

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2026

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: 001-36083

Applied Optoelectronics, Inc.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

76-0533927  
(I.R.S. Employer Identification No.)

13139 Jess Pirtle Blvd.  
Sugar Land, TX 77478  
(Address of principal executive offices)

(281) 295-1800  
(Registrant's telephone number)

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

Title of each class	Trading Symbol(s)	Trading Name of each exchange on which registered
Common Stock, Par value \$0.001	AAOI	NASDAQ Global Market

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

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

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

As of May 5, 2026, there were 80,242,767 shares of the registrant's Common Stock outstanding.

**Applied Optoelectronics, Inc.**  
**Table of Contents**

	<u>Page</u>
<b><u>Part I. Financial Information</u></b>	
Item 1.	<a href="#"><u>Condensed Consolidated Financial Statements (Unaudited)</u></a> 3
	<a href="#"><u>Condensed Consolidated Balance Sheets as of March 31, 2026 (Unaudited) and December 31, 2025</u></a> 3
	<a href="#"><u>Condensed Consolidated Statements of Operations for the Three Months ended March 31, 2026 and 2025 (Unaudited)</u></a> 4
	<a href="#"><u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three Months ended March 31, 2026 and 2025 (Unaudited)</u></a> 5
	<a href="#"><u>Condensed Consolidated Statements of Stockholders' Equity for the Three Months ended March 31, 2026 and 2025 (Unaudited)</u></a> 6
	<a href="#"><u>Condensed Consolidated Statements of Cash Flows for the Three Months ended March 31, 2026 and 2025 (Unaudited)</u></a> 7
	<a href="#"><u>Notes To Condensed Consolidated Financial Statements (Unaudited)</u></a> 8
Item 2.	<a href="#"><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></a> 21
Item 3.	<a href="#"><u>Quantitative and Qualitative Disclosures About Market Risk</u></a> 29
Item 4.	<a href="#"><u>Controls and Procedures</u></a> 29
<b><u>Part II. Other Information</u></b>	
Item 1.	<a href="#"><u>Legal Proceedings</u></a> 30
Item 1A.	<a href="#"><u>Risk Factors</u></a> 30
Item 5.	<a href="#"><u>Other Information</u></a> 31
Item 6.	<a href="#"><u>Exhibits</u></a> 31
	<a href="#"><u>Signatures</u></a> 33

**Part I. Financial Information****Item 1. Condensed Consolidated Financial Statements**

**Applied Optoelectronics, Inc. and Subsidiaries**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited, in thousands)

	March 31, 2026	December 31, 2025
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 439,705	\$ 206,140
Restricted cash	9,672	9,895
Accounts receivable, net	298,996	244,404
Inventories, net	206,246	183,105
Prepaid expenses and other current assets	37,958	32,183
Total current assets	992,577	675,727
Property, plant and equipment, net	419,003	376,050
Land use rights, net	4,871	4,825
Operating right of use assets	71,949	49,697
Intangible assets, net	3,614	3,623
Deferred income tax assets	6,682	7,616
Other assets, net	67,183	50,885
<b>TOTAL ASSETS</b>	<b>\$ 1,565,879</b>	<b>\$ 1,168,423</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 148,160	\$ 143,932
Bank acceptance payable	35,766	33,363
Accrued liabilities	31,345	42,491
Current lease liabilities - operating	2,932	3,522
Current portion of long-term debt	41,225	33,975
Total current liabilities	259,428	257,283
Non-current lease liabilities - operating	70,983	47,393
Convertible senior notes	129,516	129,829
<b>TOTAL LIABILITIES</b>	<b>459,927</b>	<b>434,505</b>
Commitments and contingencies (Note 18)		
<b>Stockholders' equity:</b>		
Preferred Stock; 5,000 shares authorized at \$0.001 par value; no shares issued and outstanding at March 31, 2026 and December 31, 2025, respectively	—	—
Common Stock; 120,000 shares authorized at \$0.001 par value; 78,971 and 74,998 shares issued and outstanding at March 31, 2026 and December 31, 2025, respectively	79	75
Additional paid-in capital	1,610,439	1,224,538
Accumulated other comprehensive income (loss)	(207)	(617)
Accumulated deficit	(504,359)	(490,078)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>1,105,952</b>	<b>733,918</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,565,879</b>	<b>\$ 1,168,423</b>

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

**Applied Optoelectronics, Inc. and Subsidiaries**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited, in thousands, except per share data)**

	<b>Three months ended March 31,</b>	
	<b>2026</b>	<b>2025</b>
Revenue, net	\$ 151,144	\$ 99,859
Cost of goods sold	107,228	69,315
Gross profit	43,916	30,544
Operating expenses		
Research and development	25,656	17,810
Sales and marketing	6,347	5,357
General and administrative	24,904	16,314
Total operating expenses	56,907	39,481
Loss from operations	(12,991)	(8,937)
Other income (expense)		
Interest income	1,737	224
Interest expense	(863)	(934)
Other income (loss)	(1,115)	475
Total other income (expense), net	(241)	(235)
Loss before income taxes	(13,232)	(9,172)
Income tax expense	(1,049)	—
<b>Net loss</b>	<b>\$ (14,281)</b>	<b>\$ (9,172)</b>
Net loss per share		
Basic	\$ (0.19)	\$ (0.18)
Diluted	\$ (0.19)	\$ (0.18)
Weighted average shares used to compute net loss per share:		
Basic	75,980	50,041
Diluted	75,980	50,041

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

**Applied Optoelectronics, Inc. and Subsidiaries**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(Unaudited, in thousands)**

	<b>Three months ended March 31,</b>	
	<b>2026</b>	<b>2025</b>
Net loss	\$ (14,281)	\$ (9,172)
Gain (loss) on foreign currency translation adjustment	410	(207)
Comprehensive loss	<u>\$ (13,871)</u>	<u>\$ (9,379)</u>

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

**Applied Optoelectronics, Inc. and Subsidiaries**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**Three Months ended March 31, 2026 and 2025**  
**(Unaudited, in thousands, except for share amount)**

	Common Stock		Additional paid-in capital	Accumulated other comprehensive gain (loss)	Accumulated deficit	Stockholders' equity
	Number of shares	Amount				
December 31, 2025	74,998	\$ 75	\$ 1,224,538	\$ (617)	\$ (490,078)	\$ 733,918
Issuance of restricted stock, net of shares withheld for employee tax	219	—	(1,738)	—	—	(1,738)
Share-based compensation	—	—	4,391	—	—	4,391
Public offering of common stock, net	3,754	4	382,445	—	—	382,449
Warrants contra revenue	—	—	803	—	—	803
Foreign currency translation adjustment	—	—	—	410	—	410
Net loss	—	—	—	—	(14,281)	(14,281)
March 31, 2026	<u>78,971</u>	<u>\$ 79</u>	<u>\$ 1,610,439</u>	<u>\$ (207)</u>	<u>\$ (504,359)</u>	<u>\$ 1,105,952</u>

	Common Stock		Additional paid-in capital	Accumulated other comprehensive gain (loss)	Accumulated deficit	Stockholders' equity
	Number of shares	Amount				
December 31, 2024	49,393	\$ 49	\$ 683,462	\$ (2,548)	\$ (451,851)	\$ 229,112
Issuance of restricted stock, net of shares withheld for employee tax	283	—	(1,686)	—	—	(1,686)
Share-based compensation	—	—	2,562	—	—	2,562
Public offering of common stock, net	3,536	4	71,662	—	—	71,666
Warrants contra revenue	—	—	16,738	—	—	16,738
Foreign currency translation adjustment	—	—	—	(207)	—	(207)
Net loss	—	—	—	—	(9,172)	(9,172)
March 31, 2025	<u>53,212</u>	<u>\$ 53</u>	<u>\$ 772,738</u>	<u>\$ (2,755)</u>	<u>\$ (461,023)</u>	<u>\$ 309,013</u>

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

**Applied Optoelectronics, Inc. and Subsidiaries**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited, in thousands)

	<b>Three months ended March 31,</b>	
	<b>2026</b>	<b>2025</b>
<b>Operating activities:</b>		
Net loss	\$ (14,281)	\$ (9,172)
Adjustments to reconcile net loss to net cash used in operating activities:		
Allowance for bad debt	8	—
Inventory reserve adjustment	2,436	1,872
Depreciation and amortization	9,229	5,725
Amortization of debt issuance costs and premium	(258)	296
Amortization of convertible notes premium	—	(508)
Deferred tax asset	1,049	—
Gain on disposal of assets	16	8
Share-based compensation	4,391	2,562
Warrants contra revenue	963	—
Unrealized foreign exchange loss	1,217	250
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable, trade	(54,444)	(54,300)
Inventories, net	(25,329)	(16,194)
Other current assets	(6,188)	244
Operating right of use asset	(23,063)	314
Accounts payable	4,228	19,896
Accrued liabilities	(9,159)	(1,569)
Lease liability	23,832	(339)
Net cash used in operating activities	<u>(85,353)</u>	<u>(50,915)</u>
<b>Investing activities:</b>		
Purchase of property, plant and equipment	(58,225)	(28,389)
Deposits and deferred charges	(9,744)	(7,847)
Purchase of intangible assets	(118)	(65)
Net cash used in investing activities	<u>(68,087)</u>	<u>(36,301)</u>
<b>Financing activities:</b>		
Principal payments of long-term debt and notes payable	—	(55)
Proceeds from line of credit borrowings	16,348	6,546
Repayments of line of credit borrowings	(9,562)	(11,143)
Proceeds from bank acceptance payable	35,231	23,865
Repayments of bank acceptance payable	(33,447)	(19,178)
Payments of tax withholding on behalf of employees related to share-based compensation	(1,737)	(1,686)
Payment on convertible notes	(16)	—
Proceeds from common stock offering, net	382,448	71,665
Net cash provided by financing activities	<u>389,265</u>	<u>70,014</u>
Effect of exchange rate changes on cash	(2,483)	4,880
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>233,342</u>	<u>(12,322)</u>
Cash, cash equivalents and restricted cash at beginning of period	216,035	79,133
Cash, cash equivalents and restricted cash at end of period	<u>\$ 449,377</u>	<u>\$ 66,811</u>
<b>Supplemental disclosure of cash flow information:</b>		
<b>Cash paid for:</b>		
Interest, net of amounts capitalized	\$ 1,815	\$ 109
Income taxes	(2)	—
<b>Non-cash investing and financing activities:</b>		
Net change in accounts payable related to property and equipment additions	\$ (1,595)	\$ 809
Net change in deposits and prepaid for equipment related to property and equipment additions	597	(864)
<b>Non-cash operating and financing activities:</b>		
Warrant issued and vested to customer	—	16,739

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

**Applied Optoelectronics, Inc. and Subsidiaries**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Note 1. Description of Business***Business Overview*

Applied Optoelectronics, Inc. ("AOI" or the "Company") is a Delaware corporation. The Company is a leading, vertically integrated provider of fiber-optic networking products, primarily for four networking end-markets: internet data center, cable television ("CATV"), telecommunications ("telecom") and fiber-to-the-home ("FTTH"). The Company designs and manufactures a wide range of optical communications products at varying levels of integration, from components, subassemblies and modules to complete turn-key equipment.

The Company has manufacturing and research and development facilities located in the U.S., Taiwan and China. In the U.S., at its corporate headquarters and manufacturing facilities in Sugar Land, Texas, the Company primarily manufactures lasers and laser components as well as certain of its data center transceivers and performs research and development activities for laser component and optical module products and certain data center transceiver products. In addition, the Company has a research and development facility in Duluth, Georgia. The Company operates in Taipei, Taiwan and Ningbo, China through its wholly-owned subsidiary Prime World International Holdings, Ltd. ("Prime World", incorporated in the British Virgin Islands). Prime World operates a branch in Taipei, Taiwan, which primarily manufactures certain of its data center transceivers and certain CATV systems and equipment and performs research and development activities for the transceiver products. Prime World is the parent of Global Technology, Inc. ("Global", incorporated in the People's Republic of China). Through Global, the Company primarily manufactures certain of its data center transceiver products, including subassemblies, as well as CATV systems and equipment, and performs research and development activities for CATV and certain data center transceiver products.

