REKOR SYSTEMS, INC.

FORM 10-Q
(Quarterly Report)

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Address	7172 COLUMBIA GATEWAY DRIVE SUITE 400 COLUMBIA, MD, 21046
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2025

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: 001-38338

Rekor Systems, Inc.

(Exact name of registrant as specified in its charter)

Delaware	81-5266334
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6721 Columbia Gateway Drive, Suite 400
Columbia, MD
(Address principal executive offices)

21046
(Zip Code)

(410) 762-0800
(Registrant's telephone number, including area code)

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 ☒

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value per share	REKR	The Nasdaq Stock Market

As of August 11, 2025, the Registrant had 126,334,034 shares of common stock, $0.0001 par value per share outstanding.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (the "Quarterly Report") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve substantial risks and uncertainties, including particularly statements regarding our future results of operations and financial position, business strategy, prospective products and services, timing and likelihood of success, plans and objectives of management for future operations and future results of current and anticipated products and services. These statements involve uncertainties, such as known and unknown risks, and are dependent on other important factors that may cause our actual results, performance, or achievements to be materially different from the future results, performance or achievements we express or imply. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other similar expressions. These forward-looking statements speak only as of the date of this Quarterly Report and are subject to a number of risks, uncertainties and assumptions described under the sections in our Annual Report on Form 10-K for the year ended December 31, 2024 entitled "Risk Factors" and elsewhere in this Quarterly Report. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Readers are urged to carefully review and consider the various disclosures made in this Form 10-Q and in other documents we file from time to time with the SEC that disclose risks and uncertainties that may affect our business. The forward-looking statements in this Form 10-Q do not reflect the potential impact of any divestiture, merger, acquisition, or other business combination that had not been completed as of the date of this filing. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified and some of which are beyond our control, you should not rely on these forward-looking statements as predictions of future events. We undertake no obligation to update any forward-looking statement as a result of new information, future events or otherwise.

REKOR SYSTEMS, INC. AND SUBSIDIARIES
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2025

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

REKOR SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share and per share amounts)

	June 30, 2025 (Unaudited)	December 31, 2024
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,830	$ 5,013
Restricted cash	340	316
Accounts receivable, net of reserve allowance of $571 and $486, respectively	7,976	7,232
Inventory	4,580	4,297
Note receivable, current portion	312	340
Other current assets	3,342	2,732
Total current assets	21,380	19,930
Long-term assets		
Property and equipment, net	9,754	11,048
Right-of-use operating lease assets, net	7,694	9,348
Right-of-use financing lease assets, net	2,200	2,317
Goodwill	24,313	24,313
Intangible assets, net	13,850	14,450
Note receivable, long-term	-	142
Deposits	881	927
Total long-term assets	58,692	62,545
Total assets	$ 80,072	$ 82,475
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	4,090	4,330
Notes payable, current portion	-	1,000
Loan payable, current portion	81	79
Lease liability operating, short-term	1,444	2,310
Lease liability financing, short-term	980	900
Contract liabilities	3,752	3,439
Liability for ATD Holdback Shares, at fair value	-	1,036
Other current liabilities	4,874	5,129
Total current liabilities	15,221	18,223
Long-term Liabilities		
Series A Prime Revenue Sharing Notes, net of debt discount of $197 and $263, respectively	9,803	9,737
Series A Prime Revenue Sharing Notes - related party, net of debt discount of $99 and $132, respectively	4,901	4,868
Loan payable, long-term	154	194
Lease liability operating, long-term	11,654	12,371
Lease liability financing, long-term	922	977
Contract liabilities, long-term	1,352	1,298
Deferred tax liability	79	79
Other non-current liabilities	587	587
Total long-term liabilities	29,452	30,111
Total liabilities	44,673	48,334
Commitments and contingencies (Note 8)		
Stockholders' equity		
Preferred stock, $0.0001 par value, 2,000,000 authorized, 505,000 shares designated as Series A and 240,861 shares designated as Series B as of June 30, 2025 and December 31, 2024, respectively. No preferred stock was issued or outstanding as of June 30, 2025 or December 31, 2024, respectively.	-	-
Common stock, $0.0001 par value; 300,000,000 authorized shares; 122,538,090 and 104,700,593 shares issued as of June 30, 2025 and December 31, 2024, respectively; 122,237,802 and 104,541,073 shares outstanding as of June 30, 2025 and December 31, 2024, respectively.	12	10
Treasury stock, 300,288 and 159,520 shares as of June 30, 2025 and December 31, 2024, respectively.	(873)	(711)
Additional paid-in capital	315,885	294,935
Accumulated deficit	(279,625)	(260,093)
Total stockholders’ equity	35,399	34,141
Total liabilities and stockholders’ equity	$ 80,072	$ 82,475

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

REKOR SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Revenue	$ 12,359	$ 12,427	$ 21,557	$ 22,205
Cost of revenue, excluding depreciation and amortization	6,245	5,776	11,006	11,061
Operating expenses:				
General and administrative expenses	6,936	7,370	14,222	15,032
Selling and marketing expenses	1,700	2,021	3,457	4,435
Research and development expenses	3,652	4,991	7,629	9,992
Depreciation and amortization	1,561	2,344	3,117	4,676
Total operating expenses	13,849	16,726	28,425	34,135
Loss from operations	(7,735)	(10,075)	(17,874)	(22,991)
Other income (expense):				
Loss on extinguishment of debt	-	-	-	(4,693)
Interest expense, net	(586)	(544)	(1,176)	(1,598)
(Loss) gain on remeasurement of ATD Holdback Shares	-	745	(120)	745
Other (expense) income	(337)	79	(362)	128
Total other (expense) income, net	(923)	280	(1,658)	(5,418)
Net loss	$ (8,658)	$ (9,795)	$ (19,532)	$ (28,409)
Loss per common share	$ (0.07)	$ (0.12)	$ (0.17)	$ (0.35)
Weighted average shares outstanding				
Basic and diluted	117,435,953	84,932,611	112,459,949	81,929,347

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

REKOR SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in thousands, except share amounts)
(Unaudited)

	Shares of Common Stock	Common Stock	Shares of Treasury Stock	Treasury Stock at Cost	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
Balance as of April 1, 2025	110,912,209	$ 11	223,747	$ (804)	$ 305,119	$ (270,967)	$ 33,359
Stock-based compensation	-	-	-	-	723	-	$ 723
Issuance upon exercise of stock options	5,333	-	-	-	4	-	4
Issuance upon vesting of restricted stock units	1,630,801	-	-	-	-	-	-
Shares withheld upon vesting of restricted stock units	(76,541)	-	76,541	(69)	-	-	(69)
Issuance of common stock pursuant to the 2025 Sales Agreement	9,766,000	1	-	-	10,039	-	10,040
Net loss	-	-	-	-	-	(8,658)	(8,658)
Balance as of June 30, 2025	122,237,802	$ 12	300,288	$ (873)	$ 315,885	$ (279,625)	$ 35,399
Balance as of April 1, 2024	84,660,589	$ 8	154,653	$ (702)	$ 270,864	$ (217,297)	52,873
Stock-based compensation	-	-	-	-	1,115	-	1,115
Issuance upon exercise of stock options	3,500	-	-	-	3	-	3
Issuance upon vesting of restricted stock units	152,617	-	-	-	-	-	-
Issuance upon exercise of 2023 Warrants	1,400,000	1	-	-	1,959	-	1,960
Net loss	-	-	-	-	-	(9,795)	(9,795)
Balance as of June 30, 2024	86,216,706	$ 9	154,653	$ (702)	$ 273,941	$ (227,092)	$ 46,156
Balance as of January 1, 2025	104,541,073	$ 10	159,520	$ (711)	$ 294,935	$ (260,093)	$ 34,141
Stock-based compensation	-	-	-	-	2,093	-	2,093
Issuance upon exercise of stock options	5,333	-	-	-	4	-	4
Issuance upon vesting of restricted stock units	2,253,235	-	-	-	-	-	-
Shares withheld upon vesting of restricted stock units	(140,768)	-	140,768	(162)	-	-	(162)
ATD Holdback Shares	664,329	-	-	-	1,156	-	1,156
Issuance of common stock pursuant to the 2025 Sales Agreement	14,914,600	2	-	-	17,697	-	17,699
Net loss	-	-	-	-	-	(19,532)	(19,532)
Balance as of June 30, 2025	122,237,802	$ 12	300,288	$ (873)	$ 315,885	$ (279,625)	$ 35,399
Balance as of January 1, 2024	69,176,826	$ 7	96,508	$ (522)	$ 232,568	$ (198,683)	$ 33,370
Stock-based compensation	-	-	-	-	2,282	-	2,282
Issuance upon exercise of stock options	3,500	-	-	-	3	-	3
Issuance upon vesting of restricted stock units	612,390	-	-	-	-	-	-
Shares withheld upon vesting of restricted stock units	(58,145)	-	58,145	(180)	-	-	(180)
Shares issued as part of the ATD Acquisition	2,832,135	-	-	-	8,893	-	8,893
Retirement of the 2023 Promissory Notes	750,000	-	-	-	1,875	-	1,875
2024 Public Offering	11,500,000	1	-	-	26,361	-	26,362
Issuance upon exercise of 2023 Warrants	1,400,000	1	-	-	1,959	-	1,960
Net loss	-	-	-	-	-	(28,409)	(28,409)
Balance as of June 30, 2024	86,216,706	$ 9	154,653	$ (702)	$ 273,941	$ (227,092)	$ 46,156

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

REKOR SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Cash Flows from Operating Activities:		
Net loss	$ (19,532)	$ (28,409)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	103	314
Depreciation	1,911	1,949
Amortization of right-of-use lease asset	606	384
Non-cash operating lease expense	515	455
Share-based compensation	2,093	2,282
Amortization of debt discount	99	455
Amortization of intangible assets	600	2,343
Loss due to the remeasurement of the STS Earnout and Contingent Consideration, net	-	100
Loss (gain) on remeasurement of ATD Holdback Shares	120	(745)
Loss on sale of property and equipment	13	8
Loss on financing lease abandonment	4	-
Loss on extinguishment of debt	-	4,693
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	(847)	(1,191)
Inventory	(78)	302
Other current assets	(565)	42
Deposits	46	12
Accounts payable, accrued expenses and other current liabilities	(745)	(269)
Contract liabilities	367	(111)
Lease liability	(444)	(540)
Net cash used in operating activities	(15,734)	(17,926)
Cash Flows from Investing Activities:		
Capital expenditures	(650)	(512)
Proceeds from the sale of property and equipment	20	27
Cash paid for ATD acquisition, net	-	(9,222)
Net cash used in investing activities	(630)	(9,707)
Cash Flows from Financing Activities:		
Proceeds from 2025 Sales Agreement, net	17,699	-
Repayment of STS Notes	(1,000)	-
Proceeds from the public offering	-	26,362
Repayment of 2023 Promissory Notes	-	(12,500)
Proceeds from notes receivable	170	170
Net proceeds from exercise of options	4	3
Net proceeds from exercise of warrants	-	1,960
Payments related to financing leases	(468)	(441)
Repayments of loans payable	(38)	(37)
Repurchases of common stock	(162)	(180)
Net cash provided by financing activities	16,205	15,337
Net decrease in cash, cash equivalents and restricted cash	(159)	(12,296)
Cash, cash equivalents and restricted cash at beginning of period	5,329	15,713
Cash, cash equivalents and restricted cash at end of period	$ 5,170	$ 3,417
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents at end of period	$ 4,830	$ 3,089
Restricted cash at end of period	340	328
Cash, cash equivalents and restricted cash at end of period	$ 5,170	$ 3,417

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

REKOR SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 – GENERAL, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Rekor Systems, Inc. (“Rekor”) was formed in February 2017. The consolidated financial statements include the accounts of Rekor, the parent company, and its wholly-owned subsidiaries Rekor Recognition Systems, Inc., Waycare Technologies Inc. and Waycare Technologies Ltd. (collectively, “Waycare”), Southern Traffic Services, Inc. (“STS”) and All Traffic Data Services, LLC (“ATD”) (collectively, the “Company”).

The Company stands at the forefront of the roadway intelligence sector, working to revolutionize public safety, urban mobility, and transportation management on a global scale. The Company's vision is to improve the lives of citizens and the world around them by enabling safer, smarter, and greener roadways and communities. The Company works towards this vision by collecting, connecting, and organizing the world’s mobility data, and making it accessible and useful to its customers for real-time insights and decisioning for situational awareness, rapid response, risk mitigation, and predictive analytics for resource and infrastructure planning and reporting.

These unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial statements. Accordingly, they do not contain all information and notes required by U.S. GAAP for annual financial statements. In the opinion of management, these unaudited condensed consolidated interim financial statements reflect all adjustments, which include normal recurring adjustments, necessary for a fair statement of the Company’s unaudited condensed consolidated financial statements as of and for the periods ended June 30, 2025 and 2024.

The financial data and other information disclosed in these notes are unaudited. The results for the three and six months ended June 30, 2025, are not necessarily indicative of the results to be expected for the year ending December 31, 2025.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the full year ended December 31, 2024. The year-end condensed balance sheet data was derived from audited financial statements but does not include all disclosures required by U.S. GAAP.

Dollar amounts, except per share data, in the notes to these unaudited condensed consolidated financial statements are rounded to the nearest $1,000.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires the extensive use of management's estimates. Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. On an ongoing basis, the Company evaluates its estimates, including those related to the collectability of accounts receivable, the fair value of intangible and long lived-assets, the fair value of goodwill, the fair value of debt and equity instruments, income taxes and determination of standalone selling prices in contracts with customers that contain multiple performance obligations. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not apparent from other sources. Actual results may differ from those estimates under different assumptions or conditions.

