lease liability were \$4.5 million and \$6.0 million, respectively. As of December 31, 2022, the operating lease right-of-use asset and operating lease liability were \$5.6 million and \$7.1 million, respectively. The discount rate used to determine the lease liability was 3.7%.

2741 16th Street Lease

In September 2017 the Company entered into a lease agreement (the “2741 16th Street Lease”) to lease approximately 20,032 square feet of office space and 25,000 of parking space located in San Francisco, California.

In May 2020, the Company entered into an amendment to the 2741 16th Street Lease agreement, whereby the parties agreed to extend the term of the lease for an additional four years, restructure the monthly rent payable under the lease and provide for an additional tenant improvement allowance. The total base lease payments for the extended period of 4.0 years equals \$8.5 million and the increase in total base lease payments for the lease term provided for by the original agreement is \$0.7 million. The amendment resulted in an adjustment of \$6.2 million to the right-of-use asset and right-of-use operating lease liability which was recorded in May 2020. As of December 31, 2023 the remaining lease term is 3.7 years that expires on August 31, 2027. In addition to minimum lease payments, the lease requires the Company to pay associated taxes and operating costs.

The 2741 16th Street Lease is considered to be an operating lease as it does not meet the criteria of a finance lease. As of December 31, 2023, the operating lease right-of-use asset and lease liability were \$5.3 million and \$7.1 million, respectively. As of December 31, 2022, the operating lease right-of-use asset and operating lease liability were \$6.5 million and \$8.7 million, respectively. The discount rate used to determine the operating lease liability was 5.25%.

5521 Hellyer Avenue Lease

As part of the Velodyne Merger, the Company assumed a long-term non-cancellable lease agreement of 5521 Hellyer Avenue (the “5521 Hellyer Avenue Lease”), which was entered into in January 2017, to lease approximately 204,000 square feet of office, research and development, manufacturing and storage space in San Jose, California.

In October 2019, as part of the second amendment to the 5521 Hellyer Avenue Lease, the lease term was extended for an additional five years ending in December 31, 2027. The total base lease payments for the extended period of 5.0 years equals \$17.6 million. As of December 31, 2023, the operating lease right-of-use asset and operating lease liability were \$8.4 million and \$12.0 million, respectively. The discount rate used to determine the operating lease liability was 9.75%.

Other operating real estate leases

The Company has executed or assumed as lessee operating leases for rental of office space. The terms of those leases range from 1 to 3 years. The Company is obligated to make lease payments totaling approximately \$0.4 million for those leases over the respective lease terms.

Total operating lease cost for the years ended December 31, 2023 and 2022 was \$8.1 million and \$3.9 million, which consisted of \$7.4 million and \$3.8 million of fixed lease expense and \$0.7 million and \$0.1 million of variable lease expense, respectively. Cash paid for amounts included in the measurement of lease liabilities was \$7.0 million and \$4.0 million for the years ended December 31, 2023 and 2022, respectively.

The maturities of the operating lease liabilities as of December 31, 2023 were as follows (in thousands):

Year ending December 31,	
2024	\$ 7,944
2025	7,668
2026	7,688
2027	6,514
Total undiscounted lease payments	29,814
Less: imputed interest	(3,891)
Total operating lease liabilities	<u>\$ 25,923</u>

Note 9. Commitments and Contingencies

Letters of credit

In connection with certain office leasehold interests in real property located in San Francisco (350 Treat Ave and, 2741 16th Street) and in Paris, the Company obtained letters of credit from certain banks as required by the lease agreements. If the Company defaults under the terms of the applicable lease, the lessor will be entitled to draw upon the letters of credit in the amount necessary to cure the default. The amounts covered by the letters of credit are collateralized by certificates of deposit, which are included in restricted cash on the consolidated balance sheets as of December 31, 2023 and 2022. The outstanding amount of the letters of credit was \$1.4 million and \$1.3 million as of December 31, 2023 and 2022, respectively.

Non-cancelable purchase commitments

As of December 31, 2023, the Company had non-cancelable purchase commitments to third-party contract manufacturers for approximately \$23.4 million and other vendors for approximately \$3.6 million.

Contingencies

From time to time, the Company may be involved in legal and administrative proceedings arising in the ordinary course of business. The Company records a liability in its consolidated financial statements for these matters when a loss is known or considered probable and the amount can be reasonably estimated. Management reviews these estimates in each accounting period as additional information becomes known and adjusts the loss provision when appropriate. If the loss is not probable or cannot be reasonably estimated, a liability is not recorded in the consolidated financial statements. If a loss is probable but the amount of loss cannot be reasonably estimated, the Company discloses the loss contingency and an estimate of possible loss or range of loss (unless such an estimate cannot be made). Legal costs incurred in connection with loss contingencies are expensed as incurred.

Litigation

The Company is involved in various legal proceedings arising in the ordinary course of business. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Actual outcomes of these legal and regulatory proceedings may materially differ from our current estimates.

Velodyne Legacy Litigation

On March 3, 2021, a purported shareholder of Velodyne filed a complaint for a putative class action against Velodyne, Anand Gopalan and Andrew Hamer in the United States District Court, Northern District of California, entitled *Moradpour v. Velodyne Lidar, Inc., et al.*, No. 3:21-cv01486-SI. The complaint alleged purported violations of the federal securities laws and that, among other things, the defendants made materially false and/or misleading statements and failed to disclose material facts about Velodyne's business, operations and prospects, including with respect to David Hall's role with Velodyne and removal as Chairman of Velodyne's Board of Directors. The complaint alleged that purported class members have suffered losses and sought, among other things, an award of compensatory damages on behalf of a putative class of persons who purchased or otherwise acquired Velodyne's securities between November 9, 2020 and February 19, 2021.

On March 12, 2021, a putative class action entitled *Reese v. Velodyne Lidar, Inc., et al.*, No. 3:21-cv-01736-VC, was filed against Velodyne, Mr. Gopalan and Mr. Hamer in the United States District Court for the Northern District of California, based on allegations similar to those in the earlier class action and seeking recovery on behalf of the same putative class. On March 19, 2021, another putative class action entitled *Nick v. Velodyne Lidar, Inc., et al.*, No. 4:21-cv-01950-JST, was filed in the United States District Court for the Northern District of California, against Velodyne, Mr. Gopalan, Mr. Hamer, two current or former directors, and three other entities. The complaint was based on allegations similar to those in the earlier class actions and sought, among other things, an award of compensatory damages on behalf of a putative class of persons who purchased or otherwise acquired Velodyne's securities between July 2, 2020 and March 17, 2021. The class actions have been consolidated, lead plaintiffs have been appointed and an amended consolidated complaint was filed on September 1, 2021, based on allegations similar to those in the earlier class actions. Velodyne filed a motion to dismiss the amended and consolidated complaint on November 1, 2021. The plaintiffs filed a first amended complaint on February 11, 2022. Velodyne filed a motion to dismiss on March 4, 2022. On July 1, 2022, the court denied the motion to dismiss as it relates to the claims related to David Hall's role with Velodyne, but granted the motion to dismiss as to all other claims. On July 14, 2023, the Court granted Diane Smith's motion for class certification. The Court encouraged the parties to conduct mediation and the parties conducted mediation.

On March 13, 2024, the parties to the securities class action lawsuit entitled *Moradpour v. Velodyne Lidar, Inc., et al.*, No. 3:21-cv01486-SI (N.D. Cal.) filed a stipulation of settlement to settle this lawsuit, without any admission or concession of wrongdoing or liability by Velodyne or the individual defendants. The settlement is subject to, among other things, final documentation and court approval. The proposed settlement provides for a payment of \$27.5 million, of which the Company expects approximately \$23.4 million to be funded by insurance proceeds. The Company accrued for and recorded the entire amount of this \$27.5 million settlement liability and recorded the expense within general and administrative expenses in 2023 after concluding that such settlement amount is probable and reasonably estimable. As of December 31, 2023, the Company recorded an insurance receivable of \$23.4 million in prepaid expenses and other current assets to be funded by insurance proceeds based on the terms of the settlement. The \$23.4 million insurance proceeds allows the Company to recover the majority of the settlement expense, resulting in a net charge of \$4.1 million in its consolidated statement of operations. The Company will continue to assess the probable amount of insurance proceeds expected to be received in future reporting periods based on any additional facts that arise and make adjustments, if necessary.

On March 12, 2021, a putative shareholder derivative lawsuit entitled *D'Arcy v. Gopalan, et al.*, No. 1:21-cv-00369-MN, was filed in the United States District Court for the District of Delaware against current and former directors and/or officers Anand Gopalan, Andrew Hamer, David S. Hall, Marta Thoma Hall, Joseph B. Culkin, Michael E. Dee, James A. Graf, Barbara Samardzich, and Christopher A. Thomas, and names Velodyne as a nominal defendant. The complaint asserted claims for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets against all of the individual defendants, and asserted a contribution claim under the federal securities laws against Mr. Gopalan and Mr. Hamer. On March 16, 2021, a second shareholder derivative lawsuit entitled *Kondner, et al. v. Culkin, et al.*, No. 1:21cv-00391-MN, was filed in the United States District Court for the District of Delaware against most of the same defendants named in the earlier derivative complaint, and asserted claims against the individual defendants for alleged breaches of fiduciary duty and waste of corporate assets. Both derivative actions are based on allegations similar to those in the class actions discussed above, and have now been consolidated. On January 3, 2022, the plaintiffs filed an amended complaint. On November 7, 2023, the court approved the parties' stipulation to dismiss the derivative action and directed that the case be closed.

On January 18, 2022, David and Marta Hall filed a lawsuit in the Superior Court of California, County of Alameda, against current and former officers and directors of Velodyne, as well as Jeff Vetter, Velodyne's outside counsel. The Halls sought to recover damages for financial and other injuries they allegedly sustained as a result of the merger between Graf and Velodyne. On May 3, 2022, certain defendants filed motions to compel arbitration and other defendants filed motions to quash service of process for lack of personal jurisdiction. The court conducted a hearing on the motions on July 20, 2022. On August 30, 2022, the court granted the motion to quash service with respect to the out of state defendants. On October 3, 2022, the court granted the motion to compel Mr. Hall to arbitrate his claims, and stayed proceedings on Ms. Hall's claims pending arbitration of Mr. Hall's claims. On October 20, 2022, the Halls voluntarily dismissed the action without prejudice. On January 3, 2023, the Halls filed an arbitration demand with substantially the same allegations as the prior lawsuit. On or about August 22, 2023, the Halls filed an application in Texas District Court, Dallas County to compel arbitration of Messrs. Graf and Dee who had been dismissed from the prior court action for lack of personal jurisdiction. Messrs. Graf and Dee agreed to participate in the arbitration and thus the Texas action has been stayed. The arbitrator has not yet set a schedule in the arbitration. The Company does not believe the claims are meritorious and intends to defend the action vigorously.

On August 10, 2023, Plaintiffs David and Marta Hall filed a complaint against Velodyne in the Superior Court of California, County of San Francisco asserting claims for breach of contract and failure to reimburse expenses in violation of California Labor Code Section 2802 (the "2023 Hall Matter"). The 2023 Hall Matter seeks indemnification for legal fees incurred on the Halls' behalf in connection with a derivative action against certain Velodyne officers and directors, and naming Velodyne as a nominal defendant, captioned *In Re Velodyne Lidar, Inc. Derivative Action*, Case No. 1:21-cv-00369-TMH (D. Del.). On November 21, 2023, Velodyne denied all allegations. The 2023 Hall Matter is set for trial on September 9, 2024. The Company does not believe the claims are meritorious and intends to defend the action vigorously.

On December 8, 2021, Velodyne received a subpoena for documents related to Wei Weng's trading in stock of Graf Acquisition Corp. (Velodyne's predecessor) stock during 2020, prior to the announcement that Velodyne was planning to merge into Graf Acquisition Corp. Velodyne has complied with the SEC's requests to date; however, the SEC may request additional documents or information. No such follow up requests have been received to date.

On December 1, 2022 and December 20, 2022, purported stockholders of Velodyne filed the following lawsuits against Velodyne and certain of its directors in the Southern District of New York for violations of Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 and U.S. Securities and Exchange Commission ("SEC") Rule 14a-9: *O'Dell v. Velodyne Lidar, Inc., et al.*, Civil Action No. 22-cv-10211, *Carlisle v. Velodyne Lidar, Inc., et al.*, Civil Action No. 22-cv-10720. On December 29, 2022, a complaint alleging generally the same claims was filed in the United States District Court for the District of Delaware, captioned *Wheeler v. Velodyne Lidar, Inc., et al.*, Civil Action No. 22-cv-01641-UNA. All of the lawsuits were voluntarily dismissed by the respective Plaintiffs. The parties settled for immaterial mootness fees in September 2023.

On August 25, 2023, a putative shareholder class action suit was filed in the Delaware Court of Chancery against six former officers and directors of Graf Industrial Corp. ("GIC"), the predecessor entity of Velodyne, as well as two other entities, entitled *Berger v. Graf Acquisition, LLC, et al.*, No. C.A. 2023 0873 LWW. The Company, GIC and Velodyne are not named as defendants. The plaintiff, who was allegedly a GIC shareholder, asserts claims for breach of fiduciary duty and unjust enrichment in connection with the merger of GIC and Velodyne on September 29, 2020, and seeks damages, disgorgement and other recovery on behalf of the putative class of GIC shareholders in an unspecified amount. The Company is obligated to indemnify such former officers and directors under certain circumstances. The Company does not believe the claims are meritorious.

Ouster Litigation

On June 10, 2021, the Company received a letter from the SEC notifying us of an investigation and document subpoena. The subpoena seeks documents regarding projected financial information in CLA's Form S-4 registration statement filed on December 22, 2020. On August 15, 2023, the SEC informed the Company that they have concluded the investigation and that they do not intend to recommend any enforcement action.