*Interim Financial Statements*

The accompanying unaudited condensed consolidated financial statements of the Company as of March 31, 2026 and December 31, 2025 and for the three months ended March 31, 2026 and March 31, 2025, have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim information and with the instructions on Form 10-Q and Rule 10-01 of Regulation S-X pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). In accordance with those rules and regulations, the Company has omitted certain information and notes required by GAAP for annual consolidated financial statements. In the opinion of management, the condensed consolidated financial statements contain all adjustments, except as otherwise noted, necessary for the fair presentation of the Company's financial position and results of operations for the periods presented. The year-end condensed balance sheet data was derived from audited financial statements. These condensed consolidated financial statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company's Annual Report on Form 10-K ("Annual Report") for the fiscal year ended December 31, 2025. The results of operations for the three months ended March 31, 2026 are not necessarily indicative of the results expected for the entire fiscal year. All significant inter-company accounts and transactions have been eliminated.

*Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ materially from those estimates in the consolidated financial statements and accompanying notes. Significant estimates and assumptions that impact these financial statements and the accompanying notes relate to, among other things, revenue recognition, allowance for credit losses, inventory reserve, impairment of long-lived assets, service and product warranty costs, share-based compensation expense, estimated useful lives of tangible and intangible assets, and taxes.

*Product Warranty*

The Company generally offers a one-year limited warranty for its products but it can extend for longer periods of three to five years for certain products sold to certain customers. The Company estimates the costs that may be incurred under its basic limited warranty and records a liability for the amount of such costs at the time when product defects occur. Factors that affect the Company's warranty liability include the historical and anticipated rates of warranty claims and cost to repair. While the Company believes that its warranty accrual is adequate, the actual warranty costs may exceed the accrual, in which case the cost of sales will increase in the future. As of March 31, 2026 and December 31, 2025, the amount of accrued warranty was \$0.47 million and \$0.48 million, respectively.

**Note 2. Significant Accounting Policies**

There have been no changes in the Company's significant accounting policies for the three months ended March 31, 2026, as compared to the significant accounting policies described in its 2025 Annual Report.

*Recently Issued Accounting Pronouncements*

There was no accounting pronouncement adopted in the first quarter of 2026.

*Recent Accounting Pronouncements Not Yet Adopted*

In November 2024, the Financial Accounting Standard Board ("FASB") issued Accounting Standard Update ("ASU") 2024-03 "Income Statement: Reporting Comprehensive Income/Expense Disaggregation Disclosures (Subtopic 220-40)" to improve the disclosures about an entity's expenses. Upon adoption, we will be required to disclose in the notes a disaggregation of certain expense categories included within the expense captions of the income statement. The standard is effective for our 2027 annual period, and our interim periods beginning in 2028. The Company is currently evaluating the impact of the new standard will have on its annual financial statements and related disclosures.

In May 2025, the FASB issued ASU 2025-04 "Share-Based Consideration Payable to a Customer". The standard is effective for our 2026 annual period, and our interim periods beginning in 2027. The Company is currently evaluating the impact of this ASU on its annual financial statements and related disclosures.

In July 2025, the FASB issued ASU 2025-05—Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets, which added a practical expedient that assumes that current conditions as of the balance sheet date do not change for the remaining life of the asset when estimating expected credit losses for current accounts receivable and current contract assets. The guidance is effective for annual periods beginning after December 15, 2025. The Company plans to adopt this ASU on the effective date and does not expect it to have a material impact on the Company's financial statements.

In September 2025, the FASB issued ASU 2025-06—Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software, which removed the language around project stages that was used to assess when costs could be capitalized for an internal-use software. The update also requires internal-use software to be disclosed under the ASC 360 Property, Plant, and Equipment guidance. The guidance is effective for annual periods beginning after December 15, 2027. The Company is currently assessing the impact of this ASU on the Company's accounting policies and the financial statements.

In December 2025, the FASB issued ASU 2025-10 to establish the accounting for a government grant received by a business entity including guidance for (1) a grant related to an asset and (2) a grant related to income. For public business entities, the provisions of ASU 2025-10 are effective for fiscal years beginning after December 15, 2028. Early adoption is permitted. Management is currently evaluating the requirements under this new standard and does not expect the adoption to have a material impact on the Company's results of operations or financial condition.

In December 2025, the FASB issued ASU No. 2025-11, Interim Reporting (Topic 270): Narrow-Scope Improvements. The ASU clarifies interim disclosure requirements and the applicability of Topic 270. The objective of the amendments is to provide further clarity about the current interim disclosure requirements. The ASU is effective for interim reporting periods within annual reporting periods beginning after December 15, 2027. Adoption of this ASU can be applied either a prospective or a retrospective approach. Early adoption is permitted. We are currently evaluating the provisions of this ASU and do not expect this ASU to have a material impact on our consolidated financial statements.

In December 2025, the FASB issued ASU 2025-12, Codification Improvements. The ASU addresses thirty-three items, representing the changes to the Codification that (1) clarify, (2) correct errors, or (3) make minor improvements. Generally, the amendments in this Update are not intended to result in significant changes for most entities. The ASU is effective for interim reporting periods within annual reporting periods beginning after December 15, 2026. The adoption method of this ASU may vary, on an issue-by-issue basis. Early adoption is permitted. We are currently evaluating the provisions of this ASU and do not expect this ASU to have a material impact on our consolidated financial statements.

There have been no other recent accounting pronouncements or changes in accounting pronouncements during the first quarter of 2026 that are of significance or potential significance to us.

**Note 3. Revenue Recognition***Disaggregation of Revenue*

Revenue is classified based on the location where the product is manufactured. For additional information on the disaggregated revenues by geographical region, see Note 17, "Segment and Geographic Information."

The Company does not have contracts with original durations greater than one year. Therefore, disclosure of remaining performance obligations is not applicable.

Revenue is also classified by major product categories and is presented below (in thousands):

	<b>Three months ended March 31,</b>			
	<b>2026</b>	<b>% of Revenue</b>	<b>2025</b>	<b>% of Revenue</b>
Data Center	\$ 81,404	53.9%	\$ 32,049	32.1%
CATV	66,841	44.2%	64,501	64.6%
Telecom	2,559	1.7%	2,937	2.9%

Other	340	0.2%	372	0.4%
Total Revenue	<u>\$ 151,144</u>	<u>100.0%</u>	<u>\$ 99,859</u>	<u>100.0%</u>

*Customer Warrant*

On March 13, 2025, the Company issued a warrant (the "Customer Warrant") to a wholly-owned subsidiary of Amazon.com, Inc. to purchase up to an aggregate of 7,945,399 shares of the Company's common stock ("Warrant Shares") at an exercise price of \$23.6956 per share. The Customer Warrant has a contractual term of 10 years. At the time of the issuance, the Customer Warrant is exercisable to purchase 1,324,233 Warrant Shares. The remaining 6,621,166 Warrant Shares may vest over the next 10 years, dependent on aggregate purchases by or on behalf of Amazon and its affiliates of \$4 billion of the Company's products over this time period. The Company accounts for the Customer Warrant as an equity classified share-based consideration to a customer and will recognize the grant-date fair value of the Customer Warrant as a reduction of revenue from Amazon as the related goods or services are transferred. The grant date fair value of the Customer Warrant was determined to be \$12.64 per share, using the Black-Scholes-Merton option pricing model.

The per share grant date fair value of the Customer Warrant was estimated using the following assumptions:

	<u>At Grant Date</u>
Expected volatility	80.00%
Weighted-average expected term (in years)	10
Risk-free interest rate	4.23%
Dividend yield	—%
Fair value per ordinary share at grant date	\$ 15.87

For the three months ended March 31, 2026, the Company recognized approximately \$38.0 million of revenue associated with customer arrangements that included the issuance of warrants. The impact of these arrangements on the Company's consolidated financial statements was not material for the periods presented. As of March 31, 2026, the Company recorded \$3.9 million and \$12.6 million in other current assets and other noncurrent assets, respectively.

**Note 4. Leases**

The Company leases space under non-cancellable operating leases for manufacturing facilities, research and development offices and certain storage facilities and apartments. These leases do not contain contingent rent provisions. The Company also leases certain machinery, office equipment and a vehicle under operating leases. The Company determines if an arrangement is or contains a lease at contract inception. Many of its leases include both lease (e.g. fixed payments including rent, taxes, and insurance costs) and non-lease components (e.g. common-area or other maintenance costs) which are accounted for as a single lease component as the Company has elected the practical expedient to group lease and non-lease components for all leases. Several of the leases include one or more options to renew which have been assessed and either included or excluded from the calculation of the lease liability of the right of use ("ROU") asset based on management's intentions and individual fact patterns. Several warehouses and apartments have non-cancellable lease terms of less than one-year and therefore, the Company has elected the practical expedient to exclude these short-term leases from its ROU asset and lease liabilities.

On October 7, 2024, Prime World entered into a Land and Building Lease Agreement with San Ho Enterprise Co., Ltd. ("San Ho Enterprise"), under which Prime World will lease approximately 38,072 square feet, of two adjoining parcels of land, in New Taipei City. The lease also includes a building on these parcels, totaling approximately 36,662 square feet. The lease term is for fifteen years, commencing on December 1, 2024, and ending on November 30, 2039. A two-month renovation period from October 1 to November 30, 2024, preceded the lease term, during which no rent was charged by San Ho Enterprise. During the lease term, the monthly rent will increase by three percent (3%) every three years.

On September 1, 2025, Prime World entered into a Lease Agreement with International Games System Co., Ltd., under which Prime World will lease a parcel of land with a total area of approximately 65,580 square feet, in New Taipei City. The lease includes a building on the parcel, totaling approximately 346,212 square feet, excluding approximately 54,086 square feet of the leased property which, at the same time, had previously been leased to an existing tenant. The lease term is for fifteen years, commencing November 1, 2025 and ending October 31, 2040. A two-month renovation period from September 1 to October 1, 2025, preceded the lease term, during which no rent was charged. During the lease term, the monthly rent will increase by three percent (3%) every five years. On October 28, 2025, Prime World entered into a lease to include 54,086 square feet of the property which was previously excluded in the lease entered into on September 1, 2025.

On September 19, 2025, the Company entered into a Lease Agreement with Coleman Logistics Assets LLC ("Coleman"), pursuant to which the Company will lease approximately 209,665 square feet of space located at 1111 Gillingham Lane, Sugar Land, Texas 77478. The leased premises will be used by the Company primarily for manufacturing and related operations. The lease has a term of 126 months, commencing on March 31, 2026, and expiring approximately 126 months thereafter, unless earlier terminated in accordance with the lease. Coleman has agreed to provide a construction allowance toward the cost of leasehold improvements in an amount equal to the lesser of (i) the actual aggregate cost of such improvements or (ii) \$1,886,985. Base rent under the lease is abated for the first seven months of the term and thereafter increases on a scheduled basis through the end of the term, reflecting an average annual escalation of approximately 3.5%. Beginning in the eighth month of the term, base rent will be \$7.44 per rentable square foot on an annual basis (approximately \$129,992 per month), escalating periodically to \$10.49 per rentable square foot on an annual basis (approximately \$183,367 per month) during the final six months of the term. The total undiscounted lease payments over the initial lease term are approximately \$18.5 million. As of March 31, 2026, we recorded \$11.5 million ROU asset and \$11.9 million lease liability related to this agreement.

