

Risk Factors Comparison 2025-03-25 to 2024-03-19 Form: 10-K

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We operate in a dynamic and rapidly changing environment that involves numerous risks and uncertainties. Certain factors may have a material adverse effect on our business, financial condition and results of operations, and you should carefully consider them. Accordingly, in evaluating our business, we encourage you to consider the following discussion of risk factors, in its entirety, in addition to other information contained in this Annual Report on Form 10- K and our other public filings with the SEC. Other events that we do not currently anticipate or that we currently deem immaterial may also affect our results of operations and financial condition.

Risks Relating to Our Business We have historically operated at a loss and we may never achieve or sustain **continuous** profitability or positive cash flows. Further we and our independent registered public accounting firm have expressed substantial doubt about our ability to continue as a going concern. We have experienced significant after tax losses for the years ~~ended December 31, 2022-2024~~ and 2023 ~~, respectively~~. In addition, our costs have increased historically and may increase further in future periods, which could negatively affect our future operating results and ability to achieve and sustain **long- term ongoing** profitability. For example, we may need to continue to expend substantial financial and other resources on the ideation, sourcing and development of products, our technology infrastructure, research and development, sales and marketing, international expansion and general administration, including expenses related to being a public company. We have had to rely on a combination of cash flow from operations and new capital in order to sustain our business. Despite the fact that we have raised significant capital, there can be no assurance that we will ever achieve **long- term continuous** profitability. Even if we do, there can be no assurance that we will be able to maintain or increase profitability on a quarterly or annual basis. Failure to achieve or sustain profitability could have a material adverse effect on our business. Our growth strategy has resulted in operating losses and negative cash flows from operations that ~~raised~~ **raise** substantial doubt about our ability to continue as a going concern. Our independent registered public accounting firm included an explanatory paragraph in its report on our financial statements as of and for the year ~~ended December 31, 2023-2024~~, that raised substantial doubt about our ability to continue as a going concern. If we are unable to continue as a going concern or maintain our financial covenants with our lenders, we may have to make significant changes to our operating plan, such as delay expenditures, reduce investments in new products ~~, delay the development of our software~~, reduce our sale and distribution infrastructure, or significantly reduce our business. Further, if we are unable to continue as a going concern, we may be forced to liquidate our assets and the values we receive for our assets in liquidation or dissolution could be significantly lower than the values reflected in our financial statements. We face intense competition and if we are unable to compete effectively, our market share and revenue could be diminished which may delay or otherwise hinder our efforts to achieve or maintain profitability. We cannot assure you that our products will continue to compete favorably or that we will be successful in the face of increasing competition and from new products and enhancements introduced by existing competitors or new companies entering the markets in which we operate. We sell our products primarily on marketplaces and primarily on Amazon in the U. S. Unlike traditional brick and mortar retailers, the customer who is shopping on marketplaces has a significant number of competing products to select from as there are limited barriers to entry. In addition, the Internet facilitates competitive entry and comparison shopping, which enhances the ability of new and existing businesses to compete against us. A number of our current and potential competitors have greater resources, longer histories, and / or greater brand recognition. As a result, they may be able to secure better terms from vendors and devote more resources to technology, infrastructure, fulfillment, and marketing than we may be able to. In addition, some of our competitors aggressively discount their products in order to gain market share, which has resulted in pricing pressures, reduced profit margins and lost market share. Further, social proof for products sold on marketplaces in the form of product ratings and reviews is highly important to our success. In certain instances, we have been unable to maintain such social proof, and we may be unable to maintain such social proof in the future, or competitors may be able to attain better social proof for their products which could **result in reduced market share and** have a material impact on our operating results. For certain significant products in our portfolio such as certain of the dehumidifiers we sell, we compete directly with our contract manufacturer who sells its own competing private label products on the marketplaces we sell and who has a lower cost structure and significantly better R & D capabilities. These manufacturers could take aggressive actions against us including limiting the availability of productive capacity or limiting our access to newer, more innovative models, which we have experienced from time to time. ~~For other certain products, due to our inventory long position and other factors we continued to sell our older versions of SKUs rather than order newer versions with innovations that some of our competitors are currently selling, which has had and may continue to have a material impact on our business. In the interim we have lost and may continue to lose market share for such SKUs.~~ As a result of competition, our product offerings, whether in new or existing markets, may not be successful, we may fail to gain or may lose business, and we may be required to increase our marketing spending or lower prices, **either any** of which could materially impact our operating results. Our financial projections are highly subjective in nature and our future financial results could vary significantly from our projections and also from quarter- to- quarter. From time to time, we may provide financial projections to our shareholders, lenders, investment community, and other stakeholders and these projections are highly subjective. Our quarterly revenue and other operating results have varied in the past and are likely to continue to vary significantly from quarter- to- quarter in the future. It is difficult for us to accurately predict the demand for many of our products, or the amount and timing of our future revenue and operating results. Our projections are based on management' s best estimate of sales using historical sales data and other relevant information available at the time. These projections are highly subjective since product sales can fluctuate substantially. Additionally, changes in consumer demand,