On April 11, 2023, the Company filed a complaint with the United States International Trade Commission (the "Commission") pursuant to 19 U.S.C. § 1337 ("Section 337"). The complaint requests that the Commission institute an investigation relating to the unlawful importation, sale for importation, and/or sale after importation into the United States by Hesai Group, Hesai Technology Co., Ltd., and Hesai Inc. (collectively "Hesai") of certain LiDAR (Light Detection and Ranging) systems and/or components thereof. The complaint alleges that Hesai's LiDAR products infringe certain claims of the Company's U.S. Patent Nos. 11,175,405, 11,178,381, 11,190,750, 11,287,515 and/or 11,422,236. The complaint seeks the issuance of a permanent exclusion order and cease and desist order. On May 11, 2023, the Commission decided to institute an investigation based on the Company's complaint as in the Matter of Certain LiDAR (Light Detection and Ranging) Systems and Components Thereof, 337-TA-1363. On May 25, 2023, the Administrative Law Judge issued a

procedural schedule whereby the evidentiary hearing is set to begin on January 4, 2024, with a target date for completion of the Investigation by the Commission on October 17, 2024. On June 7, 2023, Hesai responded to the complaint and denied all allegations. On June 22, 2023, Hesai filed a motion to terminate or alternatively stay the investigation in light of an alleged agreement to arbitrate based on the Settlement Agreement signed in 2020 between Hesai and Velodyne (the "Settlement Agreement"). Hesai alleges that the Company is bound to the 2020 Settlement Agreement as a result of the Company's merger with Velodyne in 2023. The Company has opposed the motion, including any allegation that the Company has any obligation to arbitrate or that its patents are subject to any terms of the 2020 Settlement Agreement, which the Company never signed. On August 24, 2023, the administrative law judge ("ALJ") issued an initial determination granting the motion to terminate, holding that a valid arbitration agreement exists as part of the Settlement Agreement, and thus the Company has obligation to arbitrate. On August 31, 2023, the Company filed a petition for review of the initial determination with the Commission. On September 14, 2023, Hesai responded. On October 11, 2023, the Commission issued a notice of its determination to review and, on review, to affirm with modification the ALJ's initial determination granting the motion to terminate the investigation in its entirety based upon the arbitration agreement. As a result, the investigation was terminated. The Company has until December 11, 2023 to file a notice of appeal with the Federal Circuit.

On April 11, 2023, the Company also filed a complaint in the District of Delaware alleging patent infringement of the same patents as in the aforesaid Section 337 proceeding against Hesai Group and Hesai Technology Co., Ltd. The complaint seeks monetary damages as well as the issuance of a permanent injunction. On May 30, 2023, the Court granted stay the case pending the resolution, including all appeals, of In the Matter of Certain LiDAR (Light Detection and Ranging) Systems and Components Thereof, 337-TA-1363.

On May 17, 2023, Hesai Photonics Technology Co. Ltd. and Hesai Group (collectively "Hesai Photonics") filed a request for arbitration with JAMS against the Company, Velodyne, Velodyne, LLC, and Oban Merger Sub II LLC. Hesai Photonics alleges that the Company is bound by the terms and conditions, including an obligation to arbitrate disputes, of a Settlement Agreement signed in 2020 between Hesai Photonics and Velodyne as a result of the Company's 2023 merger with Velodyne. On June 13, 2023, the Company responded to the arbitration demand. The Company denied all allegations. The Company also disputed that there was an obligation to arbitrate, and thus, alleged that JAMS lacked jurisdiction. No further dates have been set.

On September 14, September 25, and September 26, 2023, Hesai filed Petitions for *Inter Partes* Review with the Patent Trial and Appeal Board ("PTAB") challenging the validity of the Company's patents asserted in the ITC and Delaware patent actions. The Company has an opportunity to respond in late December 2023 and early January 2024. On March 19, 2024, the PTAB issued decisions to institute *inter partes* review for two of the five patents. The PTAB is expected to issue decisions on whether to institute inter parties review for the remaining three patents by April 3, 2024.

Other than as set forth above, as of December 31, 2023 the Company is unable to estimate a possible loss or range of losses in respect to those disclosed matters.

Indemnification

From time to time, the Company enters into agreements in the ordinary course of business that include indemnification provisions. Generally, in these provisions the Company agrees to defend, indemnify, and hold harmless the indemnified parties for claims and losses suffered or incurred by such indemnified parties for which the Company is responsible under the applicable indemnification provisions. The terms of the indemnification provisions vary depending upon negotiations between the Company and its counterpart; however, typically, these indemnification obligations survive the term of the contract and the maximum potential amount of future payments the Company could be required to make pursuant to these provisions are uncapped. To date, the Company has never incurred costs to defend lawsuits or settle claims related to these indemnification provisions.

The Company has also entered into indemnity agreements pursuant to which it has indemnified its directors and officers, to the extent legally permissible, against all liabilities reasonably incurred in connection with any action in which such individual may be involved by reason of such individual being or having been a director or executive officer, other than liabilities arising from willful misconduct of the individual. To date, the Company is indemnifying and has incurred costs to defend lawsuits or settle claims described above under the heading "Litigation" pursuant to the indemnity agreements of former directors and officers.

Note 10. Common Stock

Pursuant to the terms of the Second Amended and Restated Certificate of Incorporation, the Company is authorized to issue the following shares and classes of capital stock, each with a par value of \$0.0001 per share: (i) 100,000,000 shares of common stock; (ii) 100,000,000 shares of preferred stock. The holder of each share of common stock is entitled to one vote.

On April 29, 2022, the Company entered into the ATM Agreement pursuant to which the Company may, subject to the terms and conditions set forth in the agreement offer and sell, from time to time, through or to the agents, acting as agent or principal, shares of the Company's common stock, par value \$0.0001 per share, having an aggregate offering price of up to \$150.0 million.

During the years ended December 31, 2023 and 2022, the Company sold 2,878,875 and 783,371 shares, respectively. The weighted-average sales price and gross proceeds to the Company before deducting offering costs, sales commissions and fees were approximately \$5.67 and \$21.48 per share and \$33.1 million and \$16.8 million, respectively, during the year ended December 31, 2023 and 2022. The Company plans to use the net proceeds from this offering for working capital and general corporate purposes.

The remaining availability under the ATM Agreement as of December 31, 2023 is approximately \$116.9 million.

Note 11. Stock-based Compensation

As of December 31, 2023, the Company has five equity incentive plans: its Amended and Restated 2015 Stock Plan (the "2015 Plan"), the Sense Photonics, Inc. 2017 Equity Incentive Plan (the "Sense Plan"), the Velodyne Lidar, Inc. 2020 Equity Incentive Plan (the "Velodyne Plan"), its 2021 Incentive Award Plan (the "2021 Plan") and its 2022 Employee Stock Purchase Plan (the "2022 ESPP" and, collectively with the 2015 Plan, the Sense Plan, the Velodyne Plan and the 2021 Plan, the "Plans").

The Plans, other than the 2022 ESPP, provide for the grant of stock options, stock appreciation rights, restricted stock awards ("RSAs"), restricted stock units ("RSUs"), performance stock unit awards and other forms of equity compensation (collectively, "equity awards"). In addition, the 2021 Plan provides for the grant of performance bonus awards. New equity awards may only be granted under the Velodyne Plan and the 2021 Plan. Awards under the Velodyne Plan may be granted to employees, including officers, and other service providers who were not previously employed by or who did not previously provide services to the Company or a subsidiary of the Company, in each case, prior to February 10, 2023, within the limits provided in the Velodyne Plan. Awards under the 2021 Plan can also be granted to employees, including officers, directors and consultants of the Company and its subsidiaries, in each case, within the limits provided in the 2021 Plan.

Options under the Plans will be exercisable at such times and as specified in the Award Agreement (as defined in the Plans) provided that the term of an option or stock appreciation will not exceed ten years. Options granted under the Plans may be Incentive Stock Options (ISOs) or Non-statutory Stock Options, as determined by the Administrator (as defined in the Plans) at the time of grant of an option and subject to the applicable provisions of Section 422 of the Internal Revenue Code and the regulations promulgated thereunder. The exercise price of an option will be no less than 100% of the fair market value of the shares of common stock on the date of grant. The exercise price of an ISO granted to a 10% shareholder will be no less than 110% of the fair market value of the shares on the date of grant and the term of the ISO will not exceed five years. Options granted generally vest over four years and vest at a rate of 25% upon the first anniversary of the issuance date and 1/36th per month thereafter. The Company accounts for forfeitures as they occur.

Restricted stock and restricted stock units granted to employees generally vest as to 25% of the shares on the first anniversary service date of the grant, and quarterly thereafter so as to be 100% vested on the fourth anniversary of the vesting commencement date. All participants holding shares of restricted stock will be entitled to all the rights of a stockholder with respect to such shares and have voting power and other rights with respect to such shares, provided, however, that such shares are held in escrow and subject to forfeiture until the shares vested.

The exercise price of stock options granted before the Colonnade Merger were determined based on the fair value of stock at the date of grant obtained by the Company on a contemporaneous basis from an independent valuation firm. The valuation firm used a PWERM to estimate the aggregate enterprise value of the Company at each valuation date. The PWERM involves applying appropriate risk adjusted discount rates to future values for the enterprise assuming various possible scenarios. The projections used in connection with these valuations were based on the Company's expected operating performance over the forecast period. Share value is based on the probability-weighted present value of expected future returns to the equity investor considering each of the likely future scenarios available to the enterprise, and the rights and preferences of each share class.

Certain employees have the right to early exercise unvested stock options, subject to rights held by the Company to repurchase unvested shares in the event of voluntary or involuntary termination. The Company accounts for cash received in consideration for the early exercise of unvested stock options as a non-current liability, included as a component of other liabilities in the Company's consolidated balance sheets.

2021 Incentive Award Plan

On March 11, 2021, the board of directors approved the 2021 Plan. 18,558,576 shares of the Company's common stock were initially reserved for issuance under the 2021 Plan. The 2021 Plan includes an evergreen provision that provides for an annual increase in the number of shares of common stock available for issuance thereunder beginning on January 1, 2022 and ending on January 1, 2031, equal to 5% of the shares of Company common stock outstanding on the last day of the immediately preceding fiscal year and such smaller number of shares as determined by the board of directors or a committee thereof.

2015 Stock Plan

In 2015, the Company established its 2015 Stock Plan. As of March 11, 2021, the effective time of the Colonnade Merger, the Company no longer grants equity awards pursuant to the 2015 Plan, but it continues to govern the terms of outstanding stock options that were granted prior to that date.

2022 Employee Stock Purchase Plan

The Company's 2022 ESPP has been offered to all eligible employees since August 2022 and generally permits certain employees to purchase shares of our common stock through payroll deductions of up to 15% of their compensation of each offering period, subject to certain limitations.

The 2022 ESPP provides offering periods that have a duration of 24 months in length and are comprised of purchase periods of six months in length. The offering periods are scheduled to start on the first trading day on or after May 16 and November 16 of each year. Under the 2022 ESPP, the purchase price of a share under the ESPP equals 85% of the lesser of the fair market value of a share of common stock on either the first or last day of the applicable offering period of the last day of the applicable purchase period.

In May of 2023, the Company increased the share purchase limit under the 2022 ESPP to 3,000 shares of the Company's common stock per offering period and added Velodyne Lidar, Inc. as a participating employer in the 2022 ESPP. The stock-based compensation expense is calculated as of the beginning of the offering period as the fair value of the 2022 ESPP shares utilizing the Black-Scholes option valuation model and is recognized over the offering period. The first offering period under the 2022 ESPP commenced on September 6, 2022. During fiscal 2023 employees purchased 257,506 shares of common stock under the 2022 ESPP at a weighted-average purchase price of \$4.56, with proceeds of \$1.2 million.

Equity Plans Assumed from Acquisition

On October 22, 2021 ("Effective Time"), the Company closed the acquisition of Sense pursuant to the Agreement and Plan of Merger and Plan of Reorganization ("Sense Agreement"). Pursuant to the Sense Agreement, upon the completion of the transaction, the Company assumed the Sense 2017 Equity Incentive Plan (the "Sense Plan"). In addition, pursuant to the Sense Agreement, at the Effective Time, each outstanding option to purchase Sense common stock and each award of time-based RSUs in respect of shares of Sense common stock held by Sense employees, in each case, that was outstanding as of immediately prior to the Effective Time was automatically adjusted by the Exchange Ratio (as defined in the Sense Agreement) and converted into an equity award of the same type covering shares of the Company's common stock, on the same terms and conditions, (including, if applicable, any continuing vesting requirements) under the applicable Sense plan and award agreement in effect immediately prior to the Effective Time (the "Assumed Awards"). In connection with the closing of the acquisition, 82,311 stock options and 449,098 RSUs were assumed.

On February 10, 2023, the Company consummated the Velodyne Merger. Pursuant to the Velodyne Merger, the Company assumed the Velodyne Lidar, Inc. 2020 Equity Incentive Plan (the "Velodyne Plan"), and all restricted stock units granted thereunder that were outstanding immediately prior to the consummation of the Velodyne Merger and converted into restricted stock units covering shares of the Company's common stock (such assumed awards, the "Assumed RSUs") and all shares of Velodyne Lidar, Inc. restricted stock were converted into shares of Company restricted stock. Each Assumed RSU and award of restricted stock is subject to substantially the same terms and conditions as applied to the related Velodyne restricted stock unit award or restricted stock award immediately prior to the consummation of the Velodyne Merger, except that the number of shares of common stock subject to each Assumed RSU or constituting restricted stock

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was adjusted in accordance with the terms of the Velodyne Merger Agreement. In connection with the consummation of the Velodyne Merger, 961,012 Assumed RSUs and 728,646 shares of restricted stock were assumed. Pursuant to the terms of the Velodyne Plan, the number of shares reserved for issuance increases on January 1 of each year by the lesser of 820,400 shares or such smaller number of shares determined by the board of directors. In addition, any shares that are subject to awards forfeited and any shares of restricted stock that are forfeited will be available for grant under the Velodyne Plan. As of December 31, 2023, the Company had reserved 1,077,184 shares of the Company's common stock for issuance under the Velodyne Plan.

The Company recognized stock-based compensation for all stock options in the statements of operations and comprehensive loss as follows (in thousands):

	Year Ended December 31,	
	2023	2022
Cost of revenue	\$ 2,854	\$ 783
Research and development	24,551	14,611
Sales and marketing	9,966	7,065
General and administrative	20,354	10,862
Total stock-based compensation	\$ 57,725	\$ 33,321

The following table summarizes stock-based compensation expense by award type (in thousands):

	Year Ended December 31,	
	2023	2022
RSUs	\$ 43,772	\$ 24,236
Stock Options	7,292	8,851
Employee stock purchase plan	1,476	220
RSAs	5,185	14
Total stock-based compensation	\$ 57,725	\$ 33,321

Stock option activity for the years ended December 31, 2023 and 2022 is as follows:

	Number of Shares Underlying Outstanding Options	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding—January 1, 2022	2,412,910	\$ 10.10	8.6	\$ 100,992
Options exercised	(213,318)	2.00		4,639
Options cancelled	(98,055)	28.60		1,015
Outstanding—December 31, 2022	2,101,536	\$ 10.12	7.7	\$ 8,285
Options exercised	(142,117)	1.94		617
Options cancelled	(87,770)	82.17		58
Outstanding—December 31, 2023	1,871,649	\$ 7.36	6.7	\$ 6,191
Vested and expected to vest—December 31, 2023	1,871,649	\$ 7.36	6.7	\$ 6,191
Exercisable—December 31, 2023	1,528,830	\$ 7.26	6.7	\$ 5,160

The following table summarizes information about stock options outstanding and exercisable at December 31, 2023.