Liquidity and Going Concern

Management has assessed going concern uncertainty to determine whether there is sufficient cash on hand, together with expected capital raises and working capital, to assure operations for a period of at least one year from the date these unaudited condensed consolidated financial statements are issued, which is referred to as the "look-forward period", as defined in U.S. GAAP. As part of this assessment, based on conditions that are known and reasonably knowable to management, management has considered various scenarios, forecasts, projections and estimates and will make certain key assumptions. These assumptions include, among other factors, its ability to raise additional capital, the expected timing and nature of the Company's programs and projected cash expenditures and its ability to delay or curtail these programs or expenditures to the extent management has the proper authority to do so and considers it probable that those implementations can be achieved within the look-forward period.

The Company has generated losses and negative operating cashflows since its inception and has relied on external sources of financing to support cash flow from operations. The Company attributes losses to non-capital expenditures related to the scaling of existing products and services, development of new products and services and marketing efforts associated with these products and services. As of and for the six months ended June 30, 2025, the Company had working capital of $6,159,000 and a net loss of $19,532,000, respectively.

Based on the Company's current business plan assumptions and the expected cash burn rate, the Company believes that the existing cash is insufficient to fund its current level of operations. These factors raise substantial doubt regarding the Company's ability to continue as a going concern for the next twelve months following the issuance of these unaudited condensed consolidated financial statements. The unaudited condensed consolidated financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

The Company is actively monitoring its operations, cash on hand and working capital. The Company is currently in the process of reviewing and exploring external financing options in order to sustain its operations. If additional financing is not available, the Company also has contingency plans to continue to reduce or defer expenses and cash outlays in the look-forward period.

Segment Information

The Company operates as a single operating and reportable segment. Rekor offers a variety of platforms that collect, connect and organize mobility data, making it accessible and useful to its customers for real-time insights and decision-making.

The Company's chief operating decision maker ("CODM") is the interim president and chief executive officer.

The Company does not report balance sheet information by segment since it is not reviewed by the CODM.

The CODM uses net income to assess segment performance. The significant expenses regularly reviewed by the CODM are cost of revenues, excluding depreciation and amortization and the Company's operating expenses. The presentation of these items to the CODM is consistent with the Company's presentation of these items on the unaudited condensed consolidated statement of operations.

Goodwill

The excess purchase consideration over the fair value of acquired assets and assumed liabilities is recorded as goodwill. Goodwill is subject to impairment testing on an annual basis. The Company will assess goodwill for impairment annually on October 1st of each year, or more often if events or changes in circumstances indicate that it might be impaired, by comparing its carrying value to the reporting unit's fair value. The Company will perform a qualitative assessment, to determine its fair value which includes an evaluation of relevant events and circumstances, including macroeconomic, industry and market conditions, the Company's overall financial performance, and trends in the value of the Company's common stock. As of June 30, 2025, the Company did not identify any events that would cause it to assess goodwill for impairment.

Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for accounts receivable, notes receivable and accounts payable approximate fair value as of June 30, 2025 and December 31, 2024 because of the relatively short-term maturity of these financial instruments. The carrying amount reported for long-term debt and long-term receivables approximates fair value as of June 30, 2025 and December 31, 2024, given management's evaluation of the instrument's current rate compared to market rates of interest and other factors.

The determination of fair value is based upon the fair value framework established by ASC Topic 820, Fair Value Measurements and Disclosures ("ASC 820"). Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. ASC 820 also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors market participants would use in valuing the asset or liability. The guidance establishes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. Changes in the observability of valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy.

The Company's goodwill and other intangible assets are measured at fair value at the time of acquisition and analyzed on a recurring and non-recurring basis for impairment, respectively, using Level 3 inputs.

The Company does not have any Level 1 or Level 2 assets or liabilities. The Company considers its contingent consideration and ATD Holdback Shares to be Level 3 securities as the fair value measurement is based on significant inputs that are unobservable in the market and thus represents a Level 3 fair value measurement.

There were no changes in levels during the period ended June 30, 2025.

The following is a rollforward of the company's contingent consideration liability and ATD Holdback Shares:

	STS Contingent Consideration
Balance as of January 1, 2025	$ 1,900
Change in fair value	-
Balance as of June 30, 2025	$ 1,900

	ATD Holdback Shares
Balance as of January 1, 2025	$ 1,036
Loss due to change in fair value	120
Settlement of ATD Holdback Shares	(1,156)
Balance as of June 30, 2025	$ -

Revenue Recognition

The Company derives its revenues primarily from the licensing and sale of its roadway data and traffic management product and service offerings. These offerings include a mixture of data collection, implementation, engineering, customer support and maintenance services, as well as software and hardware. Revenue is recognized upon transfer of control of promised products and services to the Company’s customers, in an amount that reflects the consideration the Company expects to receive in exchange for those products and services.

To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, performance obligations are satisfied

The following table presents a summary of revenue (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Recurring revenue	$ 5,911	$ 6,284	$ 11,017	$ 11,246
Product and service revenue	6,448	6,143	10,540	10,959
Total revenue	$ 12,359	$ 12,427	$ 21,557	$ 22,205

Revenues

Recurring revenue

Recurring revenue includes the Company’s SaaS revenue, subscription revenue, eCommerce revenue and customer support revenue. The Company generates recurring revenue both from long-term contracts with customers that provide for periodic payments and from short-term contracts that are automatically invoiced on a monthly basis. The Company’s recurring revenue is generated by a combination of direct sales, partner-assisted sales, and eCommerce sales.

Recurring revenues are generated through the Company’s Software-as-a-Service ("SaaS") model, where the Company provides customers with the right to access the Company’s software solutions for a fee. These services are made available to the customer continuously throughout the contractual period. However, the extent to which the customer uses the services may vary at the customer’s discretion. The contracts with customers are generally for a term of one to five years. The payments for SaaS solutions may be received either at the inception of the arrangement or over the term of the arrangement. These SaaS solutions are considered to have a single performance obligation where the customer simultaneously receives and consumes the benefit, and as such, we recognize revenue for these arrangements ratably over the term of the contractual agreement.

The Company also currently receives recurring revenues under contracts entered into using a subscription model for data collection services and bundled hardware and software over a period. Payments for these services and subscriptions are received periodically over the term of the agreement and revenue is recognized ratably over the term of the agreement. In addition, some of our subscription revenue includes providing, through a web server, access to the Company’s software solutions, a self-managed database, and a cross-platform application programming interface. The subscription arrangements with these customers typically do not provide the customer with the right to take possession of the Company’s software at any time. Instead, customers are granted continuous access to the Company’s solutions over the contractual period. The Company’s subscription services arrangements are non-cancelable and do not contain refund-type provisions. Accordingly, any fixed consideration related to the arrangement is generally recognized as recurring revenue on a straight-line basis over the contract term beginning on the date access to the Company’s software is provided.

eCommerce revenue is defined by the Company as revenue obtained through direct sales on the Company’s eCommerce platform. The Company’s eCommerce revenue generally includes subscriptions to the Company’s vehicle recognition software that can be purchased online and activated through a digital key. The Company's contracts with eCommerce customers are generally for a term of one month with automatic renewal each month. The Company invoices and receives fees from its customers monthly. Revenue is recognized ratably over the term of the contract.

Customer support revenue is associated with perpetual licenses and long-term subscription arrangements and consists primarily of technical support and product updates. The Company’s customer support team is ready to provide these maintenance services, as needed, to the customer during the contract term. The customer benefits evenly throughout the contract period from the guarantee that the customer support resources and personnel will be available to them. As customer support is not critical to the customers' ability to derive benefit from their right to use the Company’s software, customer support is considered a distinct performance obligation when sold together with a long-term license for software. Customer support for perpetual and term licenses is renewable, generally on an annual basis, at the option of the customer. Customer support for subscription licenses is renewable concurrently with such licenses for the same duration of time. Revenue for customer support is recognized ratably over the contract period based on the start and end dates of the customer support obligation, in line with how the Company believes services are provided.

Product and service revenue

Implementation revenue is recognized when the Company provides installation, construction and other implementation services to its customers. These services involve a fee and are typically associated with the sale of the Company's data collection services, software and hardware. The Company's implementation revenue is recognized over time as the implementation is completed.

In addition to recurring revenue from software sales, the Company recognizes point-in-time revenue related to the sale of perpetual software licenses. The Company sells perpetual licenses that provide customers the right to use software for an indefinite period in exchange for a one-time license fee, which is generally paid at contract inception. The Company's perpetual licenses provide a right to use intellectual property ("IP") that is functional in nature and has significant stand-alone functionality. Accordingly, for perpetual licenses of functional IP, revenue is recognized at the point-in-time when the customer has access to the software, which normally occurs once software activation keys have been made available to the customer.

The Company also generates revenue through the sale of hardware through its partner program and internal sales force distribution channels. The Company satisfies its performance obligation upon the transfer of control of hardware to its customers. The Company invoices end-user customers upon transfer of control of the hardware to its customers. The Company provides hardware installation services to customers which range from one to six months. The revenue related to the installation component is recognized over time as the implementation is completed.

Contactless compliance revenues reflect arrangements to provide hardware systems and services that identify uninsured motor vehicles, notify owners of non-compliance through a diversion citation, and assist them in obtaining the required insurance as an alternative to traditional enforcement methods. Revenue is recognized monthly based on the number of diversion citations collected by the relevant jurisdiction.

The Company also generates revenue through its engineering services. These services are provided at the request of its customers and the revenue related to these services is recognized over time as the service is completed.

Revenue by Customer Type

The following table presents a summary of revenue by customer type (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Urban Mobility	$ 8,422	$ 8,139	$ 13,951	$ 13,754
Transportation Management	408	723	831	1,387
Public Safety	3,529	3,565	6,775	7,064
Total revenue	$ 12,359	$ 12,427	$ 21,557	$ 22,205

Urban Mobility

Urban mobility revenue consists of revenue derived from the Company's roadway data aggregation activities. These activities can include the use of software applications that are part of the Rekor Discover® platform, the primary application being Rekor's count, class & speed application. The application fully automates the aggregation of Federal Highway Administration ("FHWA") 13-bin vehicle classification, speed, and volume data. Revenues associated with the deployment of other traffic sensors, traffic studies, or construction associated with traffic data collection are also part of data aggregation revenue, which is generated through both recurring pay-for-data contracts and hardware sales with a recurring software maintenance component.

Transportation Management

Transportation management revenue is associated with the Rekor Command® platform and the associated applications underneath the platform. These provide traffic operations and traffic management centers with support through actionable, real-time incident reports integrated into a cross-agency communication and response system. Revenue is generated through contracts that include an upfront as well as recurring component.

Public Safety

Public safety revenue consists of licensing of the Rekor Scout® platform, licensing of Rekor CarCheck™ API, licensing of Rekor's vehicle recognition software, as well as systems deployed for security, contactless compliance and public safety. Revenue is generated through recurring and perpetual license sales as well as one-time hardware sales.

Performance obligations

The Company contracts with customers in a variety of ways, including contracts that obligate the Company to provide services over time. Some contracts include performance obligations for several distinct services. For those contracts that have multiple distinct performance obligations, the Company allocates the total transaction price to each performance obligation based on its relative standalone selling price, which is determined based on the Company's overall pricing objectives, taking into consideration market conditions and other factors. This may result in a deferral or acceleration of revenue recognized relative to cash received for each distinct performance obligation.

Where performance obligations for the remaining term of a contract with a customer are not yet satisfied or have only been partially satisfied as of a particular date, the unsatisfied portion is to be recognized as revenue in the future. As of June 30, 2025, the unsatisfied portion of the remaining performance obligation was approximately $13,231,000. The Company expects to recognize approximately 88% of this amount as revenue over the succeeding twelve months, and the remainder is expected to be recognized within the next five years thereafter.

Unbilled accounts receivable

The timing of revenue recognition, billings and cash collections result in billed accounts receivable, unbilled accounts receivables, and contract liabilities on the unaudited condensed consolidated balance sheets. Billed and unbilled accounts receivable are presented as part of accounts receivable, net, on the unaudited condensed consolidated balance sheets. When billing occurs after services have been provided, such unbilled amounts will generally be billed and collected within 60 to 120 days, but typically no longer than over the next twelve months. Unbilled accounts receivables of $1,931,000 and $1,623,000 were included in accounts receivable, net, in the unaudited condensed consolidated balance sheets as of June 30, 2025 and December 31, 2024, respectively.

Contract liabilities

When the Company advance bills clients prior to providing services, generally such amounts will be earned and recognized in revenue within the next six months to five years, depending on the length of the period during which services are to be provided. This revenue and the corresponding decrease in liabilities are recognized on a contract-by-contract basis at the end of each reporting period and reflected on the unaudited condensed consolidated balance sheet for such period. During the six months ended June 30, 2025, $2,160,000 of the contract liabilities balance as of December 31, 2024 was recognized as revenue.

The services due for contract liabilities described above are shown below as of June 30, 2025 (dollars in thousands):

2025, remaining	2,842
2026	1,394
2027	549
2028	214
2029	87
Thereafter	18
Total	$ 5,104

Cash and Cash Equivalents, and Restricted Cash

The Company considers all highly-liquid debt instruments to be cash equivalents.

Cash subject to contractual restrictions and not readily available for use is classified as restricted cash. The Company's restricted cash balances are primarily made up of cash collected on behalf of certain client jurisdictions. Restricted cash for these client jurisdictions as of June 30, 2025 and December 31, 2024 were $340,000 and $316,000, respectively, and correspond to equal amounts of related liabilities.

Concentrations of Credit Risk

The Company deposits its temporary cash investments with highly rated quality financial institutions that are located in the United States and Israel. The United States deposits are federally insured up to $250,000 per insured bank, for each account ownership category. As of June 30, 2025 and December 31, 2024, the Company had deposits totaling $5,170,000 and $5,329,000, respectively, in multiple U.S. financial institutions and one Israeli financial institution.

