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

FORM 10-Q

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

For the quarterly period ended January 31, 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 001-38334

Immersion Corporation

(Exact name of registrant as specified in its charter)

Delaware	**94-3180138**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

2999 N.E. 191st Street, Suite 610, Aventura, FL, 33180
(Address of principal executive offices, zip code)

(408) 467-1900
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report.)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.001 par value	IMMR	Nasdaq Global Market
Series B Junior Participating Preferred Stock Purchase Rights	IMMR	Nasdaq Global Market

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 Act). Yes ☐ No ☒

Number of shares of common stock outstanding at March 6, 2025 was 32,396,432.

IMMERSION CORPORATION

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PART I

FINANCIAL INFORMATION
Item 1. Financial Statements

IMMERSION CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except for share and per share data)
(Unaudited)

	January 31, 2025	April 30, 2024
ASSETS		
Current assets:		
Immersion		
Cash and cash equivalents	$ 68,505	$ 85,521
Investments – current	76,221	92,848
Accounts receivable, net	3,117	3,138
Prepaid expenses and other current assets	19,299	9,101
	167,142	190,608
Barnes & Noble Education		
Cash and cash equivalents	9,185	—
Accounts receivables, net	354,241	—
Merchandise inventories, net	326,825	—
Textbook rental inventories, net	41,033	—
Prepaid expenses and other current assets	27,549	—
	758,833	—
Total current assets	925,975	190,608
Immersion		
Property and equipment, net	127	164
Investments – noncurrent	44,118	46,545
Long-term deposits	6,149	6,324
Deferred tax assets	865	2,793
Other assets – noncurrent	27,774	87
	79,033	55,913
Barnes & Noble Education		
Property and equipment, net	100,752	—
Intangible assets, net	92,542	—
Goodwill	10,116	—
Operating lease right-of-use assets	150,403	—
Other assets - noncurrent	11,722	—
	365,535	—
Total assets	$ 1,370,543	$ 246,521

IMMERSION CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except for share and per share data)
(Unaudited)

	January 31, 2025	April 30, 2024
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Immersion		
Accounts payable	$ 16	$ 55
Accrued compensation	190	4,003
Deferred revenue – current	2,942	12,494
Other current liabilities	30,427	13,654
	33,575	30,206
Barnes & Noble Education		
Accounts payable	303,577	—
Accrued liabilities	77,272	—
Deferred revenue – current	49,708	—
Operating lease liabilities – current	74,474	—
	505,031	—
Total current liabilities	538,606	30,206
Immersion		
Deferred revenue – noncurrent	6,522	7,978
Other long-term liabilities	4,933	7,107
	11,455	15,085
Barnes & Noble Education		
Operating lease liabilities – noncurrent	106,468	—
Deferred revenue – noncurrent	3,260	—
Other noncurrent liabilities	3,261	—
Long-term borrowings	141,200	—
	254,189	—
Total liabilities	804,250	45,291
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Common stock – $0.001 par value; 100,000,000 shares authorized; 49,020,309 and 32,396,432 shares issued and outstanding at January 31, 2025, respectively; 48,047,329 and 31,854,837 shares issued and outstanding at April 30, 2024, respectively	49	48
Additional paid-in capital	384,749	322,786
Accumulated other comprehensive income (loss)	1,911	2,019
Accumulated earnings (deficit)	41,710	(18,263)
Treasury stock at cost: 16,623,877 and 16,192,492 shares, respectively, at cost	(109,253)	(105,360)
Total stockholders' equity attributable to Immersion Corporation stockholders	319,166	201,230
Noncontrolling interest in consolidated subsidiaries	247,127	—
Total stockholders' equity	566,293	201,230
Total liabilities and stockholders' equity	$ 1,370,543	$ 246,521

See accompanying Notes to Condensed Consolidated Financial Statements.

IMMERSION CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	January 31, 2025	**September 30, 2023**	**January 31, 2025**	**September 30, 2023**
Revenues:				
Immersion				
Royalty and license	$ 8,437	$ 9,482	$ 70,989	$ 23,539
Barnes & Noble Education				
Product and other	423,163	—	1,112,955	—
Rental income	43,162	—	90,556	—
	466,325	—	1,203,511	—
Total revenues	474,762	9,482	1,274,500	23,539
Cost of sales (excludes depreciation and amortization expenses):				
Barnes & Noble Education				
Product and other cost of sales	343,613	—	897,617	—
Rental cost of sales	25,330	—	50,513	—
	368,943	—	948,130	—
Operating expenses:				
Immersion				
Selling and administrative expenses	5,010	2,963	22,586	10,648
Barnes & Noble Education				
Selling and administrative expenses	71,498	—	178,822	—
Depreciation and amortization expense	9,979	—	24,630	—
Impairment	604	—	604	—
Restructuring and other charges	(7,478)	—	(2,414)	—
	74,603	—	201,642	—
Total operating expenses	79,613	2,963	224,228	10,648
Operating income (loss)	26,206	6,519	102,142	12,891
Interest and other income (expense), net	14,803	(2,554)	29,039	10,731
Interest expense	(4,167)	—	(11,081)	—
Income (loss) before provision for income taxes	36,842	3,965	120,100	23,622
Provision for income taxes	(17,417)	(1,285)	(32,521)	(5,636)
Net income (loss)	$ 19,425	$ 2,680	$ 87,579	$ 17,986
Net income (loss) attributable to noncontrolling interest	3,953	—	17,790	—
Net income (loss) attributable to Immersion stockholders	$ 15,472	$ 2,680	$ 69,789	$ 17,986
Earnings per common share attributable to Immersion stockholders				
Basic	$ 0.48	$ 0.08	$ 2.17	$ 0.56
Diluted	$ 0.47	$ 0.08	$ 2.12	$ 0.55
Weighted Average Common Stock Outstanding				
Basic	32,294	32,523	32,159	32,254
Diluted	33,055	32,750	32,959	32,586

See accompanying Notes to Condensed Consolidated Financial Statements.

IMMERSION CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	January 31, 2025	September 30, 2023	January 31, 2025	September 30, 2023
Net income (loss)	$ 19,425	$ 2,680	$ 87,579	$ 17,986
Change in unrealized gains (losses) on available-for-sale securities	380	320	(108)	993
Comprehensive income (loss)	$ 19,805	$ 3,000	$ 87,471	$ 18,979
Comprehensive income (loss) attributable to noncontrolling interests	3,953	—	17,790	—
Comprehensive income (loss) attributable to Immersion stockholders	$ 15,852	$ 3,000	$ 69,681	$ 18,979

See accompanying Notes to Condensed Consolidated Financial Statements.

IMMERSION CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except number of shares)
(Unaudited)

	Three Months Ended January 31, 2025									
	Common Stock					Treasury Stock				
	Shares	Amount	Additional Paid In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings (Deficit)	Shares	Amount	Total Stockholders' Equity Attributable to Immersion Stockholder	Noncontrolling Interest	Total Stockholders' Equity
Balances at October 31, 2024	48,685,577	$ 49	$ 382,174	$ 1,531	$ 34,535	16,409,872	$(107,408)	$ 310,881	$ 171,606	$ 482,487
Net income (loss)	—	—	—	—	15,472	—	—	15,472	3,953	19,425
Unrealized gain (loss) on available-for-sale securities, net of taxes	—	—	—	380	—	—	—	380	—	380
Sale of Barnes & Noble Education's common stock, net of commissions	—	—	(1,506)	—	—	—	—	(1,506)	70,345	68,839
Release of restricted stock units and awards, net of shares withheld	247,833	—	—	—	—	77,337	(675)	(675)	—	(675)
Shares issued to an employee in lieu of cash compensation	86,899	—	727	—	—	—	—	727	—	727
Dividends declared	—	—	—	—	(8,297)	—	—	(8,297)	—	(8,297)
Stock repurchases	—	—	—	—	—	136,668	(1,170)	(1,170)	—	(1,170)
Rebalancing of controlling and noncontrolling interest	—	—	1,274	—	—	—	—	1,274	(1,274)	—
Stock-based compensation	—	—	2,080	—	—	—	—	2,080	2,497	4,577
Balances at January 31, 2025	49,020,309	$ 49	$ 384,749	$ 1,911	$ 41,710	16,623,877	$(109,253)	$ 319,166	$ 247,127	$ 566,293

See accompanying Notes to Condensed Consolidated Financial Statements.

IMMERSION CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except number of shares)
(Unaudited)

	Three Months Ended September 30, 2023									
	Common Stock					Treasury Stock				
	Shares	Amount	Additional Paid In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings (Deficit)	Shares	Amount	Total Stockholders' Equity Attributable to Immersion Stockholder	Noncontrolling Interest	Total Stockholders' Equity
Balances at June 30, 2023	47,519,064	$ 48	$ 322,822	$ 875	$ (54,710)	15,260,452	$ (98,999)	$ 170,036	$ —	$ 170,036
Net income (loss)	—	—	—	—	2,680	—	—	2,680	—	2,680
Unrealized gain (loss) on available-for-sale securities, net of taxes	—	—	—	320	—	—	—	320	—	320
Release of restricted stock units and awards, net of shares withheld	51,875	—	—	—	—	21,527	(152)	(152)	—	(152)
Proceeds from stock option exercises	—	—	—	—	—	—	—	—	—	—
Shares issued to an employee in lieu of cash compensation	7,326	—	48	—	—	—	—	48	—	48
Stock repurchases	—	—	—	—	—	485,061	(3,328)	(3,328)	—	(3,328)
Dividends declared	—	—	(991)	—	—	—	—	(991)	—	(991)
Stock-based compensation	—	—	820	—	—	—	—	820	—	820
Balances at September 30, 2023	47,578,265	$ 48	$ 322,699	$ 1,195	$ (52,030)	15,767,040	$(102,479)	$ 169,433	$ —	$ 169,433

See accompanying Notes to Condensed Consolidated Financial Statements.

IMMERSION CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except number of shares)
(Unaudited)

	Nine Months Ended January 31, 2025									
	Common Stock					Treasury Stock		Total Stockholders' Equity Attributable to Immersion Stockholder	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Amount	Additional Paid In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings (Deficit)	Shares	Amount			
Balances at April 30, 2024	48,047,329	$ 48	$ 322,786	$ 2,019	$ (18,263)	16,192,492	$(105,360)	$ 201,230	$ —	$ 201,230
Net income (loss)	—	—	—	—	69,789	—	—	69,789	17,790	87,579
Unrealized gain (loss) on available-for-sale securities, net of taxes	—	—	—	(108)	—	—	—	(108)		(108)
Barnes & Noble Education acquisition	—	—	—	—	—	—	—	—	203,657	203,657
Sale of Barnes & Noble Education's common stock, net of commissions	—	—	(2,336)	—	—	—	—	(2,336)	80,587	78,251
Release of restricted stock units and awards, net of shares withheld for payroll taxes	790,166	1	—	—	—	294,717	(2,723)	(2,722)	—	(2,722)
Shares issued to an employee in lieu of cash compensation	182,814	—	1,545	—	—	—	—	1,545	—	1,545
Dividends declared	—	—	(1,524)	—	(9,816)	—	—	(11,340)	—	(11,340)
Stock repurchases	—	—	—	—	—	136,668	(1,170)	(1,170)	—	(1,170)
Rebalancing of controlling and noncontrolling interest	—	—	58,514	—	—	—	—	58,514	(58,514)	—
Stock-based compensation	—	—	5,764	—	—	—	—	5,764	3,607	9,371
Balances at January 31, 2025	49,020,309	$ 49	$ 384,749	$ 1,911	$ 41,710	16,623,877	$(109,253)	$ 319,166	$ 247,127	$ 566,293

See accompanying Notes to Condensed Consolidated Financial Statements.

IMMERSION CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except number of shares)
(Unaudited)

	Nine Months Ended September 30, 2023									
	Common Stock					Treasury Stock		Total Stockholders' Equity Attributable to Immersion Stockholder	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Amount	Additional Paid In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings (Deficit)	Shares	Amount			
Balances at December 31, 2022	46,974,598	$ 47	$ 322,667	$ 202	$ (70,016)	14,727,582	$ (95,200)	$ 157,700	$ —	$ 157,700
Net income (loss)	—	—	—	—	17,986	—	—	17,986	—	17,986
Unrealized gain (loss) on available-for-sale securities, net of taxes	—	—	—	993	—	—	—	993	—	993
Stock repurchases	—	—	—	—	—	898,757	(6,180)	(6,180)	—	(6,180)
Release of restricted stock units and awards, net of shares withheld	508,344	1	—	—	—	140,701	(1,099)	(1,098)	—	(1,098)
Proceeds from Stock option exercises	21,222	—	160	—	—	—	—	160	—	160
Issuance of stock for ESPP purchase	1,298	—	6	—	—	—	—	6	—	6
Shares issued to an employee in lieu of cash compensation	72,803	—	538	—	—	—	—	538	—	538
Dividends declared	—	—	(3,198)	—	—	—	—	(3,198)	—	(3,198)
Stock-based compensation	—	—	2,526	—	—	—	—	2,526	—	2,526
Balances at September 30, 2023	47,578,265	$ 48	$ 322,699	$ 1,195	$ (52,030)	15,767,040	$(102,479)	$ 169,433	$ —	$ 169,433

See accompanying Notes to Condensed Consolidated Financial Statements.