Exercise Price	Options Outstanding		
	Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Options Exercisable
\$ 1.85	274,431	6.6	255,051
\$ 2.13	829,595	6.8	663,843
\$ 14.22	752,408	6.8	595,653
\$ 52.40	15,215	5.2	14,283
	<u>1,871,649</u>		<u>1,528,830</u>

No options were granted during the years ended December 31, 2023 and December 31, 2022.

As of December 31, 2023, there was approximately \$4.5 million of unamortized stock-based compensation expense related to unvested stock options that is expected to be recognized over a weighted average period of 0.7 years.

Cash received from option exercises and purchases of shares was \$1.4 million and \$0.8 million for years ended December 31, 2023 and 2022, respectively.

Restricted Stock Units ("RSU")

A summary of RSUs activity under the Plan is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value (per share)
Unvested—January 1, 2022	932,657	\$ 78.22
Granted during the year	1,571,079	27.41
Canceled during the year	(407,307)	56.01
Vested during the year	(445,614)	61.60
Unvested—December 31, 2022	1,650,815	\$ 39.83
Granted during the year	3,976,916	9.05
Canceled during the year	(793,135)	21.24
Vested during the year	(1,759,657)	25.18
Unvested—December 31, 2023	<u>3,074,939</u>	<u>\$ 13.19</u>

As of December 31, 2023, total compensation expense related to unvested RSUs granted to employees, but not yet recognized, was \$37.6 million, with a weighted-average remaining vesting period of 1.8 years.

Restricted Stock Awards

A summary of RSA activity is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value (per share)
Unvested—December 31, 2022	—	\$ —
Granted	732,110	15.30
Vested	(351,727)	15.30
Unvested—December 31, 2023	<u>380,383</u>	<u>\$ 15.30</u>

Stock compensation expense is recognized on a straight-line basis over the vesting period of each award of RSAs. As of December 31, 2023, total compensation expense related to unvested RSAs granted to employees, but not yet recognized, was \$3.0 million, with a weighted-average remaining vesting period of 1.70 years. The common stock comprising RSAs is issued at grant but, generally, is subject to a risk of forfeiture if the holder terminates service with the Company and its subsidiaries prior to vesting.

Note 12. Employee benefit plan

In 2018, the Company adopted a defined contribution retirement savings plan under Section 401(k) of the Internal Revenue Code. This plan covers substantially all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. The Company at its discretion offers matching contributions of up to 4% of each employee's annual compensation. The Company provided matching contributions of \$2.1 million and \$1.5 million to the plan during the years ended December 31, 2023 and 2022, respectively.

Note 13. Net Loss Per Common Share

The following table sets forth the computation of basic and diluted net loss per common share attributable to common stockholders (in thousands, except share and per share data):

	Year Ended December 31,	
	2023	2022
Numerator:		
Net loss	\$ (374,110)	\$ (138,560)
Denominator:		
Weighted average shares used to compute basic and diluted net loss per share	37,042,081	17,792,316
Net loss per common share-basic and diluted	\$ (10.10)	\$ (7.79)

The following outstanding shares of potentially dilutive securities were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented because including them would have been antidilutive:

	December 31,	
	2023	2022
Options to purchase common stock	1,871,649	2,101,716
Public and private common stock warrants	5,232,035	1,599,990
Restricted Stock Units	3,074,939	1,651,019
Unvested early exercised common stock options	16,087	75,028
ESPP shares pending issuance	2,068,574	251,143
Unvested RSAs	376,919	—
Total	12,640,203	5,678,896

Note 14. Income taxes

Loss before income taxes for the years ended December 31, 2023, 2022 and 2021 are as follows (in thousands):

	Year Ended December 31,	
	2023	2022
Domestic	\$ (375,023)	\$ (139,295)
Foreign	1,436	1,040
Total	\$ (373,587)	\$ (138,255)

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The components of income tax expense are as follows (in thousands):

	Year Ended December 31,	
	2023	2022
Current:		
Federal	\$ 84	\$ —
State	38	62
Foreign	372	243
Total current expense	494	305
Deferred:		
Federal	—	—
State	—	—
Foreign	29	—
Total deferred (benefit) expense	29	—
Total income tax expense (benefit)	\$ 523	\$ 305

A reconciliation between the statutory U.S. federal rate and the Company's effective tax rate is as follows:

	Year Ended December 31,	
	2023	2022
Tax at federal statutory rate	\$ (78,453)	\$ (29,034)
State income taxes, net of federal benefit	30	57
Stock compensation	8,185	5,587
Foreign rate differential	99	25
Tax credits	—	(539)
Fair value changes - warrants	10	(1,564)
Goodwill impairment	35,002	—
Valuation allowance	35,856	25,666
Non-deductible expenses	(412)	78
Other	206	29
Total tax provision (benefit)	\$ 523	\$ 305

Significant components of the Company's deferred tax assets and liabilities for federal, state and foreign income taxes are as follows (in thousands):

	Year Ended December 31,	
	2023	2022
Deferred tax assets:		
Net operating loss carryforwards	\$ 222,481	\$ 43,990
Credits	9,863	4,828
Stock based compensation	6,359	3,653
Accruals and reserves	10,805	1,718
Deferred revenue	5,017	30
Fixed assets	2,260	2,771
Operating lease liability	9,725	3,631
Capitalized research and development expenditures	53,647	15,875
Gross deferred tax assets	320,157	76,496
Valuation allowance	(305,007)	(69,608)
Net deferred tax assets	15,150	6,888
Deferred tax liabilities:		
Intangible property	(6,343)	(4,077)
Operating lease, right of use assets	(8,388)	(2,811)
Gross deferred tax liabilities	(14,731)	(6,888)
Net deferred tax assets	\$ 419	\$ —

The Company has established a full valuation allowance of \$305.0 million and \$69.6 million for the years ended December 31, 2023 and 2022, respectively, against its U.S. Federal and state deferred tax assets. The Company determines its valuation allowance on deferred tax assets by considering both positive and negative evidence in order to ascertain whether it is more likely than not that deferred tax assets will be realized. Due to the history of losses the Company has generated in the past, the Company believes that it is not more likely than not that all of its U.S. Federal and state deferred tax assets can be realized as of December 31, 2023.

The valuation allowance on the Company's net deferred taxes increased by \$235.4 million and \$22.2 million during the years ended December 31, 2023 and 2022, respectively. The increase in valuation allowance is primarily attributable to the generation of net operating losses and capitalization of research and development expenditures.

As of December 31, 2023, the Company had federal net operating loss carryforwards and state net operating loss carryforwards of approximately \$844.3 million and \$354.1 million, respectively. As of December 31, 2023, federal net operating loss carryforwards generated after December 31, 2017 will be carried forward indefinitely and the state net operating loss carryforward begins expiring in 2028 through 2043. As of December 31, 2023, the amount of federal net operating loss that does not expire is \$835.8 million.

As of December 31, 2023, the Company had federal and state research and development credit carryforwards of approximately \$5.0 million and \$12.8 million, respectively. As of December 31, 2023 the federal credits will expire starting in 2035, if not utilized and state credits carryforward indefinitely.

The Tax Reform Act of 1986 and similar state legislation impose substantial restrictions on the utilization of the net operating losses and tax credit carryforwards in the event there is a change in ownership as provided by Section 382 and Section 383 of the Internal Revenue Code and similar state provisions. We have completed an analysis of Section 382 ownership changes in our stock through February 10, 2023 and have concluded that we have experienced ownership changes that will result in limitations in our ability to use certain of our tax credit carryforwards. The Company may experience ownership changes in the future as a result of future transactions in our stock. If it is determined that we undergo one or more ownership changes in the future, then our ability to utilize our U.S. Federal and state net operating loss carryforwards or other tax attributes may be limited or eliminated.

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The balance of gross unrecognized tax benefits as of December 31, 2023, and 2022 was \$24.8 million and \$18.8 million, respectively. Out of the total unrecognized tax benefits, \$0.5 million at December 31, 2023, if recognized, would impact our effective tax rate in the period of recognition. The Company recognizes interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2023 and 2022, the Company has accrued immaterial interest and penalties related to uncertain tax positions. The following table sets forth the change in the uncertain tax positions for the years ended December 31, 2023 and 2022 (in thousands):

	Year Ended December 31,	
	2023	2022
Balance at the beginning of the year	\$ 18,812	\$ 18,534
Decreases:		
For prior years' tax positions	(1,958)	(64)
Increases:		
For current year's tax positions	—	320
For prior years' tax positions	7,901	22
Balance at the end of the year	\$ 24,755	\$ 18,812

The Company files income tax returns in the U.S. for Federal, California, and other US states, as well as miscellaneous foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities. The earliest year open for examination is the 2016 tax year. The Company's 2017 and 2018 tax years are currently under IRS examination. The Company believes that an adequate provision has been made for any adjustments that may result from the tax examination. Although the timing of the resolution, settlement, and closure of the examination is not certain, the Company does not believe it is reasonably possible that the Company's unrecognized tax benefits will materially change in the next 12 months. All of the net operating losses and research and development credit carry-forwards that may be used in future years are still subject to inquiry given that the statute of limitation for these items would begin in the year of the utilization.

Note 15. Revenue

Revenue from the sale of lidar sensor kits, which is recognized at a point in time, was \$83.3 million and \$41.0 million for the years ended December 31, 2023 and 2022, respectively. Revenue from the sale of licenses and services are not material for any period presented and, therefore, not presented separately.

The following table presents total revenues by geographic area based on the location products were shipped to and services provided (in thousands):

	Year Ended December 31,	
	2023	2022
Americas	\$ 45,744	\$ 15,977
Asia-Pacific	12,929	9,510
Europe, Middle East and Africa	24,606	15,542
Total	<u>\$ 83,279</u>	<u>\$ 41,029</u>

There were no customers that accounted for more than 10% of revenue during the years ended December 31, 2023 and 2022. Country that accounted for more than 10% of revenue was as follows:

	Year Ended December 31,	
	2023	2022
United States	53 %	36 %

Revenue contract balances

Timing of revenue recognition may differ from the timing of invoicing to customers. An unbilled receivable is recorded in instances when revenue is recognized prior to invoicing, and amounts collected in advance of services being provided are recorded as deferred revenue. Contract assets are generated when contractual billing schedules differ from revenue recognition timing.

Unbilled receivables

A receivable for multi-year licensing contracts is generally recorded upon invoicing. A receivable for multi-year license contracts is recorded upon delivery, whether or not invoiced, to the extent the Company has an unconditional right to receive payment in the future related to those licenses. As of December 31, 2023, the current portion of these unbilled receivables in the amount of \$3.0 million, primarily consisting of unbilled receivables from multi-year license contracts, is included in "Accounts receivable, net" on the consolidated balance sheet.

Contract Assets

Contract assets primarily relate to the Company's rights to consideration under license arrangements when the licenses have been transferred to the customers, but payment is contingent upon a future event, other than the passage of time (i.e. type of unbilled receivable) and for which the Company does not have an unconditional right at the reporting date.

Contract asset also arises when the timing of billing differs from the timing of revenue recognized, such as when revenue is recognized on guaranteed minimum payments at the inception of the contract when there is not yet a right to invoice in accordance with contract terms and payment is contingent upon future event.

Contract Liabilities

Contract liabilities consist of deferred revenue, customer advanced payments and customer deposits. Deferred revenue includes billings in excess of revenue recognized related to product sales, licenses, extended warranty and other services revenue, and is recognized as revenue when the Company performs under the contract. The long-term portion of deferred revenue, mostly related to obligations under license arrangements and extended warranty, is classified as non-current contract liabilities and is included in other non-current liabilities in the Company's consolidated balance sheets. Customer advanced payments represent required customer payments in advance of product shipments according to customer's payment term. Customer advance payments are recognized as revenue when control of the performance obligation is transferred to the customer. Customer deposits represent consideration received from a customer which can be applied to future product or service purchases, or refunded.

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Contract assets and liabilities are presented net at the individual contract level in the consolidated balance sheet and are classified as current or long-term based on the nature of the underlying contractual rights and obligations.

	December 31, 2023	December 31, 2022
Contract liabilities, current		
Deferred revenues from multi-year licensing contracts	\$ 4,723	\$ —
Other contract liabilities	8,162	402
Contract liabilities, long-term portion		
Deferred revenues from multi-year licensing contracts	\$ 3,997	\$ —
Other contract liabilities	970	342
Total contract liabilities	<u>\$ 17,852</u>	<u>\$ 744</u>

Deferred revenues from multi-year licensing contracts mainly represent minimum royalty payments received from licensees relating to long-term IP license contracts for which the Company has future obligations under the license agreements. Royalties from the IP licenses are recognized at the later of the period the sales occur or the satisfaction of the performance obligation to which some or all of the royalties have been allocated. The Company evaluated its performance obligations under multi-year licensing contracts and did not recognize any revenue under such licensing contracts in 2023 because the Company concluded there is significant uncertainty associated with resolving the Company's performance.

Other contract liabilities mainly relates to one \$6.6 million multiyear contract entered in 2023 with a customer to sell its products. During the twelve months ended December 31, 2023, the Company partially satisfied the related performance obligation and recognized \$0.7 million revenue that was included in the contract liabilities balance. As of December 31, 2023, \$5.9 million remained deferred until a future product delivery date.

The following table provides information about contract liabilities (remaining performance obligations) and the significant changes in the balances during the years ended December 31, 2023 and 2022 (in thousands).

	Contract Liabilities
Ending balance as of December 31, 2021	\$ 280
Net revenue deferred in the period	621
Revenue recognized that was included in the contract liability balance at the beginning of the period	(157)
Ending balance as of December 31, 2022	744
Contract liabilities acquired in the Velodyne Merger	8,384
Net revenue deferred in the period	9,126
Revenue recognized that was included in the contract liability balance at the beginning of the period	(402)
Ending balance as of December 31, 2023	<u>\$ 17,852</u>

Note 16. Restructuring

In connection with the closing of the Velodyne Merger, in the year ended December 31, 2023, the Company initiated and completed actions to reduce operating expenses, which included a reduction in force and the closure of its India facility (see Note 8. Leases) (collectively, the “Restructuring Initiatives”). Non-cash stock-based compensation charge related to the vesting of share-based awards for employees who were terminated related to a “double-trigger provision” that provided for acceleration in the event of a change in control and subsequent termination of the employee from the Company.