No single customer accounted for more than 10% of the Company’s unaudited condensed consolidated revenues for the three and six months ended June 30, 2025 and 2024, respectively.

As of June 30, 2025, no single customer accounted for more than 10% of the Company's unaudited condensed consolidated accounts receivable balance. As of December 31, 2024, a single customer accounted for 12% of the Company's consolidated accounts receivable balance.

Accounts Payable and Other Current Liabilities

As of June 30, 2025 and December 31, 2024, amounts owed to board members of $68,000 and $104,000 were presented as part of accounts payable and accrued expenses on the unaudited condensed consolidated balance sheets.

A summary of other current liabilities is as follows (in thousands):

	June 30, 2025	December 31, 2024
Payroll and payroll related expense	$ 2,518	$ 2,674
Right of offset to restricted cash	340	316
STS Contingent Consideration, at fair value	1,900	1,900
Other	116	239
Other current liabilities	$ 4,874	$ 5,129

New Accounting Pronouncements Effective in Future Periods

In December 2023, the FASB issued ASU 2023-09 - Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires public entities to provide greater disaggregation within their annual rate reconciliation, including new requirements to present reconciling items on a gross basis in specified categories, disclose both percentages and dollar amounts, and disaggregate individual reconciling items by jurisdiction and nature when the effect of the items meet a quantitative threshold. The guidance also requires disaggregating the annual disclosure of income taxes paid, net of refunds received, by federal (national), state, and foreign taxes, with separate presentation of individual jurisdictions that meet a quantitative threshold. The guidance is effective for the Company's annual periods beginning January 1, 2025 on a prospective basis, with a retrospective option, and early adoption is permitted. The Company is currently evaluating the impact of adoption of this standard on its consolidated financial statements and disclosures.

In November 2024, the FASB issued ASU 2024-03 - Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses, which is intended to provide more detailed information about specified categories of expenses (purchases of inventory, employee compensation, depreciation and amortization) included in certain expense captions presented on the consolidated statement of operations. The guidance in this ASU is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The amendments may be applied either (1) prospectively to financial statements issued for periods after the effective date of this ASU or (2) retrospectively to all prior periods presented in the consolidated financial statements. The Company is currently evaluating the impact that the adoption of ASU 2024-03 will have on its consolidated financial statements and disclosures.

The Company does not believe that any recently issued, but not yet effective, accounting standards, other than the standards discussed above, could have a material effect on the accompanying unaudited condensed consolidated financial statements. As new accounting pronouncements are issued, the Company will adopt those that are applicable under the circumstances.

Additional significant accounting policies of the Company are also described in Note 1 of the Company’s Annual Report on Form 10-K for the year ended December 31, 2024.

NOTE 2 – ACQUISITION

ATD Acquisition

On January 2, 2024 (the "Closing Date"), the Company acquired All Traffic Data Services, LLC, a Colorado limited liability company ("ATD"), pursuant to that certain Interest Purchase Agreement (the "ATD Purchase Agreement"), dated as of the Closing Date, by and among the Company, ATD and All Traffic Holdings, LLC (the "Seller"). The Seller is a portfolio company of Seaport Capital, a private equity firm. ATD is engaged in the business of advanced traffic data collection. Under the terms of the ATD Purchase Agreement, the Company acquired all of the issued and outstanding limited liability company interests of ATD (the "ATD Acquisition").

The acquisition met the criteria to be accounted for as a business combination in accordance with ASC 805, Business Combinations ("ASC 805"). This method requires, among other things, that assets acquired, and liabilities assumed be recognized at their fair values as of the acquisition date and that the difference between the fair value of the consideration paid for the acquired entity and the fair value of the net assets acquired be recorded as goodwill, which is not amortized but is tested at least annually for impairment. The aggregate purchase price for the interests of ATD was approximately $20,576,000. The purchase price comprised approximately $10,048,000 in cash, which included closing adjustments and 3,496,464 unregistered shares of the Company's common stock (the "Stock Consideration"), based on a volume weighted average trading price of the Company's common stock over a thirty consecutive trading day period prior to the date of the ATD Purchase Agreement, which was $2.86. 2,832,135 of the Stock Consideration was issued at closing, while the other 664,329 shares of the Stock Consideration were issued and delivered to the Seller on January 2, 2025. Subsequent to this transaction these shares were registered on a Form S-3. As the total number of ATD Holdback Shares to be issued to the Seller was not fixed, the ATD Holdback Shares were deemed to be liability classified and were measured at fair value each reporting period. As a result of the transaction, ATD became a wholly-owned subsidiary of the Company and ATD's key employees have agreed to continue employment with the Company or one of its affiliates.

The Company incurred $548,000 in legal and professional fees related to the acquisition which were expensed as incurred and recognized in general and administrative expenses in the consolidated statement of operations, during the year ended December 31, 2024.

In accordance with the acquisition method of accounting for a business combination, the purchase price has been allocated to the assets acquired and liabilities assumed based on their fair values as of the Closing Date. The table below shows the breakdown related to the purchase price allocation for the acquisition (dollars in thousands):

Consideration		
Cash paid	$	10,048
Liability classified holdback shares (664,329 shares measured at fair value as of the Closing Date)		1,635
Common stock issued (2,832,135 shares at closing price of $3.14 per share)		8,893
Total Consideration	$	20,576
Recognized amounts of identifiable assets acquired and liabilities assumed		
Assets		
Cash and cash equivalents	$	826
Accounts receivable		3,183
Property and equipment		1,565
Right-of-use operating lease assets		269
Other current assets		154
Intangible assets		12,100
Total assets acquired	$	18,097
Liabilities		
Accounts payable and accrued expenses	$	715
Lease liability operating		269
Other current liabilities		257
Total liabilities assumed	$	1,241
Fair value of identifiable net assets acquired		16,856
Purchase price consideration		20,576
Goodwill	$	3,720

NOTE 3 - LEASES

The Company has operating leases for office facilities in various locations throughout the United States and Israel. Additionally, the Company has financing leases for vehicles it uses for its operations throughout the United States. The Company’s leases have remaining terms of one to eight years. Certain of the Company’s leases include options to extend the term of the lease or to terminate the lease prior to the end of the initial term. When it is reasonably certain that the Company will exercise the option, the Company will include the impact of the option in the lease term for purposes of determining total future lease payments.

During the first quarter of 2025, the Company entered into a lease amendment that modified the timing of contractual lease payments related to its lease in Columbia Maryland. Based on the Company's evaluation, the amendment qualified as a lease modification under ASC 842. As a result of the modification, the Company recognized a decrease of $1,344,000 in both its operating lease liability and the corresponding operating lease right-of-use asset.

Lease cost recognized in our consolidated statements of operations is summarized as follows (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Operating lease cost	$ 701	$ 688	1,411	1,360
Finance lease cost				
Amortization of right-of-use assets	301	198	606	384
Interest on lease liabilities	41	32	89	67
Finance lease cost	342	230	695	451
Total lease cost	$ 1,043	$ 918	$ 2,106	$ 1,811

Other information about lease amounts recognized in our consolidated financial statements is as follows:

	June 30, 2025	December 31, 2024
Weighted-average remaining lease term (years)		
Operating leases	6.77	7.56
Financing leases	2.85	2.19
Weighted-average discount rate		
Operating leases	12.0%	9.2%
Financing leases	9.5%	9.0%

Maturities of operating and financing lease liabilities for continuing operations at June 30, 2025 were as follows (dollars in thousands):

	Operating Leases	Financing Leases
2025, remaining	$ 927	$ 564
2026	4,028	880
2027	2,622	376
2028	2,465	159
2029	2,440	129
Thereafter	6,525	59
Total lease payments	19,007	2,167
Less imputed interest	5,909	265
Maturities of lease liabilities	$ 13,098	$ 1,902

NOTE 4 – SUPPLEMENTAL NON CASH DISCLOSURES OF CASH FLOW INFORMATION

Supplemental disclosures of cash flow information for the six months ended June 30, 2025 and 2024 were as follows (dollars in thousands):

	Six Months Ended June 30,	
	2025	2024
Cash paid for interest	$ 1,122	$ 1,408
Cash paid for taxes	93	50
Decrease in accounts payable and accrued expenses related to purchases of inventory	250	559
Decrease in deposits related to property and equipment received	-	243
Decrease in deposits related to inventory received	45	-
Decrease in property and equipment that was uninstalled and moved to inventory	-	312
Abandonment of financing lease	31	-
Contract modification resulting in a measurement of an operating lease	1,344	-
Non-cash financing activities:		

Settlement of ATD Holdback Shares with common stock	1,156	-
Fair value of shares issued in connection with the acquisition of ATD	-	8,893
Fair value of ATD Holdback Shares at the acquisition date	-	1,635
2023 Promissory Note redemption premium settled in shares of the Company’s common stock	-	1,875
New Leases under ASC-842:		
Right-of-use assets obtained in exchange for new finance lease liabilities	524	485
Right-of-use assets obtained in exchange for new operating lease liabilities	205	129

NOTE 5 – INTANGIBLE ASSETS

Intangible Assets Subject to Amortization

The following provides a breakdown of identifiable intangible assets, net as of June 30, 2025 and December 31, 2024 (dollars in thousands):

	June 30, 2025	December 31, 2024
Customer relationships	$ 15,300	$ 15,300
Marketing related	900	900
Internally capitalized software	247	247
Total	16,447	16,447
Less: accumulated amortization	(2,597)	(1,997)
Identifiable intangible assets, net	$ 13,850	$ 14,450

These intangible assets are amortized on a straight-line basis over their estimated useful life. Amortization expense for the three months ended June 30, 2025 and 2024 was $300,000 and $1,171,000, respectively, and for the six months ended June 30, 2025 and 2024 was $600,000 and $2,343,000, respectively, and is presented as part of depreciation and amortization in the unaudited condensed consolidated statements of operations. During the current period there have been no events that would cause the Company to evaluate its intangible assets for impairment.

As of June 30, 2025, the estimated impact from annual amortization from intangible assets for each of the next five fiscal years and thereafter is as follows (dollars in thousands):

2025, remaining	$	600
2026		1,200
2027		1,130
2028		1,060
2029		1,020
Thereafter		8,840
Total	$	13,850

NOTE 6 – DEBT

STS Notes

On June 17, 2022, pursuant to the terms of the Company's acquisition of STS, the Company issued an aggregate of $2,000,000 of notes payable in the form of two unsecured, subordinated promissory notes, each in the principal amount of $1,000,000 and bearing an interest rate of 3.0% per annum, payable quarterly. Notes in the principal amount of $1,000,000 matured on September 30, 2024, and $1,000,000 in principal amount of the notes matured on June 17, 2025. On September 30, 2024 and June 27, 2025, the Company paid the first and second payment in the principal amount of $1,000,000 and $1,000,000, respectively. As of June 30, 2025, the aggregate balance of these notes payable was fully satisfied.

Series A Prime Revenue Sharing Notes

On December 15, 2023, the Company issued $15,000,000 in Series A Prime Revenue Sharing Notes. Interest accrues on the Series A Prime Revenue Sharing Notes at a fixed annual rate of 13.25% and is paid monthly. The entire outstanding principal balance, together with all interest accrued and unpaid is due and payable on the maturity date of December 15, 2026. Debt issuance costs paid in connection with the Series A Prime Revenue Sharing Notes were $670,000 and are being amortized as interest expense using a straight-line method over the term of the Series A Prime Revenue Sharing Notes. The Company has a related party relationship with Arctis Global, LLC, which invested $5,000,000 in connection with the $15,000,000 initial closing of the Series A Prime Revenue Sharing Notes.

Interest is based on revenue received from an initial pool of “prime” accounts which are related to contracts from customers in five states, each of which has been rated for their respective unsecured general obligation debt by nationally recognized credit rating agencies. The Company entered into a base Indenture for the Series A Prime Revenue Sharing Notes as of December 15, 2023 with Argent Institutional Trust Company, as trustee. The Indenture creates a first priority security interest for the benefit of the holders of all subsequent notes issued under the Indenture. The Series A Prime Revenue Sharing Notes rank senior to the Company’s existing and future secured and unsecured debt with respect to the pool of revenue securing the Series A Prime Revenue Sharing Notes.

As part of the terms of the Series A Prime Revenue Sharing Notes the Company is required to maintain an interest reserve related to not less than three times the next monthly interest payment. Additionally, there is a sinking fund requirement which takes effect if the three year value of eligible contracts is less than 170% of the aggregate outstanding principal amount of Series A Prime Revenue Sharing Notes. If the sinking fund requirement takes effect, the Company is required to maintain a cash balance sufficient to amortize the principal amount due on all series of Prime Revenue Sharing Notes outstanding under the Indenture in equal monthly installments by the respective due dates of each such series. The amount related to the interest reserve was $500,000 as of June 30, 2025 and is held by a third party and is presented as part of deposits on the consolidated balance sheets. The Company is not in default of any requirements as they relate to the Series A Prime Revenue Sharing Notes and the sinking fund requirement has not been triggered as of June 30, 2025.

The Company may prepay the Series A Prime Revenue Sharing Notes at any time up until December 15, 2026 by paying a premium ranging from 103% to 106%. Repayment of the Series A Prime Revenue Sharing Notes consisting of all principal, plus any unpaid accrued interest, may also be accelerated by the note holder upon a change in control or event of default. Interest expense related to the Series A Prime Revenue Sharing Notes was $497,000 and $497,000 for three months ended June 30, 2025 and 2024 respectively, and $994,000 and $993,000 for the six months ended June 30, 2025 and 2024, respectively.