IMMERSION CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended	
	January 31, 2025	September 30, 2023
Cash flows from operating activities:		
Net income (loss)	$ 87,579	$ 17,986
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization expense	24,704	56
Stock-based compensation	9,380	2,526
Loss on disposal of property and equipment	3,227	—
Deferred income taxes	(1,908)	—
Net (gains) losses on investment in marketable securities	(15,596)	(4,330)
Net (gains) losses on derivative instruments	(5,586)	(341)
Shares issued to an employee in lieu of cash compensation	1,545	538
Other noncash	(137)	(18)
Changes in operating assets and liabilities:		
Accounts and other receivables	(240,477)	(1,323)
Merchandise inventories	9,916	—
Textbook rental inventories	(31,198)	—
Prepaid expenses and other current assets	(10,362)	1,024
Changes in lease right-of-use assets and liabilities	(1,460)	277
Long-term deposits	48	(1,967)
Other assets	(24,628)	337
Accounts payable and accrued liabilities	49,767	(1,457)
Other current liabilities	15,747	3,080
Deferred revenue	30,916	(3,576)
Other long-term liabilities	(9,151)	(33)
Net cash flows provided by (used in) operating activities	(107,674)	12,779
Cash flows from investing activities:		
Purchases of marketable securities and other investments	(80,951)	(158,347)
Proceeds from sale or maturities of marketable securities and other investments	115,710	130,602
Proceeds from sale of derivative instruments	11,491	17,888
Payments for settlement of derivative instruments	(4,856)	(9,508)
Acquisition of business net of cash acquired	(29,647)	—
Purchase of property and equipment	(8,134)	(1)
Proceeds from disposal of property and equipment	792	—
Net cash flows provided by (used in) investing activities	4,405	(19,366)
Cash flows from financing activities:		
Proceeds from borrowings	616,455	—
Repayment of borrowing	(576,491)	—
Proceeds from sale of Barnes & Noble Education common stock	78,251	—
Dividend payments to stockholders	(11,340)	(6,419)
Proceeds from stock options exercises	—	160
Shares withheld to cover payroll taxes	(2,725)	(1,099)
Other financing activities	(1,170)	(6,174)
Net cash provided by (used in) financing activities	102,980	(13,532)
Net increase (decrease) in cash, cash equivalents and restricted cash	(289)	(20,119)
Cash, cash equivalents, and restricted cash:		
Beginning of period	85,521	48,820
End of period	$ 85,232	$ 28,701

See accompanying Notes to Condensed Consolidated Financial Statements.

IMMERSION CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

Reconciliation of cash, cash equivalents and restricted cash for Condensed Consolidated Balance Sheets:

	January 31, 2025	September 30, 2023
Cash and cash equivalents		
Immersion	$ 68,505	$ 28,701
Barnes & Noble Education	9,185	—
	77,690	28,701
Barnes & Noble Education restricted cash reported as:		
Prepaid expenses and other current assets	5,199	—
Other assets - noncurrent	2,343	—
Total restricted cash	7,542	—
Total cash, cash equivalents and restricted cash	$ 85,232	$ 28,701

See accompanying Notes to Condensed Consolidated Financial Statements.

IMMERSION CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Immersion Corporation ("Immersion") was incorporated in 1993 in California and reincorporated in Delaware in 1999. Unless the context otherwise requires, references in this Quarterly Report on Form 10-Q to the "Company", "we", "us" and "our" refer to Immersion and our consolidated subsidiaries.

Immersion generates license and royalty revenues from a wide range of intellectual property ("IP") that more fully engage users' sense of touch when operating digital devices. We focus on the following target application areas: mobile devices, wearables, consumer, mobile entertainment and other content; console gaming; automotive; medical; and commercial.

On June 10, 2024, we acquired a controlling interest in Barnes & Noble Education, Inc., a Delaware corporation ("Barnes & Noble Education" or "BNED"). Please refer to *Note 2. Business Combination* for additional information. The financial results of Barnes & Noble Education have been included in our condensed consolidated financial statements from the acquisition date of June 10, 2024.

Barnes & Noble Education is one of the largest contract operators of physical and virtual bookstores for college and university campuses and K-12 institutions across the United States. Barnes & Noble Education is also a textbook wholesaler, and bookstore management hardware and software provider. Barnes & Noble Education operates physical and virtual bookstores, delivering essential educational content and general merchandise within a dynamic omnichannel retail environment.

BNC First Day Equitable and Inclusive Access Programs

Barnes & Noble Education provides product and service offerings designed to address the most pressing issues in higher education, including equitable access, enhanced convenience and improved affordability through innovative course material delivery models designed to drive improved student experiences and outcomes. Barnes & Noble Education offers its BNC First Day® affordable access course material programs, consisting of *First Day Complete* and *First Day*, which provide faculty-required course materials to students on or before the first day of class.

- *First Day Complete* is adopted by an institution and includes all or the majority of undergraduate classes (and on occasion graduate classes), providing students with both physical and digital materials. In addition to providing numerous benefits to students, faculty and administrators, the *First Day Complete* model drives substantially greater unit sales and sell-through for the bookstore.

- *First Day* is adopted by a faculty member for a single course, and students receive primarily digital course materials through their school's learning management system ("LMS").

The *Barnes & Noble* brand (licensed from Barnes & Noble Education's former parent) along with its subsidiary brands, *BNC* and *MBS*, are synonymous with innovation in bookselling and campus retailing in the United States. Barnes & Noble Education's large college footprint, reputation, and credibility in the marketplace not only support its marketing efforts to universities, students, and faculty, but are also important to its relationship with leading educational publishers who rely on us as one of their primary distribution channels.

Principles of Consolidation and Basis of Presentation

The results of operations reflected in our condensed consolidated financial statements include the accounts of Immersion and our wholly-owned subsidiaries, as well as the accounts of Barnes & Noble Education, a consolidated variable interest entity, since June 10, 2024. All significant intercompany accounts and transactions have been eliminated in consolidation.

The noncontrolling interest on the *Condensed Consolidated Statements of Operations* represents the portion of earnings or loss attributable to the interest in Barnes & Noble Education held by other owners. The noncontrolling interest on the *Condensed Consolidated Balance Sheets* represents the portion of our net assets attributable to the other owners, based on the portion of the interest owned by such owners. As of January 31, 2025, the noncontrolling interest was $247.1 million. At the end of each reporting period, equity related to Barnes & Noble Education that is attributable to Immersion and the other owners is rebalanced to reflect Immersion's and the other owners' ownership in Barnes & Noble Education.

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions for Form 10-Q and the applicable articles of Regulation S-X. Accordingly, these condensed consolidated financial statements do not include all information and footnotes necessary for a complete presentation of the financial position, results of operations, and cash flows, in conformity with U.S. GAAP and should be read in conjunction with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023. In the opinion of management, all adjustments consisting of only normal and recurring items necessary for the fair presentation of the financial position and results of operations for the interim periods presented have been included. Certain prior year amounts have been reclassified to conform with the current year presentation.

Due to their nonhomogeneous operations, our *Condensed Consolidated Balance Sheets* as of January 31, 2025 and April 30, 2024 and *Condensed Consolidated Statement of Operations* for the three and nine months ended January 31, 2025, separately present the operating assets, liabilities, and operations of Immersion's business from the operating assets, liabilities and operations of Barnes & Noble Education's business. All of the assets of Barnes & Noble Education, reported on the *Condensed Consolidated Balance Sheet*, can be used only to settle obligations of Barnes & Noble Education. None of the liabilities of Barnes & Noble Education have recourse to the general credit of Immersion Corporation.

Use of Estimates

In preparing financial statements in conformity with U.S. GAAP, we are required to make estimates and assumptions that affect the reported amounts in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Reporting Periods

Immersion previously reported our financial results based on a calendar-year basis. For interim period reporting, we reported our quarterly financial results as of March 31, June 30, September 30, and December 31 in each calendar year. Barnes & Noble Education's fiscal year is comprised of 52 or 53 weeks, ending on the Saturday closest to the last day of April.

In order to more closely align with Barnes & Noble Education's fiscal year end, on September 27, 2024, the Board of Directors of Immersion (the "Board") approved a change of our fiscal year from the period beginning on January 1 and ending on December 31 to the period beginning on May 1 and ending on April 30. As a result of the change in fiscal year end, we filed a Transition Report on Form 10-QT for the transition period from January 1, 2024, through April 30, 2024, on November 8, 2024.

Our new fiscal year begins on May 1 and ends on April 30. Our new fiscal quarters end on July 31, October 31, January 31, and April 30. Therefore, the financial results of certain fiscal quarters may not be comparable to prior fiscal quarters. References throughout this Quarterly Report on Form 10-Q to fiscal 2025 with respect to Immersion refer to the fiscal year ending April 30, 2025.

The financial information presented in this Quarterly Report on Form 10-Q includes the financial information of Barnes & Noble Education for the 13 weeks and 39 weeks ended January 25, 2025.

We did not recast the condensed consolidated financial statements for the three and nine months ended January 31, 2024 because the financial reporting processes in place at that time included certain procedures that were completed only on a quarterly basis. Consequently, to recast this period would have been impractical and would not have been cost-justified. Prior to the completion of the Transactions, our business was not highly seasonal and seasonal differences do not generally affect the comparability of prior fiscal quarters. As a result, the condensed consolidated financial statements for the three and nine months ended September 30, 2023, are presented as the most comparable periods of the prior year.

Segment Information

Following the closing of the Transaction (as defined below) with Barnes & Noble Education, we operate as two reportable segments, Immersion and Barnes & Noble Education.

Earnings per Share of the Company

We present both basic and diluted earnings per share ("EPS") using the two-class method, which is an earnings allocation formula that determines EPS for common stock and any participating securities according to dividends declared (whether paid or unpaid). Under the two-class method, basic EPS is computed by dividing the income available to Immersion stockholders by the weighted-average number of common stock shares outstanding for the period. Basic EPS includes participating securities, consisting of unvested restricted stock that receive nonforfeitable dividends similar to shares of common stock. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, where such exercise or conversion would result in a lower earnings per share amount.

Business Combinations

The determination of the fair value of net assets acquired in a business combination requires estimates and judgments of future cash flow expectations for the acquired business and the related identifiable tangible and intangible assets. Fair values of net assets acquired are calculated using expected cash flows and industry-standard valuation techniques. For current assets and current liabilities, book value is generally assumed to approximate fair value. Goodwill is the amount by which consideration paid for an acquired entity exceeds the fair value of its acquired net assets. Acquisition costs are expensed as incurred and are included within general and administrative expenses in the consolidated statements of operations.

Due to the time required to gather and analyze the necessary data for each acquisition, U.S. GAAP provides a "measurement period" of up to one year from the date of acquisition in which to finalize these fair value determinations. During the measurement period, preliminary fair value estimates may be revised if new information is obtained about the facts and circumstances existing as of the date of acquisition or based on the final net assets and working capital of the acquired business, as prescribed in the applicable purchase agreement. Such adjustments may result in the recognition of, or an adjustment to the fair values of, acquisition-related assets and liabilities and/or consideration paid, and are referred to as "measurement period" adjustments. Measurement period adjustments are recorded to goodwill. Other revisions to fair value estimates, including those relating to facts and circumstances that occur subsequent to the date of acquisition, are reflected as income or expense, as appropriate.

Goodwill and Indefinite-Lived Intangible Assets

We have goodwill and indefinite-lived intangible assets that have been recorded in connection with the acquisition of Barnes & Noble Education. Goodwill and indefinite-lived intangible assets are not amortized, but instead are tested for impairment at least annually. We monitor these assets on a quarterly basis for potential indicators of impairment. Goodwill is required to be tested for impairment at the reporting unit level, which is an operating segment, or one level below the operating segment.

Impairment of Long-Lived Assets

Our long-lived assets include property and equipment, operating lease right-of-use assets, and amortizable intangibles recorded in connection with our business acquisition of Barnes & Noble Education. We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We evaluate the long-lived assets of the reporting units for impairment at the lowest asset group level for which individual cash flows can be identified. When evaluating long-lived assets for potential impairment, we first compare the carrying amount of the asset group to the estimated future undiscounted cash flows. The impairment loss calculation compares the carrying amount of the assets to the fair value based on estimated discounted future cash flows. If required, an impairment loss is recorded for that portion of the asset's carrying value in excess of fair value.

Significant Accounting Policies Related to Barnes & Noble Education

A summary of the new significant accounting policies as a result of our acquisition of Barnes & Noble Education is as follows:

Seasonality

Barnes & Noble Education's business is highly seasonal, particularly with respect to textbook sales and rentals, with the major portion of sales and operating profit realized during the second and third fiscal quarters when college students generally purchase and rent textbooks for the upcoming semesters and lowest in the first and fourth fiscal quarters. Barnes & Noble Education's quarterly results also may fluctuate depending on the timing of the start of the various schools' semesters, as well as shifts in its fiscal calendar dates.