affected by competitors, transportation, supplier lead times, costs and availability, raw material costs and availability, and other factors could make our inventory management and sales forecasting more difficult. Further, we base our expense levels and investment plans on sales estimates. A significant portion of our expenses and investments are fixed, and we are not able to adjust our spending quickly if our sales are less than expected. Due to these and other factors described elsewhere in this section, our future operating results could vary materially from our projections and from quarter- to- quarter. Further, we believe that quarter- to- quarter comparisons of our operating results are not necessarily meaningful. Moreover, our operating results may not meet the expectations of our equity research analysts or investors. If this occurs, the trading price of our common stock could fall substantially, either suddenly or over time. Our business is sensitive to the strength of the United States consumer market to a meaningful extent, and changes in consumer spending and economic conditions could adversely affect our business. The strength of the U. S. economy has a significant impact on our performance. We are dependent on discretionary spending, which is affected by, among other things, unemployment rates, economic and political conditions worldwide, consumer confidence, energy and gasoline prices, interest and mortgage rates, the level of consumer debt and taxation, and financial markets, which are all outside of our control. A continuing softening of demand, whether caused by changes in customer preferences or a weakening of the U. S. or global economies, may result in decreased revenue. We believe we have sustained a decline in the sales of our products in part due to the factors mentioned above, and any continued economic downturn or uncertainties in the U. S. or in other parts of the world could materially and adversely affect our business, operating results, financial condition, and cash flows. Demand for our products is highly seasonal and dependent on weather conditions, which could result in significant variations in our inventory levels, financial condition and operating results. Weather and other conditions can materially impact the demand for our products. Demand for our air quality products primarily occurs during the summer months and demand for our essential oils, kitchen appliances and accessories primarily occurs during the fall and holiday season. Natural disasters (such as wildfires, hurricanes and ice storms), public health crises (such as pandemics and epidemics), or an unusually mild or short summer season may result in unanticipated material fluctuations in consumer demand. These factors could have a material adverse effect on our business, operating results, financial condition, and cash flows. If we are unable to manage our inventory effectively, our operating results, financial condition, and cash flows could be adversely affected. In the past, we have not always accurately forecasted consumer demand for our products resulting in inventory shortages, excess inventory write offs and lower gross margins. We are exposed to significant inventory risks that have or may adversely affect our operating results, financial condition, and cash flows as a result of seasonality, new product launches, rapid changes in product cycles and pricing, defective merchandise, shrinkage, changes in customer demand and consumer spending patterns, changes in consumer tastes with respect to our products, spoilage, adverse actions taken by marketplaces to remove our products, and other factors. Demand for products can change significantly between the time inventory is ordered and the date of sale. In addition, when we begin selling a new product, it may be difficult to establish vendor relationships, determine appropriate product or component selection, and accurately forecast demand. We carry a broad selection of products and at times we are unable to sell our products in sufficient quantities or to meet demand during the relevant selling seasons. Any one of the inventory risk factors set forth above may adversely affect our operating results, financial condition, and cash flows. Increased costs of raw materials, energy, labor, transportation and platform fees charged by marketplaces may adversely affect our business, operating results, financial condition, and cash flows. Significant increases in the cost and / or reductions in the availability of raw materials, energy, labor, transportation, and increases in tariffs and platform fees charged by marketplaces have negatively impacted our business, operating results, financial condition, and cash flows and may continue to negatively impact such items in the future. Our contract manufacturers purchase significant amounts of metals, plastics and other materials to manufacture our products. In addition, they also purchase significant amounts of electricity to supply the energy required in their production processes. Global political instabilities may result in higher metal, plastic, electric, transportation and product costs, or could impair our ability to obtain products at marketable rates or at all. We are heavily dependent on inbound sea, rail and truck freight. Disruptions in the global supply chain and freight networks, has, and may continue to limit inbound and outbound shipment capacity and increase our cost of goods sold and certain operating expenses. Further, the marketplaces on which we sell our products charge fees for selling, storage, advertising and fulfillment, all of which have historically increased, and we expect will continue to increase. The cost of raw materials, energy, labor, transportation, and the platform fees charged by marketplaces in the aggregate, represents a significant portion of our cost of goods sold and certain other operating expenses, which are not within our control and we have had limited success passing these on to customers. Our business, operating results, financial condition, and cash flows could be adversely affected by future increases in any of these costs. Additionally, the loss or disruption of essential manufacturing and supply elements such as raw materials or other finished product components, restricted transportation or increased freight costs, reduced workforce, or other manufacturing and distribution disruption could adversely impact our ability to meet our customers' needs. Furthermore, it is not practical for us to mitigate our exposure to, nor are we able to accurately project the possible effect of foreign currency exchange rate fluctuations on our operating results due to our constantly changing exposure to various foreign currencies and the difficulty in predicting fluctuations in foreign currency exchange rates relative to the U. S. Dollar. We depend on third- party suppliers for all of our products, most of which are located in Asia, and any inability or delay in obtaining products from such suppliers could have a material adverse effect on our business, operating results, financial condition, and cash flow. We are dependent on third- party suppliers such as contract manufacturers and third- party logistics providers and carriers for the manufacturing and distribution of our products and any disruption to our supply chain, even for a relatively short period of time, could cause a loss of revenue, which could adversely affect our business, operating results, financial condition, and cash flows. Our ability to select reliable suppliers that provide timely deliveries of quality products will impact our success in meeting customer demand. Further, for a number of our significant products, we only have a single- source of supply (such as for certain dehumidifiers) and in general we do not have contracts with our contract manufacturers covering costs and production that we believe we can enforce without undue effort or