On February 23, 2026, the Company entered into a Lease Agreement with Blue Ridge Commerce Center West LLC ("Blue Ridge"), pursuant to which the Company will lease approximately 153,928 square feet of space in Building #3, located at 16851 Blue Ridge Commerce Drive, Houston, Texas 77489. The leased premises may be used for office, warehouse and light manufacturing and assembly purposes. The leased term is 130 months, commencing February 10, 2026. Blue Ridge has agreed to provide improvement allowance in the amount of \$3,078,560. Base rent is abated for the first five months of the term. For months 6 through 10, monthly base rent is \$5.16 per rentable square foot on an annualized basis (approximately \$66,189 per month). Beginning in month 11, base rent increases to \$10.32 per rentable square foot on an annualized basis (approximately \$132,378 per month) and escalates periodically throughout the remainder of the term, reflecting an average annual increase of approximately 3.5%. These scheduled increases culminate in base rent of \$14.56 per rentable square foot on an annualized basis (approximately \$186,732 per month) during the final 10 months of the term (months 121 through 130). The Company is required to pay (i) prepaid rent of \$163,164 to be applied against the eleventh month's rent and (ii) an initial security deposit of \$2 million, which accrues interest and is subject to partial reductions during the lease term if specified payment-performance conditions are satisfied. The lease provides for scheduled reductions of the security deposit of \$0.5 million after 40 months, \$0.5 million after 70 months, and \$0.34 million after 100 months, subject to the Company not being in default and other conditions set forth in the Lease. The total undiscounted lease payments over the initial lease term are approximately \$19.5 million. As of March 31, 2026, we recorded \$12.5 million ROU asset and \$12.8 million lease liability related to this agreement.

As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate, which is the rate incurred to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. Based on the applicable lease terms and current economic environment, the Company applies a location approach for determining the incremental borrowing rate.

Lease expense is included under general and administrative expenses and were \$2.2 million and \$0.6 million for the three months ended March 31, 2026 and 2025, respectively. The components of lease expense were as follows for the periods indicated (in thousands):

	<b>Three months ended March 31,</b>	
	<b>2026</b>	<b>2025</b>
Operating lease expense	\$ 2,073	\$ 434
Short Term lease expense	151	140
<b>Total lease expense</b>	<b>\$ 2,224</b>	<b>\$ 574</b>

Maturities of lease liabilities are as follows for the future one-year periods ending March 31, 2026 (in thousands):

Fiscal years:	<b>Operating</b>
2026 (remaining 9 months)	\$ 7,586
2027	8,729
2028	8,724
2029	8,198

2030	7,830
2031 and thereafter	56,203
Total lease payments	97,270
Less imputed interest	(23,355)
Present value	\$ 73,915

The weighted average remaining lease term and discount rate for the leases were as follows for the periods indicated:

	Three months ended March 31,	
	2026	2025
Weighted Average Remaining Lease Term (Years) - operating leases	12.34	10.60
Weighted Average Discount Rate - operating leases	3.11%	3.10%

Supplemental cash flow information related to the leases was as follows for the periods indicated (in thousands):

	Three months ended March 31,	
	2026	2025
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 2,057	\$ 491
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 24,708	\$ -

**Note 5. Cash, Cash Equivalents and Restricted Cash**

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sum to the total of the same such amounts in the statement of cash flows (in thousands):

	<b>March 31, 2026</b>	<b>December 31, 2025</b>
Cash and cash equivalents	\$ 439,705	\$ 206,140
Restricted cash	9,672	9,895
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>\$ 449,377</u>	<u>\$ 216,035</u>

Restricted cash includes guarantee deposits for customs duties, a China government subsidy fund, and deposits as collateral in order to secure bank acceptance notes issued to vendors. As of March 31, 2026 and December 31, 2025, there were \$7.8 million and \$8.7 million of restricted cash required for bank acceptance notes issued to vendors, respectively. There were \$1.6 million and \$1.2 million guarantee deposits for customs duties as of March 31, 2026 and December 31, 2025 respectively. There were \$0.2 million and \$0 government subsidy funds as of March 31, 2026 and December 31, 2025, respectively.

**Note 6. Earnings (Loss) Per Share**

Basic net loss per share has been computed using the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share has been computed using the weighted-average number of shares of common stock and dilutive potential common shares from stock options, restricted stock units and senior convertible notes outstanding during the period. In periods with net losses, normally dilutive shares become anti-dilutive. Therefore, basic and diluted loss per share are the same. On March 13, 2025, the Company issued 7,945,399 stock warrants to a subsidiary of Amazon, and 1,324,233 warrants have been vested upon signing the warrant agreement. For the three months ended March 31, 2026, such warrants are in the money and are considered dilutive instruments.

The following table sets forth the computation of the basic and diluted net loss per share for the periods indicated (in thousands):

	<b>Three months ended March 31,</b>	
	<b>2026</b>	<b>2025</b>
Numerator:		
Net loss	\$ (14,281)	\$ (9,172)
Denominator:		
Weighted average shares used to compute net loss per share		
Basic	75,980	50,041
Diluted	75,980	50,041
Net loss per share		
Basic	\$ (0.19)	\$ (0.18)
Diluted	\$ (0.19)	\$ (0.18)

The following potentially dilutive securities were excluded from the diluted net loss per share as their effect would have been antidilutive (in thousands):

	<b>Three months ended March 31,</b>	
	<b>2026</b>	<b>2025</b>
Restricted stock units	2,240	2,796
Shares for convertible senior notes	2,886	3,116
Amazon warrant	1,324	—
Total antidilutive shares	<u>6,450</u>	<u>5,912</u>

**Note 7. Inventories**

Inventories, net consist of the following for the periods indicated (in thousands):

	<b>March 31, 2026</b>	<b>December 31, 2025</b>
Raw materials	\$ 98,672	\$ 85,740
Work in process and sub-assemblies	120,482	95,538
Finished goods	6,555	18,822
Allowance for inventory	(19,463)	(16,995)
Total inventories	<u>\$ 206,246</u>	<u>\$ 183,105</u>

For the three months ended March 31, 2026 and 2025, the inventory reserve adjustment expensed for inventory was \$2.4 million and \$1.9 million, respectively.

For the three months ended March 31, 2026 and 2025, the direct inventory write-offs related to scrap, discontinued products and damaged inventories was \$2.3 million and \$0.9 million, respectively.

**Note 8. Property, Plant & Equipment**

Property, plant and equipment consisted of the following for the periods indicated (in thousands):

	March 31, 2026	December 31, 2025
Land improvements	\$ 806	\$ 806
Buildings and improvements	140,694	138,163
Machinery and equipment	439,701	404,145
Furniture and fixtures	7,265	6,974
Computer equipment and software	18,113	17,180
Transportation equipment	854	786
	<u>607,433</u>	<u>568,054</u>
Less accumulated depreciation	(241,018)	(232,913)
	<u>366,415</u>	<u>335,141</u>
Construction in progress	51,487	39,808
Land	1,101	1,101
Total property, plant and equipment, net	<u>\$ 419,003</u>	<u>\$ 376,050</u>

For the three months ended March 31, 2026 and 2025, the depreciation expense of property, plant and equipment was \$9.1 million and \$5.6 million, respectively.

As of March 31, 2026, the Company concluded that its continued loss history constitutes a triggering event as described in ASC 360-10-35-21, Property, Plant, and Equipment. The Company performed a recoverability test and concluded that future undiscounted cash flows exceed the carrying amount of the Company's long-lived assets and therefore no impairment charge was recorded.

**Note 9. Intangible Assets, net**

Intangible assets consisted of the following for the periods indicated (in thousands):

	March 31, 2026		
	Gross Amount	Accumulated amortization	Intangible assets, net
Patents	\$ 10,356	\$ (6,898)	\$ 3,458
Trademarks	251	(95)	156
Total intangible assets	<u>\$ 10,607</u>	<u>\$ (6,993)</u>	<u>\$ 3,614</u>
	December 31, 2025		
	Gross Amount	Accumulated amortization	Intangible assets, net
Patents	\$ 10,263	\$ (6,797)	\$ 3,466
Trademarks	243	(86)	157
Total intangible assets	<u>\$ 10,506</u>	<u>\$ (6,883)</u>	<u>\$ 3,623</u>

For each of the three months ended March 31, 2026 and 2025, amortization expense for intangible assets, included in general and administrative expenses on the statement of operations, was \$0.1 million. The remaining weighted average amortization period for intangible assets is approximately 7.5 years.

On March 31, 2026, future amortization expenses for intangible assets for future periods are estimated to be (in thousands):

2026 (remaining 9 months)	\$ 363
2027	484
2028	484
2029	484
2030	484
2031 and thereafter	1,315
Total	<u>\$ 3,614</u>

**Note 10. Fair Value of Financial Instruments**

The carrying value amounts of cash and cash equivalents, restricted cash, accounts receivable, prepaid expenses, notes receivable and other current assets, accounts payable, accrued expenses, bank acceptance payable and other current liabilities approximate fair value because of the short-term maturity of these instruments. The Company believes that the interest rates in effect at each period end represent the current market rates for similar borrowings.

The Company's accounts receivable was \$299.0 million as of March 31, 2026. Of this amount, \$222.7 million was due from Digicomm International Inc. For the three months ended March 31, 2026 and 2025, our top ten customers represented 98% and 97% of our revenue, respectively.

The fair value of convertible senior notes is measured for disclosure purposes only. The fair value and carrying amount of our convertible senior notes as of March 31, 2026 was \$278.7 million and \$129.5 million, respectively. As of December 31, 2025, the fair value and carrying amount of our

convertible senior notes was \$145.2 million and \$129.8 million, respectively. The fair value is based on observable market prices for this debt, which is traded in less active markets and is therefore classified as a Level 2 fair value measurement.

**Note 11. Notes Payable and Long-Term Debt**

Notes payable and long-term debt consisted of the following for the periods indicated (in thousands):

	<b>March 31, 2026</b>	<b>December 31, 2025</b>
Revolving line of credit with a China bank up to \$21.7 million with interest at 2.60%, maturing November 17, 2026	20,522	20,203
Revolving line of credit with a China bank up to \$14.5 million with interest at 2.45%, maturing March 26, 2027	14,452	13,772
Revolving line of credit with a Taiwan bank up to \$3.1 million with interest at 2.55%, maturing May 12, 2026	3,126	-
Revolving line of credit with a Taiwan bank up to \$3.1 million with interest at 3.20%, maturing August 25, 2026	3,125	-
<b>Total</b>	<b>41,225</b>	<b>33,975</b>
Less current portion	(41,225)	(33,975)
Non-current portion	\$ -	\$ -

	<b>March 31, 2026</b>	<b>December 31, 2025</b>
<b>Bank Acceptance Notes Payable</b>		
Bank acceptance notes issued to vendors with 0.05% handling fees	\$ 35,766	\$ 33,363

The loans are all within one year of the balance sheet date of March 31, 2026.

**SPD Credit Line**

On July 18, 2025, Global entered into a one-year credit facility with Shanghai Pudong Development Bank Co., Ltd. ("SPD"), totaling 82,000,000 RMB (the "¥82M Credit Facility"), or approximately \$11.4 million at that time. Borrowing under the ¥82M Credit Facility will be used to repay the Company's outstanding loans with China Zheshang Bank Co., Ltd., and for general corporate and capital investment purposes.

On July 29, 2025, Global entered into a five-year revolving credit line agreement with SPD in Ningbo City, China, totaling 250,000,000 RMB (the "¥250M SPD Credit Line"), or approximately \$34.9 million at that time, and a mortgage contract. Borrowing under the ¥250M SPD Credit Line will be used for general corporate and capital investment purposes. Any credit previously extended by SPD will be applied against the available amount under the ¥250M SPD Credit Line, inclusive of the ¥82M Credit Facility. Global's obligation under the ¥250M SPD Credit Line will be secured by certain real property owned by Global. As of March 31, 2026, \$20.5 million was outstanding under the ¥250M SPD Credit Line, and the outstanding balance of bank acceptance notes under this bank issued to vendors was \$18.0 million. The unused credit as of March 31, 2026 was \$3.0 million.