As the concentration of digital product sales increases, revenue will be recognized earlier during the academic term as digital textbook revenue is recognized when the customer accesses the digital content compared to: (i) the rental of physical textbook where revenue is recognized over the rental period; and (ii) ala carte courseware sales where revenue is recognized when the customer takes physical possession of Barnes & Noble Education products, which occurs either at the point of sale for products purchased at physical locations or upon receipt of products by customers for products ordered through Barnes & Noble Education's websites and virtual bookstores.

Restricted Cash

As of January 31, 2025, Barnes & Noble Education had restricted cash of $7.5 million, comprised of $5.2 million in Prepaid expenses and other current assets in the *Condensed Consolidated Balance Sheet* related to segregated funds for commission due to Lids for logo merchandise sales as per the Lids service provider merchandising agreement, and $2.3 million in Other assets - noncurrent in the *Condensed Consolidated Balance Sheet* related to amounts held in trust for future distributions related to employee benefit plans. The restricted cash was part of net assets acquired as part of the Transactions (defined below).

Merchandise Inventories

Merchandise inventories, which consist of finished goods, are stated at the lower of cost or market. The market value of Barnes & Noble Education's inventory, which is all purchased finished goods, is determined based on its estimated net realizable value, which is generally the selling price less normally predictable costs of disposal and transportation. Reserves for non-returnable inventory are based on our history of liquidating non-returnable inventory, which includes certain significant assumptions, including markdowns, sales below cost, inventory aging, and expected demand.

Cost is determined primarily by the retail inventory method for Barnes & Noble Education's physical bookstore inventory. Barnes & Noble Education's fulfillment and trade book inventories are valued using the LIFO method and the related reserve was not material to the recorded amount of the inventories. There were no LIFO adjustments during the period from June 10, 2024, to January 31, 2025.

For the physical bookstores, Barnes & Noble Education also estimates and accrues shortage for the period between the last physical count of inventory and the balance sheet date. Shortage rates are estimated and accrued based on historical rates and can be affected by changes in merchandise mix and changes in actual shortage trends.

On June 10, 2024, Immersion acquired $336.7 million in the merchandise inventory, measured at fair value, as part of the Transactions (defined below).

Textbook Rental Inventories

Physical textbooks out on rent are categorized as textbook rental inventories. At the time a rental transaction is consummated, the book is removed from merchandise inventories and moved to textbook rental inventories at cost. The cost of the book is amortized down to its estimated residual value over the rental period. The related amortization expense is included in cost of sales. At the end of the rental period, upon return, the book is removed from textbook rental inventories and recorded in merchandise inventories at its amortized cost.

On June 10, 2024, Immersion acquired $9.8 million in rental textbook inventory, measured at fair value, as part of the Transactions (defined below).

Leases

Barnes & Noble Education recognizes lease assets and lease liabilities on the *Condensed Consolidated Balance Sheet* for all operating lease arrangements based on the present value of future lease payments as required by Accounting Standards Codification ("ASC") Topic 842, Leases. Barnes & Noble Education does not recognize lease assets or lease liabilities for short-term leases (i.e., those with a term of twelve months or less). Barnes & Noble Education recognizes lease expense on a straight-line basis over the lease term for contracts with fixed lease payments, including those with fixed annual minimums, or over a rolling twelve-month period for leases where the annual guarantee resets at the start of each contract year, in order to best reflect the pattern of usage of the underlying leased asset. Barnes & Noble Education recognizes lease expense related to college and university contracts, inclusive of the amortization of the unfavorable lease terms determined at the acquisition date of June 10, 2024, as cost of sales in the *Condensed Consolidated Statements of Operations* and Barnes & Noble Education recognizes lease expense related to its various office spaces as selling and administrative expenses in the *Condensed Consolidated Statements of Operations.*

For leases entered into after June 10, 2024, Barnes & Noble Education uses its incremental borrowing rates to determine the present value of fixed lease payments based on the information available at the commencement date, as the rate implicit in the lease is not readily determinable. Barnes & Noble Education utilizes an estimated collateralized incremental borrowing rate as of the effective date or the commencement date of the lease, whichever is later.

Revenue Recognition and Deferred Revenue

Product sales and rentals

The majority of Barnes & Noble Education's revenue is derived from the sale of products through its bookstore locations, including virtual bookstores, and its bookstore affiliated e-commerce websites, and contains a single performance obligation. Revenue from sales of products is recognized at the point in time when control of the products is transferred to its customers in an amount that reflects the consideration it expects to be entitled to in exchange for the products.

Product sales is recognized when the customer takes physical possession of its products, which occurs either at the point of sale for products purchased at physical locations or upon receipt of products by its customers for products ordered through websites and virtual bookstores. Product sales from Barnes & Noble Education's wholesale operations are recognized upon shipment of physical textbooks at which point title passes and risk of loss is transferred to the customer. Additional revenue is recognized for shipping charges billed to customers and shipping costs are accounted for as fulfillment costs within cost of sales.

Revenue from the sale of digital textbooks, which contains a single performance obligation, is recognized when the customer accesses the digital content as product sales in Barnes & Noble Education's condensed consolidated financial statements. A software feature is embedded within the content of Barnes & Noble Education's digital textbooks, such that upon expiration of the term the customer is no longer able to access the content. While the sale of the digital textbook allows the customer to access digital content for a fixed period of time, once the digital content is delivered to the customer, Barnes & Noble Education's performance obligation is complete.

Revenue from the rental of physical textbooks is deferred and recognized over the rental period based on the passage of time commencing at the point of sale, when control of the product transfers to the customer and is recognized as rental income in Barnes & Noble Education's condensed consolidated financial statements. Rental periods are typically for a single semester and are always less than one year in duration. Barnes & Noble Education offers a buyout option to allow the purchase of a rented physical textbook at the end of the rental period if the customer desires to do so. Barnes & Noble Education records the buyout purchase when the customer exercises and pays the buyout option price which is determined at the time of the buyout. In these instances, Barnes & Noble Education accelerates any remaining deferred rental revenue at the point of sale.

Revenue recognized for the *BNC First Day* offerings is consistent with Barnes & Noble Education's policies outlined above for product, digital and rental sales, net of an anticipated opt-out or return provision. Given the growth of *BNC First Day* programs, the timing of cash collection from Barnes & Noble Education's school partners may shift to periods subsequent to when the revenue is recognized. When a school adopts the *BNC First Day* affordable access course material offerings, cash collection from the school generally occurs after the institution's drop/add dates, which is later in the working capital cycle, particularly in Barnes & Noble Education's third quarter given the timing of the Spring Term and its quarterly reporting period, as compared to direct-to-student point-of-sale transactions where cash is generally collected during the point-of-sale transaction or within a few days from the credit card processor.

Barnes & Noble Education estimates returns based on an analysis of historical experience. A provision for anticipated merchandise returns is provided through a reduction of sales and cost of sales in the period that the related sales are recorded.

For sales and rentals involving third-party products, Barnes & Noble Education evaluates whether it is acting as a principal or an agent. This determination is based on Barnes & Noble Education's evaluation of whether it controls the specified goods or services prior to transferring them to the customer. There are significant judgments involved in determining whether Barnes & Noble Education controls the specified goods or services prior to transferring them to the customer, including whether we have the ability to direct the use of the good or service and obtain substantially all of the remaining benefits from the good or service. For those transactions where Barnes & Noble Education is the principal, it records revenue on a gross basis, and for those transactions where Barnes & Noble Education is an agent to a third-party, it records revenue on a net basis.

As the logo and emblematic general merchandise sales are fulfilled by Lids and Fanatics Retail Group Fulfillment, LLC (“Fanatics”, collectively, F/L Relationship), Barnes & Noble Education recognizes commission revenue earned for these sales on a net basis in its condensed consolidated financial statements.

Barnes & Noble Education does not have gift cards or customer loyalty programs. Barnes & Noble Education does not treat any promotional offers as expenses. Sales tax collected from Barnes & Noble Education's customers is excluded from reported revenues. Barnes & Noble Education's payment terms are generally 30 days and do not extend beyond one year.

Service and other revenue

Service and other revenue is primarily derived from brand marketing services which include promotional activities and advertisements within Barnes & Noble Education's physical bookstores and web properties performed on behalf of third-party customers, shipping and handling, and revenue from other programs.

Brand marketing agreements often include multiple performance obligations which are individually negotiated with Barnes & Noble Education's customers. For these arrangements that contain distinct performance obligations, Barnes & Noble Education allocates the transaction price based on the relative standalone selling price method by comparing the standalone selling price ("SSP") of each distinct performance obligation to the total value of the contract. The revenue is recognized as each performance obligation is satisfied, typically at a point in time for brand marketing service and over time for advertising efforts as measured based upon the passage of time for contracts that are based on a stated period of time or the number of impressions delivered for contracts with a fixed number of impressions.

Cost of Sales

Cost of sales primarily includes costs such as merchandise costs; textbook rental amortization; content development cost amortization; warehouse costs related to inventory management and order fulfillment; insurance; certain payroll costs; and management service agreement costs, including rent expense, related to our college and university contracts and other facility related expenses. Rent expense is inclusive of the amortization of unfavorable lease terms that was recognized at the Closing Date.

Except as set forth herein, there are no other changes in our significant accounting policies. Please refer to *Note 1. Significant Accounting Policies* contained in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on March 11, 2024, for a complete discussion of our significant accounting policies.

Recent Accounting Pronouncements Not Yet Adopted

In November 2024, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures*. The ASU requires a public business entity to provide disaggregated disclosures of certain categories of expenses on an annual and interim basis including purchases of inventory, employee compensation, depreciation, and intangible asset amortization for each income statement line item that contains those expenses. This ASU is effective for annual and interim periods beginning after December 15, 2026 (our 2028 fiscal year), with early adoption permitted. We are currently assessing this guidance and determining the impact on our condensed consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09: *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* that requires entities to disclose additional information about federal, state, and foreign income taxes primarily related to the income tax rate reconciliation and income taxes paid. The new standard also eliminates certain existing disclosure requirements related to uncertain tax positions and unrecognized deferred tax liabilities. The guidance will be effective for the fiscal year beginning May 1, 2025. The guidance does not affect recognition or measurement in our consolidated financial statements. We are evaluating the impact of this amendment on our consolidated financial statements.

In November 2023, the FASB issued *ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. This guidance will be effective for us for the annual report for the fiscal year ending April 30, 2025, and subsequent interim periods. Early adoption is permitted, and retrospective adoption is required for all prior periods presented. We are currently assessing this guidance and determining the impact on our consolidated financial statements.

2. BUSINESS COMBINATION

On June 10, 2024 ("Closing Date"), the Transactions (defined below) were consummated pursuant to the terms of the Purchase Agreement among Barnes & Noble Education and the Purchasers (as defined in the Purchase agreement), following Barnes & Noble Education's receipt of the requisite approval of its stockholders at a special meeting of its stockholders held on June 5, 2024. The following is presented on a post-reverse stock split basis, which is defined as a reverse stock split of Barnes & Noble Education's outstanding shares of common stock at a ratio of 1-for-100, effective as of June 11, 2024.

Pursuant to the terms of the Purchase Agreement, Barnes & Noble Education conducted a rights offering (the "Rights Offering"), whereby Barnes & Noble Education distributed at no charge to the holders of its common stock ("BNED Common Stock") non-transferable subscription rights ("Rights") to purchase up to an aggregate of 9,000,000 new shares of BNED Common Stock (the "Offered Shares") at a subscription price of $5.00 per share (the "Subscription Price"). On the Closing Date, Barnes & Noble Education issued the Offered Shares, which generated $45 million in gross proceeds, including approximately $10 million of Offered Shares purchased by Toro 18 Holdings LLC, a wholly-owned subsidiary of Immersion, ("Investor") pursuant to the Backstop Commitment (as defined in the Purchase Agreement). Pursuant to the Backstop Commitment, Immersion through Investor, purchased 2,006,701 shares of BNED Common Stock. Barnes & Noble Education reimbursed Immersion, through Investor, for reasonable legal and other expenses in connection with the Transactions in the amount of $2.5 million. Barnes & Noble Education also paid an amount equal to $2.5 million to Immersion, through Investor, as payment in consideration for its Backstop Commitment.

In addition to the Rights Offering, Immersion, through Investor, purchased from Barnes & Noble Education an aggregate of 9,000,000 new shares of BNED Common Stock at the Subscription Price for a purchase price of $45 million (the "PIPE Transaction", and together with the Rights Offering, the "Transactions").

As a result of the Transactions, Barnes & Noble Education received a total of $95 million in gross proceeds, of which $80.7 million was used to reduce its outstanding debt.