cost. Any supplier's inability or unwillingness to timely deliver products that meet desired specifications or any unanticipated changes in suppliers could be disruptive and costly and it is unlikely that we will be able to effect alternative arrangements on a timely basis, or in the case of manufacturing certain of our significant products, at all. Any significant failure by us to obtain quality products, in sufficient quantities, on a timely basis, and at an affordable cost or any significant delays or interruptions of supply would have a material adverse effect on our business, operating results, financial condition, and cash flows. As most of our product suppliers are based in China, our business is subject to additional risks including, among others: currency fluctuations; labor unrest; potential political, economic and social instability; restrictions on transfers of funds; import duties and quotas; changes in domestic and international customs and tariffs, including embargoes and customs restrictions; uncertainties involving the costs to transport and warehouse products due to the dynamic nature of the global supply chain; unexpected changes in regulatory environments; regulatory issues involved in dealing with foreign suppliers and in exporting and importing products. The foregoing factors could have a material adverse effect on our business, operating results, financial condition, and cash flows. **A-5A** significant majority of our revenue results from sales of products on Amazon's U. S. **Marketplace marketplace**, and any change, limitation, or restriction on our ability to operate on Amazon's platform could have a material adverse impact on our business, operating results, financial condition, and cash flows. A substantial percentage of our revenue is from sales of products on Amazon's U. S. marketplace and we are subject to Amazon's terms of service ("ToS") and various other Amazon seller policies. Amazon has the right to terminate or suspend our ability to sell on its platform at any time and for any reason. Amazon may also take other actions against us such as suspending or terminating our seller accounts or product listings and withholding payments owed to us indefinitely. From time to time in the past, we have experienced such adverse actions for products we have launched and products we have acquired and we can provide no assurance that we will be able to comply with Amazon's ToS. Further, in the event any of our seller accounts or product listings are suspended, or our product listings are required to be changed, for noncompliance or any other reason, **including UPC brand mismatches**, our reinstatement efforts may take significant time and attention or could fail, which could have a material adverse effect on our business, operating results, financial condition, and cash flows. In addition, Amazon has made, and we expect will continue to make, changes to its platform that could require us to change the manner in which we operate, limit our ability to successfully market existing products and to launch new products or increase our costs to operate. Such changes and the efforts required to maintain compliance therewith could have an adverse effect on our business, operating results, financial condition, and cash flows. Examples of past changes from Amazon have included platform fee increases (i. e., storage, advertising, fulfillment and selling commissions), inventory warehouse limitations, restrictions on certain marketing activities and changes to listing requirements that limit the variations of products that can be included in a single listing. Any change, limitation or restriction on our ability to sell on Amazon's platform, even if temporary, could have a material impact on our business, operating results, financial condition, and cash flows. We also rely on services provided by Amazon's fulfillment platform, including its Prime badge program, in which Amazon guarantees expedited shipping of products we sell to the consumer, an important factor in the consumer's buying decision. Further, Amazon allows us to fulfill from our own third-party warehouses directly to customers under the same Prime badge guarantee. Amazon may at any time decide to discontinue allowing us to fulfill sales of our products directly from our warehouse network or limit our ability to advertise on our product listings that such products will receive expedited shipping under its Prime badge program. Any such inability or limitation **could have a material impact on our business, results of operations, financial condition, and cash flows. We have historically experienced, and may be subject in the future to,** Amazon's removal of the Prime badge guarantee from certain of our seller accounts and in those cases we have had limited success having the Prime badge guarantee reinstated in a timely manner or at all. **50** **Our** Credit Facility contains various restrictions and covenants that could limit our operating flexibility and we may be unable to refinance or repay our Credit Facility. We also rely on credit export insurance for our vendors in China, the unavailability of which could have a material adverse impact on our business, operating results, financial condition, and cash flows. On December 22, 2021, we obtained a revolving credit facility from Midcap Funding IV Trust (the "Credit Facility"). Our Credit Facility contains covenants and other restrictions that, among other things, requires us to satisfy certain liquidity and borrowing availability tests, restricts our ability to execute M & A transactions and to incur additional indebtedness. These restrictions and covenants, and those in other future financing arrangements, may limit our ability to respond to market conditions, to provide for capital investment needs or to take advantage of business opportunities. On February 23, 2024, the Company amended the Credit Facility to extend the term to December 2026 and provide us with access to \$ 17 million in current commitments which can be increased, subject to certain conditions, to \$ 30. 0 million. There is no guarantee that we will be available to repay or refinance our Credit Facility. Further, at any time, if we violate the terms of the Credit Facility, we may not be able to obtain a waiver from our lender under satisfactory terms, or at all, which would limit our operating flexibility and / or liquidity and which could have a material adverse effect on our business, operating results, financial condition, and cash flows. We also rely on the availability of export credit insurance from the China Export & Credit Insurance Corporation ("Sinasure"), a Chinese state-owned enterprise, that provides export credit insurance to our contract manufacturers. From time to time, our contract manufacturers have experienced reductions in the availability of such credit from Sinasure as a result of our failure to timely pay them. While we currently believe our contract manufacturers have insurance at levels that we believe are sufficient to fund our operations, there can be no assurance that such insurance will be available at levels we require for our business, or at all, whether or not we make timely payments to our vendors, which would have a material adverse effect on our business, operating results, financial condition, and cash flows. In addition, the Company has cash deposits at financial institutions in excess of the insured amount of \$ 0. 3 million by the Federal Deposit Insurance Corporation. Our efforts to grow our business through new products, marketplace and geographic expansion may not be successful and may place a significant strain on our management and operational, financial and other resources. Our long-term success depends on our ability to develop and commercialize a continuing stream of new products, to expand both to new marketplaces and geographies and to leverage new technologies we