Interest Expense

The following table presents the interest expense net of interest income related to the contractual interest and the amortization of debt issuance costs for the Company’s debt arrangements (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Contractual interest expense	$ 561	$ 559	$ 1,126	$ 1,357
Amortization of debt issuance costs	50	56	99	455
Total interest expense	611	615	1,225	1,812
Less: interest income	25	71	49	214
Total interest expense, net	$ 586	$ 544	$ 1,176	$ 1,598

Schedule of Principal Amounts Due of Debt

The principal amounts due for long-term notes payable are shown below as of June 30, 2025 (dollars in thousands):

2025, remaining	$ 41
2026	15,083
2027	86
2028	25
Total	15,235
Less unamortized debt discount	(296)
Total notes payable	$ 14,939

NOTE 7 – INCOME TAXES

The Company maintains a full valuation allowance against its net deferred taxes, outside of the deferred tax liability related to the indefinite lived intangibles, through June 30, 2025.

The Company files income tax returns in Israel, the United States and in various states. No U.S. Federal, state or foreign income tax audits were in process as of June 30, 2025.

The Company evaluated the recoverability of the net deferred income tax assets and the level of the valuation allowance required with respect to such net deferred income tax assets. After considering all available facts, the Company fully reserved for its net deferred tax assets, outside of the deferred tax liability related to the indefinite lived intangibles, because the Company does not believe that it is more likely than not that their benefits will be realized in future periods. The Company will continue to evaluate its deferred tax assets to determine whether any changes in circumstances could affect the realization of their future benefit. If it is determined in future periods that portions of the Company’s net deferred income tax assets satisfy the realization standard, the valuation allowance will be reduced accordingly.

For the six months ended June 30, 2025 and 2024, the Company did not record any interest or penalties related to unrecognized tax benefits. It is the Company’s policy to record interest and penalties related to unrecognized tax benefits as part of income tax expense. The 2019 through 2023 tax years remain subject to examination by the Internal Revenue Service. As of June 30, 2025 and December 31, 2024, our evaluation revealed no uncertain tax positions that would have a material impact on the unaudited condensed consolidated financial statements.

For the three and six months ended June 30, 2025 and 2024, the Company did not record any expense or benefit related to income tax.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

From time to time, the Company may be named as a party to various other lawsuits, claims and other legal and regulatory proceedings that arise in the ordinary course of business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract, property damage, infringement of proprietary rights, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to such lawsuits, claims and proceedings the Company accrues reserves when a loss is probable, and the amount of such loss can be reasonably estimated.

H.C. Wainwright & Co., LLC

In March 2023, the Company entered into an engagement letter with H.C. Wainwright & Co., LLC, ("HCW"), related to a capital raise (see *NOTE 9 – STOCKHOLDERS' EQUITY*). That letter agreement contained provisions for both a “tail” fee due to HCW for any subsequent transactions the Company may enter into during the specified tail period with investors introduced to the Company by HCW during the term of the letter, as well as a right of first refusal ("ROFR") to act as the Company's exclusive underwriter or placement agent on any subsequent financing transactions utilizing an underwriter or placement agent occurring within twelve months from the consummation of a transaction pursuant to the engagement letter.

In July 2023, the Company entered into an agreement with one of its warrant holders in connection with the exercise of warrants, which the Company refers to as the July Warrant Exercise Transaction. Subsequent to the July Warrant Exercise Transaction, the Company received a letter from HCW claiming entitlement to certain “tail” fees and warrant consideration stemming from the July Warrant Exercise Transaction. The Company believed then, and believes now, that this claim is without merit. As a result of this claim and for other reasons articulated to HCW, the Company terminated its engagement letter with HCW, including for cause, which, the Company believes, eliminated both the “tail” provision and the ROFR provision with respect to the engagement letter.

On or about October 23, 2023, HCW filed a complaint in New York State Supreme Court asserting a claim for breach of contract against the Company relating to the July Warrant Exercise Transaction. HCW sought to recover compensatory and consequential damages and certain warrants under its letter agreement with Rekor and other fees, not less than a cash fee of $825,000 and the value of warrants to purchase an aggregate of up to 481,100 shares of common stock of the company at an exercise price of $2.00 per share as well as attorneys’ fees. On February 29, 2024, HCW filed a notice of discontinuance without prejudice and advised the court that it intended to commence a new proceeding by filing a new complaint that would address the claim in this lawsuit and subsequent events. On March 4, 2024, the court discontinued this lawsuit without prejudice.

On February 29, 2024, HCW initiated the new action with the filing of complaint in New York State Supreme Court. In this lawsuit, HCW advances the same breach of contract theory and seeks to recover the same damages as sought in the prior now-dismissed lawsuit. In addition, HCW seeks to recover an additional $2,156,000 in damages plus the value of warrants to purchase an aggregate of up to 805,000 shares of common stock at an exercise price of $3.125 per share in connection with Rekor’s February 2024 offering, which we refer to as the 2024 Public Offering. HCW alleges that Rekor breached its engagement letter with HCW by failing to give HCW notice of this offering and failing to provide HCW with the opportunity to exercise the ROFR with respect to this transaction. On May 3, 2024, Rekor answered HCW’s complaint and filed counterclaims against HCW and Armistice Capital LLC ("Armistice") relating to Rekor’s March 2023 Registered Direct Offering, Armistice’s trading activity in Rekor common stock, and Rekor’s 2024 Public Offering. After HCW and Armistice moved to dismiss Rekor’s counterclaims, Rekor filed amended counterclaims on October 1, 2024. Rekor seeks to recover damages from HCW and Armistice. HCW and Armistice have now moved to dismiss the amended counterclaims. Those motions are pending. Discovery is ongoing in the matter.

The Company believes HCW's claims are without merit. The Company intends to vigorously defend itself in this lawsuit.

Occupational Safety and Health Administration (“OSHA”) Claim

In 2023 two previous employees of the Company (the “Claimants”) filed a complaint with OSHA (the “OSHA Complaints”) against the Company. Shortly after the OSHA Complaints were filed against the Company, the Company filed a position statement to address the OSHA Complaints. On November 30, 2023, OSHA issued its determination that, based on the information gathered thus far in its investigation, OSHA was unable to conclude that there was reasonable cause to believe that a violation of the statute occurred. OSHA thereby dismissed the complaint.

Thereafter, Claimants appealed the determination by filing objections and requesting a hearing before an Administrative Law Judge. The Company likewise filed a request for an award of attorneys’ fees. On January 4, 2024, the Office of Administrative Law Judges (“OALJ”) processed the appeals and issued its Notice of Docketing and Order of Consolidation. On February 28, 2024, the OALJ issued an Order setting forth a revised schedule governing the case with the start of the hearing scheduled for March 3, 2025. In advance of the March 3, 2025 hearing, the parties agreed to bifurcate the matter into two separate hearings. The first hearing from March 3-5, 2025 was set to address liability and the second from April 24-25, 2025 was set to address damages. The parties were able to settle the claim filed by one employee in advance of the March 3, 2025 hearing. The hearing did proceed for the claim filed by another employee. The Court did not make a finding on liability at the hearing. At the Court's request, the parties submitted post-hearing briefs in April 2025. The Company does not know when the Court will make its findings after the receipt of the briefs. The parties were next set to appear before the Court on April 24-25, 2025 to address damages. On April 22, 2025, the Court notified the parties that the April 24-25, 2025 damages hearing was cancelled. The Court indicated that it was going to review the briefs submitted on the liability phase and evidence in the matter and would reschedule a damages hearing, if necessary. We do not know when the Court will make a finding on the liability phase.

The Company believes these claims are without merit. The Company intends to vigorously defend itself in this lawsuit.

NOTE 9 – STOCKHOLDERS' EQUITY

Authorized Common Stock

On April 22, 2024, following approval by the Company's stockholders, the Company amended its charter to increase the number of authorized shares of common stock from 100,000,000 to 300,000,000. The number of authorized shares of the Company's preferred stock was not affected by this amendment and remained unchanged at 2,000,000 shares.

At Market Issuance Sales Agreement

On February 10, 2025, the Company entered into an At Market Issuance Sales Agreement (the "Sales Agreement") with Northland Securities, Inc. (the "Agent"), pursuant to which the Company may, from time to time, offer and sell shares of the Company's common stock, par value $0.0001 per share ("Common Stock"), having an aggregate offering price of up to $25,000,000. The Agent is entitled to receive from the Company a commission in an amount equal to (i) 3.0% of the gross sales price per share sold through it as agent in agency transactions and (ii) 6.0% of the purchase price per share sold to the Agent, as principal in principal transactions. The Company incurred issuance costs of approximately $245,000 related to legal, accounting, and other fees in connection with the Sales Agreement. These costs were charged against the gross proceeds of the Sales Agreement and presented as a reduction to additional paid-in capital on the accompanying consolidated balance sheets.

As of June 30, 2025 the Company issued 14,914,600 shares of its common stock at a weighted average selling price of $1.24 per share in accordance with the Sales Agreement. Net cash provided from the Sales Agreement was $17,699,000 after paying $245,000 in issuance costs, as well as 3.0% or $555,000 related to cash commissions provided to the Agent.

ATD Acquisition

In connection with the acquisition of ATD on January 2, 2024, the Company issued 2,832,135 shares of the Company's common stock as part of the consideration. On January 2, 2025, the one year anniversary of closing of the ATD Acquisition, the Company issued and delivered to ATD's former owners 664,329 holdback shares of the Company's common stock in full satisfaction of the purchase price for the ATD Acquisition. The shares issued in connection with the ATD Acquisition have been registered on a resale registration statement on Form S-3, declared effective by the SEC on June 17, 2024.

2024 Public Offering

On February 9, 2024, the Company issued and sold 10,000,000 shares of its common stock, at an offering price of $2.50 per share of common stock (the "2024 Public Offering Price") in a registered public offering by the Company (the "2024 Public Offering"), pursuant to an underwriting agreement with William Blair & Company, L.L.C., as representative of the several underwriters named therein (collectively, the "Underwriters").

On February 9, 2024, the Underwriters exercised in-full their option to purchase up to 1,500,000 additional shares of common stock at the 2024 Public Offering Price (the "Underwriters' Option"). The exercise closed on February 13, 2024. The net proceeds to the Company for the exercise of the Underwriters' Option, after deducting the underwriting discounts and commissions and offering expenses payable by the Company of $2,388,000 was approximately $26,362,000 in aggregate for the 2024 Public Offering including the exercise of the Underwriters' Option.

Prepaid Advance

On August 14, 2024, the Company entered into a Prepaid Advance Agreement (the "Prepaid Advance") with YA II PN, Ltd., a Cayman Islands exempt limited company (the "Investor"), an affiliate of Yorkville Advisors Global, LP. In accordance with the terms of the Prepaid Advance, the Investor advanced $15,000,000 to the Company. After giving effect to the purchase price discount of 6% provided for in the Prepaid Advance, net proceeds to the Company were $14,100,000.

Pursuant to the terms of the Prepaid Advance, within one year the Company could have received an additional $20,000,000 on the same terms as the initial Prepaid Advance, subject to satisfaction of certain conditions. On October 22, 2024, the Company and the Investor entered into Amendment No.1 to the Prepaid Advance Agreement (the "Amendment") to eliminate the option for additional advances.

The Company incurred issuance costs and original issuance discounts totaling approximately $888,000 associated with the issuance of the Prepaid Advance, which were expensed as incurred as a component of other income (expense) in the consolidated statements of operations for the year ended December 31, 2024. Due to the various embedded derivatives that would otherwise require separate valuation and bifurcation as derivative liabilities, the Company elected to account for the Prepaid Advance under the fair value option as prescribed by ASC 825.

As of December 31, 2024, the Company has terminated and fully satisfied the outstanding balance of $15,000,000 under the Prepaid Advance. During the year ended December 31, 2024, the Company recorded $900,000 in charges related to the settlement of the Prepaid Advance liability.

Redemption of 2023 Promissory Notes

On March 4, 2024, the Company elected to prepay the outstanding 2023 Promissory Notes. The 2023 Promissory Notes were redeemed at the redemption price of 115% of the $12,500,000 aggregate principal amount of the 2023 Promissory Notes, or approximately $14,375,000, plus accrued and unpaid interest to the redemption date of approximately $263,000 (the "Redemption Payment"). The noteholders elected to accept $1,875,000 of the Redemption Payment in the form of 750,000 unregistered shares of the Company's common stock, par value $0.0001 per share, having a value of $2.50 per share, with the remainder of the Redemption Payment to be paid in cash. As a result of the Redemption Payment, the Company recognized a loss on extinguishment of debt of $4,693,000, which included $1,875,000 related to the early termination payment and $2,818,000 related to unamortized issuance costs. The shares of common stock issued in connection with the Redemption payment have been registered on a resale registration statement on Form S-3, declared effective by the SEC on July 30, 2024.

Warrants

There was no activity related to the Company warrants during the period ended June 30, 2025. The table below shows the Company's outstanding warrants as of June 30, 2025:

	2023 Promissory Notes (1)	2023 Registered Direct Offering (2)	2023 Private Warrants (3)	Total
Outstanding warrants as of June 30, 2025	1,000,000	481,100	2,850,000	4,331,100
Weighted average strike price of outstanding warrants as of June 30, 2025	$ 2.00	$ 1.82	$ 3.25	$ 2.80
Intrinsic value of outstanding warrants as of June 30, 2025	$ -	$ -	$ -	$ -

(1) On January 18, 2023, in connection with the 2023 Promissory Notes, the Company issued the investors warrants to purchase 6,250,000 shares of its common stock, exercisable over a period of five years, at an exercise price of $2.00 per share. Of the original 6,250,000 warrants, 3,675,000 have been exercised and 1,575,000 were cancelled. The remaining warrants were exercisable commencing January 18, 2023 and expire on January 18, 2028.