In connection with the closing, Barnes & Noble Education appointed Eric Singer, William C. Martin, Emily S. Hoffman, and Elias Nader to serve as members of the board of directors of Barnes & Noble Education (the "BNED Board") following the Closing. Messrs. Singer, Martin and Nader and Ms. Hoffman are current members of our Board. In addition, at the closing, Sean Madnani was appointed to the Barnes & Noble Education Board along with two existing directors, Kathryn Eberle Walker and Denise Warren who will each continue to serve on the BNED Board following the Closing.

As part of the Transactions, we acquired 42% of all outstanding common shares of Barnes & Noble Education, as well as control over Barnes & Noble Education through the five Immersion-appointed board seats. The total consideration transferred was approximately $50.1 million, consisting of $52.2 million in cash consideration paid to Barnes & Noble Education less $2.1 million in transaction costs incurred by Immersion but reimbursed by Barnes & Noble Education. For the nine months ended January 31, 2025, Immersion incurred costs related to this acquisition of $1.2 million, inclusive of the expenses reimbursed by Barnes & Noble Education, that were expensed as incurred and recorded in general and administrative expenses in the accompanying consolidated statement of operations. The acquisition aims to expand Immersion's offerings, increase its customer reach, and diversify into the education sector.

The acquisition was accounted for as a business combination and the total purchase price was allocated to the net tangible and intangible assets and liabilities based on their fair values on the acquisition date with the excess recorded as goodwill. We expect to continue to obtain information to assist in determining the fair value of the net assets acquired as of the Closing Date while the measurement period remains open, which will not exceed one year from the acquisition date. Measurement period adjustments were recorded during the quarter ended January 31, 2025. Refer to *Note 7. Goodwill and Intangible Assets* for additional information.

The fair value of the noncontrolling interest of $203.7 million on the Closing Date was calculated using the acquisition-date fair value of $13.40 per share multiplied by the number of noncontrolling interest shares.

The following table presents the preliminary purchase price allocation for the acquisition. Measurement period adjustments were based upon information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the measurement of the amounts recognized at that date:

(in thousands)	Preliminary Purchase Price Allocation	Measurement Period Adjustments	Preliminary Purchase Price Allocation (As Adjusted)
Assets acquired			
Cash and cash equivalents	$ 14,736	$ -	$ 14,736
Accounts receivable	113,743	-	113,743
Merchandise inventories	336,741	-	336,741
Textbook rental inventories	9,835	-	9,835
Prepaid expenses and other current assets (including $4.8 million in restricted cash)	26,969	-	26,969
Property and equipment	118,818	-	118,818
Operating lease right-of-use assets	155,664	-	155,664
Intangible assets	95,000	-	95,000
Other assets noncurrent (including $1.0 million in restricted cash)	11,634	751	12,385
Total assets acquired	$ 883,140	$ 751	$ 883,891
Liabilities assumed			
Accounts payable	$ 279,456	$ -	279,456
Accrued liabilities	51,123	(3,353)	47,770
Deferred revenue – current	7,651	-	7,651
Operating lease liabilities – current	80,263	-	80,263
Deferred tax liabilities – noncurrent	636	-	636
Operating lease liabilities – noncurrent	107,400	-	107,400
Deferred revenue – noncurrent	3,393	-	3,393
Other long-term liabilities	12,413	-	12,413
Long-term borrowings	101,235	-	101,235
Total liabilities assumed	$ 643,570	$ (3,353)	$ 640,217
Net assets acquired	239,570	4,104	243,674
Total consideration transferred	$ 50,133	$ -	$ 50,133
Less: Net assets acquired	(239,570)	(4,104)	(243,674)
Plus: Noncontrolling interest	203,657	-	203,657
Goodwill	14,220	(4,104)	10,116

Identifiable intangible assets acquired were comprised of the following (in thousands except for estimated useful life):

	Amount	Estimated Life
Trade name	$ 45,000	Indefinite
Customer relationships	50,000	13 years
Total intangible assets	$ 95,000	

Trade name represents Barnes & Noble Education's right to its trade name on a perpetual, royalty-free basis as it existed on the acquisition Closing Date. Customer relationships consist of distinct values associated with Barnes & Noble Education's large operating footprint with direct access to students and faculty across a diverse customer base.

We used the assistance of a third-party firm to estimate the fair value of the intangible assets acquired. We used an income approach to estimate the fair values of the trade names and customer relationships. The fair values assigned to identifiable intangible assets were determined through the use of the income approach, specifically the relief from royalty and the multi-period excess earnings methods. The major assumptions used to estimate the values of identifiable intangible assets include management's estimates of future revenue, adjusted for growth, and attrition based on historical data and management's forward-looking expectations. These cash flows were discounted at a rate of 21%, which reflects our cost of equity. The useful lives for intangible assets were determined based upon the remaining useful economic lives of the intangible assets that are expected to contribute directly or indirectly to future cash flow.

Goodwill generated from this acquisition is primarily attributed to the value of Barnes & Noble Education's assembled workforce. Goodwill is not amortized and is tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Our entire goodwill balance is associated with the Barnes & Noble Education reporting unit. Goodwill is not deductible for tax purposes.

We acquired a deferred tax asset of $0.7 million, recorded and a deferred tax liability of $1.3 million, recorded under Deferred tax liabilities, net – noncurrent, as part of this business combination. Subsequent measurement period adjustments resulted in an increase of $0.7 million to our deferred tax asset.

We also used the assistance of a third-party valuation firm to estimate the fair value of the property and equipment, and inventory acquired. The fair value as of the Closing Date reflects a step-up in basis due to the highly depreciable nature of the property and equipment. No material fair value adjustments for inventory were identified, as there are minimal costs associated with procurement.

Most of the net tangible assets were valued at their respective carrying amounts as of the acquisition date, as we believe that these amounts approximate their current fair values. The leases acquired were recorded at their respective fair values as of the acquisition date.

The acquired entity's results of operations were included in our condensed consolidated financial statements from the date of acquisition, June 10, 2024, as adjusted for specific fair value adjustments discussed above. For the three and nine months ended January 31, 2025, Barnes & Noble Education contributed net operating revenue of $466.3 million and $1,203.5 million, respectively, and net income (loss) of $6.2 million and $29.5 million, respectively, which are both reflected in the accompanying *Condensed Consolidated Statement of Operations*.

The following unaudited pro forma condensed combined financial information gives effect to the acquisition of Barnes & Noble Education as if it was consummated on January 1, 2023 (the beginning of the comparable prior reporting period), and includes pro forma adjustments related to the amortization of acquired intangible assets, stock-based compensation expense, and direct and incremental transaction costs reflected in the historical financial statements. Specifically, the following nonrecurring adjustments were made:

- For the nine months ended January 31, 2025, our direct and incremental acquisition-related expenses of $1.2 million and one-time severance payment of $1.5 million are excluded from the pro forma condensed combined net income.
- For the nine months ended September 30, 2023, our direct and incremental acquisition-related expenses of $1.2 million and one-time severance payment of $1.5 million are included in the pro forma condensed combined net loss.

This unaudited data is presented for informational purposes only and is not intended to represent or be indicative of the results of operations that would have been reported had the acquisition occurred on January 1, 2023. It should not be taken as representative of future results of operations of the combined company.

The following table presents the unaudited pro forma condensed combined financial information (in thousands):

	Three Months Ended		Nine Months Ended	
	January 31, 2025	September 30, 2023	January 31, 2025	September 30, 2023
Revenues	$ 474,763	$ 273,643	$ 1,402,868	$ 967,601
Net income (loss)	25,188	(45,356)	26,756	(99,390)

3. SEGMENT REPORTING

We operate two operating and reportable segments, Immersion and Barnes & Noble Education. Summarized financial information for our reportable segments is reported below (in thousands):

	Three Months Ended		Nine Months Ended	
	January 31, 2025	September 30, 2023	January 31, 2025	September 30, 2023
Revenues:				
Immersion	$ 8,437	$ 9,482	$ 70,989	$ 23,539
Barnes & Noble Education	466,325	—	1,203,511	—
Total revenues	474,762	9,482	1,274,500	23,539
Cost of sales (excludes depreciation and amortization expense):				
Barnes & Noble Education	368,943	—	948,130	—
Operating expenses:				
Immersion	5,010	2,963	22,586	10,648
Barnes & Noble Education	74,603	—	201,642	—
Total operating expenses	79,613	2,963	224,228	10,648
Operating income (loss)				
Immersion	3,427	6,519	48,403	12,891
Barnes & Noble Education	22,779	—	53,739	—
Operating income (loss)	$ 26,206	$ 6,519	$ 102,142	$ 12,891

4. REVENUE RECOGNITION

Immersion

Disaggregated Revenue

The following table presents the disaggregation of our revenue of Immersion for the three and nine months ended January 31, 2025 and September 30, 2023 (in thousands):

	Three Months Ended		Nine Months Ended	
	January 31, 2025	September 30, 2023	January 31, 2025	September 30, 2023
Fixed fee license revenue	$ 5,754	$ 1,199	$ 61,756	$ 3,732
Per-unit royalty revenue	2,683	8,283	9,233	19,807
Total royalty and license revenue	$ 8,437	$ 9,482	$ 70,989	$ 23,539

As a result of accruing per-unit royalty revenue for the quarter based on such estimates, adjustments will be required in the following quarter to true up revenue to the actual amounts reported by our licensees. In the three months ended January 31, 2025, we recorded no adjustments to royalty revenue recognized in the previous quarter. We recorded adjustments of $0.5 million to increase royalty revenue during the three months ended September 30, 2023.

Contract Assets

As of January 31, 2025, we had contract assets of $7.7 million included within *Prepaid expenses and other current assets* and $27.7 million within *Other assets - noncurrent* on the unaudited *Condensed Consolidated Balance Sheets.* As of April 30, 2024, we had contract assets of $6.6 million included within *Prepaid expenses and other current assets* and no contract assets within *Other assets - noncurrent* on the unaudited *Condensed Consolidated Balance Sheets.*

Contract assets increased by $28.8 million from May 1, 2024 to January 31, 2025, primarily due to an increase in unbilled revenue related to the new contracts we entered into during the nine months ended January 31, 2025.

Deferred Revenue

The following table presents changes in deferred revenue associated with Immersion's contract liabilities (in thousands):

	January 31, 2025	September 30, 2023
Deferred revenue beginning of the period	$ 20,470	$ 17,395
Additions to deferred revenue during the period	882	—
Reductions to deferred revenue for revenue recognized during the period	(11,888)	(3,576)
Deferred revenue balance end of the period	$ 9,464	$ 13,819

Based on contracts signed and payments received as of January 31, 2025, we expect to recognize $9.5 million in revenue under our fixed fee license agreements, which are satisfied over time, including $6.6 million over one to three years and $2.9 million over more than three years.

Barnes & Noble Education

Disaggregated Revenue

The following table disaggregated the revenue associated with our major products and service offerings (in thousands):

	Three Months Ended January 31, 2025	From June 10, 2024 to January 31, 2025
Course material sale	$ 328,073	$ 851,889
General merchandise sale	71,608	202,419
Services and other revenue	23,482	58,647
Total product and other revenue	423,163	1,112,955
Course material rental income	43,162	90,556
Total revenue	$ 466,325	$ 1,203,511

Deferred Revenue

The following table presents changes in deferred revenue associated with Barnes & Noble Education's contract liabilities (in thousands):

	January 31, 2025
Deferred revenue as of the acquisition date	$ 11,044
Additions to deferred revenue during the period	155,662
Reductions to deferred revenue for revenue recognized during the period	(113,738)
Deferred revenue balance at the end of period	$ 52,968

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

We invest surplus funds in excess of operational requirements in a diversified portfolio of marketable securities, with the objectives of delivering competitive returns, maintaining a high degree of liquidity, and seeking to avoid the permanent impairment of principal. A summary of our investments in marketable equity and debt securities as of January 31, 2025, is as follows:

Investments - current were as follows (in thousands):

	January 31, 2025	April 30, 2024
Marketable equity securities	$ 56,334	$ 50,496
U.S. treasury securities	19,887	42,352
Short-term investments	$ 76,221	$ 92,848

Investments- noncurrent were as follows (in thousands):

	January 31, 2025	April 30, 2024
U.S. treasury securities	$ 16,078	$ 19,747
Corporate bonds	28,039	26,798
Investments- noncurrent	$ 44,117	$ 46,545

Marketable Securities

Marketable securities as of January 31, 2025 and April 30, 2024 consisted of the following (in thousands):

	January 31, 2025			
	Cost or Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Marketable equity securities				
Equity securities	$ 48,232	$ 11,794	$ (3,692)	$ 56,334
Marketable debt securities				
U.S. treasury securities	35,636	329	—	35,965
Corporate bonds	26,583	1,508	(52)	28,039
Total marketable debt securities	62,219	1,837	(52)	64,004
	$ 110,451	$ 13,631	$ (3,744)	$ 120,338

	April 30, 2024			
	Cost or Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Marketable equity securities				
Equity securities	$ 50,645	$ 5,656	$ (5,805)	$ 50,496
Marketable debt securities				
U.S. treasury securities	61,306	825	(32)	62,099
Corporate bonds	25,695	1,151	(48)	26,798
Total marketable debt securities	87,001	1,976	(80)	88,897
	$ 137,646	$ 7,632	$ (5,885)	$ 139,393

The amortized costs and fair value of our marketable debt securities, by contractual maturity, as of January 31, 2025 (in thousands) are as follows:

	January 31, 2025	
	Amortized Cost	Fair Value
Less than 1 year	$ 19,729	$ 19,887
1 to 5 years	36,536	37,260
More than 5 years	5,954	6,857
Total	$ 62,219	$ 64,004

As of January 31, 2025, the fair value of corporate bonds with unrealized loss positions was $10.7 million, with an aggregated loss of $0.1 million. There were no U.S. treasury securities with an unrealized loss position at January 31, 2025. As of April 30, 2024, the fair value of available-for-sale debt securities in unrealized loss positions for corporate bonds and U.S. treasury securities were $5.6 million and $25.2 million, respectively, with an aggregated loss of $0.1 million. For all available-for-sale debt securities that were in unrealized loss positions, we have determined that it is more likely than not we will hold the securities until maturity or a recovery of the cost basis. We had no credit-related impairment loss as of January 31, 2025 and April 30, 2024.