The following table presents Restructuring Initiatives charges incurred (in thousands):

	December 31, 2023
Employee termination and associated benefits	\$ 15,172
Stock-based compensation expense	7,139
Long-lived asset write-down	804
Total	<u>\$ 23,115</u>

For the year ended December 31, 2023, the Restructuring Initiatives were recorded as follows (in thousands):

	Employee termination and associated benefits	Stock-based compensation expense	Long-lived asset write-down	Total
Cost of product revenue	\$ 1,293	\$ 70	\$ —	\$ 1,363
Research and development	6,758	4,922	804	12,484
Sales and marketing	2,322	1,225	—	3,547
General and administrative	4,799	922	—	5,721
Total	<u>\$ 15,172</u>	<u>\$ 7,139</u>	<u>\$ 804</u>	<u>\$ 23,115</u>

The following table presents a roll forward of the Restructuring Initiatives liability, which is recorded in accrued expenses in the consolidated balance sheets for the twelve months ended December 31, 2023 (in thousands):

	Employee termination and associated benefits
Beginning balance	\$ —
Additions as a result from Velodyne Merger	422
Restructuring Initiative expenses related to one-time employee termination and associated benefits	15,172
Amount paid during the period	(15,331)
Balance at December 31, 2023	<u>\$ 263</u>

Note 17. Subsequent Events

On March 13, 2024, the parties to the previously disclosed securities class action lawsuit entitled *Moradpour v. Velodyne Lidar, Inc., et al.*, No. 3:21-cv01486-SI (N.D. Cal.) filed a stipulation of settlement to settle this lawsuit, without any admission or concession of wrongdoing or liability by Velodyne or the individual defendants. The settlement is subject to, among other things, final documentation and court approval.

Defendants entered into the proposed settlement to eliminate the uncertainty, burden, distraction, and expense of further protracted litigation. Defendants continue to deny all claims and allegations in the litigation, including but not limited to any claims of wrongdoing or impropriety, and the proposed settlement does not constitute, contain or reflect any admission of wrongdoing or liability by Velodyne, the individual defendants, or Ouster.

The proposed settlement provides for a payment of \$27.5 million, of which the Company expects approximately \$23.4 million to be funded by insurance proceeds. See Note 9. Commitments and Contingencies for additional information regarding the settlement.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Limitations on Effectiveness of Controls and Procedures

Disclosure controls and procedures include controls and other procedures that are designed to ensure that information required to be disclosed in the reports filed or submitted under the Securities Exchange Act of 1934, as amended, (“Exchange Act”) is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms.

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2023. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2023 due to the material weaknesses in our internal control over financial reporting described below.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our management, including our Chief Executive Officer and Chief Financial Officer, conducted an assessment as of December 31, 2023 of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control–Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, our management concluded that, as of December 31, 2023, our internal control over financial reporting was not effective due to the material weaknesses described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We did not design and maintain an effective control environment commensurate with our financial reporting requirements. Specifically, we did not maintain a sufficient complement of personnel with an appropriate degree of internal controls and accounting knowledge, experience, and training commensurate with our accounting and reporting requirements. This material weakness contributed to the following additional material weaknesses.

We did not design and maintain effective controls over the period-end financial reporting process to achieve complete, accurate and timely financial accounting, reporting and disclosures, including segregation of duties and adequate controls related to journal entries and certain other business processes, and verifying transactions are properly classified in the financial statements. These material weaknesses resulted in adjustments to several account balances and disclosures in the consolidated financial statements for the years ended December 31, 2019 and 2018, and adjustments to the equity and warrant liabilities accounts and related disclosures in the condensed consolidated financial statements for the three months ended March 31, 2021.

Additionally, each of these material weaknesses could result in a misstatement of account balances or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

We have excluded Velodyne Lidar, Inc. from our assessment of the effectiveness of internal control over financial reporting as of December 31, 2023 because it was acquired in a merger during 2023. The total assets and total revenues of Velodyne Lidar, Inc., a wholly-owned subsidiary, represents 8% and 35%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2023.

Remediation Measures of Unremediated Material Weaknesses

As it relates to the above material weaknesses that continued to exist as of December 31, 2023, our management is committed and continues to make progress to improve our internal control over financial reporting. We continued implementation of a plan to remediate the control deficiencies that led to the above material weaknesses. These remediation measures are ongoing and include the following:

- Continuing to recruit personnel with appropriate internal controls, accounting knowledge and experience commensurate with our accounting and reporting requirements, in addition to engaging and utilizing third-party consultants and specialists. Our management also reallocated roles and responsibilities within the accounting team based on skills and experience of various personnel.
- Continuing to operate entity level controls (ELCs) including Board and Audit Committee oversight, senior management review of financial and business performance and internal controls, and expansion of the internal audit team. We have designed and implemented these controls in the previous financial years.
- Continuing to provide internal control training for personnel responsible for implementing internal controls for the Company.
- Continue to operate internal controls for financial close and reporting including review of accounting policies, journal entry review controls including segregation of duties, period end close procedures, financial statement preparation, review, and reporting, and controls within various business processes as they relate to financial reporting, including controls to ensure segregation of duties. This included controls around classification of balances in our financial statements and strengthening processes for management oversight over financial reporting and disclosure controls. We have designed and implemented these controls in the previous financial years.

These investments in resources have improved the stability of our accounting organization. While significant progress has been made in response to the material weaknesses, time is needed to demonstrate sustainability as it relates to our internal control over financial reporting and improvements made to our complement of resources, including demonstrating sustained operating effectiveness of our internal controls. We are committed to continuous improvement and will continue to diligently review our internal control over financial reporting.

Remediation of Previously Reported Material Weaknesses

As previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022, our management concluded that we did not design and maintain effective controls over certain information technology (“IT”) general controls for information systems that are relevant to the preparation of our consolidated financial statements. Specifically, we did not design and maintain (i) program change management controls to ensure that information technology program and data changes affecting financial IT applications and underlying accounting records are identified, tested, authorized and implemented appropriately and (ii) user access controls to ensure appropriate segregation of duties and that adequately restrict user and privileged access to our financial applications, programs and data to appropriate personnel.

Our management completed the following actions and measures designed to remediate the control deficiencies that led to the material weakness:

- Continuing to operate entity level controls (ELCs) including increasing Board and Audit committee oversight over operation of internal control for financial reporting including IT General controls. We had designed and implemented these controls in the previous financial years and continued to operate these in 2023.
- Enhanced senior management oversight over operation of IT general controls related to change management and user access management.
- Strengthened and enhanced the IT governance and policies to enable consistent operation of IT processes in the area of change management and user access management.
- Recruited additional personnel with appropriate knowledge and experience for Internal controls and IT General controls area, in addition to engaging and utilizing third-party consultants and specialists.
- Continuing to operate IT general controls including restricted user access to our internal systems for financial reporting, and IT change management. We had designed and implemented these controls in the previous financial years and continued to operate these in 2023.
- Conducted internal control training for personnel responsible for IT general controls related to IT change management and IT user access management.

Our management completed its documentation, testing and evaluation of the enhanced control activities and determined that, as of December 31, 2023, these control activities have been appropriately designed and implemented, and have operated effectively for a sufficient period of time to conclude that these previously identified material weaknesses related to restricted user access, and IT change management have been remediated.

Attestation Report of Registered Public Accounting Firm

The effectiveness of our internal control over financial reporting as of December 31, 2023 was not required to be audited by our auditors under Section 404(b) of the Sarbanes Oxley Act of 2002 due to Ouster being non-accelerated filer within the definition of Rule 12b-2. Accordingly, this Annual Report on Form 10-K does not include an attestation report of our independent registered accounting firm.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

On December 15, 2023, Mark Weinswig, the Company's Chief Financial Officer, adopted a "Rule 10b5-1 trading arrangement" as defined in Item 408(a) of Regulation S-K. The plan provides for the periodic sale of up to 19,990 shares of common stock between April 13, 2024 and May 14, 2024. Other than as described above, during the three months ended December 31, 2023, no director or officer of the Company adopted or terminated 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.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

Part III**Item 10. Directors, Executive Officers and Corporate Governance*****Code of Conduct***

We have adopted a Code of Business Conduct and Ethics (the “Code of Conduct”) that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer and/or controller, and persons performing similar functions. A copy of the Code of Conduct is available on our Investors website at investors.ouster.com in the “Governance” section. We expect that any amendments to the Code of Conduct, or any waivers of its requirements, that are required to be disclosed by SEC or NYSE rules will be disclosed on our website. We did not grant any waivers to the Code of Conduct in fiscal 2023.

The remaining information required by Items 401, 405, 406 and 407(c)(3), (d)(4) and (d)(5) of Regulation S-K will be included under the headings “Election of Directors,” “Executive Officers” “Corporate Governance,” and “Delinquent Section 16(a) Reports” (if applicable) in our definitive proxy statement for our 2024 annual meeting of stockholders (the “2024 Annual Meeting of Stockholders”), to be filed within 120 days after the end of the 2023 fiscal year and is incorporated herein by reference.

Information About Our Executive Officers & Directors

The following table provides information regarding our executive officers and members of our board of directors (ages are calculated as of March 15, 2024):

Name	Age	Position at Ouster	Principal Employment
Angus Pacala	35	Director, Co-Founder and Chief Executive Officer	Same
Mark Frichtl	35	Co-Founder and Chief Technology Officer	Same
Mark Weinswig	51	Chief Financial Officer	Same
Darien Spencer	60	Chief Operating Officer	Same
Megan Chung	50	General Counsel and Secretary	Same
Theodore L. Tewksbury, Ph.D.	67	Executive Chairman of the Board of Directors	Former Chief Executive Officer of Velodyne Lidar, Inc.
Virginia Boulet	70	Director	Former Managing Director of Legacy Capital, LLC, an investment company
Susan Heystee	62	Director	Former Senior Vice President of Global Automotive Business at Verizon Connect, a telecommunications company
Ernest Maddock	65	Director	Former Chief Financial Officer of Micron Technology, Inc., a semiconductor manufacturing company
Karin Rådström	45	Director	Chief Executive Officer of Mercedes-Benz Trucks, a commercial vehicle manufacturer
Kristin Slanina	54	Director	Chief Innovation Officer at ParkMyFleet, a provider of parking locations and technology solutions for fleet operations
Riaz Valani	47	Director	General Partner and Founder of Global Asset Capital, a private equity investment firm

Item 11. Executive Compensation

The information required by Items 402, 407(e)(4), and (e)(5) of Regulation S-K will be included under the headings “Executive Compensation” and “Compensation Committee Interlocks and Insider Participation” (if applicable) in our definitive proxy statement for our 2024 Annual Meeting of Stockholders, and such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Securities Authorized For Issuance under Equity Compensation Plans (As of December 31, 2023):

Plan category:	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights	Number of Securities Available for Future Issuance Under Equity Compensation Plans (excludes securities Reflected in first column)
Equity compensation plans approved by security holders ⁽¹⁾⁽⁶⁾	4,996,772 ⁽²⁾	\$ 7.36 ⁽⁵⁾	1,584,833
Restricted Stock Units	3,074,939 ⁽³⁾	\$ — ⁽⁵⁾	
Restricted Stock Awards	50,184 ⁽⁷⁾	\$ — ⁽⁵⁾	
Options to Purchase Common Stock	1,871,649 ⁽⁴⁾	\$ 7.36 ⁽⁵⁾	
Employee Stock Purchase Plan ⁽⁶⁾	—	\$ —	
Equity compensation plans not approved by security holders	—	\$ —	—

- (1) Consists of the Ouster, Inc. 2021 Incentive Award Plan (“2021 Plan”), Velodyne 2020 Equity Incentive plan (the “Velodyne Plan”), Ouster Inc. Amended and Restated 2015 Stock Plan (“2015 Plan”) and Sense Photonics, Inc. 2017 Equity Incentive Plan and (“Sense Plan”).
- (2) The number of shares authorized under our 2021 Plan will increase on the first day of each calendar year beginning on January 1, 2022 and ending on and including January 1, 2031, equal to the lesser of (A) 5% of the shares of common stock outstanding as of the last day of the immediately preceding fiscal year and (B) such lesser number of shares as determined by our board of directors. No additional awards will be granted under the 2015 Plan or the Sense Plan and, as a result, no shares remain available for issuance for new awards under the 2015 Plan or the Sense Plan. The number of shares authorized under our Velodyne 2020 Plan will increase on the first day of each calendar year beginning on January 1, 2021 and ending on (and including) January 1, 2030, equal to the lesser of (A) 820,400 shares of common stock and (B) such lesser number of shares as determined by our board of directors.
- (3) Consists of 2,062,787 outstanding restricted stock units under the 2021 Plan, 949,128 outstanding restricted stock units under the Velodyne Plan, and 63,024 outstanding restricted stock units under the Sense Plan.
- (4) Consists of 1,856,434 outstanding options to purchase stock under the 2015 Plan and 15,215 outstanding options to purchase stock under the Sense Plan.
- (5) As of December 31, 2023, the weighted-average exercise price of outstanding options under the 2015 Plan was \$6.99 and the weighted-average exercise price of outstanding options under the Sense Plan was \$52.40. Outstanding restricted stock units and restricted stock awards subject to time-based vesting do not have an exercise price and therefore are not included in the calculation of the weighted-average exercise price.
- (6) Consists of 102,338 shares remaining available for issuance under the 2021 Plan, 1,077,184 shares available for issuance under the Velodyne Plan and 405,311 available for purchase by our employees under the Ouster, Inc 2022 Employee Stock Purchase Plan.
- (7) Consists of 50,184 outstanding restricted stock awards under the Velodyne Plan.

The remaining information required by Item 403 of Regulation S-K will be included under the heading “Security Ownership of Certain Beneficial Owners and Management” in our definitive proxy statement for our 2024 Annual Meeting of Stockholders, and such required information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Items 404 and 407(a) of Regulation S-K will be included under the headings “Certain Relationships and Related Person Transactions,” “Corporate Governance” and “Director Independence” in our definitive proxy statement for our 2024 Annual Meeting of Stockholders, and such information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by Item 9(e) of Schedule 14A of the Exchange Act will be included under the heading “Independent Registered Public Accounting Firm Fees and Other Matters” in our definitive proxy statement for our 2024 Annual Meeting of Stockholders, and such information is incorporated herein by reference.