may incorporate into our business. We have entered and expect to continue to enter new product categories and both new marketplaces and geographies for which we have limited or no experience. In part we rely on Amazon's global reviews program for success in our international expansion. If that program were to be limited, reduced or discontinued, our international expansion would be negatively affected. **We also in part rely on our ability to include new products as variations to existing listings on Amazon. If that strategy were no longer possible for whatever reason, our ability to launch new products could be materially affected.** Our efforts to grow our business place significant strain on our management, personnel, operations, systems, financial resources, and internal financial control and reporting functions, among other things. **We have limited personnel and resources and have reduced headcount significantly in recent years. In order to accomplish our growth goals, our team is required to focus on such growth ventures and reallocate their time and other resources, creating risk in all aspects of our business.** We face the risk that we will be unable to disrupt incumbents and that our competitors will introduce new and better products that compete with us. There are numerous uncertainties inherent in successfully developing and commercializing new products on a continuing basis and new product launches may not deliver expected growth in sales or operating results. Any new product that we develop and market may not be introduced in a timely or cost-effective manner, may contain defects, errors, quality or other issues, or may not achieve the market acceptance necessary to generate sufficient revenue or may never become profitable. If we are unable to develop and introduce a continuing stream of competitive new products, it may have an adverse effect on our business, operating results, financial condition, and cash flows. Our failure to successfully execute on our growth initiatives can negatively impact our financial results, financial condition, and cash flows. We may be unsuccessful in making investments ~~and, unable to make or unsuccessful~~ in making and integrating acquisitions or in maintaining or growing the financial performance of any investees or acquired businesses which may adversely affect our business and operating results and could impact the price of our common stock and result in dilution to shareholders. ~~Acquisitions and investments are an important aspect of our growth strategy and we expect to continue to pursue brand and other strategic acquisitions and investments.~~ We have acquired a number of companies, and we may in the future acquire or invest in or enter into joint ventures with additional companies. Such acquisitions have in the past required, and in the future may require, the attention of management in integrating those businesses including increased attention to managing the supply chain of certain acquisitions. In addition, we have been required to in the past, and may be required to in the future, make significant impairment charges relating to the goodwill and intangible assets of such acquired businesses. The market for acquisitions has historically been highly competitive. Our growth strategy may be adversely affected if we face increased competition for or fail to identify suitable targets. In addition, pursuing or completing any such acquisitions or investments could divert management's attention, and otherwise disrupt our operations and adversely affect our operating results, financial condition, and cash flows. Any acquisition or investment, if not favorably received by consumers, shareholders, analysts, and others in the investment community, could have a material adverse effect on the price of our common stock. In addition, any acquisition involves numerous risks, including: failing to identify problems during due diligence, liabilities or other shortcomings or challenges that could cause a target to under-perform post-closing; difficulties in the assimilation of the operations, technologies, products, and personnel associated with the acquisition and unanticipated expenses related to such integration; challenges in integrating distribution channels; diversion of management's attention from other business concerns; difficulties in transitioning and preserving customer, contractor, supplier, and other important third-party relationships; challenges realizing anticipated cost savings, synergies and other benefits; the potential impairment of tangible and intangible assets and goodwill; risks of entering markets in which we have no or limited experience; risks associated with subsequent losses including potential unknown liabilities associated with a company we acquire; and problems retaining key personnel. We provide no assurances that we will be able to complete any acquisitions or that any acquired businesses will experience the same or better level of financial performance as prior to the acquisition. In order to complete any future acquisitions, we may need to use our cash on hand, ~~and we will likely need to~~ raise additional equity or incur or assume debt, any of which could harm our business. **Given the Company's current market capitalization, certain of these options may not be available or** only be available on unfavorable terms, ~~if at all,~~ and **could** result in significant additional dilution to our stockholders. ~~We~~ **6** We may be unable to attract, retain or motivate key personnel, which could harm our business. Our future success depends on our continuing ability to attract, motivate and retain well qualified employees. Competition for well-qualified employees in all aspects of our business is intense globally. The loss of one or more of our key personnel or our inability to promptly identify a suitable successor to a key role, including through a succession plan, could have an adverse effect on our business. Each of our executive officers, key personnel and other employees could terminate their employment relationship with us at any time. Moreover, we rely on stock-based compensation as a method to attract, retain and motivate our employees. If our common stock continues to be volatile or depressed, we may be unable to attract, retain and motivate employees, and if this occurs, it could have a material adverse effect on our business, operating results, financial condition, and cash flows. We do not currently maintain key person life insurance policies on any member of our senior management team or any other key employees. Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations. We have \$ ~~222-241~~ **27** million net operating loss carryforwards as of December 31, ~~2023-2024~~, which have a full valuation allowance against them. In general, under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), a corporation that undergoes an ownership change, which is generally defined as a greater than 50-percentage-point cumulative change by value in the equity ownership of certain stockholders over a rolling three-year period, is subject to limitations on its ability to utilize its pre-change net operating losses ("NOLs") to offset post-change taxable income. Our existing NOLs may be subject to limitations arising from previous ownership changes, and if we undergo an ownership change, our ability to utilize NOLs could be further limited by Section 382 of the Code and similar state provisions. Future changes in our stock ownership, some of which may be outside of our control, could result in an ownership change under Section 382 of the Code. Furthermore, our ability to utilize NOLs of companies that we may acquire in the future may be subject to limitations. There is also a risk that due to regulatory changes,

such as limitations on the use of NOLs, our existing NOLs could expire, decrease in value or otherwise be unavailable to offset future income tax liabilities. For example, the Tax Cuts and Jobs Act resulted in a reduction in the economic benefit of the NOLs and other deferred tax assets available to us. For these reasons, we may not be able to realize a tax benefit from the use of our NOLs, even if we attain profitability. We have not performed a detailed analysis to determine whether an ownership change under Section 382 of the Code has occurred. The effect of a Section 382 ownership change would be the imposition of an annual limitation on the use of net operating loss carryforwards attributable to periods before the change. Any limitation may result in expiration of all, or a portion of the NOLs or other tax attributes, such as research and development credit carryforwards, before utilization.