Derivative Financial Instruments

Our derivative instruments consisted of call and put options sold at their fair value as of the balance sheet date. These derivative instruments are reported as *Other current liabilities* on our *Condensed Consolidated Balance Sheets* as of January 31, 2025 and April 30, 2024 (in thousands):

	January 31, 2025		
	Cost	Unrealized (Gains) Losses	Fair Value
Derivative instruments	$ 6,038	$ 451	$ 6,489
	$ 6,038	$ 451	$ 6,489

	April 30, 2024		
	Cost	Unrealized (Gains) Losses	Fair Value
Derivative instruments	$ 7,935	$ (2,495)	$ 5,440
	$ 7,935	$ (2,495)	$ 5,440

A summary of realized and unrealized gains and losses from our equity securities and derivative instruments and realized gains and losses from our marketable debt securities are as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	January 31, 2025	September 30, 2023	January 31, 2025	September 30, 2023
Net unrealized gains (losses) recognized on marketable equity securities	$ 9,028	$ (287)	$ 8,252	$ 472
Net realized gains recognized on marketable equity securities	2,095	(2,588)	6,037	3,643
Net unrealized gains (losses) recognized on derivative instruments	(3,702)	(1,631)	(2,945)	(1,825)
Net realized gains recognized on derivative instruments	5,070	(72)	8,532	2,165
Net realized gains recognized on marketable debt securities	—	—	1,308	217
Total net gains recognized in interest and other income (loss), net	$ 12,491	$ (4,578)	$ 21,184	$ 4,672

Fair Value Measurements

Our financial instruments include cash and cash equivalents, receivables, accrued liabilities and accounts payable. The fair value of cash and cash equivalents, receivables, accrued liabilities and accounts payable approximates their carrying values because of the short-term nature of these instruments, which are all considered Level 1. The fair value of long-term debt approximates its carrying value.

Our financial instruments measured at fair value on a recurring basis consisted of U.S. treasury securities, equity securities, corporate bonds and derivatives. Equity securities are classified within Level 1 of the fair value hierarchy as they are valued based on quoted market price in an active market. U.S. treasury securities, corporate bonds and derivative instruments are valued based on quoted prices in markets that are less active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency are generally classified within Level 2 of the fair value hierarchy.

Financial instruments valued based on unobservable inputs which reflect the reporting entity's own assumptions or data that market participants would use in valuing an instrument are generally classified within Level 3 of the fair value hierarchy. We did not hold Level 3 financial instruments as of January 31, 2025, and April 30, 2024.

Financial instruments measured at fair value on a recurring basis as of January 31, 2025 and April 30, 2024 are classified based on the valuation technique in the table below (in thousands):

	January 31, 2025			
	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
U.S. treasury securities	$ —	$ 35,965	$ —	$ 35,965
Equity securities	56,334	—	—	56,334
Corporate bonds	—	28,039	—	28,039
Total assets at fair value	$ 56,334	$ 64,004	$ —	$ 120,338
Liabilities				
Derivative instruments	$ —	$ 6,489	$ —	$ 6,489
Total liabilities at fair value	$ —	$ 6,489	$ —	$ 6,489

	April 30, 2024			
	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
U.S. treasury securities	$ —	$ 62,099	$ —	$ 62,099
Equity securities	50,496	—	—	50,496
Corporate bonds	8,220	18,578	—	26,798
Total assets at fair value	$ 58,716	$ 80,677	$ —	$ 139,393
Liabilities				
Derivative instruments	$ —	$ 5,440	$ —	$ 5,440
Total liabilities at fair value	$ —	$ 5,440	$ —	$ 5,440

6. LEASES

Immersion

Immersion leases office space, which is accounted for as an operating lease in accordance with the provisions of ASC Topic 842, with expiration dates on or before March 31, 2026. Immersion recognizes lease expense on a straight-line basis over the lease term. Leases with an initial term of twelve months or less are not recorded on the *Condensed Consolidated Balance Sheets*. Immersion combines lease and non-lease components for new and reassessed leases, and applies discount rates to operating leases under a portfolio approach.

The following table summarizes additional information related to Immersion's operating leases:

	January 31, 2025	September 30, 2023
Weighted average remaining lease terms (in years)	1.25	0.45
Weighted average discount rate	4.7%	N/A

Barnes & Noble Education

Barnes & Noble Education leases the right to operate on-campus bookstores at colleges and universities, office space and vehicles under operating leases in accordance with the provisions of ASC Topic 842, with expiration dates on or before June 30, 2033. Barnes & Noble Education recognizes lease expense on a straight-line basis over the lease term or over the contract year in order to best reflect the pattern of the underlying leased asset. Leases with an initial term of twelve months or less are not recorded on the *Condensed Consolidated Balance Sheets.* Barnes & Noble Education combines lease and non-lease components for new and reassessed leases, and applies discount rates to operating leases under a portfolio approach.

Barnes & Noble Education used its incremental borrowing rates to determine the present value of fixed lease payments based on the information available on June 10, 2024 ("Closing Date", as discussed in *Note 2. Business Combination*), as the rate implicit in the lease is not readily determinable. It utilized an estimated collateralized incremental borrowing rate as of the Closing Date. The Company also evaluated the leases for unfavorable terms and recorded an adjustment for unfavorable market terms of $32.0 million. Unfavorable lease liabilities are presented net of the corresponding right of use asset.

The following table summarizes additional information related to Barnes & Noble Education's operating leases:

	Three Months Ended January 31, 2025	From June 10, 2024 to January 31, 2025
Operating lease cost	$ 26,063	$ 65,099
Variable lease payments	15,715	47,541
Short-term lease cost	10,078	29,477
Total lease cost	$ 51,856	$ 142,117

	For the period June 10, 2024 to January 31, 2025
Cash paid for amounts included in the measurement of lease liabilities	57,492
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	53,775
Weighted-average remaining lease term (in years)	4.6
Weighted-average discount rate	7.1%

7. GOODWILL AND INTANGIBLE ASSETS

Goodwill

We recognized $14.2 million in goodwill as the result of the business combination with Barnes & Noble Education on June 10, 2024, as further described in *Note 2. Business Combination*. The carrying value of goodwill as of January 31, 2025 and April 30, 2024, were $10.1 million and $0, respectively. The carrying amount of goodwill decreased by $4.1 million for the quarter ended January 31, 2025, due to a measurement period adjustment related to changes in the acquired deferred income taxes of BNED.

In accordance with ASC Topic 350, *Intangibles - Goodwill and Other,* the Company did not record any goodwill impairment losses during the three and nine months ended January 31, 2025. Goodwill represents the future economic benefit attributable to the Barnes & Noble Education's assembled workforce, which is not individually and separately recognized as an intangible asset. As such, the carrying value of goodwill has been allocated to the Barnes & Noble Education Segment and none of the goodwill has been allocated to the Immersion Segment.

Intangible Assets, net

The following is a summary of intangible assets excluding goodwill recorded as intangible assets on our *Condensed Consolidated Balance Sheets* as of January 31, 2025 (in thousands):

	As of January 31, 2025			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted-average remaining life (Years)
Trade name	$ 45,000	$ —	$ 45,000	Infinite
Customer relationships	50,000	(2,458)	47,542	12.4
Total	$ 95,000	$ (2,458)	$ 92,542	

Amortization of finite-lived intangible assets is computed using the straight-line method over their estimated useful lives. Trade name is determined to have an indefinite useful life and is not subject to amortization.

Amortization expense was $1.0 million for the three months ended January 31, 2025. Amortization expense was $2.5 million for the period from June 10, 2024, to January 31, 2025.

Estimated amortization expense of the intangible assets to be recognized by the Company are as follows (in thousands):

Year ended April 30,	
Remainder of 2025	$ 962
2026	3,846
2027	3,846
2028	3,846
2029	3,846
Thereafter	31,196
Total	$ 47,542

8. DEBT

The following is a summary of Barnes & Noble Education's outstanding borrowing as of January 31, 2025 (in thousands):

	Maturity Date	As of January 31, 2025
Total debt - Barnes & Noble credit facility	June 9, 2028	$ 141,200
Balance sheet classification:		
Long-term borrowings		$ 141,200

On the Closing Date, Barnes & Noble Education amended and restated and extended the maturity of its existing asset-based credit facility with Bank of America, N.A., as administrative agent, collateral agent and swing line lender, and other lenders from time to time party thereto (such amended and restated credit facility, the "Restated ABL Facility"). Pursuant to the Restated ABL Facility, the lenders thereunder have committed to provide a four-year asset-backed revolving credit facility in an aggregate committed principal amount of up to $325 million. The Restated ABL Facility has a maturity date of June 9, 2028. Barnes & Noble Education has interest only obligations until June 9, 2028, at which time the total principal is due and payable.

Interest under the Restated ABL Facility accrues, at the election of Barnes & Noble Education, either (x) based on the Secured Overnight Financing Rate ("SOFR"), which is subject to a floor of 2.5% per annum, plus a spread of 3.5% per annum or (y) at an alternate base rate, which is subject to a floor of 3.5% per annum, plus a spread of 2.5% per annum, provided that, in the event Barnes & Noble Education meets certain financial metrics for a consecutive six-month period beginning and ending after the one-year anniversary of the Closing Date, the foregoing spreads shall be reduced by 0.25% per annum.

The Restated ABL Facility contains customary negative covenants that limit Barnes & Noble Education's ability to incur or assume additional indebtedness, grant or permit liens, make investments, make dividend payments, make Restricted Payments (as defined under the Restated ABL Facility agreement) and other specified payments, merge with other entities, dispose of or acquire assets, or engage in transactions with affiliates, among other things. Additionally, the Restated ABL Facility includes the following financial maintenance covenants:

- following the date that is six months following the Closing Date, Barnes & Noble Education is required to maintain a minimum Availability (as defined in the Restated ABL Facility agreement) of (x) $25 million for the first thirty (30) months after the Closing Date and (y) $30 million after the date that is thirty (30) months after the Closing Date;
- commencing with the month ending on or about May 31, 2025, Barnes & Noble Education is required to maintain a Consolidated Fixed Charge Coverage Ratio (as defined in the Restated ABL Facility) of not less than 1.10 to 1.00, which will be tested monthly on the last day of each fiscal month for the trailing 12-month period; and
- commencing with the quarter ending on or about October 31, 2024, Barnes & Noble Education is required to maintain a minimum Consolidated EBITDA (as defined in the Restated ABL Facility), which will be tested quarterly on the last day of each fiscal quarter for (a) the trailing six-month period for the first test date, (b) the trailing nine-month period of the second test date and (c) for the trailing 12-month period thereafter.

The Restated ABL Facility contains customary events of default, including for non-payment of obligations owing under the Credit Facility, material breaches of representations and warranties, failure to perform or observe covenants, default on other material indebtedness, customary ERISA events of default, bankruptcy and insolvency, material judgments, invalidity of liens on collateral, change of control or cessation of business. The Restated ABL Facility also contains customary affirmative covenants and representations and warranties.

The credit facility is secured by substantially all of the inventory, accounts receivable and related assets of the borrowers under the credit facility. This is considered an all asset lien (inclusive of proceeds from tax refunds payable to Barnes & Noble Education and pledge of equity from subsidiaries, exclusive of real estate). None of the liabilities of Barnes & Noble Education have recourse to the general credit of Immersion Corporation.

In connection with the Restated ABL Facility, with respect to the 1.0% fee payable in connection with the eighth amendment to the Restated ABL Facility (prior to its having been restated), (x) 50% was paid on September 2, 2024, and (y) 50% is due and payable on June 10, 2025.

As of January 31, 2025, and through the date of this filing, Barnes & Noble Education was in compliance with all debt covenants under the Restated ABL Facility.

During the period from June 10, 2024 to January 31, 2025, Barnes & Noble Education borrowed $616.5 million and repaid $576.5 million under the Restated ABL Facility, with $141.2 million of outstanding borrowings under the Restated ABL Facility as of January 31, 2025. As of January 31, 2025, Barnes & Noble Education issued $0.6 million in letters of credit under the Restated ABL Facility.