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements.

The consolidated financial statements of the Company are listed in the index under Part II, Item 8, of this Annual Report on Form 10-K.

(a)(2) Financial Statement Schedules.

All financial statement schedules for the Company have been included in the consolidated financial statements or the related footnotes, or are either inapplicable or not required.

(a)(3) Exhibits.

The following is a list of exhibits filed as part of this Annual Report on Form 10-K.

Exhibit Number	Description	Incorporated by Reference				
		Form	File No.	Exhibit	Filing Date	Filed/ Furnished herewith
3.1	Certificate of Incorporation of Ouster, Inc.	S-4 POS	333-251611	3.1	3/10/2021	
3.2	Certificate of Amendment to Certificate of Incorporation of Ouster, Inc.	8-K	001-39463	3.1	4/20/2023	
3.3	Amended and Restated Bylaws of Ouster, Inc.	8-K	001-39463	3.3	11/08/2023	
4.1	Warrant Agreement, dated August 20, 2020, between Colonnade Acquisition Corp. and Continental Stock Transfer & Trust Company, as warrant agent	8-K	001-39463	4.1	8/25/2020	
4.2	Specimen Warrant Certificate of the Registrant	S-1	333-240378	4.2	8/04/2020	
4.3	Description of Securities					*
4.4	Warrant to Purchase Common Stock of Velodyne Lidar, Inc., by and between Velodyne Lidar, Inc. and Amazon.com NV Investment Holdings LLC, dated as of February 4, 2022	8-K	001-38703	4.1	2/07/2022	
4.5	Warrant Agreement, dated October 14, 2018, by and between Continental Stock Transfer & Trust Company and Velodyne Lidar, Inc.	8-K	001-38703	4.1	10/18/2018	
10.1+	Form of Indemnification Agreement	10-K	001-39463	10.1	2/28/2022	
10.2	Amended and Restated Registration Rights Agreement, by and among Ouster, Inc. and the holders party thereto	8-K	001-39463	10.2	3/15/2021	
10.3+	2021 Incentive Award Plan	8-K	001-39463	10.3	3/15/2021	
10.3(a)±	Form of Stock Option Agreement under the 2021 Incentive Award Plan	8-K	001-39463	10.5(a)	3/15/2021	
10.3(b)±	Form of Restricted Stock Unit Agreement under the 2021 Incentive Award Plan	8-K	001-39463	10.3(b)	3/15/2021	

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<u>10.4#</u>	<u>Manufacturing Services Agreement, dated as of March 5, 2018, by and between Ouster, Inc. and Benchmark Electronics, Inc.</u>	S-4	333-251611	10.6	12/22/2020
<u>10.5</u>	<u>Lease, dated September 5, 2017, by and between Ouster, Inc. and Mission Creative Ownership, LLC.</u>	S-4/A	333-251611	10.13	1/28/2021
<u>10.5(a)</u>	<u>First Amendment to Lease, dated January 21, 2018, by and between Ouster, Inc. and Mission Creative Ownership, LLC.</u>	S-4/A	333-251611	10.13(a)	1/28/2021
<u>10.5(b)</u>	<u>Second Amendment to Lease, dated March 27, 2018, by and between Ouster, Inc. and Mission Creative Ownership, LLC.</u>	S-4/A	333-251611	10.13(b)	1/28/2021
<u>10.5(c)</u>	<u>Third Amendment to Lease, dated August 14, 2018, by and between Ouster, Inc. and Mission Creative Ownership, LLC.</u>	S-4/A	333-251611	10.13(c)	1/28/2021
<u>10.5(d)</u>	<u>Fourth Amendment to Lease, dated April 4, 2019, by and between Ouster, Inc. and Mission Creative Ownership, LLC.</u>	S-4/A	333-251611	10.13(d)	1/28/2021
<u>10.5(e)</u>	<u>Fifth Amendment to Lease, dated July 21, 2019, by and between Ouster, Inc. and Mission Creative Ownership, LLC.</u>	S-4/A	333-251611	10.13(e)	1/28/2021
<u>10.5(f)</u>	<u>Sixth Amendment to Lease, dated December 20, 2019, by and between Ouster, Inc. and Mission Creative Ownership, LLC.</u>	S-4/A	333-251611	10.13(f)	1/28/2021
<u>10.5(g)</u>	<u>Seventh Amendment to Lease, dated May 18, 2020, by and between Ouster, Inc. and Mission Creative Ownership, LLC.</u>	S-4/A	333-251611	10.13(g)	1/28/2021
<u>10.6</u>	<u>NNN Lease, dated September 1, 2017, by and between Ouster, Inc. and SIC-350 Treat, LLC</u>	S-4/A	333-251611	10.14	1/28/2021
<u>10.6(a)</u>	<u>First Amendment to NNN Lease, dated January 1, 2018, by and between Ouster, Inc. and SIC-350 Treat, LLC</u>	S-4/A	333-251611	10.14(a)	1/28/2021
<u>10.6(b)</u>	<u>Second Amendment to NNN Lease, dated March 27, 2018, by and between Ouster, Inc. and SIC-350 Treat, LLC</u>	S-4/A	333-251611	10.14(b)	1/28/2021
<u>10.6(c)</u>	<u>Third Amendment to NNN Lease, dated November 15, 2021, by and between Ouster, Inc. and SIC-350 Treat, LLC</u>	10-K	001-39463	10.6(c)	2/28/2022
<u>10.7</u>	<u>Second Amended and Restated Non-Employee Director Compensation Program</u>	10-K	001-39463	10.7	3/24/2023
<u>10.8</u>	<u>Agreement and Plan of Merger and Plan of Reorganization, dated as of October 5, 2021, by and among Ouster, Inc., Sparrow Acquisition Sub., Inc., Sense Photonics, Inc., and Fortis Advisors LLC, solely in its capacity as Holders' Agent</u>	8-K	001-39463	2.1	10/5/2021
<u>10.9+</u>	<u>Sense Photonics, Inc. 2017 Equity Incentive Plan, as amended</u>	S-8	333-260576	99.1	10/29/2021
<u>10.9(a)±</u>	<u>Form of Stock Option Agreement under the Sense Photonics, Inc. 2017 Equity Incentive Plan, as amended.</u>	10-K	001-39463	10.9(a)	2/28/2022
<u>10.10+</u>	<u>Ouster, Inc. Amended and Restated 2015 Stock Plan</u>	S-1	333-254987	10.9	4/2/2021
<u>10.10(a)±</u>	<u>Form of Stock Option Agreement under the Amended and Restated 2015 Stock Plan.</u>	S-1	333-254987	10.9(a)	4/2/2021

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<u>10.10(b)+</u>	<u>Form of Early Exercise Stock Option Agreement under the Amended and Restated 2015 Stock Plan.</u>	S-1	333-254987	10.9(b)	4/2/2021	
<u>10.10(c)+</u>	<u>Form of Restricted Stock Unit Agreement under the Amended and Restated 2015 Stock Plan</u>	S-1	333-254987	10.9(c)	4/2/2021	
<u>10.11+</u>	<u>Ouster, Inc. 2022 Employee Stock Purchase Plan</u>	8-K	001-39463	10.1	6/14/2022	
<u>10.12#</u>	<u>Loan and Security Agreement, dated April 29, 2022, by and between the Company, Sense Photonics, Inc. and Hercules Capital, Inc.</u>	10-Q	001-39463	10.1	5/6/2022	
<u>10.12(a)</u>	<u>First Amendment to Loan and Security Agreement, dated as of August 5, 2022, by and between the Company, Sense Photonics, Inc. and Hercules Capital, Inc.</u>	10-Q	001-39463	10.5	11/8/2022	
<u>10.12(b)</u>	<u>Consent and Second Amendment to Loan and Security Agreement, dated November 1, 2022, by and among Ouster, Inc., Sense Photonics, Inc. and Hercules Capital, Inc.*</u>	8-K	001-39463	10.1	11/7/2022	
<u>10.12(c)</u>	<u>Third Amendment to Loan and Security Agreement, dated February 10, 2023, by and among Ouster, Inc., Hercules Capital, Inc., and the lenders and guarantors party thereto.</u>	10-K	001-39463	10.12(c)	3/24/2023	
<u>10.13+</u>	<u>Form of Severance and Change in Control Agreement of Velodyne Lidar, Inc.</u>	8-K	001-38703	10.1	6/14/2021	
<u>10.14+</u>	<u>Offer Letter, by and between Ouster, Inc. and Darien Spencer, dated July 25, 2017</u>	10-Q	001-39463	10.2	11/8/2022	
<u>10.15+</u>	<u>Executive Employment Agreement by and between Velodyne Lidar, Inc. and Mark Weinswig, dated May 3, 2022</u>	10-Q	001-38703	10.1	11/9/2022	
<u>10.16+</u>	<u>Velodyne Lidar, Inc. 2020 Equity Incentive Plan</u>	8-K	001-38703	10.2	10/5/2020	
<u>10.17+</u>	<u>Form of Stock Option Agreement under the Velodyne Lidar, Inc. 2020 Equity Incentive Plan</u>	8-K	001-38703	10.5	10/5/2020	
<u>10.18+</u>	<u>Form of Restricted Stock Unit Agreement under the Velodyne Lidar, Inc. 2020 Equity Incentive Plan.</u>	S-8	333-269748	99.1(b)	2/14/2023	
<u>10.19</u>	<u>Transaction Agreement, by and between Velodyne Lidar, Inc. and Amazon.com, Inc., dated as of February 4, 2022.</u>	8-K	001-38703	10.1	2/7/2022	
<u>10.20</u>	<u>Joinder Agreement by and between Velodyne Lidar USA, Inc. and Hercules Capital, Inc., dated May 9, 2023.</u>	10-Q	001-39463	10.1	8/14/2023	
<u>10.21</u>	<u>Credit Line Agreement for Organizations and Business and Addendum, dated October 25, 2023, by and between the Company, UBS Bank USA, and UBS Financial Services Inc.</u>	8-K	001-39463	10.1	10/31/2023	
<u>21.1</u>	<u>List of Subsidiaries</u>					*
<u>23.1</u>	<u>Consent of PricewaterhouseCoopers LLP</u>					*
<u>24.1</u>	<u>Power of Attorney</u>					*
<u>31.1</u>	<u>Certification of Chief Executive Officer pursuant to Rules 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended</u>					*
<u>31.2</u>	<u>Certification of Chief Financial Officer pursuant to Rules 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended</u>					*
<u>32.1</u>	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>					**

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32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	**
97.1	Policy for Recovery of Erroneously Awarded Compensation	*
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document.	*
101.SCH	Inline XBRL Taxonomy Extension Schema Document	*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	*
101.LAB	Inline XBRL Taxonomy Label Linkbase Document	*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	*

† The annexes, schedules, and certain exhibits to this Exhibit have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Registrant hereby agrees to furnish supplementally a copy of any omitted annex, schedule or exhibit to the SEC upon request.

Certain portions of this exhibit (indicated by “[***]”) have been omitted pursuant to Regulation S-K, Item 601(b)(10).

* Filed herewith.

** Furnished herewith.

+ Indicates a management contract or compensatory plan, contract or arrangement.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 28, 2024

Ouster, Inc.
By: /s/ Mark Weinswig
Name: Mark Weinswig
Title: Chief Financial Officer (principal financial officer and principal accounting officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Angus Pacala</u> Angus Pacala	Director, Co-Founder and Chief Executive Officer (Principal Executive Officer)	March 28, 2024
<u>/s/ Mark Weinswig</u> Mark Weinswig	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 28, 2024
<u>*</u> Theodore L. Tewksbury, Ph.D.	Executive Chairman of the Board of Directors	March 28, 2024
<u>*</u> Virginia Boulet	Director	March 28, 2024
<u>*</u> Susan Heystee	Director	March 28, 2024
<u>*</u> Ernest Maddock	Director	March 28, 2024
<u>*</u> Karin Rådström	Director	March 28, 2024
<u>*</u> Kristin Slanina	Director	March 28, 2024
<u>Riaz Valani</u>		
<u>*By:</u> /s/ Mark Weinswig, As Attorney in Fact		March 28, 2024
Mark Weinswig, As Attorney in Fact		

DESCRIPTION OF SECURITIES

The following description of the terms of our capital stock and warrants is not complete and is qualified in its entirety by reference to our Certificate of Incorporation, as amended (the “Certificate of Incorporation”), our Amended and Restated Bylaws (the “Bylaws”) and the warrant agreement, all of which are attached as exhibits to our Annual Report on Form 10-K. References to “our”, “we”, “us”, the “Company”, and “Ouster” refer to Ouster, Inc.

Capital Stock***Authorized Capitalization****General*

The total amount of our authorized capital stock consists of 100,000,000 shares of common stock, par value \$0.0001 per share, and 100,000,000 shares of preferred stock, par value \$0.0001 per share.

Preferred Stock

Our board of directors (the “Board”) has authority to issue shares of preferred stock in one or more series, to fix for each such series such voting powers, designations, preferences, qualifications, limitations or restrictions thereof, including dividend rights, conversion rights, redemption privileges and liquidation preferences for the issue of such series all to the fullest extent permitted by the Delaware General Corporation Law (“DGCL”). The issuance of preferred stock could have the effect of decreasing the trading price of our common stock, restricting dividends on our capital stock, diluting the voting power of our common stock, impairing the liquidation rights of our capital stock, or delaying or preventing a change in control of our Company.

Common Stock

Our common stock does not entitle its holders to preemptive or other similar subscription rights to purchase any of our securities. Our common stock is neither convertible nor redeemable. Unless our Board determines otherwise, we will issue all of our capital stock in uncertificated form.

Voting Rights

Each holder of our common stock is entitled to one vote per share on each matter submitted to a vote of stockholders, as provided by the Certificate of Incorporation. The Bylaws provide that the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person, or by remote communication, if applicable, or represented by proxy, will constitute a quorum at all meetings of the stockholders for the transaction of business. When a quorum is present, the affirmative vote of a majority of the votes cast is required to take action, unless otherwise specified by law, the Bylaws or the Certificate of Incorporation, and except for the election of directors, which is determined by a plurality vote. There are no cumulative voting rights.

Dividend Rights

Each holder of shares of our capital stock is entitled to the payment of dividends and other distributions as may be declared by Board from time to time out of our assets or funds legally available for dividends or other distributions. These rights are subject to the preferential rights of the holders of our preferred stock, if any, and any contractual limitations on our ability to declare and pay dividends.