(2) On March 23, 2023, in connection with the 2023 Registered Direct Offering the Company issued warrants to the placement agent to purchase up to 481,100 shares of common stock. Each warrant for the placement agent is exercisable for one share of common stock at an exercise price of $1.8188 per share. These warrants were exercisable commencing March 27, 2023 and expire on March 27, 2028.

(3) On July 25, 2023, in connection with the 2023 Letter Agreement, the Company issued warrants to purchase 2,850,000 shares of its common stock, exercisable over a period of five and half years, at an exercise price of $3.25 per share. These warrants were exercisable commencing July 25, 2023 and expire on January 25, 2029.

NOTE 10 – EQUITY INCENTIVE PLAN

In August 2017, the Company approved and adopted the 2017 Equity Award Plan (the “2017 Plan”). The 2017 Plan permits the granting of stock options, stock appreciation rights, restricted and unrestricted stock awards, phantom stock, performance awards and other stock-based awards for the purpose of attracting and retaining quality employees, directors and consultants. Maximum awards available under the 2017 Plan were initially set at 3,000,000 shares. In October 2021, the Company announced it had registered an additional 4,368,733 shares of its common stock available for issuance under the 2017 Plan.

On April 29, 2024, the Company filed a registration statement on Form S-8 solely to register an additional 7,912,216 shares of its common stock available for issuance under the 2017 Plan. This increase was approved by the Company’s Board of Directors on March 22, 2024, and by the Company’s stockholders on April 18, 2024 at the Company’s annual meeting.

Stock Options

Stock options granted under the 2017 Plan may be either incentive stock options (“ISOs”) or non-qualified stock options (“NSOs”). ISOs may be granted to employees and NSOs may be granted to employees, directors, or consultants. Stock options are granted at exercise prices as determined by the Board of Directors. The vesting period is generally three years with a contractual term of ten years.

For the three and six months ended June 30, 2025 and 2024 there was no stock compensation expense related to stock options.

A summary of stock option activity under the Company's 2017 Plan during the period ended June 30, 2025 is as follows:

	Number of Shares Subject to Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding balance as of January 1, 2025	486,866	$ 1.13	3.76	$ 264,000
Exercised	(5,333)	0.68		
Outstanding and exercisable balance as of June 30, 2025	481,533	$ 1.13	3.26	$ 120,000

As of June 30, 2025, there was $0 of unrecognized stock compensation expense related to unvested stock options granted under the 2017 Plan.

Restricted Stock Units

Stock compensation expense related to Restricted Stock Units ("RSUs") for the three months ended June 30, 2025 and 2024 was $723,000 and $1,115,000, respectively and for the six months ended June 30, 2025 and 2024 was $2,093,000 and $2,282,000 respectively, and is presented based on the awardees' operating department, as general administrative, selling and marketing and research and development expenses in the unaudited condensed consolidated statements of operations.

A summary of RSU activity under the Company's 2017 Plan for the six months ended June 30, 2025 is as follows:

	Number of Shares	Weighted Average Unit Price	Weighted Average Remaining Contractual Term (Years)
Outstanding balance as of January 1, 2025	5,776,426	$ 1.34	1.09
Granted	108,400	1.19	2.85
Vested	(2,253,235)	1.68	0.37
Forfeited	(1,029,167)	0.97	0.58
Outstanding balance as of June 30, 2025	2,602,424	$ 1.15	0.91

All RSUs granted vest upon the satisfaction of a service-based vesting condition.

As of June 30, 2025, there was $1,852,000 of unrecognized stock compensation expense related to unvested RSUs granted under the 2017 Plan that will be recognized over an average remaining period of 0.91 years.

NOTE 11 – LOSS PER SHARE

The following table provides information relating to the calculation of loss per common share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
	(Dollars in thousands, except per share data)		(Dollars in thousands, except per share data)	
Basic and diluted loss per share				
Net loss attributable to shareholders	$ (8,658)	$ (9,795)	$ (19,532)	$ (28,409)
Weighted average common shares outstanding - basic and diluted	117,435,953	84,932,611	112,459,949	81,929,347
Basic and diluted loss per share	$ (0.07)	$ (0.12)	$ (0.17)	$ (0.35)
Potentially dilutive securities excluded due to the anti-dilutive effect	7,415,057	9,627,895	7,415,057	9,627,895

As the Company had a net loss for the three and six months ended June 30, 2025, the following 7,415,057 potentially dilutive securities were excluded from diluted loss per share: 4,331,100 for outstanding warrants, 481,533 related to outstanding options, and 2,602,424 related to outstanding RSUs.

As the Company had a net loss for the three and six months ended June 30, 2024, the following 9,627,895 potentially dilutive securities were excluded from diluted loss per share: 6,606,100 for outstanding warrants, 681,461 related to outstanding options, 664,329 related to the ATD Holdback Shares and 1,676,005 related to outstanding RSUs.

NOTE 12 – SUBSEQUENT EVENTS

At Market Issuance Sales Agreement

From June 30, 2025 to August 11, 2025 the Company issued 3,974,232 shares of its common stock in exchange for net cash of $4,653,000 under the Sales Agreement.

ITEM 2. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (the "Quarterly Report") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve substantial risks and uncertainties including particularly statements regarding our future results of operations and financial position, business strategy, prospective products and services, timing and likelihood of success, plans and objectives of management for future operations, and future results of current and anticipated products and services. These statements involve uncertainties, such as known and unknown risks, and are dependent on other important factors that may cause our actual results, performance or achievements to be materially different from the future results, performance or achievements we express or imply. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these terms or other similar expressions. These forward-looking statements speak only as of the date of this Quarterly Report and are subject to a number of risks, uncertainties, and assumptions described under the sections in our Annual Report on Form 10-K for the year ended December 31, 2024, entitled "Risk Factors" and elsewhere in this Quarterly Report. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Readers are urged to carefully review and consider the various disclosures made in this Form 10-Q and in other documents we file from time to time with the Securities and Exchange Commission (the "SEC") that disclose risks and uncertainties that may affect our business. The forward-looking statements in this Form 10-Q do not reflect the potential impact of any divestitures, mergers, acquisitions, or other business combinations that had not been completed as of the date of this filing. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified and some of which are beyond our control, you should not rely on these forward-looking statements as predictions of future events. We undertake no obligation to update any forward-looking statement as a result of new information, future events or otherwise.

Specific factors that might cause actual results to differ from our expectations include, but are not limited to:

- significant risks, uncertainties and other considerations discussed in this report;
- operating risks, including supply chain, equipment or system failures, cyber and other malicious attacks, wars and local conflicts and other events that could affect our operations and the amounts and timing of revenues and expenses;
- reputational risks affecting customer confidence or willingness to do business with us;
- financial market conditions, including the continuation of significant national and global uncertainties that may affect these conditions, and the results of financing efforts;
- our ability to successfully identify, integrate and complete acquisitions and dispositions, including the integration of the ATD Acquisition;
- our continued ability to successfully access the public markets for debt or equity capital;
- political, legal, regulatory, administrative, military and economic conditions and developments in the United States ("U.S.") and other countries in which we operate and, in particular, the impact of ongoing hostilities in the Middle East and recent and future federal, state and local regulatory proceedings and changes, including legislative and regulatory initiatives associated with our products;
- current and future litigation;
- competition from other companies with an established position in the markets we have recently entered or are seeking to enter or from other companies who are seeking to enter markets we already serve;
- our failure to successfully develop products using our technology that are accepted by the markets we serve or intend to serve or the development of new technologies that change the nature of our business or provide our customers with products or services superior to or less expensive than ours;
- the inability of our strategic plans and goals to expand our geographic markets, customer base and product and service offerings;

- risks associated with pandemics and other global health emergencies, and their impact U.S. and international markets and economies; and
- risks associated with cyberattacks on international, national, local and Company information infrastructure by rogue businesses or criminal elements or by agents of governments engaged in asymmetric disruptions for competitive, economic, or military reasons.

Investors are cautioned that these forward-looking statements are inherently uncertain. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described herein. Other than as required by law, we undertake no obligation to update forward-looking statements even though our situation may change in the future. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

The following discussion and analysis of our financial condition and results of operations should be read together with our unaudited condensed consolidated financial statements and related notes included elsewhere in this report and the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2024 (the “2024 Annual Report”) and any updates contained herein as well as those set forth in our reports and other filings made with the SEC.

General

Overview

Rekor is at the forefront of the effort to modernize public safety, urban mobility, and transportation management through cutting-edge artificial intelligence (“AI”)-powered solutions tailored to the unique needs of each market we serve. By collaborating closely with our public and private sector customers, we deliver mission-critical services and solutions that enable them to achieve their objectives effectively, while simultaneously working toward creating a new digital infrastructure operating system for roadways.

Our vision is to create safer, smarter, and more sustainable roadways and communities, improving the lives of citizens and the world around them. We achieve this by collecting, connecting, and organizing the world’s mobility data, making it useful, accessible, and actionable for real-time insights and decision-making. This provides our customers with significantly enhanced situational awareness, rapid response capabilities, risk mitigation strategies, and predictive analytics.

To realize this vision, we’ve developed a suite of interconnected AI-driven hardware and purpose-built software platforms. Powered by vast and diverse multi-modal datasets and proprietary AI technologies, we have designed these solutions with the objective of delivering unparalleled roadway intelligence. They enable clients to more effectively monitor, manage, and optimize the movement of vehicles, traffic, and activities in and around roadways and communities with precision. Through real-time insights and predictive analytics, our platforms drive rapid decision-making, proactive risk mitigation, and streamlined operations across public safety, urban mobility, and transportation systems and agencies, ensuring smarter and safer outcomes for all.

Our operations are conducted primarily by our wholly-owned subsidiaries, Rekor Recognition Systems, Inc. (“Rekor Recognition”), Waycare Technologies, Ltd. (“Waycare”), Southern Traffic Services, Inc. (“STS”), and All Traffic Data Systems (“ATD”).

<u>A New Operating System for Roadways</u>

We believe the United States of America stands at a critical turning point in the evolution of its transportation and roadway infrastructure. For over 70 years, the nation has relied on legacy technologies and outdated analog and manual methodologies, resulting in inefficiencies, rising costs, and preventable safety hazards. While private-sector innovations like sensor technology, Internet of Things (“IoT”), AI, cloud computing, autonomous vehicles, and smart drones are advancing rapidly, fundamental challenges such as poor roadway quality, traffic congestion, and driver safety continue.

Since 2018, Rekor has worked to deserve a place at the forefront of this wave of transformation and modernization of roadways, actively designing, building, and deploying its AI solutions through public-private collaborations with departments of transportation (“DOTs”), public safety agencies, and private sector partners. Rekor is committed to leading the laying the foundation of a groundbreaking new digital infrastructure operating system for roadways—and has already delivered proven value across multiple domains:

- **Enhanced Roadway Safety:** Real-time AI monitoring systems detect hazards and reduce roadway fatalities.
- **Optimized Traffic Flow:** Intelligent analytics alleviate congestion, improve commute times, and boost productivity.
- **Cost Savings & Efficiency:** AI automation streamlines operations, maximizing resource allocation for agencies.
- **Improved Data Accuracy & Insights:** Precise, real-time traffic data drives smarter decision-making and better resource planning.
- **Border & Freight Management:** AI-driven vehicle identification enhances security while minimizing bottlenecks.
- **Uninsured Driver Reduction:** Automated enforcement ensures insurance compliance, improving public safety.

By combining advanced AI-driven insights with a forward-thinking infrastructure strategy, Rekor is reshaping how transportation systems operate. Its solutions empower agencies to prevent accidents, reduce inefficiencies, and optimize resources, driving smarter, safer, and more efficient roadways across the nation.

Roadway Intelligence

Rekor is a leader in roadway intelligence, committed to revolutionizing transportation systems by collecting, connecting, and organizing the world's mobility data. Roadway intelligence involves the ability to harness vast amounts and varieties data from roadways, vehicles, transportation systems, and hundreds of external elements like weather, special events, work zones, and more, transforming it into actionable insights. These unique insights empower stakeholders to enhance public safety, optimize traffic flows, and improve operational efficiencies. Through our Rekor One® roadway intelligence engine, we aggregate these datasets from diverse sources and securely deliver these insights to government agencies and private-sector clients, driving smarter, more effective decision-making across transportation management, urban mobility, and public safety ecosystems, as well as multiple commercial market segments.

Inspired by the Open System Interconnection ("OSI") model, Rekor integrates fragmented transportation systems into a cohesive, unified network. Collaborating with government agencies, infrastructure operators, transit providers, and technology partners, we consolidate hardware, software, and data into a connected platform that delivers smarter, safer, and more efficient roadways.

Our mission extends beyond connectivity—we are building a dynamic, AI-driven network to modernize traffic management, public safety, and emergency services. By applying a digital layer to existing physical infrastructure and roadways, Rekor is creating a new generation digital operating system for roadways, delivering real-time intelligence that powers economic growth, operational excellence, and improved quality of life for communities.

As we look to the future, Rekor remains committed to supporting public and private agencies in developing the digital infrastructure of tomorrow. Our innovative solutions are designed to redefine roadway intelligence and play a transformative role in shaping modern transportation, ensuring safety, efficiency, and resilience for generations to come.

Roadway Intelligence Powered by Rekor

The Rekor One® roadway intelligence engine is a single source of truth for transforming transportation and mobility data into actionable insights. Powered by advanced AI and fueled by diverse data sources, Rekor delivers real-time and predictive solutions that enhance mobility, safety, and operational efficiency across public and private sectors. Our platforms aggregate and analyze trillions of data points from IoT devices, roadway sensors, cameras, and an expansive partner network, enabling customers to make proactive, informed decisions and optimize resources, and enabling us to deliver tailored solutions for government and commercial customers in public safety, urban mobility, and transportation management.