9. STOCK-BASED COMPENSATION

Immersion

Our equity incentive program is a long-term retention program that is intended to attract, retain, and provide incentives for employees, consultants, officers, and directors and to align stockholder and employee interests. We may grant time-based options, market condition-based options, stock appreciation rights, restricted stock awards ("RSAs"), restricted stock units ("RSUs"), performance shares, market condition-based performance restricted stock units ("PSUs"), and other stock-based equity awards to employees, officers, directors, and consultants.

On January 18, 2022, our stockholders approved the 2021 Equity Incentive Plan (as amended, the "2021 Plan"), which provides for a total number of shares reserved and available for grant and issuance equal to 3,525,119 shares plus up to an additional 855,351 shares that are subject to stock options or other awards previously granted under the 2011 Equity Incentive Plan. On March 30, 2023, our stockholders approved an amendment to the 2021 Plan which increased the total number of shares reserved and available for grant and issuance equal to 8,146,607 shares plus up to an additional 855,351 shares that are subject to stock options or other awards previously granted under the 2011 Equity Incentive Plan.

Under our equity incentive plans, stock options may be granted at prices not less than the fair market value on the date of grant for such stock options. Stock options generally vest over four years and expire seven years from the applicable grant date. Market condition-based stock awards are subject to a market conditions whereby the closing price of our common stock must exceed a certain level for a number of trading days within a specified time frame or the awards will be canceled before expiration. RSAs generally vests over one year. RSUs generally vest over three years. Awards granted other than a stock option or a stock appreciation right shall reduce the common stock shares available for grant by 1.75 shares for every share issued.

A summary of our equity incentive program as of January 31, 2025 is as follows (in thousands):

Common stock shares available for grant	2,235
RSUs outstanding	1,450
RSAs outstanding	86
PSUs outstanding	—

As of January 31, 2025, we did not have any outstanding stock options.

Restricted Stock Units

The following summarizes RSU activities for the nine months ended January 31, 2025:

	Number of Restricted Stock Units (in thousands)	Weighted Average Grant Date Fair Value Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at April 30, 2024	1,129	$ 6.53	1.09	$ 8,207
Granted	724	9.08		
Released	(390)	6.04		
Forfeited	(13)	7.85		
Outstanding at January 31, 2025	1,450	$ 7.92	1.30	$ 12,134

The aggregate intrinsic value is calculated as the market value as of the end of the reporting period.

Restricted Stock Awards

The following summarizes RSA activities for the nine months ended January 31, 2025:

	Number of Restricted Stock Awards (in thousands)	Weighted Average Grant Date Fair Value Per Share	Weighted Average Remaining Recognition Period (Years)
Outstanding at April 30, 2024	86	$ 7.25	1.00
Granted	—	—	
Released	—	—	
Forfeited	—	—	
Outstanding at January 31, 2025	86	$ 7.25	0.24

Market Condition-Based Performance Stock Units

In the first quarter of 2022, we granted 600,000 shares of PSUs to certain members of our management team. Each PSU represents the right to one share of our common stock with vesting subject to: (a) the achievement of specified levels of the volume weighted average closing prices of our common stock during any 100 day-period between January 1, 2022 and January 1, 2027, subject to certification by the Compensation Committee ("Performance Milestones"); and (b) continued employment with us through the later of each achievement date or service vesting date, which occurs over a three (3) year period commencing on January 1, 2022.

In March 2023, the Performance Milestone of the first tranche was achieved. The second tranche Performance Milestone was achieved in the first quarter of fiscal 2025. In August 2024, the Performance Milestone of the third and final tranche was met. As of January 31, 2025, no PSUs were outstanding.

The following summarizes PSU activities for the nine months ended January 31, 2025:

	Number of Market Condition-Based Performance Stock Units (in thousands)	Weighted Average Grant Date Fair Value Per Share	Weighted Average Remaining Recognition Period (Years)
Outstanding at April 30, 2024	400	$ 3.63	0.42
Granted	—	—	
Released	(400)	3.63	
Forfeited	—	—	
Outstanding at January 31, 2025	—	$ —	—

Stock-based Compensation Expense

Valuation and amortization methods

Stock-based compensation is based on the estimated fair value of awards, net of estimated forfeitures, and recognized over the requisite service period. Estimated forfeitures are based on historical experience at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The stock-based compensation related to all of our stock-based awards for the three and nine months ended January 31, 2025, and September 30, 2023 is as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	January 31, 2025	September 30, 2023	January 31, 2025	September 30, 2023
Stock options	$ —	$ 10	$ —	$ (31)
RSUs, RSAs and PSUs	2,080	810	5,764	2,557
Total	$ 2,080	$ 820	$ 5,764	$ 2,526
Selling and administrative expenses	$ 2,080	$ 820	$ 5,764	$ 2,526
Total	$ 2,080	$ 820	$ 5,764	$ 2,526

As of January 31, 2025, there was $5.2 million of unrecognized compensation cost adjusted for estimated forfeitures related to unvested, RSUs, RSAs and PSUs granted to our employees and directors. This unrecognized compensation cost will be recognized over an estimated weighted-average period of approximately 1.3 years. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures.

Barnes & Noble Education

Barnes & Noble Education grants options, restricted stock awards and restricted stock units under the Barnes & Noble Education Equity Incentive Plan. On June 10, 2024, as part of the business combination, we assumed the following equity awards:

	Shares Assumed
Stock options	25,191
Restricted stock award	4,853
Restricted stock unit	1,518
Total equity awards assumed	31,562

The total fair value of equity award assumed was $33,000.

On June 18, 2024, Barnes & Noble Education granted 7,441 RSUs and 29,764 RSAs to the members of the BNED Board. These awards vested on September 18, 2024.

On September 20, 2024, Barnes & Noble Education granted 61,290 RSUs and 81,720 RSAs to members of the BNED Board. These RSUs vest on the earlier of one year from the date of grant or the next annual meeting of stockholders.

On September 20, 2024, Barnes & Noble Education granted 1,533,250 PSUs to employees that include both a service condition and market condition in order for PSUs to vest. The PSUs vest upon BNED Common Stock achieving a specified price per share (measured using a 100-day average volume weighted average price) for each of three tranches and continued employment through a specified date. There is a period of seven years from the grant date in order to achieve the specific target share price. We have determined the grant date fair value using the Monte Carlo simulation model and compensation expense is recognized ratably over the service derived period regardless of whether the market condition is satisfied. The fair value models for the PSUs use assumptions that include the risk-free interest rate and expected volatility. The risk-free interest rate is based on United States Treasury yields in effect at the date of grant for periods corresponding to the expected PSU term. Volatility is based on the historical volatility of Barnes & Noble Education's common stock over a period of time corresponding to the expected PSU term.

	PSU Tranche #1	PSU Tranche #2	PSU Tranche #3
Performance Milestone (VWAP)	$ 10.00	$ 15.00	$ 20.00
Valuation method utilized	Monte Carlo	Monte Carlo	Monte Carlo
Risk-free interest rate	3.53%	3.53%	3.53%
Company volatility	120%	120%	120%
Derived service period	1.0 year	2.0 years	3.0 years
Grant date fair value per award	$ 9.74	$ 9.62	$ 9.46

Stock-based Compensation Expense

For the three months ended January 31, 2025, and the period from June 10, 2024, to January 31, 2025, the total stock-based compensation expense for options, RSAs, RSUs, and PSUs were $2.5 million and $3.6 million, respectively.

The total unrecognized compensation cost related to unvested awards as of January 31, 2025, was $12.9 million and is expected to be recognized over a weighted-average period of 1.7 years.

10. EMPLOYEE BENEFIT PLAN

Barnes & Noble Education sponsors defined contribution plans for the benefit of substantially all of its employees. MBS Textbook Exchange, LLC ("MBS"), a subsidiary of Barnes & Noble Education, maintains a profit-sharing plan covering substantially all full-time employees of MBS. For all plans, Barnes & Noble Education is responsible to fund the employer contributions directly, if any. There was no benefit expense for these plans during the period from June 10, 2024 to January 25, 2025.

11. STOCKHOLDERS' EQUITY

Stock Repurchase Program

On December 29, 2022, the Board approved a stock repurchase program of up to $50.0 million of our common stock for a period of up to twelve months (the "December 2022 Stock Repurchase Program"), which terminated and superseded the stock repurchase program that had been approved by the Board on February 23, 2022. Any stock repurchases may be made through open market and privately negotiated transactions, at such times and in such amounts as management deems appropriate, including pursuant to one or more Rule 10b5-1 trading plans adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. Additionally, the Board authorized the use of any derivative or similar instrument to effect stock repurchase transactions, including without limitation, accelerated share repurchase contracts, equity forward transactions, equity option transactions, equity swap transactions, cap transactions, collar transactions, naked put options, floor transactions or other similar transactions or any combination of the foregoing transactions. The December 2022 Stock Repurchase Program was implemented as a method to return value to our stockholders. The timing, pricing and sizes of any repurchases will depend on a number of factors, including the market price of our common stock and general market and economic conditions. The December 2022 Stock Repurchase Program does not obligate us to repurchase any dollar amount or number of shares, and the program may be suspended or discontinued at any time. On August 8, 2023, the Board approved an amendment to extend the expiration date of the December 2022 Stock Repurchase Program that was set to expire on December 29, 2023, to December 29, 2024. On August 27, 2024, the Board approved an amendment to extend the expiration date of the December 2022 Stock Repurchase Program that was set to expire on December 29, 2024, to December 29, 2025.

During the nine months ended January 31, 2025, the Company repurchased 136,668 shares of our common stock for $1.2 million at an average purchase price of $8.55 per share. As of January 31, 2025, we had $40.6 million available for repurchase under the December 2022 Stock Repurchase Program.

Dividends Declared and Dividend Payments

On November 13, 2023, our Board declared a quarterly dividend in the amount of $0.045 per share, which was paid on January 25, 2024, to stockholders of record on January 14, 2024.

On February 28, 2024, our Board declared a quarterly dividend in the amount of $0.045 per share, which was paid on April 19, 2024, to stockholders of record on April 12, 2024.

On May 8, 2024, our Board declared a quarterly dividend in the amount of $0.045 per share, which was paid on July 26, 2024. to stockholders of record on July 8, 2024.

On August 12, 2024, our Board declared a quarterly dividend in the amount of $0.045 per share, which was paid on October 18, 2024, to stockholders of record on October 4, 2024.

On November 8, 2024, our Board declared a special cash dividend of $0.245 per share, which was paid on January 24, 2025 to stockholders of record on January 10, 2025.

Future dividends will be subject to further review and approval by the Board in accordance with applicable law. The Board reserves the right to adjust or withdraw the quarterly dividend in future periods as it reviews our capital allocation strategy from time to time.

During the nine months ended January 31, 2025 and September 30, 2023, the Company paid dividends of $11.3 million and $6.4 million, respectively.

***At-the-Market Equity* Offerings**

On September 19, 2024, Barnes & Noble Education entered into an At-the-Market ("ATM") Sales Agreement with BTIG, LLC ("BTIG") (the "September ATM Sales Agreement"), under Barnes & Noble Education sold BNED Common Stock from time to time through BTIG as its sales agent. BTIG sold an aggregate offering of up to $40.0 million of BNED Common Stock from time to time, based upon Barnes & Noble Education's instructions (including any price, time or size limits or other customary parameters or conditions Barnes & Noble Education may impose). Barnes & Noble Education paid BTIG a commission of 2% of the gross sales proceeds of common shares sold under the September ATM Sales Agreement. Barnes & Noble Education was not obligated to make any sales of common shares under the September ATM Sales Agreement. During the nine months ended January 31, 2025, Barnes & Noble Education issued and sold the maximum aggregate offering of $40.0 million of BNED Common Stock under the September ATM Sales Agreement at a weighted-average price of $10.06 per share and received $39.2 million in proceeds, net of commissions.

On December 20, 2024, Barnes & Noble Education entered into an additional ATM sales agreement with BTIG (the "December ATM Sales Agreement"), under which Barnes &Noble Education sold BNED Common Stock through BTIG as the sales agent. BTIG sold an aggregate offering of up to $40.0 million of BNED Common Stock from time to time, based upon Barnes & Noble Education's instructions (including any price, time or size limits or other customary parameters or conditions Barnes & Noble Education may impose). Barnes & Noble Education paid BTIG a commission of 2% of the gross sales proceeds of common shares sold under the December ATM Sales Agreement. During the nine months ended January 31, 2025, Barnes & Noble Education issued and sold the maximum aggregate offering of $40.0 million of BNED Common Stock under the December ATM Sales Agreement at a weighted-average price of $10.42 per share and received $39.2 million in proceeds, net of commissions.

12. NONCONTROLLING INTEREST

Immersion is the primary beneficiary of Barnes & Noble Education and as a result, consolidates the financial results of Barnes & Noble Education and reports a noncontrolling interest representing BNED Common Stock held by other Barnes & Noble Education's stockholders. Changes in Immersion's ownership interest in Barnes & Noble Education while Immersion retains its controlling interest in Barnes & Noble Education are accounted for as equity transactions.