~~6~~ We ~~We~~ have recently undergone a management change and reevaluated various aspects of our business including but not limited to a reduction in the number of products we sell, a change in our technology infrastructure and a cost and a fixed cost reduction plan including a reduction in workforce; each of which, individually or in the aggregate, could have a material impact on our results of operations, financial condition, and business. During the year ~~—ended December 31, 2023,~~ the Company implemented a strategy of rationalizing certain less profitable products and reducing its product offering. Further, on July 26, 2023, Yaniv Sarig resigned as CEO of Aterian, and Arturo Rodriguez and Joseph Risico were promoted to Co-CEOs of Aterian.

Further on June 26, 2024, Mr. Risico resigned and Mr. Rodriguez was promoted to sole CEO. As a result of this change in leadership, we enacted a number of strategic initiatives that could impact certain aspects of how we currently do business including a further rationalization of our product portfolio to improve our operations and potential future profitability, a change in our technology infrastructure and a reduction of our workforce. This reduction in our product portfolio has led to and will continue to lead to a decline in revenue in upcoming quarters. Executing on any of these decisions is complex and entails a number of potential risks, including but not limited to uncertainties, disruptions and challenges in our business and business model, a decline in revenues and profitability, market share erosion, inventory write-offs and other restructuring related charges, impacts to our relationships with our various vendors and could potentially impact employee morale. Further, pursuing or completing any such strategic initiative could divert management's attention, and otherwise disrupt our operations and ~~technology platform~~ **technology platform** which could adversely affect our operating results, financial condition, and cash flows.

Risks ~~7~~ **Risks** Relating to Information and Cyber Security We rely on data provided by third parties and any loss, reduction in access or increased costs related thereto of which could have a material adverse effect on our business. We use a combination of ~~technology~~ **technologies** in various aspects of our business including for new product launches, forecasting, fulfillment and the automation of sales and marketing of our products, among other things. Our ability to successfully use our technology depends to a large extent on our ability to analyze and utilize data, including search engine results, provided by unaffiliated third parties, primarily, Google and Amazon. In the future, these third parties could change their data sharing policies, including making them more restrictive or expensive, or could alter their algorithms, any of which could result in the loss of, or significant impairment to, our ability to analyze useful data. These third parties could also interpret our service providers' data collection policies or practices as being inconsistent with their policies, which could result in the loss of our ability to collect and use this data. Our business, operating results, financial condition, and cash flows could be adversely impacted if our information technology systems or those of third-parties become subject to a data security breach, are disrupted or cease to operate effectively. We rely heavily on information technology systems to operate our business and we collect, maintain, transmit and store sensitive data including data about our consumers. We also engage and rely upon third parties who engage in the same activities on our behalf. Accordingly, it is vital to maintain constant operation of these systems and to maintain cybersecurity. Our systems and those of third parties that we use in our operations are vulnerable to security risks, including from viruses and worms, phishing attacks, social engineering, hacking, distributed denial-of-service attacks, ransomware, and similar disruptions from the unauthorized tampering with our servers and computer systems or those of third parties that we use in our operations, which could lead to interruptions, delays, loss of critical and sensitive data, and loss of consumer confidence. In addition, insider actors- malicious or otherwise- could cause technical disruptions and / or confidential data leakage. In addition, if a ransomware attack or other cybersecurity incident occurs, either internally or at our third-party technology service providers, we could be prevented from accessing our data or systems, which may cause interruptions or delays in our business operations, cause us to incur material remediation costs, and could subject us to demands to pay a ransom or damage our reputation. Our failure to prevent or mitigate data loss, theft, misuse, or other security breaches or vulnerabilities affecting our or our vendors' technology and systems, could: expose us or our customers to a risk of loss, disclosure, or misuse of such information; result in litigation, fines, liability, or regulatory action (including under laws related to privacy, data use, data protection, data security, network security, and consumer protection); deter customers from using our stores to buy our products; and harm our business, operating results, financial condition and reputation. We use third party technology and systems for a variety of reasons, including, without limitation, encryption and authentication technology, employee email, content delivery to customers, back-office support, hosting, payment processing and other functions. Despite our security efforts, some of our systems have experienced past security breaches, and, although they did not have a material adverse effect on our operations or financial results, there can be no assurance that future incidents, which we expect to have, will not have material adverse effects on our business, operating results or financial condition.

~~For example, on April 25, 2022 we were alerted by a payment processor of a data security incident regarding one of our UK websites. This has not resulted in a material impact on our business. In addition, because the techniques, tools and tactics used in cyber-attacks frequently change and may be difficult to detect for periods of time, we may face difficulties in anticipating and implementing adequate preventative measures or fully mitigating harms after such an attack. It is possible for security vulnerabilities to remain undetected for an extended time period, up to and including several years as was the case in the prior non-material security breach identified in April 2022.~~ The Company's adoption of remote working, initially driven by the pandemic, may also introduce additional threats or disruptions to our information technology networks and infrastructure. Although we have developed systems and processes that we believe are reasonably designed to protect customer data and prevent such incidents, including systems and processes designed to reduce the impact of a security breach at