Rekor's solutions support a variety of use cases, including:

- **Traffic Analysis**
  - Comprehensive traffic reports, including Federal Highway Administration ("FHWA")-mandated vehicle classification, count and speed analytics.
  - Analytics on bicycles, pedestrians, and other micro-mobility modes.
  - Identification of patterns and hot spots for emissions and traffic impacts.
- **Traffic Operations & Management**
  - Data-driven traffic operations for improved efficiency.
  - Real-time incident detection and response for proactive problem-solving.
  - Proactive traffic calming around events to minimize congestion and enhance safety.
  - Intelligent analytics to alleviate congestion, shorten commute times, and boost productivity.
- **High-Definition Video Monitoring**
  - Traffic monitoring to assist law enforcement.
  - Support for intelligence-based policing to improve crime prevention.
  - Contactless compliance and enforcement solutions for safety and legal adherence.
- **Enhanced Roadway Safety**
  - Real-time AI monitoring systems to detect hazards and reduce roadway fatalities.
  - Predictive analytics to anticipate and address potential safety risks.
- **Optimized Resource Allocation**
  - AI automation to streamline operations and maximize resource allocation.
  - Improved data accuracy to support better decision-making and strategic planning.
- **Border & Freight Management**
  - AI-based vehicle identification to enhance national security and minimize bottlenecks at borders and ports.
  - Weigh-in-Motion ("WIM") systems for real-time commercial trucking analytics
- **Insurance Compliance & Public Safety**
  - Automated enforcement systems to reduce uninsured drivers and improve overall public safety.

Opportunities, Trends and Uncertainties

We look to identify the various trends, market cycles, uncertainties and other factors that may provide us with opportunities and present challenges that impact our operations and financial condition from time to time. Although there are many that we may not or cannot foresee, we believe that our results of operations and financial condition for the foreseeable future will be primarily affected by the following:

- *Growing Smart City Market* – According to a United Nations report, about two-thirds of the world population will live in urban areas by 2050. The world's cities are getting larger, with longer commutes and the resulting impact on the environment and the quality of life. This trend requires forward-thinking officials to manage assets and resources more efficiently. We believe that advancements in "big data" connected devices and artificial intelligence can provide Intelligent Transportation System ("ITS") solutions that can be used to reduce congestion, keep travelers safe, improve transportation, protect the environment, respond to climate change, and enhance the quality of life. We believe our data-driven, artificial intelligence-aided solutions provide useful tools that can effectively tackle the challenges cities and communities are facing today and will face over the coming decades.
- *AI for Infrastructure* – We believe that the application of AI to the analysis of conditions on roadways and other transportation infrastructure can significantly affect the safety and efficiency of travel in the future. As vehicles move towards full automation, there is a need for real-time data and actionable insights around traffic flow, identification of anomalous and unsafe movements – e.g. wrong way vehicles, stopped vehicles, or/and pedestrians on the roadway. Marketers and drive-thru retailers with loyalty programs can also benefit from rapid, lower cost identification of existing and potential customers in streamlining and accelerating local vehicular flow as well as data about the vehicles on the roadway.
- *Connected Vehicle Data* – Today's new vehicles are equipped with dozens of sensors, collecting information about internal systems, external hazards, and driving behaviors. This data is a resource that transportation and other agencies are beginning to find valuable uses for. Notably, the data from these vehicles represent a virtual network that is independent of the infrastructure which is maintained and operated by the public agencies. Connected vehicle sensors can provide important information related to hazardous conditions, speed variations, intersection performance, and more. This data can help agencies and municipalities gain more visibility about conditions on their roads, supplementing data from existing infrastructure and allowing transportation information from rural areas that are not served by ITS infrastructure to be integrated into the overall analysis.
- *New and Expanded Uses for Vehicle Recognition Systems* – We believe that reductions in the cost of vehicle recognition products and services will significantly broaden the market for these systems. We currently serve many users who could not afford the cost, or adapt to the restrictions of, conventional vehicle recognition systems. These include smaller municipalities, homeowners' associations, and organizations finding new applications such as innovative customer loyalty programs. We have seen and responded to an increase in the number of smaller jurisdictions that are testing vehicle recognition systems or that issued requests for proposals to install a network of vehicle recognition sensors. We also expect the availability of faster, higher-accuracy, lower-cost systems to dramatically increase the ability of crowded urban areas to manage traffic congestion and implement smart city programs.
- *Adaptability of the Market* – We have made a considerable investment in our advanced vehicle recognition systems because we believe their increased accuracy, affordability and ability to capture additional vehicle data will allow them to compete effectively with existing providers. Based on published benchmarks, our software currently outperforms competitors. However, large users of existing technology, such as toll road operators, have long-term contracts with service providers that have made considerable investments in their existing technologies and may not consider the improvements in accuracy or reductions in cost sufficient to justify abandoning their current systems in the near future. In addition, existing providers may be able to reduce the cost of their current offerings or elect to reduce prices and accept reduced profitability while working to develop their own systems or secure advanced systems from others who are also working to develop them. As a result, our success in establishing a major position in these markets will depend on being able to effectively communicate our presence, develop strong customer relationships, and maintain leadership in providing the capabilities that customers want. As with any large market, this will require considerable effort and resources.
- *Expansion of Automated Enforcement of Motor Vehicle Laws* – We expect contactless compliance programs to be expanded as the types of vehicle related violations authorized for automated enforcement increase and experience provides localities with a better understanding of the circumstances where it is and is not beneficial. We believe that future legislation will increasingly allow for automated enforcement of regulations such as motor vehicle insurance and registration requirements. Communities are currently searching for better means of achieving compliance with minor vehicle offenses, such as lapsed registrations, and safety issues such as motorists who fail to stop for school buses. For example, due to high rates of fatalities and injuries to law enforcement and other emergency response crews on roadsides, several states are considering authorizing automated enforcement of violations where motorists fail to slow down and/or move over for emergency responders and law enforcement vehicles at the side of the road. To the extent that legislative implementation is required, a deliberative and necessarily time-consuming process is involved. However, as states expand auto-enforcement, the market for these products and services should broaden in the public safety market.

- *Graphic Processing Unit ("GPU") Improvements* – We expect our business to benefit from more powerful and affordable GPU hardware that has recently been developed. These GPUs are more efficient for image processing because their highly parallel structure makes them more efficient than general-purpose central processing units ("CPUs") for algorithms that process large blocks of data, such as those produced by video streams. GPUs also provide superior memory bandwidth and efficiencies as compared to their CPU counterparts. The most recent versions of our software have been designed to use the increased GPU speeds to accelerate image recognition. The GPU market is predicted to grow as a result of a surge in the adoption of the Internet of Things ("IoT") by the industrial and automotive sectors. As GPU manufacturers increase production volume, we hope to benefit from the reduced cost to manufacture the hardware included in our products or available to others using our services.
- *Edge Processing* – Demand for actionable roadway information continues to grow in parallel with sensor improvements, such as increasingly sophisticated internal software and optical and other hardware adapted to the use of this software. Over the last several decades, sensors have evolved and unlocked new capabilities with each advancement. Further, cellular networks have been optimized for downloading data rather than uploading data. As a result, while download speeds have improved significantly due to large investments in cellular infrastructure, this has resulted in relatively small improvements to cellular upload speeds. With roadside deployments experiencing explosive growth in count and density, scalability, latency and bandwidth have become aspects of competition in the market. Our systems have been designed to address these issues through the use of more effective edge processing, enabled both by incorporating the increasingly effective new GPUs into our systems and continual improvements in the efficiency of our AI algorithms. Our edge processing systems ingest local HD video streams at the source and convert the raw video data to text data, dramatically reducing the volume of data that needs to be transferred through the network. Edge processing allows us to scale a network dramatically without the bandwidth, cost, latency and dependability limitations that are experienced by other networks where raw video needs to be streamed to the cloud for processing.
- *Accelerated Business Development and Marketing* – Our ability to compete in a large, competitive and rapidly evolving industry will require us to achieve and maintain a visible leadership position. As a result, we have made significant investments in our business development, marketing and eCommerce activities to increase awareness and market adoption of our products and services within key markets. If we are able to maintain a sustained presence in the market, the continued development of strategic partnerships and other economies of scale will reduce the level of costs necessary to support sales of our products and services. However, the speed at which these markets grow to the degree to which our products and services are adopted is uncertain.
- *Infrastructure Investment and Jobs Act ("IIJA") and the Bipartisan Infrastructure Law ("BIL")* - The IIJA, signed into law on November 15, 2021, provides for significant national investments in the transportation systems in the United States, including over $150 billion in new spending on roadway infrastructure, including intelligent transportation systems. We believe that there will continue to be bi-partisan support for these programs and that our comprehensive offering of solutions positions the Company well to emerge as a technology leader in the expanded market for roadway intelligence that will benefit from this legislation. We have identified opportunities to access federal funding streams, and we are working to implement a program that capitalizes on this unprecedented U.S. federal investment in public safety, homeland security, and transportation infrastructure and ensures that our customers are positioned to capture as much of this extraordinary government spending as possible. Beyond the many recurring federal grant programs that could support customer purchases, and the $350 billion in American Rescue Plan Act allocations that public agencies are receiving now, we are particularly excited about the prospect of benefitting from the following new grant sources that are contained in the IIJA: $200 million annually for a "Safe Streets and Roads for All" program that would make competitive grants for state projects that significantly reduce or eliminate transportation-related fatalities. $150 million for the current administration to establish a grant program to modernize state data collection systems $500 million for the Strengthening Mobility and Revolutionizing Transportation ("SMART") Grant Program that would support demonstration projects on smart technologies that improve transportation efficiency and safety.
- *Recent Acquisition* - In the current year, Rekor has acquired one subsidiary as part of its plans to advance its appeal to national and local transportation agencies. We acquired one of the leading existing providers of traffic data services in the United States. This acquisition has led to increased visibility for the Company among national and state level DOTs in the United States.
- *Challenges to Executing on the Corporate Strategy* – As an acquirer and integrator of established technology companies in the ITS industry, there is an inherent risk associated with the successful implementation and execution of the strategy. If Rekor is unable to successfully implement and execute its plans, there could be a material and adverse effect on the Company's business, results of operations, and financial condition.
- *Inability to Achieve Profitability* - Rekor continues to grow its business, its operating expenses and capital expenditures have increased, and it has not yet achieved the level of sustaining profitability. As a result, if the Company is unable to generate additional revenue or achieve planned efficiencies in operations, or if its revenue declines significantly, Rekor may not be able to achieve profitability in the future, which would materially and adversely affect the Company's business.
- *Inability to Retain Qualified Personnel* – Rekor's success depends on the continued efforts and abilities of the senior management team and key engineering and marketing specialists. Although Rekor has employment agreements with these employees, they may not choose to remain employed by Rekor. Should one or more key personnel leave the Company or join a competitor, the Company's business, operating results, and financial condition can be adversely affected.
- *Inability to Compete Effectively* - Competition and technological advancements by others may erode the Company's business and result in inability to capture new business and revenue. Each business line faces significant competitive pressures within the markets in which they operate. While Rekor continues to work to develop and strengthen its competitive advantages, many factors such as market and technology changes may erode or prevent this. If the Company is unable to successfully maintain its competitive advantage, the Company's business, operating results, and financial condition can be adversely affected.
- *Cyber Security Risks* - Rekor relies on information technology in all aspects of its business. A significant disruption or failure in the information technology systems could result in services interruptions, safety failures, security violations, regulatory compliance failures, an inability to protect information and assets against intruders, and other operational difficulties. This could result in the loss of assets and critical information and expose the Company to remediation costs and reputational damage. Although Rekor takes reasonable steps intended to mitigate these risks, a significant disruption or cyber intrusion could lead to misappropriation of assets or data corruption and could adversely affect the Company's results of operations, financial condition, and liquidity.
- *Intellectual Property Claims* - Third parties that have been issued patents or have filed for patent applications similar to those used by the Company's operating subsidiaries may result in intellectual property claims against the Company. Rekor cannot determine with certainty whether existing third-party patents or the issuance of any future third party patents would require any of its operating subsidiaries to alter their respective technologies, obtain licenses or cease certain activities. Should the Company be unable to defend against such claims, the Company's business, operating results, and financial condition can be adversely affected.

Components of Operating Results

Revenues

The Company derives its revenues primarily from the sale of its roadway data aggregation, traffic management and licensing offerings. These offerings include a mixture of data collection, implementation, engineering, customer support and maintenance services as well as software and hardware. Revenue is recognized upon transfer of control of promised products and services to the Company's customers, in an amount that reflects the consideration the Company expects to receive in exchange for those products and services.

Costs of revenues, excluding depreciation and amortization

Direct costs of revenues consist primarily of the portion of technical and non-technical salaries and wages and payroll-related costs incurred in connection with revenue-generating activities. Direct costs of revenues also include production expenses, data subscriptions, sub-consultant services and other expenses that are incurred in connection with our revenue-generating activities. Direct costs of revenues exclude the portion of technical and non-technical salaries and wages related to marketing efforts, vacations, holidays, and other time not spent directly generating fees under existing contracts. Such costs are included in operating expenses. We expense direct costs of revenues when they incur.

Operating Expenses

Our operating expenses consist of general and administrative expenses, sales and marketing, research and development and depreciation and amortization. Personnel costs are the most significant component of operating expenses and consist of salaries, benefits, bonuses, payroll taxes and stock-based compensation expenses.

General and Administrative

General and administrative expenses consist of personnel costs for our executive, finance, legal, human resources, and administrative departments. Additional expenses include office leases, professional fees, and insurance.