The following table summarizes the ownership interest in Barnes & Noble Education:

	January 31, 2025		
	Shares Owned	% of Ownership	
Number of Barnes & Noble Education Common Stock held by Immersion	11,006,701	32.32	%
Number of Barnes & Noble Education Common Stock held by noncontrolling interest	23,047,145	67.68	%
Total Barnes & Noble Education common stock outstanding	34,053,846	100.0	%

The weighted average ownership percentages for the applicable reporting periods are used to attribute net income to the non-controlling interest holders and were as follows:

	Three Month Ended January 31, 2025	From June 10, 2024 to January 31, 2025
Non-controlling interest holders' weighted average ownership percentages	64.0	61.0

The following table summarizes the effect of changes in ownership of Barnes & Noble Education on the Company's equity for the periods presented (in thousands):

	Three Month Ended January 31, 2025	From June 10, 2024 to January 31, 2025
Net Income (loss) attributable to Immersion	$ 2,868	$ 12,348
Transfers from (to) noncontrolling interests:		
Increase (decrease) in additional paid-in capital as a result of common stock issuances pursuant to vesting of equity awards, and sales of common stock	$ (298)	$ 56,111
Total effect of changes in ownership interest on equity attributable to Immersion stockholders	$ 2,570	$ 68,459

13. INCOME TAXES

Provision for income taxes for the three and nine months ended January 31, 2025 and September 30, 2023 consisted of the following (in thousands):

	Three Months Ended		Nine Months Ended	
	January 31, 2025	September 30, 2023	January 31, 2025	September 30, 2023
Income (loss) before provision for income taxes	$ 36,842	$ 3,965	$ 120,100	$ 23,622
Provision for income taxes	(17,417)	(1,285)	(32,521)	(5,636)
Effective tax rate	47.3%	32.4%	27.1%	23.9%

Provision for income taxes for the three and nine months ended January 31, 2025 resulted primarily from estimated domestic and foreign taxes included in the calculation of the effective tax rate.

We provided no valuation allowance for federal deferred tax assets, whose future realization is more likely than not and continue to maintain full valuation allowance for certain state deferred tax assets in the United States as well as federal tax assets in Canada. Changes in provision for income taxes resulted primarily from the change in income from continuing operations across various tax jurisdictions.

In the event that we determine the deferred tax assets are realizable based on an assessment of relevant factors, an adjustment to the valuation allowance may increase income in the period such determination is made. The valuation allowance does not impact our ability to utilize the underlying net operating loss carryforwards. We also maintain liabilities for uncertain tax positions.

As of January 31, 2025, we had unrecognized tax benefits under ASC 740 Income Taxes of approximately $7.6 million, all of the $7.6 million could be payable in cash. In addition, interest and penalty of $0.2 million could also be payable in cash in relation to unrecognized tax benefits. The total amount of unrecognized tax benefits that would affect our effective tax rate, if recognized, is $7.6 million. We account for interest and penalties related to uncertain tax positions as a component of income tax provision. We do not expect to have any significant changes to unrecognized tax benefits during the next twelve months.

The company recorded an estimated tax true-up to the BNED purchase accounting attributed to the BNED IRC Section 382 study performed and the accounting method change filed for its 2024 tax return in the current period.

Barnes & Noble Education

Barnes & Noble Education recorded an income tax provision of $11.9 million on pre-tax loss of $30.7 million during the period of May 1, 2024, to January 31, 2025, which represented an effective income tax rate of (38.8)%.

In assessing the realizability of the deferred tax assets, management considered whether it is more likely than not that some or all of the deferred tax assets would be realized. As of January 31, 2025, Barnes & Noble Education determined that it was more likely than not that it would not realize all deferred tax assets and its tax rate for the current fiscal year reflects this determination. Barnes & Noble Education will continue to evaluate this position.

Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an “ownership change” (generally defined as a cumulative change in our ownership by “5-percent shareholders” that exceeds 50 percentage points over a rolling three-year period), the corporation’s ability to use its pre-change net operating losses and certain other pre-change tax attributes to offset its post-change income and taxes may be limited. Similar rules may apply under state tax laws. As a result of the rights offering, backstop commitment, private investment, and term loan debt conversion completed on June 10, 2024, Barnes & Noble Education conducted a study to determine if an ownership change had occurred. It was determined that an ownership change occurred under Section 382 and 383, and the corresponding annual limitations materially impacts the utilization of Barnes & Noble Education's tax attributes including BNED's $233.3 million net operating loss carryforwards, $61.2 million disallowed interest expense carryforwards, and $1.1 million tax credit carryforwards. Barnes & Noble Education anticipates that $96.0 million of these tax attributes may be made available during the first five years following the ownership change on June 10, 2024, which would be able to offset future taxable income.

14. EARNINGS PER SHARE

We use the two-class method of computing EPS, which is an earnings allocation formula that determines EPS for common stock and any participating securities according to dividends declared. Under the two-class method, basic earnings per share is computed by dividing the income attributable to Immersion stockholders by the weighted-average number of common stock shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from share equivalent activity. Potential common stock, computed using the treasury stock method, includes stock options and stock awards.

The following are reconciliations of the denominators used in computing basic and diluted net income per share (in thousands):

	Three Months Ended		Nine Months Ended	
	January 31, 2025	September 30, 2023	January 31, 2025	September 30, 2023
Numerator for basic earnings per share:				
Net income attributable to Immersion stockholders	$ 15,472	$ 2,680	$ 69,789	$ 17,986
Denominator:				
Weighted-average shares outstanding, basic	32,294	32,523	32,159	32,254
Shares related to outstanding options, unvested RSUs, RSAs, and PSUs	761	227	800	332
Weighted average shares outstanding, diluted	33,055	32,750	32,959	32,586
Net income per share attributable to Immersion stockholders				
Basic	$ 0.48	$ 0.08	$ 2.17	$ 0.56
Diluted	$ 0.47	$ 0.08	$ 2.12	$ 0.55

We include PSUs in the calculation of diluted earnings per share if the applicable performance conditions have been satisfied as of the end of the reporting period and exclude stock equity awards if the performance condition has not been met.

For the three and nine months ended January 31, 2025 and September 30, 2023, we had stock options, RSUs, PSUs and RSAs outstanding that could potentially dilute basic earnings per share in the future, but these were excluded from the computation of diluted net income per share because their effect would have been anti-dilutive. These outstanding securities consisted of the following (in thousands):

	Three Months Ended		Nine Months Ended	
	January 31, 2025	September 30, 2023	January 31, 2025	September 30, 2023
Stock options	—	110	—	128
RSUs, RSAs and PSUs	—	64	—	20
Total	—	174	—	148

15. COMMITMENTS AND CONTINGENCIES

We are involved in a variety of claims, suits, investigations and proceedings that arise from time to time in the ordinary course of our business, including actions with respect to contracts, intellectual property, taxation, employment, benefits, personal injuries and other matters. The results of these proceedings in the ordinary course of business are not expected to have a material adverse effect on our condensed consolidated financial position, results of operations, or cash flows.

In the normal course of business, we provide indemnification of varying scope to customers, most commonly to licensees in connection with licensing arrangements that include our IP, although these provisions can cover additional matters. Historically, costs related to these guarantees have not been significant, and we are unable to estimate the maximum potential impact of these guarantees on our future results of operations.

LGE Korean Withholding Tax Matter

On October 16, 2017, we received a letter from LG Electronics Inc. ("LGE") requesting that we reimburse LGE with respect to withholding tax imposed on LGE by the Korean tax authorities following an investigation where the tax authority determined that LGE failed to withhold on LGE's royalty payments to Immersion Software Ireland, a subsidiary of the Company, from 2012 to 2014. Pursuant to an agreement reached with LGE, on April 8, 2020, we provided a provisional deposit to LGE in the amount of KRW 5,916,845,454 (approximately $5.0 million) representing the amount of such withholding tax that was imposed on LGE, which provisional deposit would be returned to us to the extent we ultimately prevail in the appeal in the Korean courts. In the second quarter of 2020, we recorded this deposit in *Long-term deposits* on our *Condensed Consolidated Balance Sheets*. In the fourth quarter of 2021, we recorded an impairment charge of $0.8 million related to the long-term deposits paid to LGE.

On November 3, 2017, on behalf of LGE, we filed an appeal with the Korea Tax Tribunal regarding their findings with respect to the withholding taxes related to the 2012 to 2017 period. The Korea Tax Tribunal hearing took place on March 5, 2019. On March 19, 2019, the Korea Tax Tribunal issued its ruling in which it decided not to accept our arguments with respect to the Korean tax authorities' assessment of withholding tax and penalties imposed on LGE. On behalf of LGE, we filed an appeal with the Korea Administrative Court on June 10, 2019. We have had numerous hearings before the Korea Administrative Court in the years 2019 through 2022. We had a hearing on April 27, 2023, and the Korea Administrative Court rendered a decision on this matter on June 8, 2023, in which it ruled that the withholding taxes and penalties which were imposed by the Korean tax authorities on LGE should be cancelled with litigation costs to be borne by the Korean tax authorities. In connection with the Korea Administrative Court's decision, the Korean tax authorities filed an appeal on June 28, 2023, with the Seoul High Court to seek the cancellation of the lower court's decision. The appellate case is in progress at the Seoul High Court and the first and the second hearings took place on November 30, 2023, and February 1, 2024, respectively. However, the next hearing will be set at a later date.

On April 25, 2023, we received notice from LGE requesting us to reimburse LGE with respect to withholding tax imposed on LGE by the Korean tax authorities following a recent tax audit of LGE for the years 2018 through 2022. Pursuant to an agreement reached with LGE, on June 2, 2023, we provided a provisional deposit to LGE in the amount of KRW 3,024,877,044 (approximately $2.3 million) representing the amount of such withholding tax that was imposed on LGE, which provisional deposit would be returned to us to the extent we ultimately prevail in the appeal in the Korean courts. In the second quarter of 2023, we recorded this deposit in Long-term deposits on our *Condensed Consolidated Balance Sheets*. On June 29, 2023, on behalf of LGE, we filed an appeal with the Korea Tax Tribunal regarding their findings with respect to the withholding taxes related to the 2018 to 2022 period. On August 7, 2023, the Korean tax authority submitted its answer against the tax appeal. On September 8, 2023, on behalf of LGE, the Company submitted its rebuttal brief in response thereto. On September 25, 2023, the Korean tax authority submitted an additional response brief, and on November 23, 2023, the Korea Tax Tribunal rendered a decision against LGE, dismissing the claims of the Company on the grounds that its claims are without merit. In response thereto, on behalf of LGE, we filed an appeal with the Korea Administrative Court on December 29, 2023. On July 23, 2024, the Korea Tax Tribunal rendered a decision against LGE, and the deadline for the court appeal of the local income claim is October 21, 2024. In addition, the Korea Administrative Court scheduled a hearing date of August 29, 2024, which was cancelled and will be rescheduled at a later date. On October 18, 2024, the Company filed a complaint and a brief with the Korea Administrative Court for the local income tax appeal. This case has been reassigned due to its significance and the Korean tax authority filed its answer on November 27, 2024. On February 24, 2025, the Korea Administrative Court scheduled a hearing for March 21, 2025, and the Company intends to request a deferral for this hearing. As of January 31, 2025, we have not accrued any withholding taxes, interest. and penalties related to the 2018 to 2022 period for which the Korean tax authorities have recently assessed LGE.

Based on the developments in these cases, we regularly reassess the likelihood that we will prevail in the claims from the Korean tax authorities with respect to the LGE case. To the extent that we determine that it is more likely than not that we will prevail against the claims from the Korean tax authorities, then no additional tax expense is provided for in our *Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)*. In the event that we determine that it is more likely than not that we will not prevail against the claims from the Korean tax authorities, or a portion thereof, then we would estimate the anticipated additional tax expense associated with that outcome and record it as additional income tax expense in our *Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)* in the period of the new determination. If the additional income tax expense was related to the periods assessed by Korean tax authorities and for which we recorded a *Long-term deposit* on our *Condensed Consolidated Balance Sheets*, then the additional income tax expense would be recorded as an impairment to the *Long-term deposits*. If the additional income tax expense was not related to the periods assessed by Korean tax authorities and for which we recorded in *Long-term deposits* on our *Condensed Consolidated Balance Sheets*, then the additional income tax expense would be accrued as an *Other current liabilities*.

In the event that we do not ultimately prevail in our appeal in the Korean courts with respect to this case, the applicable deposits included in *Long-term deposits* would be recorded as additional income tax expense on our *Condensed Consolidated Statements of Operation and Comprehensive Income (loss)*, in the period in which we do not ultimately prevail.