**CZB Loan**

On December 26, 2025, Global entered into an agreement with China Zheshang Bank in Ningbo City, China ("CZB") for bank acceptance notes of 40,000,000 RMB or approximately \$5.7 million at the time. As of March 31, 2026, the outstanding balance of bank acceptance notes issued to vendors was \$0.2 million. The unused credit was \$2.7 million as of March 31, 2026.

**CCB Loan**

On June 12, 2025, Global entered into a one-year credit facility with China Construction Bank Co., Ltd., in Ningbo, City, China ("CCB"), totaling 96,800,000 RMB (the "CCB Credit Facility"), or approximately \$13.5 million at that time.

On June 26, 2025, Global entered into a five-year revolving credit line agreement with CCB, totaling 162,260,000 RMB (the "CCB Credit Line"), or approximately \$22.7 million at that time. The amount available under the CCB Credit Line is inclusive of the CCB Credit Facility previously granted by CCB on June 12, 2025. On December 19, 2025, the CCB Credit Line was increased to 250,000,000 RMB. Global's obligation under the CCB Credit Line is secured by certain real property owned by Global. As of March 31, 2026, there was \$14.5 million outstanding under the CCB Credit Line. The outstanding balance of bank acceptances notes under this bank issued to vendors was \$12.2 million as of March 31, 2026. The unused credit as of March 31, 2026 was \$11.9 million.

**BOKF Loan**

On July 31, 2025, the Company entered into a Loan and Security Agreement (the "BOKF Credit Facility") with BOKF, NA dba BOK Financial, as agent for secured parties. The BOKF Credit Facility provides the Company with a three-year, \$35 million revolving line of credit, with the ability to request additional lender commitments in an aggregate amount not to exceed \$40 million (for a total aggregate amount of \$75 million) pursuant to certain conditions. As of March 31, 2026, \$0 was outstanding under the BOKF Credit Facility.

**Taishin Loan**

On November 27, 2025, Prime World entered into a credit facility with Taishin International Bank in Taiwan ("Taishin Bank"), consisting of a NT\$100,000,000 line of credit (the "NT\$100M Credit Line") and a US\$2,000,000 line of credit (the "US\$2M Credit Line", collectively, with the NT\$100M Credit Line, the "Taishin Credit Facility"). Prime World may utilize the Taishin Credit Facility from November 27, 2025 through October 31, 2026. Borrowings under the NT\$100M Credit Line may be drawn as short-term loans, while the US\$2M Credit Line is a derivatives-based facility and may be used by Prime World to enter into foreign exchange hedging transactions. As of March 31, 2026, the Company has fully utilized its line of credit and has no unused credit available.

**FCB Loan**

On January 2, 2026, Prime World entered into a credit facility with First Commercial Bank in Taiwan, consisting of a NT\$100,000,000 line of credit (the “FCB Credit Facility”). As of March 31, 2026, outstanding borrowings under the FCB Credit Facility were \$3.1 million.

*Unused Borrowing Capacity*

As of March 31, 2026 and December 31, 2025, the Company had \$61.7 million and \$60.7 million of unused borrowing capacity, respectively.

As of March 31, 2026 and December 31, 2025, there was \$7.8 million and \$8.7 million of restricted cash, investments or security deposits associated with the loan facilities, respectively.

**Note 12. Convertible Senior Notes**

On December 18, 2024, the Company entered into exchange agreements with certain holders of its 5.25% senior convertible notes due 2026 (the "2026 Notes") to exchange approximately \$76.7 million principal amount of the 2026 Notes for aggregate consideration consisting of (i) \$125.0 million aggregate principal amount of 2.75% Convertible Senior Notes due 2030 (the "2030 Notes"), (ii) 1,487,874 shares of the Company's common stock, par value \$0.001 per share (the "Common Stock") and (iii) approximately \$89.6 thousands of cash in aggregate, representing accrued and unpaid interest on the 2026 Notes and the value of fractional shares of Common Stock (such transactions, collectively, the "Exchanges"). The Exchanges closed on December 23, 2024, and we recorded a debt extinguishment loss of \$112.0 million due to these Exchanges. There was \$3.5 million principal amount for the 2026 Notes remaining. On July 30, 2025, the Company retired the final \$3.5 million principal and accrued and unpaid interest on the 2026 Notes by exchanging such outstanding principal for 239,404 shares of the Company's common stock and by paying the accrued and outstanding interest in cash.

The 2030 Notes were issued pursuant to an Indenture, dated as of December 23, 2024 (the "Indenture"), between the Company, as issuer, and Computershare Trust Company, N.A., as trustee. The 2030 Notes bear interest at a rate of 2.75% per year and will pay interest semiannually in arrears on January 15 and July 15 of each year, beginning on July 15, 2025. The 2030 Notes will mature on January 15, 2030, unless earlier converted, redeemed or repurchased in accordance with their terms.

The following table presents the carrying value of the 2030 Notes for the periods indicated (in thousands):

	<b>March 31, 2026</b>	<b>December 31, 2025</b>
2030 Notes		
Principal	125,000	125,000
Premium upon issuance	7,862	8,376
Unamortized debt issuance costs	(3,346)	(3,547)
Net carrying amount	<u>129,516</u>	<u>129,829</u>
Total net carrying amount	<u>\$ 129,516</u>	<u>\$ 129,829</u>

The conversion rate for the 2030 Notes is 23.0884 shares of Common Stock per \$1,000 principal amount of the 2030 Notes (which is equivalent to a conversion price of approximately \$43.31 per share of Common Stock, representing a premium of approximately 27.50% over the last reported sale price of the Common Stock on December 18, 2024 of \$33.97 per share), subject to adjustment. Before October 15, 2029, holders of the 2030 Notes will have the right to convert their 2030 Notes only upon the satisfaction of a common stock sale price condition or a note trading price condition (each, as described in the Indenture) or upon the occurrence of certain events (including the occurrence of a Fundamental Change, Make-Whole Fundamental Change or Common Stock Change Event (each as defined in the Indenture)). From and after October 15, 2029, holders of the 2030 Notes may convert their 2030 Notes at any time at their election until the close of business on the second scheduled trading day immediately before the maturity date. The Company will settle conversions by paying or delivering, as applicable, cash, shares of its Common Stock or a combination of cash and shares of its Common Stock, at the Company's election, based on the applicable conversion rate(s).

The 2030 Notes will be redeemable, in whole or in part (subject to certain limitations described in the Indenture), at the Company's option at any time, and from time to time, on or after January 15, 2027 and on or before the 40th scheduled trading day immediately before the maturity date, at a cash redemption price equal to the principal amount of the 2030 Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, but only if the last reported sale price per share of the Common Stock exceeds 130% of the conversion price on (1) each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends the related redemption notice; and (2) the trading day immediately before the date it sends such notice.

In addition, the 2030 Notes will be redeemable, in whole or in part, at the Company's option at any time, and from time to time, on or before the 40th scheduled trading day immediately before the maturity date, at a cash redemption price equal to the principal amount of the 2030 Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date (subject to the right of a holder of 2030 Notes as of the close of business on a record date to receive the related interest payment on the corresponding interest payment date), if the "Specified Divestiture" (as defined in the Indenture) is completed.

Calling any 2030 Note for redemption will constitute a "Make-Whole Fundamental Change" (as defined in the Indenture) with respect to that 2030 Note, in which case the conversion rate applicable to the conversion of that 2030 Note will be increased in certain circumstances if it is converted after it is called for redemption.

In addition, if the Specified Divestiture is completed, then unless the Company has previously elected to redeem all of the 2030 Notes, each holder of 2030 Notes will have the right to require the Company to repurchase its 2030 Notes for cash on a date of the Company's choosing, which must be a business day that is no more than 35, nor less than 20, business days after the date the Company's sends the related notice of Specified Divestiture. The repurchase price for a note tendered for such repurchase will be equal to the principal amount of the 2030 Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the repurchase date (subject to the right of a holder of 2030 Notes as of the close of business on a record date to receive the related interest payment on the corresponding interest payment date).

Moreover, if the Company undergoes a fundamental change, as described in the Indenture, holders of the 2030 Notes may require the Company to repurchase for cash all or part of their 2030 Notes at a repurchase price equal to 100% of the principal amount of the 2030 Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the required repurchase date.

Additionally, the 2030 Notes are subject to customary events of default. The 2030 Notes do not restrict the Company's ability to incur debt or liens. No sinking fund is provided for the 2030 Notes. There are no guarantors of the 2030 Notes.

Pursuant to the guidance in ASC 815-40, Contracts in Entity's Own Equity, the Company evaluated whether the conversion feature of the note needed to be bifurcated from the host instrument as a freestanding financial instrument. Under ASC 815-40, to qualify for equity classification (or non-bifurcation, if embedded) the instrument (or embedded feature) must be both (1) indexed to the issuer's own stock and (2) meet the requirements of the equity classification guidance. Based upon the Company's analysis, it was determined the conversion option is indexed to its own stock and also met all the criteria for equity classification. Accordingly, the conversion option is not required to be bifurcated from the host instrument as a derivative.

Pursuant to ASC 815-15, the Company further determined that the contingent redemption features in the 2030 Notes are not required to be bifurcated from the host contract and accounted for separately. Additionally, the Company then evaluated whether the conversion feature needed to be separately accounted for as an equity component under ASC 470-20, Debt with Conversion and Other Options, and determined that the additional premium was not substantial. Accordingly, that amount was recognized as a premium on the 2030 Notes.

The following table sets forth interest expense information related to the 2026 Notes and 2030 Notes (in thousands):

	<b>Three months ended March 31,</b>	
	<b>2026</b>	<b>2025</b>
Contractual interest expense	\$ 346	\$ 397
Amortization of debt issuance costs	216	296
<b>Total interest cost</b>	<b>\$ 562</b>	<b>\$ 693</b>
Effective interest rate	1.0%	1.0%

### Note 13. Accrued Liabilities

Accrued liabilities consisted of the following for the periods indicated (in thousands):

	<b>March 31, 2026</b>	<b>December 31, 2025</b>
	Accrued payroll	\$ 18,902
Accrued employee benefits	4,017	5,506
Accrued state and local taxes	2,245	965
Accrued interest	745	1,599
Accrued shipping and tariff expenses	701	516
Advanced payments	342	288
Accrued commission expenses	1,070	1,381
Accrued professional fees	319	581
Accrued product warranty	466	480
Accrued capital expenditure	142	1,583
Accrued other	2,396	1,209
<b>Total accrued liabilities</b>	<b>\$ 31,345</b>	<b>\$ 42,491</b>

### Note 14. Other Income and Expense

Other income and expense consisted of the following for the periods indicated (in thousands):

	<b>Three months ended March 31,</b>	
	<b>2026</b>	<b>2025</b>
Loss on disposal of assets	\$ (16)	\$ (8)
Government subsidy income	114	182
Foreign exchange gain (loss)	(1,253)	272
Other non-operating gain	40	29
<b>Total other income (expenses), net</b>	<b>\$ (1,115)</b>	<b>\$ 475</b>

### Note 15. Share-Based Compensation

#### Equity Plans

The Company's board of directors and stockholders approved the following equity plans:

- the Amended and Restated 2021 Equity Incentive Plan ("2021 Plan")
- the 2023 Equity Inducement Plan ("Inducement Plan")

The Company has issued stock options, restricted stock awards ("RSAs") and restricted stock units ("RSUs") to employees, consultants and non-employee directors. Stock option awards generally vest over a four-year period and have a maximum term of ten years. Stock options under these plans have been granted with an exercise price equal to the fair market value on the date of the grant. Nonqualified and Incentive Stock Options, RSAs and RSUs may be granted from these plans.