We expect our general and administrative expenses to continue to remain high for the foreseeable future due to the costs associated with our growth and the costs of accounting, compliance, legal, insurance, and investor relations as a public company. Our general and administrative expenses may fluctuate as a percentage of our revenue from period to period due to the timing and extent of these expenses. However, our general and administrative expenses have decreased as a percentage of our revenue and, to the extent we continue to be successful in generating increased revenue, we expect our general and administrative expenses to decrease as a percentage of our revenue over the long term.

Sales and Marketing

Sales and marketing expenses consist of personnel costs, marketing programs, travel and entertainment associated with sales and marketing personnel, expenses for conferences and trade shows. We will require significant investments in our sales and marketing expenses to continue the rate of growth in our revenues, further penetrate existing markets and expand our customer base into new markets.

Research and Development

Research and development expenses consist of personnel costs, software used to develop our products and consulting and professional fees for third-party development resources. Our research and development expenses support our efforts to continue to add capabilities to and improve the value of our existing products and services, as well as develop new products and services.

Depreciation and Amortization

Depreciation and amortization expenses are primarily attributable to our capital investments and consist of fixed asset depreciation, amortization of intangibles considered to have definite lives, and amortization of capitalized internal-use software costs.

Other Income (Expense)

Other income (expense) consists primarily of legal settlements, legal judgements, interest income and expense in connection with our debt arrangements, costs associated with the extinguishment of our debt arrangements, gains on the sale of subsidiaries, gains or losses on the sale of fixed assets, gain or losses on the change in fair value of our liabilities, and interest income earned on cash and cash equivalents and note receivables.

Income Tax Provision

Income tax provision consists primarily of income taxes in certain domestic jurisdictions in which we conduct business. We have recorded deferred tax assets for which a full valuation allowance has been provided, including net operating loss carryforwards and tax credits. We expect to maintain this full valuation allowance for the foreseeable future as it is more likely than not that some or all of those deferred tax assets may not be realized based on our history of losses.

Critical Accounting Estimates and Assumptions

A comprehensive discussion of our critical accounting estimates and assumptions is included in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section in our Annual Report on Form 10-K for the year ended December 31, 2024.

New Accounting Pronouncements

See Note 1 to our unaudited condensed consolidated financial statements set forth in Item 1 of this quarterly report for information regarding new accounting pronouncements.

Results of Operations

Our historical operating results in dollars are presented below.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2025	2024	2025	2024
Revenue	$ 12,359	$ 12,427	$ 21,557	$ 22,205
Cost of revenue, excluding depreciation and amortization	6,245	5,776	11,006	11,061
Operating expenses:				
General and administrative expenses	6,936	7,370	14,222	15,032
Selling and marketing expenses	1,700	2,021	3,457	4,435
Research and development expenses	3,652	4,991	7,629	9,992
Depreciation and amortization	1,561	2,344	3,117	4,676
Total operating expenses	13,849	16,726	28,425	34,135
Loss from operations	(7,735)	(10,075)	(17,874)	(22,991)
Other income (expense):				
Loss on extinguishment of debt	-	-	-	(4,693)
Interest expense, net	(586)	(544)	(1,176)	(1,598)
(Loss) gain on remeasurement of ATD Holdback Shares	-	745	(120)	745
Other (expense) income	(337)	79	(362)	128
Total other (expense) income, net	(923)	280	(1,658)	(5,418)
Net loss	$ (8,658)	$ (9,795)	$ (19,532)	$ (28,409)

Comparison of the Three and Six Months Ended June 30, 2025 and the Three and Six Months Ended June 30, 2024

Total Revenue

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
(Dollars in thousands)	2025	2024	$	%	2025	2024	$	%
Revenue	$ 12,359	$ 12,427	$ (68)	-1%	$ 21,557	$ 22,205	$ (648)	-3%

The decrease in revenue for the three and six months ended June 30, 2025, compared to the six months ended June 30, 2024, primarily attributable to adverse weather conditions and a slowdown in project activity, partially driven by ongoing uncertainty within the government sector.

Cost of Revenue, Excluding Depreciation and Amortization

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
(Dollars in thousands)	2025	2024	$	%	2025	2024	$	%
Cost of revenue, excluding depreciation and amortization	$ 6,245	$ 5,776	$ 469	8%	$ 11,006	$ 11,061	$ (55)	0%

For the three months ended June 30, 2025, cost of revenue, excluding depreciation and amortization increased compared to the corresponding prior period primarily due to the mix of software and hardware revenue which resulted in an increase in personnel and other direct costs. For the six months ended June 30, 2025, compared to the six months ended June 30, 2024, Cost of Revenue, Excluding Depreciation and Amortization remained consistent period over period.

Operating Expenses

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
(Dollars in thousands)	2025	2024	$	%	2025	2024	$	%
Operating expenses:								
General and administrative expenses	$ 6,936	$ 7,370	$ (434)	-6%	$ 14,222	$ 15,032	$ (810)	-5%
Selling and marketing expenses	1,700	2,021	(321)	-16%	3,457	4,435	(978)	-22%
Research and development expenses	3,652	4,991	(1,339)	-27%	7,629	9,992	(2,363)	-24%
Depreciation and amortization	1,561	2,344	(783)	-33%	3,117	4,676	(1,559)	-33%
Total operating expenses	$ 13,849	$ 16,726	$ (2,877)	-17%	$ 28,425	$ 34,135	$ (5,710)	-17%

General and Administrative Expenses

For the three and six months ended June 30, 2025, the decrease in general and administrative expenses was primarily due to a $365,000 and $628,000 decrease in payroll and payroll related costs as a result of cost containment efforts intended to conform to operations.

Selling and Marketing Expenses

For the three and six months ended June 30, 2025, the decrease in selling and marketing expenses was primarily due to a $251,000 and $848,000 decreased related to payroll and payroll related costs as a result of cost containment efforts intended to conform to operations.

Research and Development Expense

For the three and six months ended June 30, 2025, the decrease in research and development expenses was primarily due to a $1,220,000 and $2,138,000 decreased related to payroll and payroll related costs as a result of cost containment efforts intended to conform to operations.

Depreciation and Amortization

The decrease in depreciation and amortization during the period is attributable to an impairment we recognized as of December 31, 2024, following the identification of a triggering event.

Other Income (Expense)

(Dollars in thousands)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Change $	Change %	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024	Change $	Change %
Other income (expense):								
Loss on extinguishment of debt	$ -	$ -	$ -	-	$ -	$ (4,693)	$ 4,693	-100%
Interest expense, net	(586)	(544)	(42)	-8%	(1,176)	(1,598)	422	26%
(Loss) gain on remeasurement of ATD Holdback Shares	-	745	(745)	100%	(120)	745	(865)	116%
Other (expense) income	(337)	79	(416)	-527%	(362)	128	(490)	-383%
Total other (expense) income, net	$ (923)	$ 280	$ (1,203)	430%	$ (1,658)	$ (5,418)	$ 3,760	69%

For the three months ended June 30, 2025, interest expense remained fairly consistent period over period, however, for the six months ended June 30, 2025 interest expense decrease compared to the corresponding period in 2024 due to the early redemption of the 2023 Promissory Notes.

Loss on extinguishment of debt is a result of early redemption of the 2023 Promissory Notes. As part of the redemption, we recorded accelerated debt issuance costs of $2,818,000 and a redemption payment of $1,875,000 which we settled through the issuance of common stock.

Non-GAAP Measures

EBITDA and Adjusted EBITDA

We calculate EBITDA as net loss before interest, taxes, depreciation and amortization. We calculate Adjusted EBITDA as net loss before interest, taxes, depreciation and amortization, adjusted for (i) impairment of intangible assets, (ii) loss on extinguishment of debt, (iii) stock-based compensation, (iv) losses or gains on sales of subsidiaries, (v) losses associated with equity method investments, (vi) merger and acquisition transaction costs and (vii) other unusual or non-recurring items. EBITDA and Adjusted EBITDA are not measurements of financial performance or liquidity under accounting principles generally accepted in the U.S. ("U.S. GAAP") and should not be considered as an alternative to net earnings or cash flow from operating activities as indicators of our operating performance or as a measure of liquidity or any other measures of performance derived in accordance with U.S. GAAP. EBITDA and Adjusted EBITDA are presented because we believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of a company's ability to service and/or incur debt. However, other companies in our industry may calculate EBITDA and Adjusted EBITDA differently than we do.

The following table sets forth the components of the EBITDA and Adjusted EBITDA for the periods included (dollars in thousands):

	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Net loss	$ (8,658)	$ (9,795)	$ (19,532)	$ (28,409)
Interest	586	544	1,176	1,598
Depreciation and amortization	1,561	2,344	3,117	4,676
EBITDA	$ (6,511)	$ (6,907)	$ (15,239)	$ (22,135)
Share-based compensation	$ 723	$ 1,115	$ 2,093	$ 2,282
Loss on extinguishment of debt	-	-	-	4,693
Adjusted EBITDA	$ (5,788)	$ (5,792)	$ (13,146)	$ (15,160)

Adjusted Gross Profit and Adjusted Gross Margin

Adjusted Gross Profit is a non-GAAP financial measure that we define as revenue less cost of revenue, excluding depreciation and amortization. We define Adjusted Gross Margin as our Adjusted Gross Profit divided by our revenue. We expect Adjusted Gross Margin to continue to improve over time to the extent that we can gain efficiencies through the adoption of our technology and successfully cross-sell and upsell our current and future offerings. However, our ability to improve Adjusted Gross Margin over time is not guaranteed and could be impacted by the factors affecting our performance. We believe Adjusted Gross Profit and Adjusted Gross Margin are useful to investors, as they eliminate the impact of certain non-cash expenses and allow a direct comparison of these measures between periods without the impact of non-cash expenses and certain other nonrecurring operating expenses.

The following table sets forth the components of the Adjusted Gross Profit and Adjusted Gross Margin for the periods included:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
	(Dollars in thousands, except percentages)		(Dollars in thousands, except percentages)	
Revenue	$ 12,359	$ 12,427	$ 21,557	$ 22,205
Cost of revenue, excluding depreciation and amortization	6,245	5,776	11,006	11,061
Adjusted Gross Profit	$ 6,114	$ 6,651	$ 10,551	$ 11,144
Adjusted Gross Margin	49.5%	53.5%	48.9%	50.2%

Adjusted Gross Margin For the three and six months ended June 30, 2025, decreased compared to the three and six months ended June 30, 2024. The fluctuation in Adjusted Gross Margin is typically correlated to the mix of software sales versus service type work. Typically our software sales carry a higher Adjusted Gross Margin.

Key Performance Indicators

We regularly review several indicators, including the following key indicators, to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions.

Recurring Revenue Growth

As part of the ongoing development of our selling strategy, we have been focusing on sales that employ contracts with recurring revenue. We expect these contracts to provide a more predictable stream of revenues, compared to one-time sales of hardware and software licenses which are generally more difficult to predict. Our recurring revenue model and revenue retention rates provide significant visibility into our future operating results and cash flow from operations. This visibility enables us to better manage and invest in our business. The following table sets forth our recurring revenue for the periods included (dollars in thousands):

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2025	2024	$	%	2025	2024	$	%
Recurring revenue	$ 5,911	$ 6,284	$ (373)	-6%	$ 11,017	$ 11,246	$ (229)	-2%

We expect to continue to focus on long-term contracts with recurring revenue as part of our business model, which is intended to cause recurring revenue growth in future periods to continue to increase. However, procurement requirements for some of our largest customers may result in periods when there is an increase one-time sales as compared to recurring revenues, which may cause the proportion of recurring revenues generated in those periods to fluctuate. In addition, there may be an increase in one time sales as a result of initial installations related to the development of recurring revenue.

Performance Obligations

As of June 30, 2025, we had approximately $13,231,000 of contracts that were closed prior to June 30, 2025 but have a contractual period beyond June 30, 2025. These contracts generally cover a term of one to five years, in which the Company will recognize revenue ratably over the contract term. Performance obligations for large contracts gradually decrease as they approach the renewal stage and increase if and when renewed. We currently expect to recognize approximately 88% of this amount over the succeeding twelve months, and the remainder is expected to be recognized over the following four years. On occasion, our customers will prepay the full contract or a substantial portion of the contract. Amounts related to the prepayment of the contract related to the performance obligation for a service period that is not yet met are recorded as part of our contract liabilities balance.

Lease Obligations

As of June 30, 2025, we had material leased building space at the following locations in the U.S. and Israel:

- Columbia, Maryland – The corporate headquarters
- Tel Aviv, Israel

We believe our facilities are in good condition and adequate for their current use. We expect to improve, replace and increase or decrease facilities as considered appropriate to meet the needs of our planned operations.

Liquidity and Capital Resources

The following table sets forth the components of our cash flows for the periods included (dollars in thousands):

	Six Months Ended June 30,			
	2025	2024	Change	
			$	%
Net cash used in operating activities	$ (15,734)	$ (17,926)	$ 2,192	12%
Net cash used in investing activities	(630)	(9,707)	9,077	94%
Net cash provided by financing activities	16,205	15,337	868	6%
Net decrease in cash, cash equivalents and restricted cash	$ (159)	$ (12,296)	$ 12,137	-99%

Net cash used in operating activities for the six months ended June 30, 2025 had a decrease of $2,192,000, which was primarily attributable to a reduction in our net loss.

The decrease in net cash used in investing activities of $9,077,000 was primarily due to the net cash outflow of $9,222,000 related to the acquisition of ATD.