a third- party vendor or customer, such measures cannot provide absolute security and may fail to operate as intended or be circumvented. In addition, our insurance may not provide sufficient coverage to compensate for related losses. Additionally, we use open source software in our technology platform and our other sophisticated information technologies and systems, and we expect to continue to use open source software in the future. In addition to risks related to license requirements, use of certain open source software can lead to greater risks than use of third- party commercial software, as open source licensors generally do not provide warranties, indemnities or other contractual protections with respect to the software (for example, non-infringement or functionality). Our use of open source software may also present additional security risks because the source code for open source software is publicly available, which may make it easier for hackers and other third parties to determine how to breach our sites and systems that rely on open source software. Our information technology systems and those of our third parties may be vulnerable from time to time to damage, interruptions and other technical malfunctions including but not limited to breaches, human error, power outages, telecommunication or utility failures, systems failures, natural disasters or other catastrophic events. In addition, growth in our transaction volume or surges in online traffic place additional demands on our systems and could cause or exacerbate slowdowns or interruptions. If any such systems are damaged, or fail to function properly, we may have to make monetary investments to repair or replace the systems and could endure delays in operations. From time to time, we have experienced disruptions to our systems and we expect to continue to experience disruptions. Any material disruption or slowdown of such systems, including the failure to successfully upgrade systems, could have a material impact on many aspects of our operations including our ability to operate on e- commerce marketplaces. Such a loss or delay could have a material adverse impact on our business, operating results, financial condition, and cash flows. Our systems are not fully redundant and our disaster recovery planning may not be sufficient.

~~7Risks~~~~8Risks~~ Relating to the Litigation and Government Regulation Claims, litigation, government investigations, product liability and recalls, and other proceedings may adversely affect our business, operating results, financial condition, and cash flows. We are, from time to time, involved in various claims, litigation matters and regulatory proceedings that could have a material adverse effect on us. These matters may include personal injury and other tort claims, deceptive trade practice disputes, intellectual property disputes, product recalls, contract disputes, employment and tax matters and other proceedings and litigation, including class actions lawsuits. It is not possible to predict the outcome of pending or future litigation and any such claims, with or without merit, could be time consuming and expensive, and may require the Company to incur substantial costs and divert the resources of management. We face exposure to product liability and other claims in the event that one of our products is alleged to have resulted in property damage, bodily injury or other adverse effects. In addition, if we are required to, or voluntarily, repair, replace or refund one or more of our products, it could have a material impact on our business, operating results, financial condition and reputation. In the summer of 2021, the Company received informal notice from a third- party alleging patent infringement with respect to certain transfer paper products sold by the Company. In February 2022, the Company received a notice disputing the Company's calculation of the earn- out payment to be paid to the prior owners of a transfer paper business acquired by the Company. A motion to compel arbitration was filed in the Southern District of New York on September 14, 2022, which was granted on May 18, 2023. The parties engaged an independent accountant to resolve the dispute, as required by the PPD Stock Purchase Agreement and the Southern District of New York. In February 2024, the independent accountant ruled in favor of the Company and determined that the Company owes no earn- out. Therefore, the Company believes it has no liability to the sellers. Determining legal reserves or possible losses from claims against us involves judgment and may not reflect the full range of uncertainties and unpredictable outcomes. Until the final resolution of such matters, we may be exposed to losses in excess of the amount recorded, and such excess amounts could have a material effect on our business, results of operations, financial condition, and cash flows. In addition, it is possible that a resolution of any claim, including as a result of a settlement, could require us to make substantial future payments, prevent us from offering certain products or services, or require us to change our business practices each of which could have a material adverse effect on our business, operating results, financial condition, and cash flows. We must successfully manage compliance with current and expanding laws and regulations, as well as manage new and pending legal and regulatory matters in the U. S. and abroad. We are subject in the ordinary course of our business, in the U. S. and internationally, to many statutes, ordinances, rules and regulations that, if violated by us or the third parties we work with, could have a material adverse effect on our business, operating results, financial condition, and cash flows. These laws and regulations include but are not limited to accounting and financial reporting, advertising, anti- bribery and anti- corruption, consumer protection, data security and privacy, electronic commerce, employment, intellectual property, product liability, and trade (including tariffs). In addition, increasing governmental and societal attention to environmental, social and governance (ESG) matters, including expanding mandatory and voluntary reporting, diligence and disclosure on topics such as climate change, waste production, water usage, human capital, labor and risk oversight, could expand the nature, scope and complexity of matters that we are required to control, assess and report, each of which can be challenging given our reliance on third party suppliers. These and other rapidly changing laws, regulations, policies and related interpretations as well as increased enforcement actions by various governmental and regulatory agencies, create challenges for us, including our compliance and ethics programs, may alter the environment in which we do business and may increase the ongoing costs of compliance, which could adversely impact our business, operating results, financial condition, and cash flows. If we are unable to continue to meet these challenges and to comply with all laws, regulations, policies and related interpretations, it could negatively impact our reputation and our business, operating results, financial condition, and cash flows. Additionally, we may in the future be subject to inquiries, investigations, claims, proceedings and requests for information from governmental agencies or private parties, the adverse outcomes of which could harm our business. Failure to successfully manage these new or pending regulatory and legal matters and to resolve such matters without significant liability or damage to our reputation may materially adversely impact our operating results, financial condition, and cash flows. Furthermore, if new legal or regulatory matters result in fines or costs in excess of the amounts accrued to date, that may also materially impact our operating results and financial position. U. S.