### Performance Based Incentive Plan

Starting in 2021, certain senior executives were granted performance stock units ("PSUs") under our 2021 Plan, which generally vest over a three-year period subject to achievement of certain pre-established performance metrics. The number of shares of common stock that would ultimately be issued to settle PSUs granted ranged from 0% to 200% of the target number of shares granted. We estimate the fair value of the PSUs on the date of grant using a Monte Carlo simulation model, with stock-based compensation expense recognized ratably over the applicable three-year performance period. The Company recognized stock-based compensation expense for the PSUs for the three months ended March 31, 2026 and 2025 of \$1.9 million and \$0.9 million, respectively.

The following is a summary of PSU activity for the three months ended March 31, 2026:

	Number of shares	Weighted Average Exercise Price	Weighted Average Fair Value	Aggregate Intrinsic Value
	(in thousands, except price data and Contractual Life)			
Outstanding at January 1, 2026	1,189	—	\$ 11.55	\$ 41,442
Granted	170	—	91.97	8,170
Released	—	—	—	—
Cancelled/Forfeited	—	—	—	—
Outstanding, March 31, 2026	<u>1,359</u>	<u>—</u>	<u>21.64</u>	<u>114,988</u>
Vested and expected to vest	1,359	—	\$ 21.64	\$ 114,988

As of March 31, 2026, there was \$18.9 million of unrecognized stock-based compensation expense related to outstanding PSUs, which expense is expected to be recognized over 2.6 years.

### Restricted Stock Units

Restricted stock units are issued to employees through a vesting plan and distribution schedule after employee remains with the Company for a particular length of time. The following is a summary of RSU activity:

	Number of shares	Weighted Average Share Price on Date of Release	Weighted Average Fair Value	Aggregate Intrinsic Value
	(in thousands, except price data)			
Outstanding, January 1, 2026	1,462	—	\$ 8.13	\$ 50,964
Granted	405	—	46.02	18,621
Released	(265)	\$ 6.40	42.96	11,365
Cancelled/Forfeited	(1)	—	35.56	48
Outstanding, March 31, 2026	<u>1,601</u>	<u>—</u>	<u>17.98</u>	<u>135,468</u>
Vested and expected to vest	1,601	—	\$ 17.98	\$ 135,468

As of March 31, 2026, there was \$26.7 million of unrecognized compensation expense related to these RSUs. This expense is expected to be recognized over 3.2 years.

### Share-Based Compensation

Employee share-based compensation expenses recognized for the periods indicated (in thousands):

	Three months ended March 31,	
	2026	2025
Share-based compensation - by expense types		
Cost of goods sold	\$ 156	\$ 83
Research and development	452	276
Sales and marketing	451	323
General and administrative	3,332	1,880
Total share-based compensation expense	<u>\$ 4,391</u>	<u>\$ 2,562</u>

### Note 16. Income Taxes

For the three months ended March 31, 2026, the Company recorded an income tax expense of \$1.0 million, compared with no income tax expense or benefit for the three months ended March 31, 2025. The income tax expense for the current period was primarily attributable to income in foreign jurisdictions, as well as the impact of valuation allowances and discrete items.

For the three months ended March 31, 2026 and 2025, the effective tax rate of (7.9)% and 0.0% differed from the U.S. federal statutory rate of 21%, primarily due to the impact of valuation allowances recorded against deferred tax assets ("DTA") in the United States and Taiwan.

The Company assesses the realizability of its DTAs, including an analysis of factors such as future taxable income, reversal of existing taxable temporary differences, and tax planning strategies. In assessing the need for a valuation allowance, the Company considered both positive and negative evidence related to the likelihood of realization of deferred tax assets using a "more likely than not" standard. In making such assessment, more weight was given to evidence that could be objectively verified, including recent cumulative losses. Based on the Company's review of this evidence, management determined that a full valuation allowance against all of the Company's US and Taiwan net deferred tax assets remains appropriate as of March 31, 2026.

The Company expects any earnings of foreign subsidiaries to be indefinitely invested outside the United States. As of December 31, 2025, however, the Company does not have any accumulated undistributed earnings generated by foreign subsidiaries and has estimated that its tax basis in foreign subsidiaries exceeds its book basis. The Company has concluded that no deferred tax asset (DTA) should be recorded because at the present time it does not expect that the temporary book-tax basis difference that would create this DTA will reverse in the foreseeable future.

### Note 17. Segment and Geographic Information

The Company operates in one reportable segment. The Company's Chief Executive Officer, who is considered to be the chief operating decision maker ("CODM"), manages the Company's operations as a whole and reviews financial information presented on a consolidated basis, accompanied by information about product revenue, for purposes of evaluating financial performance and allocating resources. Our CEO is the functional head of all operations and manufacturing. Our Board, in conjunction with our CODM, considers our consolidated performance and does not have individual financial or operating goals for each location, nor for any other subset of the Company's operations. As such, the Company has determined it operates as one reportable segment.

Our CODM uses net income or loss to allocate resources and assess performance. The CODM regularly reviews the consolidated net income or loss to make strategic decisions, such as capital expenditure plan, production plan and manpower allocation. The following table is in thousands.

	Three months ended March 31,	
	2026	2025
Revenues	\$ 151,144	\$ 99,859
Cost of goods sold	107,228	69,232
Adjusted research and development	25,204	17,535
Adjusted sales and marketing	5,896	5,034
Adjusted general and administrative	20,273	12,888
Other segment items	6,824	4,342
Total	<u>\$ (14,281)</u>	<u>\$ (9,172)</u>

We exclude share-based compensation and related expense, certain legal expenses associated with litigation and other one-time expenses from adjusted research and development, adjusted sales and marketing and adjusted general and administrative expenses.

Other segment items include share-based compensation expense, interest expense, interest income, certain legal expenses associated with litigation and other one-time items.

The following tables set forth the Company's revenue and asset information by geographic region. Revenue is classified based on the location of where the product is manufactured. Long-lived assets in the tables below comprise property, plant, equipment, land use rights, right of use assets and intangible assets (in thousands):

	<b>Three months ended March 31,</b>	
	<b>2026</b>	<b>2025</b>
<b>Revenues:</b>		
United States	\$ 877	\$ 1,150
Taiwan	80,938	70,881
China	69,329	27,828
<b>Total</b>	<b>\$ 151,144</b>	<b>\$ 99,859</b>
	<b>March 31,</b>	<b>December 31,</b>
	<b>2026</b>	<b>2025</b>
<b>Long-lived assets:</b>		
United States	\$ 166,074	\$ 125,200
Taiwan	148,539	146,673
China	184,824	162,322
<b>Total</b>	<b>\$ 499,437</b>	<b>\$ 434,195</b>

## Note 18. Commitments and Contingencies

### *Litigation*

From time to time, the Company may be subject to legal proceedings and litigation arising in the ordinary course of business, including, but not limited to, inquiries, investigations, audits and other regulatory proceedings, such as described below. The Company records a loss provision when it believes it is both probable that a liability has been incurred and the amount can be reasonably estimated.

The Company believes that there are no claims or actions pending or threatened against it, the ultimate disposition of which would have a material adverse effect on it.

### *Other Contingencies*

On August 9, 2021, the Company received a Taxes Notification of Audit Result ("Notice") from the Texas Comptroller's Office (the "Comptroller"), for fiscal years between 2016 and 2019, informing the Company that the Comptroller believes the Company did not qualify for certain sales and use tax exemptions on various Research and Development purchases and accordingly the Company is liable for Sale and Use Tax in the amount of approximately \$1.0 million including interest charges. The Company paid \$0.4 million for the tax notice in May 2021, but challenged the remaining tax assessments and vigorously defended its position. The Comptroller's office exhausted its redetermination period and therefore moved the Company's case to the hearing process. No hearing date has yet been scheduled, and as a result the Company is not able to determine the outcome of this sales tax dispute or the likelihood or amount of the Company's loss, if any, arising from this matter.

On February 20, 2026, the United States Supreme Court issued a ruling invalidating certain tariffs previously imposed under the International Emergency Economic Powers Act ("IEEPA"). Following this ruling, the U.S. Court of International Trade issued an order directing U.S. Customs and Border Protection ("CBP") to establish a process for the submission and review of refund claims related to affected IEEPA tariffs. On April 20, 2026, CBP launched an online portal through which companies may submit IEEPA tariff refund requests. On April 29, the Company submitted refund claims totaling \$5.7 million. Submitted claims are subject to review and validation by CBP, and while the vast majority of these claims are unliquidated, the approval, timing, and amount of any refunds remain subject to CBP determination. Because of these uncertainties, the Company cannot reasonably estimate the amount or timing of any refund and therefore it has not recognized a receivable as of March 31, 2026e. The Company will continue to evaluate new information and will recognize the refund when the requirements under ASC 450, Contingencies, have been met.

## Note 19. Subsequent Events

On April 7, 2026, the Company entered into a Purchase and Sale Agreement with SRPF D/Kirby Industrial, L.P. (the "Seller"), pursuant to which the Company agreed to acquire from the Seller certain real property and improvements located at 14621 Kirby Drive, Pearland, Texas 77047 and 11555 North Spectrum Boulevard, Pearland, Texas 77047, consisting of approximately 388,133 square feet in the aggregate, together with certain related personal property, intangible personal property, and assignable contract rights relating thereto (collectively, the "Property"), for a total purchase price of approximately \$58.4 million. The Company intends to use the Property for office, warehouse, manufacturing, and assembly purposes.

On April 29, 2026, the Company's subsidiary, Global, entered into a new loan agreement with Bank of China Ningbo Yinzhou Branch for 100,000,000 RMB or approximately \$14.6 million.

## Item 2. 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 in conjunction with our consolidated financial statements and the accompanying notes appearing elsewhere in this Quarterly Report on Form 10-Q for the period ended March 31, 2026 and the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the fiscal year ended December 31, 2025 included in our Annual Report. References to "Applied Optoelectronics," "we," "our" and "us" are to Applied Optoelectronics, Inc. and its subsidiaries unless otherwise specified or the context otherwise requires.*

*This Quarterly Report on Form 10-Q contains "forward-looking statements" that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained in this Quarterly Report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Terminology such as "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "could," "would," "target," "seek," "aim," "believe," "predicts," "think," "objectives," "optimistic," "new," "goal," "strategy," "potential," "is likely," "will," "expect," "plan," "project," "permit," or by other similar expressions that convey uncertainty of future events or outcomes are intended to identify forward-looking statements.*

*We have based these forward-looking statements largely on our current expectations and projections about future events and industry and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified in "Part II—Item 1A. Risk Factors" provided below, those discussed in other documents we file with the SEC, including our Report on Form 10-K for the year ended December 31, 2025 and subsequent Quarterly Reports on Form 10-Q, and geopolitical tensions and conflicts, including with respect to international trade policies in areas such as tariffs and export controls. Furthermore, such forward-looking statements speak only as of the date of this Quarterly Report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of this Quarterly Report.*

### Overview

We are a leading, vertically integrated provider of fiber-optic networking products. We target four networking end-markets: internet data centers, CATV, telecom, and FTTH. We design and manufacture a range of optical communications products at varying levels of integration, from components, subassemblies and modules to complete turn-key equipment. In designing products for our customers, we typically begin with the fundamental building blocks of lasers and laser components. From these foundational products, we design and manufacture a wide range of products to meet our customers' needs and specifications, and such products differ from each other by their end market, intended use and level of integration. We are primarily focused on the higher-performance segments within the internet data center, CATV, telecom and FTTH markets which increasingly demand faster connectivity and innovation.

Our vertically integrated manufacturing model provides us several advantages, including rapid product development, fast response times to customer requests and control over product quality and manufacturing costs.