Other Rights

The rights of each holder of our common stock are subject to, and may be adversely affected by, the rights of the holders of any series of our preferred stock that we may designate and issue in the future.

Liquidation Rights

If we are involved in voluntary or involuntary liquidation, dissolution or winding up of our affairs, or a similar event, each holder of our common stock will participate pro rata in all assets remaining after payment of liabilities, subject to prior distribution rights of our preferred stock, if any, then outstanding.

Anti-takeover Effects of the Certificate of Incorporation and the Bylaws

The Certificate of Incorporation and the Bylaws contain provisions that may delay, defer or discourage another party from acquiring control of our Company. We expect that these provisions, which are summarized below, will discourage coercive takeover practices or inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of our Company to first negotiate with the Board, which we believe may result in an improvement of the terms of any such acquisition in favor of our stockholders. However, they also give the Board the power to discourage mergers that some stockholders may favor.

Special Meetings of Stockholders

The Certificate of Incorporation provides that a special meeting of stockholders may be called by (a) the Chairperson of the Board, (b) the Board, (c) our Chief Executive Officer or (d) our President, provided that such special meeting may be postponed, rescheduled or cancelled by the Board or other person calling the special meeting.

Action by Written Consent

The Certificate of Incorporation provides that any action required or permitted to be taken by our stockholders must be effected at an annual or special meeting of the stockholders, and may not be taken by written consent in lieu of a meeting.

Classified Board of Directors

Our Certificate of Incorporation provides that our Board is divided into three classes, with the classes as nearly equal in number as possible and each class serving three-year staggered terms. The Board or any individual director may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least a majority of the voting power of all of the then outstanding shares of our voting stock entitled to vote at an election of directors.

Election of Directors and Vacancies

Subject to the rights of the holders of any series of preferred stock to elect additional directors under specified circumstances, the number of directors of our Board is fixed exclusively by the Board. Our Board is divided into three classes, designated Class I, II and III, with each class to be elected by our stockholders every three years.

Amendment of the Certificate of Incorporation and Bylaws

Our Board is expressly authorized to adopt, amend or repeal the Bylaws, subject to the power of our stockholders entitled to vote with respect thereto to adopt, amend or repeal the Bylaws. Our stockholders have the power to adopt, amend or repeal the Bylaws; provided, that in addition to any vote of the holders of any class or series of our stock required by applicable law or by our Certificate of Incorporation or Bylaws, the adoption, amendment or repeal of our Bylaws by our stockholders shall require the affirmative vote of the holders of at least two-thirds of the voting power of all of the then outstanding shares of our voting stock entitled to vote generally in an election of directors.

Additionally, the vote of at least 66 2/3% of the total voting power of our outstanding shares entitled to vote thereon, voting together as a single class, is required to amend certain provisions of our Certificate of Incorporation, including those relating to the terms of our authorized preferred stock (Article V(B)), the authority and composition of our Board (Article VII), special meetings of our stockholders and the ability of our stockholders to act by written consent (Article VIII), limitation of liability of our directors (Article IX), restrictions similar to Section 203 of the DGCL (Article X), our obligation to indemnify our directors and officers to the fullest extent permitted by law (Article XI), exclusive jurisdiction of certain legal proceedings involving our stockholders (Article XII) and the requirements for amendments to our Certificate of Incorporation (Article XIII).

Delaware Anti-Takeover Statute

Section 203 of the DGCL provides that if a person acquires 15% or more of the voting stock of a Delaware corporation, such person becomes an “interested stockholder” and may not engage in certain “business combinations” with such corporation for a period of three years from the time such person acquired 15% or more of such corporation’s voting stock, unless: (a) the board of directors of such corporation approves the acquisition of stock or the merger transaction before the time that the person becomes an interested stockholder, (b) the interested stockholder owns at least 85% of the outstanding voting stock of such corporation at the time the merger transaction commences (excluding voting stock owned by directors who are also officers and certain employee stock plans), or (c) the merger transaction is approved by the board of directors and at a meeting of stockholders, not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder. A Delaware corporation may elect in its certificate of incorporation or bylaws not to be governed by this particular Delaware law. Under the Certificate of Incorporation, we have opted out of Section 203 of the DGCL, but the Certificate of Incorporation provides other similar restrictions regarding takeovers by interested stockholders.

Limitations on Liability and Indemnification of Officers and Directors

The Certificate of Incorporation provides that we are to indemnify our directors to the fullest extent authorized or permitted by applicable law. We have entered and expect to continue to enter into agreements to indemnify our directors, executive officers and other employees as determined by the Board. Under the Bylaws, we are required to indemnify each of our directors and officers if the basis of the indemnitee’s involvement was by reason of the fact that the indemnitee is or was our director or officer or was serving at our request as a director, officer, employee or agent for another entity. We must indemnify our officers and directors against all expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the indemnitee in connection with such action, suit or proceeding if the indemnitee acted in good faith and in a manner the indemnitee reasonably believed to be in or not opposed to our best interests, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the indemnitee’s conduct was unlawful. The Bylaws also require us to advance expenses (including attorneys’ fees) incurred by a director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding, provided that such person will repay any such advance if it is ultimately determined that such person is not entitled to indemnification by us. Any claims for indemnification by our directors and officers may reduce our available funds to satisfy successful third-party claims against us and may reduce the amount of money available to us.

Exclusive Jurisdiction of Certain Actions

Our Certificate of Incorporation provides that, to the fullest extent permitted by law, and unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, in the event that the Chancery Court does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware) will be the sole and exclusive forum for (i) any derivative action, suit or proceeding brought on our behalf, (ii) any action, suit or proceeding asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or stockholders to us or our stockholders, (iii) any action, suit or proceeding arising pursuant to any provision of the DGCL or the Bylaws or the Certificate of Incorporation (as each may be amended from time to time), (iv) any action, suit or proceeding as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware, or (v) any action, suit or proceeding asserting a claim against us or any current or former director, officer or stockholder governed by the internal affairs doctrine, and, if brought outside of Delaware, the stockholder bringing the suit will be deemed to have consented to (a) the personal jurisdiction of the state and federal courts in the State of Delaware in connection with any action brought in any such court to enforce the exclusive jurisdiction provisions of the Certificate of Incorporation and (b) service of process on such stockholder’s counsel.

Section 22 of the Securities Act of 1933, as amended (the “Securities Act”) creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, both state and federal courts have jurisdiction to entertain such Securities Act claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, the Certificate of Incorporation also provides that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the

federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act; however, there is uncertainty as to whether a court would enforce such provision, and investors cannot waive compliance with federal securities laws and the rules and regulations thereunder. Notwithstanding the foregoing, the Certificate of Incorporation provides that the exclusive forum provision will not apply to suits brought to enforce any cause of action arising by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. Although we believe these provisions would benefit us by providing increased consistency in the application of applicable law in the types of lawsuits to which they apply, these provisions may have the effect of discouraging lawsuits against our directors and officers.

Transfer Agent

The transfer agent for our common stock is Continental Stock Transfer & Trust Company.

Warrants

Ouster's 2026 Public Warrants (NYSE: OUST WS)

2026 public warrants refers to the Company's warrants that were offered and sold in the Company's initial public offering pursuant to a registration statement. Each ten (10) 2026 public warrants entitles the registered holder to purchase one share of our common stock at a price of \$115.00 per share, subject to adjustment as discussed below, provided that there is an effective registration statement under the Securities Act covering the shares of our common stock issuable upon exercise of the warrants and a current prospectus relating to them available (or we permit holders to exercise their warrants on a cashless basis under the circumstances specified in the applicable warrant agreement) and such shares are registered, qualified or exempt from registration under the securities, or blue sky, laws of the state of residence of the holder. Pursuant to the warrant agreement governing the 2026 public warrants, a warrant holder may exercise its warrants only for a whole number of shares of our common stock. This means only a whole 2026 public warrant may be exercised at a given time by a warrant holder. The 2026 public warrants will expire on March 11, 2026 at 5:00 p.m., New York City time, or earlier upon redemption or liquidation.

We are not obligated to deliver any shares of common stock pursuant to the exercise of a 2026 public warrant and have no obligation to settle such warrant exercise unless a registration statement under the Securities Act with respect to the shares of our common stock underlying the warrants is then effective and a prospectus relating thereto is current, subject to us satisfying our obligations described below with respect to registration. No 2026 public warrant will be exercisable and we will not be obligated to issue a share of common stock upon exercise of a warrant unless the shares of common stock issuable upon such warrant exercise has been registered, qualified or deemed to be exempt under the securities laws of the state of residence of the registered holder of the warrants. In the event that the conditions in the two immediately preceding sentences are not satisfied with respect to a 2026 public warrant, the holder of such warrant will not be entitled to exercise such warrant and such warrant may have no value and expire worthless. In no event will we be required to net cash settle any 2026 public warrant.

We have agreed to maintain the effectiveness of a registration statement covering the issuance, under the Securities Act, of the shares of common stock issuable upon exercise of the 2026 public warrants, and a current prospectus relating thereto, until the expiration of the warrants in accordance with the provisions of the applicable warrant agreement. Notwithstanding the above, if the shares of common stock are at the time of any exercise of a warrant not listed on a national securities exchange such that they satisfy the definition of a "covered security" under Section 18(b)(1) of the Securities Act, we may, at our option, require holders of 2026 public warrants who exercise their warrants to do so on a "cashless basis" in accordance with Section 3(a)(9) of the Securities Act and, in the event we so elect, we will not be required to maintain in effect a registration statement, and in the event we do not so elect, we will be obligated to use our best efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available.

We may call the warrants for redemption:

- in whole and not in part;
- at a price of \$0.10 per warrant;
- upon not less than 30 days' prior written notice of redemption (the "30-day redemption period") to each warrant holder; and
- if, and only if, the reported closing price of our common stock equals or exceeds \$180.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within a 30 trading-day period ending three business days before we send the notice of redemption to the warrant holders.

If and when the 2026 public warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws.

If the foregoing conditions are satisfied and we issue a notice of redemption of the 2026 public warrants, each warrant holder will be entitled to exercise his, her or its warrant prior to the scheduled redemption date. However, the price of our common stock may fall below the \$180.00 redemption trigger price (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) as well as the \$115.00 warrant exercise price after the redemption notice is issued.

If we call the 2026 public warrants for redemption as described above, our Board will have the option to require any holder that wishes to exercise his, her or its warrant to do so on a "cashless basis." In determining whether to require all holders to exercise their 2026 public warrants on a "cashless basis," our management may consider, among other factors, our cash position, the number of warrants that are outstanding and the dilutive effect on our stockholders of issuing the maximum number of shares of common stock issuable upon the exercise of the warrants. If we take advantage of this option, all holders of 2026 public warrants would pay the exercise price by surrendering their warrants for that number of shares of common stock equal to the quotient obtained by dividing (a) the product of the number of shares of common stock underlying the warrants, multiplied by the excess of the "fair market value" (defined below) over the exercise price of the warrants by (b) the fair market value. The "fair market value" will mean the average reported closing price of the shares of common stock for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of warrants. If we take advantage of this option, the notice of redemption will contain the information necessary to calculate the number of shares of common stock to be received upon exercise of the 2026 public warrants, including the "fair market value" in such case. Requiring a cashless exercise in this manner will reduce the number of shares to be issued and thereby lessen the dilutive effect of a warrant redemption. We believe this feature is an attractive option to us if we do not need the cash from the exercise of the 2026 public warrants. If we call the 2026 public warrants for redemption and do not take advantage of this option, the holders of the private placement warrants and their permitted transferees would still be entitled to exercise their private placement warrants for cash or on a cashless basis using the same formula described above that other warrant holders would have been required to use had all warrant holders been required to exercise their warrants on a cashless basis, as described in more detail below. A holder of a 2026 public warrant may notify us in writing in the event it elects to be subject to a requirement that such holder will not have the right to exercise such warrant, to the extent that after giving effect to such exercise, such person (together with such person's affiliates), to the warrant agent's actual knowledge, would beneficially own in excess of 4.9% or 9.8% (or such other amount as specified by the holder) of the shares of our common stock outstanding immediately after giving effect to such exercise.

If the number of outstanding shares of our common stock is increased by a stock dividend payable in shares of our common stock, or by a split-up or other similar event, then, on the effective date of stock dividend, split-up or similar event, the number of shares of common stock issuable on exercise of each 2026 public warrant will be increased in proportion to such increase in the outstanding shares of our common stock. A rights offering to holders of our common stock entitling holders to purchase shares of our common stock at a price less than the fair market value will be deemed a stock dividend of a number of shares of our common stock equal to the product of (a) the number of shares of common stock actually sold in such rights offering (or issuable under any other equity securities

sold in such rights offering that are convertible into or exercisable for shares of our common stock) and (b) the quotient of (i) the price per share of our common stock paid in such rights offering and (ii) the fair market value. For these purposes (a) if the rights offering is for securities convertible into or exercisable for shares of our common stock, in determining the price payable for shares of our common stock, there will be taken into account any consideration received for such rights, as well as any additional amount payable upon exercise or conversion and (b) fair market value means the volume weighted average price of shares of our common stock as reported during the 10 trading day period ending on the trading day prior to the first date on which the shares of our common stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive such rights.

In addition, if we, at any time while the 2026 public warrants are outstanding and unexpired, pay a dividend or make a distribution in cash, securities or other assets to the holders of shares of our common stock on account of such shares of common stock (or other securities into which the warrants are convertible), other than as described above or certain ordinary cash dividends, then the warrant exercise price will be decreased, effective immediately after the effective date of such event, by the amount of cash and/or the fair market value of any securities or other assets paid on each share of our common stock in respect of such event.

If the number of outstanding shares of our common stock is decreased by a consolidation, combination, reverse stock split or reclassification of shares of our common stock or other similar event, then, on the effective date of such consolidation, combination, reverse stock split, reclassification or similar event, the number of shares of common stock issuable on exercise of each 2026 public warrant will be decreased in proportion to such decrease in outstanding shares of our common stock.

Whenever the number of shares of our common stock purchasable upon the exercise of the 2026 public warrants is adjusted, as described above, the warrant exercise price will be adjusted by multiplying the warrant exercise price immediately prior to such adjustment by a fraction (a) the numerator of which will be the number of shares of common stock purchasable upon the exercise of the warrants immediately prior to such adjustment, and (b) the denominator of which will be the number of shares of common stock so purchasable immediately thereafter.