government trade actions could have a material adverse effect on our business, financial position, and results of operation. Over the past several years, the U. S. government has taken a number of trade actions that impact or could impact our operations, including imposing tariffs on certain goods imported into the United States. As the majority of our products are imported into the United States from China, many of our products are subject to the tariffs imposed under Section 301 of U. S. trade law that have been applied to separate lists of Chinese goods imported into the United States, beginning during the Trump Administration and continuing in the Biden Administration. A number of lawsuits and other legal challenges with respect to the Section 301 tariff actions have been filed and remain pending, which could result in changes to the tariffs. **To date Changes in U. S. trade policy have created ongoing uncertainties in international trade relations, and it is unclear what future actions governments will or will not take with respect to tariffs or the other Biden Administration international trade agreements and policies. During his campaign, President Trump expressed various intentions to impose tariffs on imports, including 60 % tariffs on goods imported from China, 25 % tariffs on goods imported from Mexico and between 10 % and 20 % tariffs on other imports. President Trump has instituted effectively maintained and an additional 20 % tariffs on imports from China currently and China has continued declared certain retaliatory tariffs but it is unclear what action his administration will take next with respect to defend and to enforce these particular tariffs. Ongoing or new trade wars or retaliatory trade measures taken by China or other countries in response or other governmental actions action related to tariffs or international trade agreements or policies could reduce demand for our products and services, increase our costs, reduce our profitability, adversely impact our supply chain or otherwise have a material adverse effect on our business and results of operations.** We are continually evaluating the impact of the current and any possible new tariffs on our supply chain, costs and sales and are considering strategies to mitigate such impact, including reviewing sourcing options **in the US and other regions**, filing requests for exclusion from the tariffs for certain product lines and working with our suppliers. We can provide no assurance that any strategies we implement to mitigate the impact of such tariffs or other trade actions will be successful **or that doing so will not impact the quality and cost of our products or our ability to bring them in in a timely manner.** Given the uncertainty regarding the scope and duration of these trade actions by the U. S. government or other countries, as well as the potential for additional trade actions, the impact on our operations and results remains uncertain. **Risks 9Risks** Relating to the Ownership of our Common Stock **We are no longer qualify as an “ emerging growth company ” as of December 31, 2024 and, as a result, we are no longer able to avail ourselves of certain reduced disclosure requirements applicable to emerging growth companies. As of December 31, 2024, we no longer qualify as and an emerging growth company within the meaning of Section 2 (a) of the Securities Act, as modified by the JOBS Act. As such, we are subject to certain disclosure and compliance requirements that apply to other public companies but did not previously apply to us due to our status as an emerging growth company. We are a “ smaller reporting company ” and the reduced disclosure requirements applicable to emerging growth companies and smaller reporting companies may make it more difficult to compare our performance with other public companies and make our common stock less attractive to investors. We are an “ emerging growth company ”, as defined in the Jumpstart Our Business Startups Act of 2012 (“ JOBS Act ”), and we take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not “ emerging growth companies ” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. In addition, we also take advantage of an extended transition period for complying with new or revised accounting standards. This may make comparison of our financial statements with those of another public company that has complied with such new or revised accounting standards difficult or impossible because of the potential differences in accounting standards used. We will lose our status as an emerging growth company no later than December 31, 2024. Additionally, we are a “ smaller reporting company ” as defined in Item 10 (f) (1) of Regulation S- K. Smaller reporting companies may take advantage of certain reduced disclosure obligations, including, among other things, providing only two years of audited consolidated financial statements. We will remain a smaller reporting company until the last day of the fiscal year in which (i) the market value of our common stock held by nonaffiliates exceeds \$ 250 million as of the prior June 30 or (ii) our annual revenues exceeded \$ 100 million during such completed fiscal year and the market value of our common stock held by non affiliates exceeds \$ 700 million as of the prior June 30. To the extent we take advantage of such reduced disclosure obligations, it may also make comparisons of our consolidated financial statement with other public companies difficult or impossible. The market price and trading volume of our common stock may fluctuate significantly. The market price and trading volume of our common stock has at times experienced substantial price volatility. There has been, and we expect will continue to be, significant volatility in the market price and trading volume of our common stock. In certain instances, these fluctuations have been unrelated or disproportionate to our operating performance, financial condition, and cash flows. In addition, the market price of our common stock may be, and we believe has been, significantly impacted by investors covering large short positions in our common stock. In addition, there are many other factors that have caused and may continue to cause the market price of our common stock to fluctuate, including: actual or anticipated variations in our quarterly operating results, or the operating results, financial condition, and cash flows of companies perceived to be similar to us; deterioration and decline in general economic, industry and / or market conditions; changes in estimates of our financial results or recommendations by equity research analysts, including any decision by equity research analysts to initiate or discontinue coverage; announcements by us or our competitors of significant acquisitions, strategic alliances or joint ventures; and changes in our capital structure, such as future issuances of securities or the incurrence of additional debt. ~~8We~~ **We** may be limited by our ability to raise the funding we need to support our growth or to maintain our existing business. Also, such funding may be available only by diluting existing stockholders. The success of our business depends in part on our ability to invest significant resources in**