The four end markets we target are all driven by significant bandwidth demand fueled by the growth of network-connected devices, video traffic, cloud computing and online social networking. Within the internet data center market, we benefit from the increasing use of higher-capacity optical networking technology as a replacement for older, lower-speed optical interconnects, particularly as speeds reach 800 Gbps and above, as well as the movement to open internet data center architectures and the increasing use of in-house equipment design among leading internet companies. Within the CATV market, we benefit from a number of ongoing trends including the move to higher bandwidth networks among CATV service providers, especially the desire by CATV multiple system operators ("MSOs") to increase the return-path bandwidth available to offer to their customers. In the FTTH market, we benefit from continuing Passive Optical Networks ("PON") deployments and system updates among telecom service providers. In the telecom market, we benefit from deployment of new high-speed fiber-optic networks by telecom network operators, including 5G networks.

Our vertically integrated manufacturing model provides us several advantages, including rapid product development, fast response times to customer requests and greater control over product quality and manufacturing costs. We design, manufacture and integrate our own analog and digital lasers using a proprietary Molecular Beam Epitaxy ("MBE"), and Metal Organic Chemical Vapor Deposition ("MOCVD") alternative processes for the fabrication of lasers. We believe the use of both processes, and our knowledge of how to combine these processes with others to fabricate lasers is unique in our industry. We manufacture the majority of the laser chips and optical components that are used in our products. The lasers we manufacture are tested extensively to enable reliable operation over time and our devices are often highly tolerant of changes in temperature and humidity, making them well-suited to the CATV, FTTH and 5G telecom markets where networking equipment is often installed outdoors. All of our laser chips are manufactured in our facility in Sugar Land, Texas. We believe that our domestic production capacity for these devices gives us a competitive advantage over many of our competitors, as we believe that many of our customers prefer to source key components from suppliers who have domestic manufacturing capacity.

We have three manufacturing sites: Sugar Land, Texas, Ningbo, China and Taipei, Taiwan. Our research and development functions are generally partnered with our manufacturing locations, and we have an additional research and development facility in Duluth, Georgia. In our Sugar Land facility, we manufacture laser chips (utilizing our MBE and MOCVD processes), transceivers for the internet data center market, subassemblies and components. The subassemblies are used in the manufacture of components by our other manufacturing facilities or sold to third parties as modules. We manufacture our laser chips only within our Sugar Land facility, where our laser design team is located. In our Taiwan location, we manufacture optical components, such as our butterfly lasers, which incorporate laser chips, subassemblies and components manufactured within our Sugar Land facility. Additionally, in our Taiwan location, we manufacture transceivers for the internet data center, telecom, FTTH and other markets. We also manufacture CATV outdoor equipment including amplifiers. In our China facility, we do certain assembly operations on various products, including some optical subassemblies and transceivers for the CATV transmitters (at the headend), some CATV outdoor equipment and transceivers for our internet data center market. The extent of the assembly operations in our China facility do not always establish the country of origin for these products as China for U.S. tariff purposes. Each manufacturing facility conducts testing on the components, modules or subsystems it manufactures and each facility is certified to ISO 9001:2015. Our facilities in Ningbo, China, Taipei, Taiwan, and Sugar Land, Texas are all certified to ISO 14001:2015.

Our business depends on winning competitive bid selection processes to develop components, systems and equipment for use in our customers' products. These selection processes are typically lengthy, and as a result our sales cycles will vary based on the level of customization required, market served, whether the design win is with an existing or new customer and whether our solution being designed in our customers' product is our first generation or subsequent generation product. We do not have any long-term purchase commitments (in excess of one year) with any of our customers, most of whom purchase our products on a purchase order basis. However, once one of our solutions is incorporated into a customer's design, we believe that our solution is likely to continue to be purchased for that design throughout that product's life cycle because of the time and expense associated with redesigning the product or substituting an alternative solution.

Our principal executive offices are located at 13139 Jess Pirtle Blvd., Sugar Land, TX 77478, and our telephone number is (281) 295-1800.

### Trends and Other Matters Affecting Our Business

Recent developments in global trade policy, including the imposition of new and increased tariffs and export restrictions by the United States and certain foreign governments, have increased uncertainty in the global economic environment. In particular, ongoing trade tensions between the United States and China, as well as other key markets such as Taiwan, have resulted in higher tariffs and the potential for additional restrictions affecting the semiconductor industry.

These developments have increased our costs for materials, components, and finished goods and may continue to disrupt our supply chain and manufacturing operations. In addition, uncertainty related to trade policies and geopolitical conditions may adversely affect customer demand, including demand from hyperscale data center customers, and could result in delays or reductions in customer orders.

In February 2026, the U.S. Supreme Court held that tariffs imposed under the International Emergency Economic Powers Act ("IEEPA") were unlawful, and the U.S. Customs and Border Protection subsequently announced IEEPA-based tariff provisions would be terminated effective February 24, 2026.

During the quarter ended March 31, 2026, the Company entered into a Grant Agreement (the "Grant Agreement") with the State of Texas, acting through the Office of the Governor's Texas CHIPS Office, under the Texas Semiconductor Innovation Fund. Under the Grant Agreement, the Company is eligible to receive cost-reimbursement of up to approximately \$20.9 million for equipment expenditures related to the expansion of its semiconductor manufacturing and research and development capabilities in Sugar Land, Texas. The Grant Agreement terminates on December 31, 2027, or upon the earlier completion of the grant project or depletion of grant funds. The project is anticipated to create approximately 500 new full-time jobs.

Receipt of funding under the Grant Agreement is subject to the Company's compliance with specified program requirements and approval of qualifying expenditures by the Office of the Governor. As of March 31, 2026, no amounts have been recognized in the Company's financial statements. The Company expects to recognize any funding received under the program as qualifying expenditures are incurred and the related conditions are satisfied.

We continue to monitor these developments and have implemented mitigation strategies, including pricing adjustments, supply chain diversification, and operational efficiencies. However, these efforts may not fully offset the impact of increased costs or supply disruptions. Accordingly, these conditions could materially and adversely affect our business, results of operations, and financial condition.

### Results of Operations

The following table sets forth our consolidated results of operations for the periods presented and as a percentage of our revenue for those periods (in thousands, except percentages):

	<b>Three months ended March 31,</b>			
	<b>2026</b>		<b>2025</b>	
Revenue, net	\$ 151,144	100.0%	\$ 99,859	100.0%
Cost of goods sold	107,228	70.9%	69,315	69.4%
Gross profit	43,916	29.1%	30,544	30.6%
Operating expenses				
Research and development	25,656	17.0%	17,810	17.8%
Sales and marketing	6,347	4.2%	5,357	5.4%
General and administrative	24,904	16.5%	16,314	16.3%
Total operating expenses	56,907	37.7%	39,481	39.5%
Loss from operations	(12,991)	(8.6)%	(8,937)	(8.9)%
Other income (expense)				
Interest income	1,737	1.1%	224	0.2%
Interest expense	(863)	(0.6)%	(934)	(0.9)%
Other income, net	(1,115)	(0.7)%	475	0.5%
Total other income (expense), net	(241)	(0.2)%	(235)	(0.2)%
Loss before income taxes	(13,232)	(8.8)%	(9,172)	(9.2)%
Income tax expense	(1,049)	—	—	—%
Net loss	\$ (14,281)	(9.4)%	\$ (9,172)	(9.2)%

## Comparison of Financial Results

### Revenue

We generate revenue through the sale of our products to equipment providers and network operators for the internet data center, CATV, telecom, FTTH and other markets. We derive a significant portion of our revenue from our top ten customers, and we anticipate that we will continue to do so for the foreseeable future. The following charts provide the revenue contribution from each of the markets we served for the three months ended March 31, 2026 and 2025 (in thousands, except percentages):

	Three months ended March 31,				Change	
	2026		2025			
	Amount	% of Revenue	Amount	% of Revenue	Amount	%
(in thousands, except percentages)						
Data Center	\$ 81,404	53.9%	\$ 32,049	32.1%	\$ 49,355	154.0%
CATV	66,841	44.2%	64,501	64.6%	2,340	3.6%
Telecom	2,559	1.7%	2,937	2.9%	(378)	(12.9)%
FTTH and Other	340	0.2%	372	0.4%	(32)	(8.6)%
<b>Total Revenue</b>	<b>\$ 151,144</b>	<b>100.0%</b>	<b>\$ 99,859</b>	<b>100.0%</b>	<b>\$ 51,285</b>	<b>51.4%</b>

Revenues for the three months ended March 31, 2026 increased by \$51.3 million, or 51.4%, compared to the three months ended March 31, 2025. The increase was primarily attributable to:

- a \$49.4 million increase in data center product revenues, and a \$2.3 million increase on CATV product revenues driven by higher sales. These increases were partially offset by lower revenues from telecom and other product lines.

Management believes the volume increase was primarily attributable to stronger customer demand and increase purchases from large data center customers to support ongoing capacity expansion and network infrastructure upgrades. Based on current market conditions, management expects these demand trends to continue for the foreseeable future, subject to customer deployment timing, supply chain conditions and other factors related to our industry.

For the three months ended March 31, 2026 and 2025, our top ten customers represented 98% and 97% of our revenue, respectively. We believe that diversifying our customer base is critical for our future success, since reliance on a small number of key customers makes our ability to forecast future results dependent upon the accuracy of the forecasts we receive from those key customers. We continue to prioritize new customer acquisition and growth of diverse revenue streams.

### Cost of goods sold and gross margin

	Three months ended March 31,				Change	
	2026		2025			
	Amount	% of Revenue	Amount	% of Revenue	Amount	%
(in thousands, except percentages)						
Cost of goods sold	\$ 107,228	70.9%	\$ 69,315	69.4%	\$ 37,913	54.7%
Gross profit	43,916	29.1%	30,544	30.6%	13,372	43.8%

Cost of goods sold increased by \$37.9 million, or 54.7%, for the three months ended March 31, 2026 compared to the three months ended March 31, 2025. The increase was primarily attributable to:

- a \$22.0 million increase in direct material costs, primarily due to higher input costs for key materials and increased production volumes;
- a \$5.5 million increase in direct labor costs, primarily due to increased production ramp activity;
- an increase in other manufacturing and production related costs of approximately \$8.4 million, associated with higher production levels; and
- a \$2.0 million increase in inventory reserves, primarily due to slow moving inventory and changes in demand forecasts related to certain slower-selling product lines.

Gross margin decreased to 29.1% for the three months ended March 31, 2026, compared to 30.6% in the three months ended March 31, 2025. Despite the decrease in gross margin percentage, gross profit increased by \$13.4 million or 43.8%, driven by higher revenues. The decrease in gross margin is primarily attributable to:

- increased manufacturing costs due to lower production efficiency, including the impact of higher CapEx investment and associated depreciation of approximately 1.1%; and
- a higher inventory reserve adjustment of 0.4%.

The increase in gross profit was primarily attributable to:

- increased revenues which contributed approximately \$15.7 million to the increase in gross profit; and
- increased costs associated with certain data center products, which negatively impacted gross profit by approximately \$2.3 million.

Management expects gross margin to increase in future periods as a result of product mix, cost optimization initiatives, and production efficiencies.

### Operating Expenses

	Three months ended March 31,				Change	
	2026		2025		Amount	%
	Amount	% of revenue	Amount	% of revenue		
	(in thousands, except percentages)					
Research and development	\$ 25,656	17.0%	\$ 17,810	17.8%	\$ 7,846	44.1%
Sales and marketing	6,347	4.2%	5,357	5.4%	990	18.5%
General and administrative	24,904	16.5%	16,314	16.3%	8,590	52.7%
Total operating expenses	\$ 56,907	37.6%	\$ 39,481	39.5%	\$ 17,426	44.1%

### Research and Development Expense

Research and development expense increased by \$7.8 million, or 44.1%, for the three months ended March 31, 2026 compared to the three months ended March 31, 2025. The increases were primarily due to increased personnel-related expense and increased R&D related project costs. The increases in R&D expenses were driven by customer demand for new products as well as acceleration of previously-planned project expenditures which were necessary to accommodate accelerated demand projections for these products from certain customers.