In case of any reclassification or reorganization of the outstanding shares of our common stock (other than those described above or that solely affects the par value of such shares of our common stock), or in the case of any merger or consolidation of our Company with or into another corporation (other than a consolidation or merger in which we are the continuing corporation and that does not result in any reclassification or reorganization of the issued and outstanding shares of our common stock), or in the case of any sale or conveyance to another corporation or entity of the assets or other property of our as an entirety or substantially as an entirety in connection with which we are dissolved, the holders of the 2026 public warrants will thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the warrants and in lieu of the shares of our common stock immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, the kind and amount of shares of our common stock or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or transfer, that the holder of the warrants would have received if such holder had exercised their warrants immediately prior to such event. If less than 70% of the consideration receivable by the holders of shares of our common stock in such a transaction is payable in the form of shares of common stock in the successor entity that is listed for trading on a national securities exchange or is quoted in an established over-the-counter market, or is to be so listed for trading or quoted immediately following such event, and if the registered holder of the 2026 public warrant properly exercises the warrant within 30 days following public disclosure of such transaction, the warrant exercise price will be reduced as specified in the warrant agreement based on the Black-Scholes Warrant Value (as defined in the warrant agreement) of the warrant. The purpose of such exercise price reduction is to provide additional value to holders of the 2026 public warrants when an extraordinary transaction occurs during the exercise period of the warrants pursuant to which the holders of the 2026 public warrants otherwise do not receive the full potential value of the warrants.

The 2026 public warrants are issued in registered form under a warrant agreement between Continental Stock Transfer & Trust Company, as warrant agent, and us. The warrant agreement provides that the terms of the 2026 public warrants may be amended without the consent of any holder for the purpose of (a) curing any ambiguity or to correct any defective provision, (b) adjusting the provisions relating to cash dividends on shares of our common stock as contemplated by and in accordance with the warrant agreement or (c) adding or changing any other

provisions with respect to matters or questions arising under the warrant agreement as the parties to the warrant agreement may deem necessary or desirable and that the parties deem to not adversely affect the interests of the registered holders of the 2026 public warrants. All other modifications or amendments will require the approval by the holders of at least 50% of the then-outstanding 2026 public warrants and, solely with respect to any amendment to the terms of the private placement warrants, 50% of the then outstanding private placement warrants. You should review a copy of the warrant agreement, which is filed as an exhibit to our Annual Report on Form 10-K, for a complete description of the terms and conditions applicable to the warrants.

The 2026 public warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the exercise form on the reverse side of the warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price (or on a cashless basis, if applicable), by certified or official bank check payable to us, for the number of warrants being exercised. The holders of our 2026 public warrants do not have the rights or privileges of holders of shares of our common stock and any voting rights until they exercise their warrants and receive shares of our common stock. After the issuance of shares of our common stock upon exercise of the 2026 public warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

Pursuant to the warrant agreement, a warrant holder may exercise its warrants only for a whole number of shares of our common stock. This means that no fractional shares will be issued upon exercise of the 2026 public warrants. If, upon exercise of the 2026 public warrants, a holder would be entitled to receive a fractional interest in a share, we will, upon exercise, round down to the nearest whole number of shares of our common stock to be issued to the warrant holder.

Ouster's Private Placement Warrants

Private placement warrants refers to the warrants issued in a private placement to Colonnade Sponsor LLC (the "Sponsor"). The private placement warrants (including the shares of our common stock issuable upon exercise of such warrants) will not be redeemable by us so long as they are held by the Sponsor, members of the Sponsor or their permitted transferees. The Sponsor or its permitted transferees have the option to exercise the private placement warrants on a cashless basis. Except as described below, the private placement warrants have terms and provisions that are identical to those of the 2026 public warrants, including as to exercise price, exercisability and exercise period. If the private placement warrants are held by holders other than the Sponsor or its permitted transferees, the private placement warrants will be redeemable by us and exercisable by the holders on the same basis as the 2026 public warrants.

If holders of the private placement warrants elect to exercise them on a cashless basis, they would pay the exercise price by surrendering his, her or its warrants for that number of shares of our common stock equal to the quotient obtained by dividing (a) the product of the number of shares of our common stock underlying the warrants, multiplied by the excess of the "fair market value" (defined below) over the exercise price of the warrants by (b) the fair market value. The "fair market value" will mean the average reported closing price of the shares of our common stock for the 10 trading days ending on the third trading day prior to the date on which the notice of warrant exercise is sent to the warrant agent.

Ouster's 2025 Public Warrants (NYSE American: OUST WSA)

2025 public warrants refers to the public warrants of Velodyne Lidar, Inc. ("Velodyne") that became public warrants exercisable for Ouster, Inc. common stock in connection with the completed merger of equals with Ouster, Inc. and Velodyne Lidar, Inc. (the "Velodyne Merger"). Each 2025 public warrant entitles the holder to purchase 0.06153 shares of the Company's common stock. Each ten (10) 2025 public warrants entitles the registered holder to purchase 0.6153 shares of our common stock at a price of \$140.20 per 0.6153 share of common stock, with no fractional shares being issuable upon exercise of a warrant, subject to adjustment as discussed below. Pursuant to the warrant agreement, a warrant holder may exercise its warrants only for a whole number of shares of our common stock. This means that no fractional shares will be issued upon exercise of the 2025 public warrants. If, upon exercise of the 2025 public warrants, a holder would be entitled to receive a fractional interest in a share, Ouster will, upon exercise, round down to the nearest whole number of shares of common stock to be issued to the warrant holder. The 2025 public warrants will expire on September 29, 2025 at 5:00 p.m., New York City time, or earlier upon redemption or liquidation.

We are not obligated to deliver any shares of common stock pursuant to the exercise of a 2025 public warrant and have no obligation to settle such 2025 public warrant exercise unless a registration statement under the Securities Act with respect to the shares of our common stock underlying the 2025 public warrants is then effective and a prospectus relating thereto is current, subject to us satisfying our obligations described below with respect to registration. No 2025 public warrant will be exercisable and we will not be obligated to issue shares of common stock upon exercise of a warrant unless the shares of common stock issuable upon such warrant exercise have been registered, qualified or deemed to be exempt from registration or qualification under the securities laws of the state of residence of the registered holder of the warrants. In the event that the conditions in the two immediately preceding sentences are not satisfied with respect to a 2025 public warrant, the holder of such warrant will not be entitled to exercise such warrant and such warrant may have no value and expire worthless. In no event will we be required to net cash settle any warrant.

During any period when we have failed to maintain an effective registration statement covering the shares of common stock issuable upon exercise of the 2025 public warrants, warrant holders have the right to exercise public warrants on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act or another exemption. Notwithstanding the above, if common stock is at the time of any exercise of a 2025 public warrant not listed on a national securities exchange such that it satisfies the definition of a “covered security” under Section 18(b)(1) of the Securities Act, we may, at our option, require holders of warrants who exercise their warrants to do so on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act and, in the event we so elect, we will not be required to file or maintain in effect a registration statement for the registration under the Securities Act of the common stock issuable upon exercise of the warrants, and in the event we do not so elect, we will use our best efforts to register or qualify for sale the common stock issuable upon exercise of the warrants under applicable blue sky laws to the extent an exemption is not available.

We may call the 2025 public warrants for redemption:

- in whole and not in part;
- at a price of \$0.10 per warrant;
- upon not less than 30 days’ prior written notice of redemption (the “30-day redemption period”) to each warrant holder;
- if (i) there is an effective registration statement covering the shares of common stock issuable upon exercise of the warrants and a current prospectus relating thereto available throughout the 30-day redemption period or (ii) we have elected to require the exercise of the warrants on a cashless basis; and
- if, and only if, the reported last sale price of our common stock equals or exceeds \$219.41 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within a 30 trading-day period ending three business days before we send the notice of redemption to the warrant holders.

If and when the 2025 public warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws.

If the foregoing conditions are satisfied and we issue a notice of redemption of the 2025 public warrants, each warrant holder will be entitled to exercise its warrant prior to the scheduled redemption date. However, the price of our common stock may fall below the \$219.41 redemption trigger price (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) as well as the \$140.20 warrant exercise price after the redemption notice is issued.

If we call the 2025 public warrants for redemption as described above, our management will have the option to require any holder that wishes to exercise its warrant to do so on a “cashless basis.” In determining whether to require all holders to exercise their 2025 public warrants on a “cashless basis,” our management and our Board may consider, among other factors, our cash position, the number of warrants that are outstanding and the dilutive effect on our stockholders of issuing the maximum number of shares of common stock issuable upon the exercise of the warrants. If Ouster management takes advantage of this option, all holders of 2025 public warrants would pay the exercise price by surrendering their warrants for that number of shares of common stock equal to the quotient obtained by dividing (a) the product of the number of shares of common stock underlying the warrants, multiplied

by the excess of the “fair market value” of our common stock (defined below) over the exercise price of the warrants by (b) the fair market value. The “fair market value,” with respect to this paragraph only, will mean the average reported last sale price of Ouster common stock for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of 2025 public warrants. If we take advantage of this option, the notice of redemption will contain the information necessary to calculate the number of shares of common stock to be received upon exercise of the 2025 public warrants, including the “fair market value” in such case.

If the number of outstanding shares of our common stock is increased by a stock dividend payable in shares of our common stock, or by a split-up of shares of common stock or other similar event, then, on the effective date of such stock dividend, split-up or similar event, the number of shares of common stock issuable on exercise of each 2025 public warrant will be increased in proportion to such increase in the outstanding shares of our common stock. A rights offering to holders of our common stock entitling holders to purchase shares of our common stock at a price less than the fair market value (defined below) will be deemed a stock dividend of a number of shares of our common stock equal to the product of (a) the number of shares of common stock actually sold in such rights offering (or issuable under any other equity securities sold in such rights offering that are convertible into or exercisable for common stock) and (b) one (1) minus the quotient of (i) the price per share of our common stock paid in such rights offering and (ii) the fair market value. For these purposes, (a) if the rights offering is for securities convertible into or exercisable for common stock, in determining the price payable for common stock, there will be taken into account any consideration received for such rights, as well as any additional amount payable upon exercise or conversion and (b) fair market value means the volume weighted average price of common stock as reported during the 10 trading day period ending on the trading day prior to the first date on which the shares of common stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive such rights.

In addition, if we, at any time while the 2025 public warrants are outstanding and unexpired, pay a dividend or make a distribution in cash, securities or other assets to the holders of common stock on account of such shares of common stock (or other shares of Ouster capital stock into which the warrants are convertible), other than as described above or certain ordinary cash dividends, then the warrant exercise price will be decreased, effective immediately after the effective date of such event, by the amount of cash and/or the fair market value as determined by our Board in good faith of any securities or other assets paid on each share of common stock in respect of such event.

If the number of outstanding shares of our common stock is decreased by a consolidation, combination, reverse stock split or reclassification of shares of our common stock or other similar event, then, on the effective date of such consolidation, combination, reverse stock split, reclassification or similar event, the number of shares of common stock issuable on exercise of each 2025 public warrant will be decreased in proportion to such decrease in outstanding shares of our common stock.

Whenever the number of shares of our common stock purchasable upon the exercise of the 2025 public warrants is adjusted, as described above, the warrant exercise price will be adjusted by multiplying the warrant exercise price immediately prior to such adjustment by a fraction (a) the numerator of which will be the number of shares of common stock purchasable upon the exercise of the warrants immediately prior to such adjustment, and (b) the denominator of which will be the number of shares of common stock so purchasable immediately thereafter.

In case of any reclassification or reorganization of the outstanding shares of our common stock (other than those described above or that solely affects the par value of such shares of our common stock), or in the case of any merger or consolidation of our Company with or into another entity or conversion of our Company as another entity (other than a consolidation or merger in which we are the continuing corporation and that does not result in any reclassification or reorganization of the issued and outstanding shares of our common stock), or in the case of any sale or conveyance to another entity of the assets or other property of ours as an entirety or substantially as an entirety in connection with which we are dissolved, the holders of the 2025 public warrants will thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the warrants and in lieu of the shares of our common stock immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, the kind and amount of shares of our common stock or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or transfer, that the holder of the warrants would have received if such holder had exercised their warrants immediately prior to such event. If less than 70% of the consideration receivable by the holders of

shares of our common stock in the applicable event is payable in the form of common stock in the successor entity that is listed for trading on a national securities exchange or is quoted in an established over-the-counter market, or is to be so listed for trading or quoted immediately following such event, and if the registered holder of the 2025 public warrant properly exercises the warrant within 30 days following public disclosure of such transaction, the warrant exercise price will be reduced by an amount (in dollars) as specified in the warrant agreement based on the Black-Scholes value (as defined in the warrant agreement) of the warrant. The purpose of such exercise price reduction is to provide additional value to holders of the 2025 public warrants when an extraordinary transaction occurs during the exercise period of the warrants pursuant to which the holders of the warrants otherwise do not receive the full potential value of the warrants in order to determine and realize the option value component of the warrant.

The 2025 public warrants are issued in registered form under a warrant agreement between Continental Stock Transfer & Trust Company, as warrant agent, and Velodyne (formerly known as Graf Industrial Corp.) and became securities of Ouster at the closing of the Velodyne Merger. Warrant holders should review a copy of the warrant agreement for a complete description of the terms and conditions applicable to the 2025 public warrants. The warrant agreement provides that the terms of the 2025 public warrants may be amended without the consent of any holder to cure any ambiguity or to cure, correct or supplement any defective provision, or to add or change any other provisions with respect to matters or questions arising under the warrant agreement as the parties may deem necessary or desirable and which shall not adversely affect the interests of the holders, but requires the vote or written consent by the holders of at least 50% of the ten-outstanding 2025 public warrants to make any change that adversely affects the interests of the registered holders of warrants. You should review a copy of the warrant agreement, which is incorporated by reference as an exhibit to our Annual Report on Form 10-K, for a complete description of the terms and conditions applicable to the warrants.

The 2025 public warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the election to purchase form on the reverse side of the warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price (or on a cashless basis, if applicable), by good certified check or good bank draft payable to the warrant agent or by wire of immediately available funds, for the number of warrants being exercised. The holders of 2025 public warrants do not have the rights of holders of common stock, including, without limitation, the right to receive dividends or other distributions, exercise any preemptive rights to vote, or to consent or receive notice as stockholders in respect of the meetings of stockholders or the election of directors of Ouster or any other matter until they exercise their warrants and receive shares of our common stock. After the issuance of shares of our common stock upon exercise of the 2025 public warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

No fractional shares will be issued upon exercise of the 2025 public warrants. If, upon exercise of the 2025 public warrants, a holder would be entitled to receive a fractional interest in a share, we will, upon exercise, round down to the nearest whole number of shares of our common stock to be issued to the warrant holder.