various aspects of our business ~~including acquisitions and other strategic investments. Our success also depends on our ability to grow through acquisitions.~~ To support our business growth, we will likely require additional funds to maintain ~~;~~ and grow **our business** and ~~to~~ respond to business challenges. Accordingly, from time to time we **may** need to engage in equity or debt financings to secure additional funds. If we raise additional funds through issuances of equity or convertible debt securities, that would result in significant dilution to our existing stockholders, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt we may incur may negatively impact our business, financial condition and operating results. We have in the past and may in the future incur debt that allows us to repay such debt using our common stock, which could result in significant dilution. Further, we may not be able to obtain additional financing on terms favorable to us, or at all, whether due to issues related to the Company or unrelated to the Company including but not limited to bank failures. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to grow or to respond to business challenges would be significantly limited, and our business could fail or our operating results, financial condition, and cash flows could be adversely affected. Any debt financing secured 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. In addition, we may not be able ~~to continue~~ to acquire the financing needed in order to pursue future acquisitions or similar transactions or we may not be able to raise sufficient equity or equity- like capital without first seeking stockholder approval, which could limit our ability to complete such financing, or to complete any related transaction on a timely basis **or at all**. Future sales of our common stock by our insiders, or the perception that these sales may occur, may cause the market price of our common stock to decline. Our employees, directors and officers, and their affiliates, hold substantial amounts of shares of our common stock **which is granted as a portion of their compensation**. Sales ~~of a substantial number of such shares~~ by these stockholders, or the perception that such sales will occur, may cause the market price of our common stock to decline. Other than our stock ownership guidelines and our restrictions on trading that arise under securities laws (or pursuant to our securities trading policy that is intended to facilitate compliance with securities laws), including the prohibition on trading in securities by or on behalf of a person who is aware of nonpublic material information, we have no restrictions on the right of our employees, directors and officers, and their affiliates, to sell their unrestricted shares of common stock. Our **employees,** officers and directors periodically sell shares of common stock to cover tax liabilities from prior restricted stock awards. Future sales and issuances of our capital stock, or the perception that such sales may occur, could cause our stock price to decline. Future sales and issuances of our capital stock or rights to purchase our capital stock could result in substantial dilution to our existing stockholders. We may sell common stock, convertible securities and other debt or equity securities in one or more transactions at prices and in a manner as we may determine from time to time. If we sell any such securities in subsequent transactions, the ownership of existing stockholders will be diluted, possibly materially. New investors in subsequent transactions could also gain rights, preferences and privileges senior to those of existing holders of our common stock. In addition, we issue to our employees equity awards under our equity incentive plans which could be material in amount. If our existing stockholders sell a large number of shares of our common stock, or the public market perceives that those existing stockholders might sell shares of common stock, the market price of our common stock could decline significantly. Existing stockholder sales might also make it more difficult for us to sell additional equity securities at a time and price that we deem appropriate, or at all. ~~There is~~ **There** is no guarantee of a continuing public market for you to resell our common stock. There is no guarantee that we will continue to meet all requirements for continued listing on the Nasdaq Capital Market. **We must continue to satisfy Nasdaq's continued listing requirements, including, among other things, a minimum closing bid price requirement of \$ 1. 00 per share.** On April 24, 2023, we received a letter ~~(the "Bid Price Notice")~~ from the Listing Qualifications Staff of The Nasdaq Stock Market LLC **("Nasdaq ")** indicating that, based upon the closing bid price of our common stock for the last 30 consecutive business days, the Company ~~is was~~ **is was** not ~~currently~~ in compliance with the requirement to maintain a minimum bid price of \$ 1. 00 per share for continued listing on The Nasdaq Capital Market ~~;~~ ~~as set forth in Nasdaq Listing Rule 5550 (a) (2) (the " Minimum Bid Price Rule" Notice ")~~. The Bid Price Notice provided a compliance period of 180 calendar days from the date of the Bid Price Notice, or until October 23, 2023, to regain compliance with the minimum closing bid requirement, pursuant to Nasdaq Listing Rule 5810 (c) (3) (A). Following a request we made on October 13, 2023, on October 24, 2023, we received a letter from Nasdaq granting the Company an additional 180 days, or until April 22, 2024, to regain compliance with the minimum closing bid requirement. ~~The Bid Price~~ **On April 8, 2024, Aterian, Inc. (the " Company ") received written notice (the " Compliance Notice ") from Nasdaq informing the Company that it has regained compliance with no immediate effect on the continued listing status of our common stock on The Nasdaq Capital Market, and, therefore, our listing Listing remains fully effective Rule 5450 (a) (1) which requires that companies listed on Nasdaq maintain a minimum bid price of \$ 1 . If at any time before 00 per share. Nasdaq notified the Company in the Compliance Notice that from March 22, 2024 to April 22-5 , 2024 , the closing bid price of our the Company's common stock had been closes at or above \$ 1. 00 per share for - or greater and a minimum of 10 consecutive business days , accordingly, the Company had regained compliance with subject to Nasdaq's discretion to extend this period pursuant to Nasdaq Listing Rule 5810-5450 (e-a) (3-1) and (H) to 20 consecutive business days, Nasdaq will provide written notification that the Company has achieved compliance with the minimum bid price requirement, and the matter would be resolved was now closed . In The Company will continue to monitor the future, if our closing bid price of its Common Stock and seek to regain compliance with all falls applicable Nasdaq requirements within the allotted compliance period. If the Company does not regain compliance within the allotted compliance period, Nasdaq will provide notice that the Common Stock will be subject to delisting. The Company would then be entitled to appeal that determination to a Nasdaq hearings panel. There can be no assurance that the Company will regain compliance with the minimum bid price requirement during the compliance period, or maintain compliance with the other Nasdaq listing requirements. In the future, if our common stock remains below the continued listing standard of \$ 1. 00 per share or otherwise**

fails to satisfy any of the Nasdaq continued listing requirements, and if we are unable to cure such deficiency during any subsequent cure period, our ~~common~~ **Common Stock** could be delisted from the Nasdaq. If our ~~common~~ **Common Stock** ultimately were to be delisted for any reason, we could face a number of significant material adverse consequences, including: • limited availability of market quotations for our ~~common~~ **Common Stock**; • a limited **amount of** news and analyst coverage **for us**; • a decreased ability **for us** to **issue additional securities or** obtain additional financing **in** or **failure to** ~~comply with the~~ **future** covenants with our current lenders; • limited liquidity for our stockholders due to thin trading; and • the potential loss of confidence by investors, ~~and~~ **and** employees and other third parties who we do business with. **11** In order to regain compliance with the Minimum Bid Price Rule, we plan to effect a reverse split of our common stock which could impact the market price for our stock, limit our ability to raise capital or otherwise limit our ability to execute acquisition transactions and there is no assurance that the market price or trading volume for our common stock will not further decline after effecting such split. 9