### Sales and Marketing Expense

Sales and marketing expense increased by \$1.0 million, or 18.5%, for the three months ended March 31, 2026 compared to the three months ended March 31, 2025. The increases were primarily attributable to:

- higher compensation and related costs associated with expanded sales efforts supporting data center and Quantum Bandwidth products; and
- higher shipping and logistics expenses, including the impact of tariffs of approximately \$0.7 million.

Management continues to monitor tariff developments and their potential impact on its cost structure and pricing strategy. Based on current conditions, management expects shipping costs and tariff-related impacts to continue in 2026, likely at a reduced level compared to 2025 due to the Supreme Court's decision overturning the IEPPA-related tariffs. Management cannot currently assess whether this tariff trend will continue given the Administration's current stated goal to replace the IEPPA tariffs with tariffs under other sections of federal law (e.g. Section 301 tariffs, reciprocal tariffs, etc.).

### General and Administrative Expense

General and administrative expense increased by \$8.6 million, or 52.7%, for the three months ended March 31, 2026 compared to the three months ended March 31, 2025. The increases were primarily due to increased personnel-related expense and expanded corporate infrastructure to support company growth.

### Other Income (Expense), Net

	Three months ended March 31,		Change
	2026	2025	

	<u>Amount</u>	<u>% of revenue</u>	<u>Amount</u>	<u>% of revenue</u>	<u>Amount</u>	<u>%</u>
	(in thousands, except percentages)					
Interest income	\$ 1,737	1.1%	\$ 224	0.2%	\$ 1,513	675.4%
Interest expense	(863)	(0.6)%	(934)	(0.9)%	71	(7.6)%
Other income, net	(1,115)	(0.7)%	475	0.5%	(1,590)	(334.7)%
Total other income (expense), net	<u>\$ (241)</u>	<u>(0.2)%</u>	<u>\$ (235)</u>	<u>(0.2)%</u>	<u>\$ (6)</u>	<u>2.6%</u>

Interest income increased by \$1.5 million, or 675.4%, for the three months ended March 31, 2026 compared to the three months ended March 31, 2025. The increase was due to higher saving balances in the first quarter of 2026.

Interest expense decreased by \$0.1 million, or 7.6%, for the three months ended March 31, 2026 compared to the three months ended March 31, 2025. The decrease was due to the lower effective interest rate for our 2030 Notes.

Other income (expenses) decreased by \$1.6 million, or 334.7%, for the three months ended March 31, 2026 compared to the three months ended March 31, 2025. The decrease was mainly due to the negative foreign exchange impact.

#### *Benefit (Provision) for Income Taxes*

The Company's effective tax rates for the three months ended March 31, 2026 and 2025 were (7.9)% and 0%, respectively. The effective tax rate varied from the federal statutory rate of 21% primarily due to the change of the valuation allowance on federal, state, and Taiwan deferred tax assets ("DTA"), and the R&D super deduction in China.

On August 9, 2022, the Creating Helpful Incentives to Produce Semiconductors Act ("CHIPS Act") was enacted. Among its provisions, the bill provides various federal grants, tax credits, and incentives for investment in the United States. To the extent that we make investments in expanding manufacturing in our semiconductor fabrication facility in Texas, we believe that the CHIPS Act would provide a refundable tax credit for certain equipment and facilities upgrades. We made significant investments in the three months ended March 31, 2026 which we believe should qualify for these credits, but we intend to continue to evaluate these and future investments for applicability to the tax credit provisions of the CHIPS Act.

#### *Comprehensive Loss*

	Three months ended March 31,				Change	
	2026		2025		Amount	%
	Amount	% of revenue	Amount	% of revenue		
	(in thousands, except percentages)					
Net loss	\$ (14,281)	(9.4)%	\$ (9,172)	(9.2)%	\$ (5,109)	55.7%
Gain (Loss) on foreign currency translation adjustment	410	0.3%	(207)	(0.2)%	617	(298.1)%
Comprehensive loss	\$ (13,871)	(9.2)%	\$ (9,379)	(9.4)%	\$ (4,492)	47.9%

Comprehensive loss increased by \$4.5 million, or 47.9%, for the three months ended March 31, 2026 as compared to the three months ended March 31, 2025.

The functional currency for the Company's operations is generally the applicable local currency. Accordingly, the assets and liabilities of companies whose functional currency is other than the U.S. dollar are included in the consolidated financial statements by translating the assets and liabilities into the U.S. dollar at the exchange rates applicable at the end of the reporting period. Translation gains or losses are accumulated in other comprehensive income (loss) in the consolidated statements of shareholders' equity and are also included in comprehensive loss.

## Liquidity and Capital Resources

As of March 31, 2026, we had \$61.7 million of unused borrowing capacity from all of our loan agreements. As of March 31, 2026, our cash, cash equivalents and restricted cash totaled \$449.4 million. Cash and cash equivalents are held for working capital purposes and are invested primarily in money market or time deposit funds. We do not enter into investments for trading or speculative purposes.

### ATM Offerings

On December 18, 2024, the Company filed an automatic shelf registration statement on Form S-3ASR (Registration File No. 333-283905) (the "Automatic Shelf Registration Statement") with the U.S. Securities and Exchange Commission, which became effective immediately upon filing.

On February 26, 2026, the Company entered into an Equity Distribution Agreement (the "Agreement") with Raymond James & Associates and Needham & Company, LLC (collectively, the "Sales Agents" and each, a "Sales Agent") pursuant to which the Company could issue and sell shares of the Company's common stock, par value \$0.001 per share (the "Shares") having an aggregate offering price of up to \$250 million (the "ATM Offering"), from time to time through the Sales Agents.

Upon delivery of a placement notice and subject to the terms and conditions of the Agreement, sales of the Shares were made through the Sales Agents in transactions that are deemed to be "at the market" offerings as defined in Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"), including sales made through the facilities of the Nasdaq Global Market, the principal trading market for the Company's common stock, on any other existing trading market for the Company's common stock, to or through a market maker or as otherwise agreed by the Company and the Sales Agents. In the placement notice, the Company would designate the maximum number of Shares to be sold through the Sales Agents, the time period during which sales were requested to be made, the minimum price for the Shares to be sold, and any limitation on the number of Shares that could be sold in any one day. Subject to the terms and conditions of the Agreement, the Sales Agents would use their commercially reasonable efforts to sell Shares on the Company's behalf up to the designated amount specified in the placement notice.

The Agreement provided that each of the Sales Agents would be entitled to compensation of up to 2% of the gross sales price of the Shares sold through such Sales Agent from time to time. The Company also agreed to reimburse the Sales Agents for certain specified expenses in connection with the registration of Shares under state blue sky laws and any filing with, and clearance of the offering by, the Financial Industry Regulatory Authority Inc., not to exceed \$10,000 in the aggregate, and any associated application fees incurred. The Company agreed to indemnify the Sales Agents against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Sales Agents could be required to make because of any of those liabilities.

On March 12, 2026, the Company entered into Amendment No. 1 to the Agreement with the Sales Agents, to increase the aggregate offering price from \$250 million to \$500 million. On April 2, 2026, the Company completed the ATM Offering and sold approximately 4.8 million shares at a weighted average price of \$103.51 per share, providing proceeds of approximately \$490 million, net of expenses and underwriting discounts and commissions.

The details of the shares of common stock sold through the ATM Offering as of the end of March 31, 2026 are as follows (in thousands, except shares and weighted average per share price):

Distribution Agent	Month	Number of Shares Sold	Weighted Average Per Share Price	Gross Proceeds	Compensation to Distribution Agent	Net Proceeds
Raymond James & Associates, Inc. and Needham & Company, LLC	March 2026	3,753,300	\$ 104.03	390,437	\$ 7,809	\$ 382,628
Total		<u>3,753,300</u>		<u>390,437</u>	<u>\$ 7,809</u>	<u>\$ 382,628</u>

### Note Offerings

On December 23, 2024, the Company issued approximately \$125.0 million aggregate principal amount of 2.75% convertible senior notes due 2030 (the "2030 Notes"), and on the same day consummated various separate, privately negotiated exchange agreements with certain holders of its 2026 Notes to exchange approximately \$76.6 million principal amount of the 2026 Notes for aggregate consideration consisting of (i) \$125.0 million aggregate principal amount of the 2030 Notes, (ii) 1,487,874 shares of the Company's common stock, par value \$0.001 per share and (iii) approximately \$0.9 million of cash in aggregate. Also, refer to Note 12 "Convertible Senior Notes" to the consolidated financial statements for further discussion of the 2030 Notes.

### Operating Activities

The table below sets forth selected cash flow data for the periods presented (in thousands):

	<b>Three months ended March 31,</b>	
	<b>2026</b>	<b>2025</b>
Net cash used in operating activities	\$ (85,353)	\$ (50,915)
Net cash used in investing activities	(68,087)	(36,301)
Net cash provided by financing activities	389,265	70,014
Effect of exchange rates on cash and cash equivalents	(2,483)	4,880
Net increase (decrease) in cash and cash equivalents	<u>\$ 233,342</u>	<u>\$ (12,322)</u>

Net cash used in operating activities was \$85.4 million during the three months ended March 31, 2026 as compared to \$50.9 million during the three months ended March 31, 2025, an increase of 67.6%. Net cash used in operating activities consisted of our net loss of \$14.3 million, adjusted for non-cash items of \$19.0 million, and a net use of cash from changes in working capital of \$90.1 million.

The changes in working capital were primarily attributable to:

- Accounts receivable, which increased by approximately \$54.4 million during the three months ended March 31, 2026, as compared to an increase of approximately \$54.3 million during the three months ended March 31, 2025, an increase of 0.3%, primarily due to higher revenues during the period, partially offset by the timing of customer collections.
- Inventory, which increased by approximately \$25.3 million, as compared to an increase of approximately \$16.2 million during the three months ended March 31, 2025, an increase of 56.4%, primarily due to production ramp and build to support anticipated demand, as well as longer lead times for certain components.
- Accounts payable increased by \$4.2 million during the three months ended March 31, 2026, compared to an increase of approximately \$19.9 million during the three months ended March 31, 2025, a decrease of 78.7%. The decrease in the current period was primarily due to the timing of purchases and related vendor payments, as amounts accrued in the fourth quarter of 2025 were paid during the first quarter of 2026.

Management believes these changes are consistent with ongoing production ramp and customer demand dynamics, which may result in variability in operating cash flows from period to period.

### Customer Concentration

As of March 31, 2026, Digicomm represented approximately 74.5% of total accounts receivable. This concentration is primarily attributable to customer purchasing patterns, shipment timing, and billing concentration. Management has extended longer than typical payment terms to Digicomm in order to ensure Digicomm has adequate inventory on hand to quickly provide products to customers when needed for their network builds. The Company has a multi-year history with Digicomm and over this period the Company's collection experience has been good. Digicomm's payment history has generally been relatively consistent over time. In addition, to the extent customers in the Company's data center business continue to grow relative to Digicomm, Management expects Accounts Receivable concentration with Digicomm to decline.

The Company continues to monitor credit exposure and collection trends related to significant customers and does not believe this concentration will create a material credit-risk.

For the three months ended March 31, 2026, revenues from Digicomm were approximately \$66.7 million, representing approximately 44.1% of consolidated revenues. These revenues were primarily attributable to the CATV product category.

### Investing Activities

Net cash used in investing activities was \$68.1 million during the three months ended March 31, 2026 compared with \$36.3 million in the three months ended March 31, 2025. The increase was primarily driven by capital expenditures of \$58.2 million, which included \$26.6 million capital expenditures in the US, \$9.9 million in Taiwan, and \$21.7 million in China. The increase in capital expenditures was primarily attributable to facility expansion and equipment purchases to support increased production capacity for the Company's internet data center and broadband product lines, including investments related to Quantum Bandwidth products and the continued expansion of manufacturing operations for 400G, 800G, and 1.6T transceiver products. Based on current demand trends, Management expects that 2026 CapEx will be materially higher than 2025 CapEx.