Net cash provided by financing activities for the six months ended June 30, 2025 increased by $868,000 from the prior six month period ended June 30, 2024. During the six months ended June 30, 2025, as part of our Sale Agreement, we received net proceeds of $17,699,000. During the six months ended June 30, 2024, as part of our 2024 Public Offering, we received net proceeds of $26,362,000, these proceeds were partially offset by the repayment of our 2023 Promissory Notes

For the three and six months ended June 30, 2025 and 2024, we funded our operations primarily through cash from operating activities, the issuance of debt and the sale of equity. As of June 30, 2025, we had cash and cash equivalents and restricted cash of $5,170,000 and a working capital of $6,159,000, as compared to cash and cash equivalents and restricted cash of $5,329,000 and working capital of $1,707,000 as of December 31, 2024.

Liquidity

Management has assessed going concern uncertainty to determine whether there is sufficient cash on hand, together with expected capital raises and working capital, to assure operations for a period of at least one year from the date these consolidated financial statements are issued, which is referred to as the “look-forward period”, as defined in U.S. GAAP. As part of this assessment, based on conditions that are known and reasonably knowable to management, management has considered various scenarios, forecasts, projections, and estimates and will make certain key assumptions. These assumptions include, among other factors, its ability to raise additional capital, the expected timing and nature of the Company’s programs and projected cash expenditures and its ability to delay or curtail these programs or expenditures to the extent management has the proper authority to do so and considers it probable that those implementations can be achieved within the look-forward period.

We have generated losses since our inception and have relied on cash on hand and external sources of financing to support cash flow from operations. We attribute losses to non-capital expenditures related to the scaling of existing products, development of new products and service offerings and marketing efforts associated with these products and services. As of and for the six months ended June 30, 2025, we had working capital of $6,159,000 and a net loss of $19,532,000.

Our cash decreased by $159,000 for the six months ended June 30, 2025 primarily due to the net loss of $19,532,000, this amount was partially offset by external financing activity.

On February 10, 2025, the Company entered into an At Market Issuance Sales Agreement (the “Sales Agreement”) with Northland Securities, Inc. (the “Agent”), pursuant to which the Company may, from time to time, offer and sell shares of the Company’s common stock, par value $0.0001 per share (“Common Stock”), having an aggregate offering price of up to $25,000,000. The Agent is entitled to receive from the Company a commission in an amount equal to (i) 3.0% of the gross sales price per share sold through it as agent in agency transactions and (ii) 6.0% of the purchase price per share sold to the Agent, as principal in principal transactions. The Company incurred issuance costs of approximately $245,000 related to legal, accounting, and other fees in connection with the Sales Agreement. These costs were charged against the gross proceeds of the Sales Agreement and presented as a reduction to additional paid-in capital on the accompanying consolidated balance sheets.

As of June 30, 2025 the Company issued 14,914,600 shares of its common stock at a weighted average selling price of $1.24 per share in accordance with the Sales Agreement. Net cash provided from the Sales Agreement was $17,699,000 after paying $245,000 related to the issuance cost, as well as 3.0% or $555,000 related to cash commissions provided to the Agent.

Based on the Company's current business plan assumptions and the expected cash burn rate, the Company believes that the existing cash is insufficient to fund its current level of operations. These factors raise substantial doubt regarding the Company’s ability to continue as a going concern for the next twelve months following the issuance of these unaudited condensed consolidated financial statements. The unaudited condensed consolidated financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

The Company's ability to generate positive operating results and execute its business strategy will depend on (i) its ability to continue the growth of its customer base, (ii) its ability to continue to improve its quarterly financial metrics such as net loss and cash used from operating activities (iii) the continued performance of its contractors, subcontractors and vendors, (iv) its ability to maintain and build good relationships with investors, lenders and other financial intermediaries, (v) its ability to maintain timely collections from existing customers, and (vi) the ability to scale its business processes. To the extent that events outside of the Company's control have a significant negative impact on economic and/or market conditions, they could affect payments from customers, services and supplies from vendors, its ability to continue to secure and implement new business, raise capital, and otherwise, depending on the severity of such impact, materially adversely affect its operating results.

As of June 30, 2025, we did not have any material commitments for capital expenditures.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, Rekor is not required to provide the information required by Item 3.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation under the supervision and with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) of the Exchange Act) as of the end of the period covered by this report.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the “Securities 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 we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure.

Based on management’s review, our Interim Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2025.

Changes to Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company may be named as a party to various other lawsuits, claims and other legal and regulatory proceedings that arise in the ordinary course of business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract, property damage, infringement of proprietary rights, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to such lawsuits, claims and proceedings the Company accrues reserves when a loss is probable, and the amount of such loss can be reasonably estimated.

H.C. Wainwright & Co., LLC

In March 2023, the Company entered into an engagement letter with H.C. Wainwright & Co., LLC, ("HCW"), related to a capital raise (see *NOTE 9 – STOCKHOLDERS' EQUITY*). That letter agreement contained provisions for both a "tail" fee due to HCW for any subsequent transactions the Company may enter into during the specified tail period with investors introduced to the Company by HCW during the term of the letter, as well as a right of first refusal ("ROFR") to act as the Company's exclusive underwriter or placement agent on any subsequent financing transactions utilizing an underwriter or placement agent occurring within twelve months from the consummation of a transaction pursuant to the engagement letter.

In July 2023, the Company entered into an agreement with one of its warrant holders in connection with the exercise of warrants, which the Company refers to as the July Warrant Exercise Transaction. Subsequent to the July Warrant Exercise Transaction, the Company received a letter from HCW claiming entitlement to certain "tail" fees and warrant consideration stemming from the agreement with the warrant holder. The Company believed then, and believes now, that this claim is without merit. As a result of this claim and for other reasons articulated to HCW, the Company terminated its engagement letter with HCW, including for cause, which, the Company believes, eliminated both the "tail" provision and the ROFR provision with respect to the 2023 Registered Direct Offering.

On or about October 23, 2023, HCW filed a complaint in New York State Supreme Court asserting a claim for breach of contract against the Company relating to the July Warrant Exercise Transaction. HCW sought to recover compensatory and consequential damages and certain warrants under its letter agreement with Rekor and other fees, not less than a cash fee of $825,000 and the value of warrants to purchase an aggregate of up to 481,100 shares of common stock of the company at an exercise price of $2.00 per share as well as attorneys' fees. On February 29, 2024, HCW filed a notice of discontinuance without prejudice and advised the court that it intended to commence a new proceeding by filing a new complaint that would address the claim in this lawsuit and subsequent events. On March 4, 2024, the court discontinued this lawsuit without prejudice.

On February 29, 2024, HCW initiated the new action with the filing of complaint in New York State Supreme Court. In this lawsuit, HCW advances the same breach of contract theory and seeks to recover the same damages as sought in the prior now-dismissed lawsuit. In addition, HCW seeks to recover an additional $2,156,000 in damages plus the value of warrants to purchase an aggregate of up to 805,000 shares of common stock at an exercise price of $3.125 per share in connection with Rekor's February 2024 offering, which we refer to as the 2024 Public Offering. HCW alleges that Rekor breached its engagement letter with HCW by failing to give HCW notice of this offering and failing to provide HCW with the opportunity to exercise the ROFR with respect to this transaction. On May 3, 2024, Rekor answered HCW's complaint and filed counterclaims against HCW and Armistice Capital LLC ("Armistice") relating to Rekor's March 2023 Registered Direct Offering, Armistice's trading activity in Rekor common stock, and Rekor's 2024 Public Offering. After HCW and Armistice moved to dismiss Rekor's counterclaims, Rekor filed amended counterclaims on October 1, 2024. Rekor seeks to recover damages from HCW and Armistice. HCW and Armistice have now moved to dismiss the amended counterclaims. Those motions are pending. Discovery is ongoing in the matter.

The Company believes these claims are without merit. The Company intends to vigorously defend itself in this lawsuit.

Occupational Safety and Health Administration ("OSHA") Claim

In 2023 two previous employees of the Company (the "Claimants") filed a complaint with OSHA (the "OSHA Complaints") against the Company. Shortly after the OSHA Complaints were filed against the Company, the Company filed a position statement to address the OSHA Complaints. On November 30, 2023, OSHA issued its determination that, based on the information gathered thus far in its investigation, OSHA was unable to conclude that there was reasonable cause to believe that a violation of the statute occurred. OSHA thereby dismissed the complaint.

Thereafter, Claimants appealed the determination by filing objections and requesting a hearing before an Administrative Law Judge. The Company likewise filed a request for an award of attorneys' fees. On January 4, 2024, the Office of Administrative Law Judges ("OALJ") processed the appeals and issued its Notice of Docketing and Order of Consolidation. On February 28, 2024, the OALJ issued an Order setting forth a revised schedule governing the case with the start of the hearing scheduled for March 3, 2025. In advance of the March 3, 2025 hearing, the parties agreed to bifurcate the matter into two separate hearings. The first hearing from March 3-5, 2025 was set to address liability and the second from April 24-25, 2025 was set to address damages. The parties were able to settle the claim filed by one employee in advance of the March 3, 2025 hearing. The hearing did proceed for the claim filed by another employee. The Court did not make a finding on liability at the hearing. At the Court's request, the parties submitted post-hearing briefs in April 2025. The Company does not know when the Court will make its findings after the receipt of the briefs. The parties were next set to appear before the Court on April 24-25, 2025 to address damages. On April 22, 2025, the Court notified the parties that the April 24-25, 2025 damages hearing was cancelled. The Court indicated that it was going to review the briefs submitted on the liability phase and evidence in the matter and would reschedule a damages hearing, if necessary. We do not know when the Court will make a finding on the liability phase.

The Company believes these claims are without merit. The Company intends to vigorously defend itself in this lawsuit.

ITEM 1A. RISK FACTORS

Tariffs and Trade Policy Changes Could Adversely Affect Our Supply Chain and Financial Performance

We depend on international suppliers for certain hardware components, such as cameras and sensors, used in our AI-driven roadway intelligence solutions. Recent U.S. tariffs on imports, from trading partners, could significantly increase our component costs. If we are unable to pass these increased costs to customers due to competitive pressures, our gross margins could decline, further straining our financial condition. Moreover, ongoing trade policy uncertainty could hinder our ability to plan effectively, adversely affecting our business, operating results, and financial condition.

Other than the risk factor discussed above, there have been no material changes to the risk factors disclosed in “Risk Factors” in our Annual Report on Form 10-K as filed with the SEC on June 30, 2025. We encourage investors to review the risk factors and uncertainties relating to our business disclosed in that Form 10-K, as supplement by this Form 10-Q, as well as those contained in Part 1, Item 2, Management’s Discussion and Analysis of Financial Condition and Results of Operations, above.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None of the Company's directors or officers adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company's fiscal quarter ended June 30, 2025, as such terms are defined under Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

(a) Exhibits

		Incorporated by Reference				Filed/Furnished
Exhibit Number	**Exhibit Description**	**Form**	**File No.**	**Exhibit**	**Filing Date**	**Herewith**
3.1	Amended and Restated Certificate of Incorporation of Rekor Systems, Inc (formerly known as Novume Solutions, Inc.) as filed with the Secretary of State of Delaware on August 21, 2017.	8-K	333-216014	3.1	8/25/17	
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of Rekor Systems, Inc. as filed with the Secretary of State of Delaware on April 30, 2019.	8-K	001-38338	3.1	4/30/19	
3.3	Second Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Rekor Systems, Inc. as filed with the Secretary of State of Delaware on March 18, 2020.	8-K	001-38338	3.1	3/18/20	
3.4	Third Certificate of Amendment to Amended and Restated Certificate of Incorporation of Rekor Systems, Inc. as filed with the Secretary of the State of Delaware on April 22, 2024.	8-K	001-38338	3.1	4/22/24	
3.5	Amended and Restated Bylaws of Rekor Systems, Inc.	8-K	001-38338	3.2	12/15/21	
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.					*
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.					*
32.1	Section 1350 Certification of Chief Executive Officer.					**
32.2	Section 1350 Certification of Chief Financial Officer.					**
101.INS	Inline XBRL Instance Document					*
101.SCH	Inline XBRL Taxonomy Extension Schema Document					*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					*
104	Cover Page Interactive Data File (embedded within the Inline XBRL and contained in Exhibit 101)					

* Filed herewith.

** Furnished herewith.

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.

Rekor Systems, Inc.

By:	*/s/ Robert A. Berman*
Name:	Robert A. Berman
Title:	Interim President and Chief Executive Officer and Chairman of the Board Principal Executive Officer
Date:	August 12, 2025
By:	*/s/ Eyal Hen*
Name:	Eyal Hen
Title:	Chief Financial Officer Principal Financial and Accounting Officer
Date:	August 12, 2025

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert A. Berman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rekor Systems, 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 13a15(e) and 15d15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a15(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: August 12, 2025

/s/ Robert A. Berman
Robert A. Berman
Interim President and Chief Executive Officer and
Chairman of the Board
Principal Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Eyal Hen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rekor Systems, 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 13a15(e) and 15d15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a15(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: August 12, 2025

/s/ Eyal Hen
Eyal Hen
Chief Financial Officer and
Principal Financial and Accounting Officer

EXHIBIT 32.1

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

The undersigned hereby certify, pursuant to, and as required by, 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that the Quarterly Report of Rekor Systems, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2025 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 12, 2025

/s/ *Robert A. Berman*
Robert A. Berman
Interim President and Chief Executive Officer and
Chairman of the Board
Principal Executive Officer

A signed original of this written statement required by Section 906 of the Sarbanes Oxley Act of 2002 has been provided to Rekor Systems, Inc. and will be retained by Rekor Systems, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

EXHIBIT 32.2

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

The undersigned hereby certify, pursuant to, and as required by, 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that the Quarterly Report of Rekor Systems, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2025 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 12, 2025

/s/ Eyal Hen
Eyal Hen
Chief Financial Officer and
Principal Financial and Accounting Officer

A signed original of this written statement required by Section 906 of the Sarbanes Oxley Act of 2002 has been provided to Rekor Systems, Inc. and will be retained by Rekor Systems, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.