Amazon Warrants

Velodyne agreed to issue to Amazon.com NV Investment Holdings LLC, a wholly-owned subsidiary of Amazon Inc. (“Amazon”), a warrant to acquire, following customary antidilution adjustments, up to an aggregate of 3,263,898 shares of the Company’s common stock at an exercise price of \$50.71 per share (the “Amazon Warrant”), which was assumed by the Company in connection with the Velodyne Merger.

The exercise price and the warrant shares issuable upon exercise of the Amazon Warrant are subject to further antidilution adjustments, including in the event the Company makes certain sales of common stock (or securities exercisable or convertible into or exchangeable for shares of the Company's common stock) at a price less than the exercise price of the Amazon Warrant. As a result of the issuance and sale by the Company of an additional 2,878,875 shares of common stock in the twelve months ended December 31, 2023 pursuant to the At-Market-Issuance Sales Agreement at prices below the exercise price of the Amazon Warrant, an antidilution adjustment to the terms of the Amazon Warrant occurred, resulting in the increase in the number of shares issuable under the Amazon Warrant by 618 shares of common stock and a reduction to the original strike price of the Amazon Warrant to \$50.70 per share. As of December 31, 2023, there were 3,264,516 shares of common stock issuable under the Amazon Warrant.

The Amazon Warrant shares vest in multiple tranches over time based on payments of up to \$100.0 million by Amazon or its affiliates (directly or indirectly through third parties) to the Company in connection with Amazon's purchase of goods and services. The fair value of the unvested Amazon Warrant, representing 1,330,903 unvested Ouster common stock shares, will be recognized as a non-cash stock-based reduction to revenue when Amazon makes payments and vesting conditions become probable of being achieved.

The right to exercise the Amazon Warrant and receive the warrant shares that have vested expires February 4, 2030. As of December 31, 2023, 1,933,613 Amazon Warrant shares have vested.

LIST OF SUBSIDIARIES

The following is a list of the direct and indirect subsidiaries of Ouster, Inc., that is current as of March 22, 2024:

Subsidiaries

Ouster Canada Limited
 Ouster France SAS
 Ouster Hong Kong Limited
 Ouster (Suzhou) Intelligent Technology Co., Ltd.
 Ouster Netherlands, B.V.
 Ouster (Thailand) Co., Limited
 Ouster UK Limited
 Sense Photonics, Inc.
 14352947 Canada Inc.
 14356811 Canada Inc.
 Bluecity Technology Inc.
 (f/k/a 10731617 Canada Inc.)
 Beijing Velodyne LiDAR Technology Co., Limited
 Velodyne Europe GmbH
 Velodyne, LLC
 Velodyne Lidar USA, Inc.
 Velodyne HK Limited
 Velodyne Lidar India Private Limited
 Velodyne 2022 Limited

Jurisdiction

Canada
 France
 Hong Kong
 People's Republic of China
 Netherlands
 Thailand
 United Kingdom
 Delaware, USA
 Canada
 Canada
 Canada
 People's Republic of China
 Germany
 Delaware, USA
 Delaware, USA
 Hong Kong
 India
 Thailand

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-264600 and 333-254987) and Form S-8 (Nos. 333-269748, 333-266141, 333-266140, 333-260576 and 333-257859) of Ouster, Inc. of our report dated March 28, 2024 relating to the financial statements, which appears in this Form 10-K.

/s/PricewaterhouseCoopers LLP
San Jose, CA
March 28, 2024

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that OUSTER, INC., a Delaware corporation (the “Company”), and each of the undersigned directors of the Company, hereby constitutes and appoints Angus Pacala, Mark Weinswig and Megan Chung, and each of them (with full power to each of them to act alone), his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and on his or her behalf in his or her name, place and stead, in any and all capacities to sign, execute, affix his or her seal thereto and file, or cause such actions to be taken with regards to, the Company’s Annual Report on Form 10-K for the year ended December 31, 2023 under the Securities Exchange Act of 1934, as amended, including any amendment or amendments thereto, with all exhibits and any all documents required to be filed with respect thereto with any regulatory authority.

There is hereby granted to said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, requisite and necessary to be done in respect of the foregoing as fully as he or she might or could do if personally present, thereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

This Power of Attorney may be executed in any number of counterparts, each of which shall be an original, but all of which taken together shall constitute one and the same instrument and any of the undersigned directors may execute this Power of Attorney by signing any such counterpart.

Signature	Title	Date
<u>/s/ Theodore L. Tewksbury, Ph.D.</u> Theodore L. Tewksbury, Ph.D.	Chair of the Board of Directors	March 28, 2024
<u>/s/ Susan Heystee</u> Susan Heystee	Vice Chair of the Board of Directors	March 28, 2024
<u>/s/ Virginia Boulet</u> Virginia Boulet	Director	March 28, 2024
<u>/s/ Ernest Maddock</u> Ernest Maddock	Director	March 28, 2024
<u>/s/ Karin Rådström</u> Karin Rådström	Director	March 28, 2024
<u>/s/ Kristin Slanina</u> Kristin Slanina	Director	March 28, 2024
<u>/s/ Riaz Valani</u> Riaz Valani	Director	March 28, 2024

CERTIFICATION

I, Angus Pacala, certify that:

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 28, 2024

By: /s/Angus Pacala
Angus Pacala
Co-Founder and Chief Executive Officer
(principal executive officer)

CERTIFICATION

I, Mark Weinswig, certify that:

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 28, 2024

By: /s/ Mark Weinswig
Mark Weinswig
Chief Financial Officer
(*principal financial officer*)

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 Annual Report on Form 10-K of Ouster, Inc. (the "Company") for the period ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 28, 2024

By: /s/Angus Pacala
Angus Pacala
Co-Founder and Chief Executive Officer
(*principal executive officer*)

OUSTER, INC.
POLICY FOR RECOVERY OF
ERRONEOUSLY AWARDED COMPENSATION

Ouster, Inc. (the “*Company*”) has adopted this Policy for Recovery of Erroneously Awarded Compensation (the “*Policy*”), effective as of October 2, 2023 (the “*Effective Date*”). Capitalized terms used in this Policy but not otherwise defined herein are defined in Section 11.

1. Persons Subject to Policy

This Policy shall apply to current and former Officers of the Company. Each Officer shall be required to sign an acknowledgment pursuant to which such Officer will agree to be bound by the terms of, and comply with, this Policy; however, any Officer’s failure to sign any such acknowledgment shall not negate the application of this Policy to the Officer.

2. Compensation Subject to Policy

This Policy shall apply to Incentive-Based Compensation received on or after the Effective Date. For purposes of this Policy, the date on which Incentive-Based Compensation is “received” shall be determined under the Applicable Rules, which generally provide that Incentive-Based Compensation is “received” in the Company’s fiscal period during which the relevant Financial Reporting Measure is attained or satisfied, without regard to whether the grant, vesting or payment of the Incentive-Based Compensation occurs after the end of that period.

3. Recovery of Compensation

In the event that the Company is required to prepare a Restatement, the Company shall recover, reasonably promptly, the portion of any Incentive-Based Compensation that is Erroneously Awarded Compensation, unless the Committee has determined that recovery would be Impracticable. Recovery shall be required in accordance with the preceding sentence regardless of whether the applicable Officer engaged in misconduct or otherwise caused or contributed to the requirement for the Restatement and regardless of whether or when restated financial statements are filed by the Company. For clarity, the recovery of Erroneously Awarded Compensation under this Policy will not give rise to any person’s right to voluntarily terminate employment for “good reason,” or due to a “constructive termination” (or any similar term of like effect) under any plan, program or policy of or agreement with the Company or any of its affiliates.

4. Manner of Recovery; Limitation on Duplicative Recovery

The Committee shall, in its sole discretion, determine the manner of recovery of any Erroneously Awarded Compensation, which may include, without limitation, reduction or cancellation by the Company or an affiliate of the Company of Incentive-Based Compensation or Erroneously Awarded Compensation, reimbursement or repayment by any person subject to this Policy of the Erroneously Awarded Compensation, and, to the extent permitted by law, an offset of the Erroneously Awarded Compensation against other compensation payable by the Company or an affiliate of the Company to such person. Notwithstanding the foregoing, unless otherwise prohibited by the Applicable Rules, to the extent this Policy provides for recovery of Erroneously Awarded Compensation already recovered by the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or Other Recovery Arrangements, the amount of Erroneously

Awarded Compensation already recovered by the Company from the recipient of such Erroneously Awarded Compensation may be credited to the amount of Erroneously Awarded Compensation required to be recovered pursuant to this Policy from such person.

5. Administration

This Policy shall be administered, interpreted and construed by the Committee, which is authorized to make all determinations necessary, appropriate or advisable for such purpose. The Board of Directors of the Company (the “**Board**”) may re-vest in itself the authority to administer, interpret and construe this Policy in accordance with applicable law, and in such event references herein to the “Committee” shall be deemed to be references to the Board. Subject to any permitted review by the applicable national securities exchange or association pursuant to the Applicable Rules, all determinations and decisions made by the Committee pursuant to the provisions of this Policy shall be final, conclusive and binding on all persons, including the Company and its affiliates, equityholders and employees. The Committee may delegate administrative duties with respect to this Policy to one or more directors or employees of the Company, as permitted under applicable law, including any Applicable Rules.

6. Interpretation

This Policy will be interpreted and applied in a manner that is consistent with the requirements of the Applicable Rules, and to the extent this Policy is inconsistent with such Applicable Rules, it shall be deemed amended to the minimum extent necessary to ensure compliance therewith.

7. No Indemnification; No Liability

The Company shall not indemnify or insure any person against the loss of any Erroneously Awarded Compensation pursuant to this Policy, nor shall the Company directly or indirectly pay or reimburse any person for any premiums for third-party insurance policies that such person may elect to purchase to fund such person’s potential obligations under this Policy. None of the Company, an affiliate of the Company or any member of the Committee or the Board shall have any liability to any person as a result of actions taken under this Policy.

8. Application; Enforceability

Except as otherwise determined by the Committee or the Board, the adoption of this Policy does not limit, and is intended to apply in addition to, any other clawback, recoupment, forfeiture or similar policies or provisions of the Company or its affiliates, including any such policies or provisions of such effect contained in any employment agreement, bonus plan, incentive plan, equity-based plan or award agreement thereunder or similar plan, program or agreement of the Company or an affiliate or required under applicable law (the “**Other Recovery Arrangements**”). The remedy specified in this Policy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Company or an affiliate of the Company.

9. Severability

The provisions in this Policy are intended to be applied to the fullest extent of the law; provided, however, to the extent that any provision of this Policy is found to be unenforceable or

invalid under any applicable law, such provision will be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

10. Amendment and Termination

The Board or the Committee may amend, modify or terminate this Policy in whole or in part at any time and from time to time in its sole discretion. This Policy will terminate automatically when the Company does not have a class of securities listed on a national securities exchange or association.

11. Definitions

“**Applicable Rules**” means Section 10D of the Exchange Act, Rule 10D-1 promulgated thereunder, the listing rules of the national securities exchange or association on which the Company’s securities are listed, and any applicable rules, standards or other guidance adopted by the Securities and Exchange Commission or any national securities exchange or association on which the Company’s securities are listed.

“**Committee**” means the committee of the Board responsible for executive compensation decisions comprised solely of independent directors (as determined under the Applicable Rules), or in the absence of such a committee, a majority of the independent directors serving on the Board.

“**Erroneously Awarded Compensation**” means the amount of Incentive-Based Compensation received by a current or former Officer that exceeds the amount of Incentive-Based Compensation that would have been received by such current or former Officer based on a restated Financial Reporting Measure, as determined on a pre-tax basis in accordance with the Applicable Rules.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Financial Reporting Measure**” means any measure determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures derived wholly or in part from such measures, including GAAP, IFRS and non-GAAP/IFRS financial measures, as well as stock or share price and total equityholder return.

“**GAAP**” means United States generally accepted accounting principles.

“**IFRS**” means international financial reporting standards as adopted by the International Accounting Standards Board.

“**Impracticable**” means (a) the direct costs paid to third parties to assist in enforcing recovery would exceed the Erroneously Awarded Compensation; provided that the Company (i) has made reasonable attempts to recover the Erroneously Awarded Compensation, (ii) documented such attempt(s), and (iii) provided such documentation to the relevant listing exchange or association, (b) to the extent permitted by the Applicable Rules, the recovery would violate the Company’s home country laws pursuant to an opinion of home country counsel; provided that the Company has (i) obtained an opinion of home country counsel, acceptable to

the relevant listing exchange or association, that recovery would result in such violation, and (ii) provided such opinion to the relevant listing exchange or association, or (c) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and the regulations thereunder.

“Incentive-Based Compensation” means, with respect to a Restatement, any compensation that is granted, earned, or vested based wholly or in part upon the attainment of one or more Financial Reporting Measures and received by a person: (a) after beginning service as an Officer; (b) who served as an Officer at any time during the performance period for that compensation; (c) while the issuer has a class of its securities listed on a national securities exchange or association; and (d) during the applicable Three-Year Period.

“Officer” means each person who serves as an executive officer of the Company, as defined in Rule 10D-1(d) under the Exchange Act.

“Restatement” means an accounting restatement to correct the Company’s material noncompliance with any financial reporting requirement under securities laws, including restatements that correct an error in previously issued financial statements (a) that is material to the previously issued financial statements or (b) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

“Three-Year Period” means, with respect to a Restatement, the three completed fiscal years immediately preceding the date that the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare such Restatement, or, if earlier, the date on which a court, regulator or other legally authorized body directs the Company to prepare such Restatement. The “Three-Year Period” also includes any transition period (that results from a change in the Company’s fiscal year) within or immediately following the three completed fiscal years identified in the preceding sentence. However, a transition period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months shall be deemed a completed fiscal year.

**ACKNOWLEDGMENT AND CONSENT TO OUSTER, INC.
POLICY FOR RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION**

The undersigned has received a copy of the Policy for Recovery of Erroneously Awarded Compensation (the “*Policy*”) adopted by Ouster, Inc. (the “*Company*”).

For good and valuable consideration, the receipt of which is acknowledged, the undersigned agrees to the terms of the Policy and agrees that compensation received by the undersigned may be subject to reduction, cancellation, forfeiture and/or recoupment to the extent necessary to comply with the Policy, notwithstanding any other agreement to the contrary. The undersigned further acknowledges and agrees that the undersigned is not entitled to indemnification in connection with any enforcement of the Policy and expressly waives any rights to such indemnification under the Company’s organizational documents or otherwise.

Date

Signature

Name

Title