Management expects to continue to make investments in capacity expansion through at least the end of 2027 and believes that this expansion will provide adequate production capacity to meet expected demand for data center transceiver, semiconductor lasers, and Quantum Bandwidth broadband products, subject to demand variability, customer ramp timing, supply chain, and other factors. The Company expects to expand manufacturing operations in the U.S. and Taiwan during 2026 and 2027 primarily to support laser diode production and production of 800G and 1.6T transceivers.

### Financing Activities

Net cash provided by financing activities was \$389.3 million during the three months ended March 31, 2026 compared with \$70.0 million in the three months ended March 31, 2025. The increase was primarily attributable to the net proceeds of \$382.4 million from the ATM Offering, the net proceeds from line of credit borrowings of \$6.8 million, and net proceeds from bank acceptance payable of \$1.8 million, partially offset by tax payments related to share-based compensation of \$1.7 million.

*Loans and Commitments*

As of March 31, 2026, we have lending arrangements with one U.S. bank, two financial institution in Taiwan, and four financial institutions in China. As of March 31, 2026, we were in compliance with the covenants in the lending arrangements. As of March 31, 2026, we had \$61.7 million of unused borrowing capacity.

On December 23, 2024, the Company issued \$125.0 million of 2.75% convertible senior notes due 2030. The 2030 Notes will mature on January 15, 2030, unless earlier repurchased, redeemed or converted in accordance with their terms.

See Note 11 "Notes Payable and Long-term Debt" and Note 12 "Convertible Senior Notes" of our Condensed Consolidated Financial Statements for a description of our notes payable and long-term debt and convertible senior notes.

### *Warrants*

On March 13, 2025, we issued a warrant (the "Customer Warrant") to an Amazon affiliate to purchase up to an aggregate of 7,945,399 shares of the Company's common stock ("Warrant Shares") at an exercise price of \$23.6956 per share. The Customer Warrant has a contractual term of 10 years. At the time of issuance, the Customer Warrant is exercisable to purchase 1,324,233 Warrant Shares. The remaining 6,621,166 Warrant Shares may vest over the next 10 years, dependent on aggregate purchases by Amazon of \$4 billion of our products over this time period. See Note 3 "Revenue Recognition" of our Condensed Consolidated Financial Statements for additional description of the Warrant Shares.

### *Future Liquidity Needs*

We had cash, cash equivalents and restricted cash of \$449.4 million as of March 31, 2026, an increase of approximately \$233.4 million compared to December 31, 2025. Our future capital requirements will depend on many factors including our growth rate, the timing and extent of spending to support our research and development efforts, the expansion of our sales and marketing activities, the introduction of new and enhanced products, the building improvement of a new factory in Taiwan or U.S., changes in our manufacturing capacity and the continuing market acceptance of our products.

As of March 31, 2026, we had a total loan balance (excluding convertible notes) of \$41.2 million from various lenders and had \$61.7 million available borrowing capacity on existing credit lines. Should additional liquidity be needed, our Board may authorize issuance of additional common stock under an at-the-market offering in the future (see the discussion of "Liquidity and Capital Resources" in Item 2).

In the event we need additional liquidity, we will explore additional sources of liquidity. These additional sources of liquidity could include one, or a combination, of the following: (i) issuing equity or debt securities, (ii) incurring indebtedness secured by our assets and (iii) selling product lines, other assets and/or portions of our business. There can be no guarantee that we will be able to raise additional funds on terms acceptable to us, or at all.

### **Contractual Obligations and Commitments**

Please refer to Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2025 for a complete discussion of its contractual obligations and commitments.

### **Inflation**

Inflation in the United States has moderated in recent periods. However, certain cost components, including labor, materials, logistics and tariffs, remain elevated relative to historical levels. These cost pressures were partially offset by improved supply chain conditions and continued cost optimization initiatives.

During the three months ended March 31, 2026, we experienced continued inflationary pressures in certain areas of our operations. However, these pressures did not have a material impact on our business, financial condition, or results of operations. Compared to other global markets, China has experienced relatively stable inflationary conditions. While we have implemented pricing actions and operational efficiencies to mitigate the effects of inflation, there can be no assurance that these measures will fully offset future cost increases. Continued inflationary pressures, particularly related to labor, tariffs and raw materials, could adversely affect our cost structure, gross margins and operating results in future periods.

In our Annual Report for the year ended December 31, 2025 and in the Notes to the Financial Statements herein, we identify our most critical accounting policies. In preparing the financial statements, we make assumptions, estimates and judgments that affect the amounts reported. We periodically evaluate our estimates and judgments that are most critical in nature which are related to revenue recognition, allowance for credit losses, inventory reserves, impairment of long-lived assets, service and product warranties, share based compensation expense, estimated useful lives of property and equipment, and income taxes. Our estimates are based on historical experience and on our future expectations that we believe are reasonable. The combination of these factors forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results are likely to differ from our current estimates and those differences may be material.

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

For quantitative and qualitative disclosures about market risk affecting the Company, see Item 7A – Quantitative and Qualitative Disclosures about Market Risk in our Annual Report for the fiscal year ended December 31, 2025. We do not believe the Company's exposure to market risk has changed materially since December 31, 2025.

We are affected by changes in currency exchange and interest rates. Our risk management programs are designed to reduce, but may not entirely eliminate, the impacts of these risks. We performed an evaluation of these risks to our financial positions as of December 31, 2025, and updated that analysis as of March 31, 2026, to determine whether material changes in market risks pertaining to currency and interest rates have occurred as a result of the changes in international trade policies, including tariffs and export controls. No material revisions were noted since disclosing "Quantitative and Qualitative Disclosures About Market Risk" within MD&A, in our 2025 Form 10-K.

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

The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their control objectives.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2026. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

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

There were no changes in the Company's internal control over financial reporting during the three months ended March 31, 2026, including with respect to the controls implemented as part of previously disclosed remediation efforts, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## Part II. Other Information

### Item 1. Legal Proceedings

Information with respect to legal proceedings can be found in Note 18 to the Condensed Consolidated Financial Statements contained in Part 1, Item 1 of this report.

### Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. See Part I, Item 1A, "Risk Factors", of our Annual Report on Form 10-K for the year ended December 31, 2025 for a detailed discussion of the risk factors affecting our Company. As of March 31, 2026, there have been no material changes to those risk factors.

**Item 5. Other Information**

(a) None

(b) None

(c) The adoption or termination of contracts, instructions or written plans for the purchase or sale of our securities by our Section 16 officers and directors for the three months ended March 31, 2026, each of which is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act ("Rule 10b5-1"), were as follows:

<u>Name</u>	<u>Title</u>	<u>Action</u>	<u>Date Adopted</u>	<u>Expiration Date</u>	<u>Aggregate # of Securities to be Purchased/Sold</u>
Hung-Lun (Fred) Chang(1)	SVP/North America General Manager	Adoption	March 18, 2026	March 1, 2027	55,329
Shu-Hua (Joshua) Yeh(2)	SVP/Asia General Manager	Adoption	March 19, 2026	June 18, 2027	72,000

(1) Hung-Lun (Fred) Chang, our Senior Vice President and North America General Manager, entered into a Rule 10b5-1 Plan on March 18, 2026. Dr. Chang's plan provides for the potential sale of up to 55,329 shares of the Company's common stock. The plan is set to expire on March 1, 2027, or upon the earlier completion of all authorized transactions under the plan.

(2) Shu-Hua (Joshua) Yeh, our Senior Vice President and Asia General Manager, entered into a Rule 10b5-1 Plan on March 19, 2026. Mr. Yeh's plan provides for the potential sale of up to 72,000 shares of the Company's common stock. The plan is set to expire on June 18, 2027, or upon the earlier completion of all authorized transactions under the plan.

**Item 6. Exhibits**

See Exhibit Index.

**EXHIBIT INDEX**

<u>Number</u>	<u>Description</u>
3.1*	<a href="#">Restated Certificate of Incorporation (filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 12, 2025).</a>
3.2*	<a href="#">Amended and Restated Bylaws, as currently in effect (filed as Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 14, 2013).</a>
3.3*	<a href="#">Amendment No. 1 to the Amended and Restated Bylaws, as currently in effect (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 2, 2025).</a>
4.1*	<a href="#">Common Stock Specimen (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 15, 2015).</a>
4.2*	<a href="#">Indenture, dated as of December 23, 2024 between Applied Optoelectronics, Inc. and Computershare Trust Company, as trustee (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 23, 2024).</a>
4.3*	<a href="#">Form of Note representing the Company's 2.75% Convertible Senior Notes due 2030 (included as Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 23, 2024).</a>
4.4*	<a href="#">First Supplemental Indenture, dated as of December 23, 2024, between Applied Optoelectronics, Inc. and Computershare Trust Company, N.A., as trustee (included as Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 23, 2024).</a>
4.5*	<a href="#">Warrant to Purchase Common Stock of Applied Optoelectronics, Inc. by and between Applied Optoelectronics, Inc. and Amazon.com NV Investment Holdings LLC, dated as of March 13, 2025 (included as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 13, 2025).</a>

## Table of Contents

10.1**†	<a href="#"><u>Form of Executive Employment Agreement Amendment approved on February 13, 2026 (included as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 19, 2026).</u></a>
10.2*	<a href="#"><u>Lease Agreement executed February 23, 2026, by and between Applied Optoelectronics, Inc. and Blue Ridge Commerce Center West LLC (included as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 27, 2026).</u></a>
10.3*	<a href="#"><u>Standard Form of Agreement between Owner and Design-Builder (AIA Document A141-2024), effective as of February 13, 2026, by and between Applied Optoelectronics, Inc. and LCC3 Solution Inc. (included as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 5, 2026).</u></a>
10.4*	<a href="#"><u>Exhibits Package to Design-Build Contract (FAB2 Exhibit Package), effective as of February 13, 2026 (included as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 5, 2026).</u></a>
31.1**	<a href="#"><u>Certification of Chief Executive Officer pursuant to Exchange Act Rule, 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2**	<a href="#"><u>Certification of Chief Financial Officer pursuant to Exchange Act Rule, 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1**	<a href="#"><u>Certification pursuant to 18 U.S.C. 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Chief Executive Officer and Chief Financial Officer.</u></a>
101.INS**	Inline XBRL Instance – 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 Extension 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).
*	Incorporated herein by reference to the indicated filing.
**	Filed herewith.
†	Management contract, compensatory plan or arrangement.

**SIGNATURES**

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

**APPLIED OPTOELECTRONICS, INC.**

Date: May 7, 2026

By: /s/ STEFAN J. MURRY  
STEFAN J. MURRY  
Chief Financial Officer  
*(principal financial officer and principal accounting officer)*

**Certification**

I, Chih-Hsiang (Thompson) Lin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Applied Optoelectronics, 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: May 7, 2026

/s/ CHIH-HSIANG (THOMPSON) LIN  
CHIH-HSIANG (THOMPSON) LIN  
President and Chief Executive Officer

**Certification**

I, Stefan J. Murry, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Applied Optoelectronics, 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: May 7, 2026

/s/ STEFAN J. MURRY

STEFAN J. MURRY  
Chief Financial Officer

**Certification**

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 1350 of Chapter 63 of Title 18 of the U.S. Code (18 U.S.C. § 1350), Chih-Hsiang (Thompson) Lin, President and Chief Executive Officer of Applied Optoelectronics, Inc. (the “Company”), and Stefan J. Murry, Chief Financial Officer and Senior Vice President of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company’s Quarterly Report on Form 10-Q for the period ended March 31, 2026, to which this Certification is attached as Exhibit 32.1 (the “Quarterly Report”) fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

In Witness Whereof, the undersigned have set their hands hereto as of the 7th day of May, 2026.

/s/ CHIH-HSIANG (THOMPSON) LIN

CHIH-HSIANG (THOMPSON) LIN

President and Chief Executive Officer

/s/ STEFAN J. MURRY

STEFAN J. MURRY

Chief Financial Officer

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