Immersion Corporation vs. Xiaomi Group

On or about March 3, 2023, the Company initiated patent infringement lawsuits against several companies of the Xiaomi-Group in Germany, France and India (the "Xiaomi Litigation"). Immersion filed complaints against Xiaomi-Group companies and their agents in the Düsseldorf Regional Court in Germany, the Tribunal judiciaire de Paris (Paris First Instance Civil Court) in France, and the High Court of Delhi, at New Delhi, in India. The complaints alleged that the Xiaomi-Group's devices, including the Xiaomi 12, infringed Immersion's patents that cover various uses of haptic effects in connection with such devices.

On June 12, 2024, the Company entered into a Patent License Agreement (the "Xiaomi License Agreement") with the Xiaomi Group, pursuant to which the parties have agreed to terms for resolving the Xiaomi Litigation and the Xiaomi Group will license, on a non-exclusive basis, the Company's patent portfolio for use in its products. The Xiaomi Litigation was dismissed in October 2024.

Immersion Corporation vs. Valve Corporation ("Valve")

On May 15, 2023, the Company filed a complaint against Valve in the United States District Court for the Western District of Washington. The complaint alleges that Valve's AR/VR systems, including the Valve Index, and handheld Steam Deck, infringe seven of our patents that cover various uses of haptic effects in connection with such AR/VR systems and other video game systems. The Company is seeking to enjoin Valve from further infringement and to recover a reasonable royalty for such infringement.

The complaint against Valve asserts infringement of the following patents:

- U.S. Patent No. 7,336,260: "Method and Apparatus for Providing Tactile Sensations"
- U.S. Patent No. 8,749,507: "Systems and Methods for Adaptive Interpretation of Input from a Touch-Sensitive Input Device"
- U.S. Patent No. 9,430,042: "Virtual Detents Through Vibrotactile Feedback"
- U.S. Patent No. 9,116,546: "System for Haptically Representing Sensor Input"
- U.S. Patent No. 10,627,907: "Position Control of a User Input Element Associated with a Haptic Output Device"
- U.S. Patent No. 10,665,067: "Systems and Methods for Integrating Haptics Overlay in Augmented Reality"
- U.S. Patent No. 11,175,738: "Systems and Methods for Proximity-Based Haptic Feedback"

Valve responded to the complaint on July 24, 2023, with a motion to dismiss. Valve re-noted its motion, which changed Immersion's response deadline from August 14, 2023, to August 21, 2023. Immersion timely filed its response, and Valve filed its reply on August 25, 2023. The Court heard arguments on Valve's motion on February 8, 2024. The Court entered a case schedule on November 21, 2023. The case scheduled did not include a trial date but set the pretrial conference for May 30, 2025.

Valve filed IPRs, IPR2024-00477 and IPR2024-00478 on January 19, 2024. These petitions are directed to U.S. Patent Nos. 7,336,260 and 9,430,042 respectively. The Company filed its patent owner preliminary responses to these petitions on April 26, 2024, and April 29, 2024, respectively. The Patent Trial and Appeal Board issued a decision, granting institution of these petitions on July 24, 2024, and July 25, 2024, respectively. The Company's patent owner responses to these petitions were filed on October 15, 2024, and October 17, 2024, respectively. Valve filed their replies to the Company's patent owner responses for both petitions on January 17, 2025. The Company's patent owner sur-replies for the petitions were filed on February 28, 2025. Oral argument for both of these IPR proceedings are scheduled for April 23, 2025. Valve filed IPR2024-00508 on January 30, 2024, which is directed to U.S. Patent No. 9,116,546. The Company elected not to file a patent owner preliminary response to this petition. The Patent Trial and Appeal Board issued a decision, granting institution of this petition on August 6, 2024. The Company elected not to file patent owner response to the petition. The Board is expected to issue their final written decision no later than August 6, 2025. Valve filed IPR2024-00556 on February 7, 2024, which is directed to U.S. Patent No. 8,749,507. The Company filed its patent owner preliminary response to this petition on May 15, 2024. The Patent Trial and Appeal Board issued a decision, granting institution on August 6, 2024. The Company elected not to file a patent owner response to the petition. The Board is expected to issue their final written decision no later than August 6, 2025. Valve filed IPR2024-00557 on February 7, 2024, which is directed to U.S. Patent No. 10,665,067. The Company filed its patent owner's preliminary response to this petition on May 15, 2024. The Patent Trial and Appeal Board issued a decision, granting institution on August 13, 2024. The Company's patent owner response to the petition was filed November 5, 2024. Valve filed their reply to the Company's patent owner response on February 4, 2025. The Company's patent owner sur-reply is due March 18, 2025. Valve filed IPR2024-00582 on February 16, 2024, which is directed to U.S. Patent No. 11,175,738. The Company filed its patent owner preliminary response to this petition on June 27, 2024. The Patent Trial and Appeal Board issued a decision on granting institution on September 25, 2024. The Company's patent owner response to the petition was filed December 20, 2024. Valve's reply to the Company's patent owner response is due on March 31, 2025. Valve filed IPR2024-00714 on March 22, 2024, which is directed to U.S. Patent No. 10,627,907. The Company filed its preliminary patent owner preliminary response to this petition on July 30, 2024. The Patent Trial and Appeal Board issued a decision, granting institution on August 28, 2024. The Company's patent owner response to the petition was filed January 21, 2025. Valve's reply to the Company's patent owner response is due on April 15, 2025.

The parties submitted their joint claim construction statement and respective positions on March 29, 2024.

On March 14, 2024, Valve filed a motion to stay the district court case pending the PTAB's decisions on the IPRs. Immersion opposed the motion on March 25, 2024, and Valve filed its reply brief on March 29, 2024. The Court granted Valve's motion to stay on April 4, 2024. In connection with that order, the Court struck Valve's motion to dismiss with leave to refile at a later date.

16. SUPPLEMENTARY INFORMATION

Restructuring and Other Charges

During the period from June 10, 2024, to January 31, 2025, Barnes & Noble Education recognized restructuring and other charges (credits) totaling $(2.4) million, comprised primarily of $(9.0) million expense reversal related to the termination of liabilities related to a frozen retirement benefit plan, partially offset by $2.1 million related to severance and other employee termination and benefit costs associated with elimination of various positions as part of cost reduction initiatives, $2.0 million of severance costs related to the departure of Barnes & Noble Education's Chief Executive Officer on June 11, 2024, a $1.9 million loss related to fixed assets disposal, and $0.8 million costs associated with legal and advisory professional services restructuring and process improvements and other charges.

17. SUBSEQUENT EVENTS

Dividends Declared

On March 10, 2025, our Board declared a quarterly dividend in the amount of $0.045 per share and will be payable, subject to any prior revocation, on April 25, 2025 to stockholders of record on April 14, 2025.

Stock Repurchase Program

On March 10, 2025, our Board approved an amendment to extend the expiration date of the Company's current stock repurchase program that was set to expire on December 29, 2025 to December 29, 2026.

Refer to *Note 11. Stockholders' Equity* for additional information on dividends declared and the Company's current stock repurchase program.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The forward-looking statements involve risks and uncertainties. Forward-looking statements are frequently identified by words such as "anticipates", "believes", "expects", "intends", "may", "can", "will", "places", "estimates", and other similar expressions. However, these words are not the only way we identify forward-looking statements. Examples of forward-looking statements include among other things, any expectations, projections, or other characterizations of future events, or circumstances, and include statements regarding: our strategy and our ability to execute our business plan; our competition and the market in which we operate; our customers and suppliers; our revenue and trends related thereto, and the recognition and components thereof; our costs and expenses, including capital expenditures; our investment of surplus funds and sales of marketable securities seasonality and demand; our investment in research and technology development; changes to general and administrative expenses; our foreign operations and the reinvestment of our earnings related thereto; our investment in and protection of our intellectual property ("IP"); our employees; capital expenditures and the sufficiency of our capital resources; unrecognized tax benefit and tax liabilities; the impact of changes in interest rates and foreign exchange rates, as well as our plans with respect to foreign currency hedging in general; changes in laws and regulations, including with respect to taxes; our plans and estimates related to and the impact of current and future litigation and arbitration and our dividend, stock repurchase and equity distribution programs.

Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Actual results could differ materially from those projected in the forward-looking statements, therefore we caution you not to place undue reliance on these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the risk factors contained under Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the Securities and Exchange Commission the ("SEC") on March 11, 2024, Part I, Item 1A, "Risk Factors" in Barnes & Noble Education's Annual Report on Form 10-K for the fiscal year ended April 27, 2024 filed with the SEC on July 1, 2024 and in Part II, Item 1A, "Risk Factors" of this Quarterly Report on Form 10-Q.

Any forward-looking statements made by us in this report speak only as of the date of this report, and we do not intend to update these forward-looking statements after the filing of this report, unless required to do so by applicable law or regulation. You are urged to review carefully and consider our various disclosures in this report and in our other reports publicly disclosed or filed with the SEC that attempt to advise you of the risks and factors that may affect our business.

COMPANY OVERVIEW

Immersion Corporation ("Immersion") was incorporated in 1993 in California and reincorporated in Delaware in 1999. In this Management's Discussion and Analysis of Financial Condition and Results of Operations the terms the "Company," "us," "we," or "our" refer to Immersion and its consolidated subsidiaries. Immersion generates license and royalty revenues from a wide range of IP that more fully engage users' sense of touch when operating digital devices. We focus on the following target application areas: mobile devices, wearables, consumer, mobile entertainment and other content; console gaming; automotive; medical; and commercial.

On June 10, 2024, we acquired a controlling interest in Barnes & Noble Education, Inc., a Delaware corporation ("Barnes & Noble Education" or "BNED"), please refer to *Note 2. Business Combination* for additional information. The financial results of Barnes & Noble Education have been included in our condensed consolidated financial statements from the acquisition date of June 10, 2024.

Following the closing of the Transactions (as defined in *Note 2. Business Combination*) with Barnes & Noble Education we operate our business in two operating segments: Immersion and Barnes & Noble Education.

In order to more closely align with Barnes & Noble Education's fiscal year end, on September 27, 2024, our Board of Directors (the "Board") approved a change of our fiscal year from the period beginning on January 1 and ending on December 31 to the period beginning on May 1 and ending on April 30. As a result of the change in fiscal year end, we filed a Transition Report on Form 10-QT for the transition period from January 1, 2024, through April 30, 2024, on November 8, 2024.

Our fiscal year begins on May 1 and ends on April 30. Our new fiscal quarters end on July 31, October 31, January 31, and April 30. Therefore, the financial results of certain fiscal quarters may not be comparable to the financial results of prior fiscal quarters. References throughout this Quarterly Report on Form 10-Q to fiscal 2025 with respect to Immersion refer to the fiscal year ending April 30, 2025.

The financial information presented in this Quarterly Report on Form 10-Q includes the financial information of Barnes & Noble Education for the 13 weeks and 39 weeks ended January 25, 2025.

We did not recast the condensed consolidated financial statements for the three and nine months ended September 30, 2023, because the financial reporting processes in place at that time included certain procedures that were completed only on a quarterly basis. Consequently, to recast this period would have been impractical and would not have been cost-justified. As a result, the condensed consolidated financial statements for the three and nine months ended September 30, 2023, are presented as the most nearly comparable periods of the prior year.

RESULTS OF OPERATION

	Three Months Ended		Nine Months Ended	
	January 31, 2025	September 30, 2023	January 31, 2025	September 30, 2023
Revenues:				
Immersion:				
Royalty and license	$ 8,437	$ 9,482	$ 70,989	$ 23,539
Barnes & Noble Education:				
Product and other	423,163	—	1,112,955	—
Rental income	43,162	—	90,556	—
	466,325	—	1,203,511	—
Total revenues	474,762	9,482	1,274,500	23,539
Cost of sales (excludes depreciation and amortization expense):				
Barnes & Noble Education:				
Product and other cost of sales	343,613	—	897,617	—
Rental cost of sales	25,330	—	50,513	—
	368,943	—	948,130	—
Operating expenses:				
Immersion:				
Selling and administrative expenses	5,010	2,963	22,586	10,648
Barnes & Noble Education:				
Selling and administrative expenses	71,498	—	178,822	—
Depreciation and amortization expense	9,979	—	24,630	—
Impairment	604	—	604	—
Restructuring and other charges	(7,478)	—	(2,414)	—
	74,603	—	201,642	—
Total operating expenses	79,613	2,963	224,228	10,648
Operating income (loss)	26,206	6,519	102,142	12,891
Interest and other income (expense), net	14,803	(2,554)	29,039	10,731
Interest expense	(4,167)	—	(11,081)	—
Income (loss) before provision for income taxes	36,842	3,965	120,100	23,622
Provision for income taxes	(17,417)	(1,285)	(32,521)	(5,636)
Net income (loss)	$ 19,425	$ 2,680	$ 87,579	$ 17,986

Immersion

Immersion generates license and royalty revenues from a wide range of IP that more fully engage users' sense of touch when operating digital devices. We focus on the following target application areas: mobile devices, wearables, consumer, mobile entertainment and other content; console gaming; automotive; medical; and commercial.

We have adopted a business model under which we offer licenses to our patented technology to our customers and offer our customers enabling software, related tools and technical assistance related to integrate our patented technology into our customers' products or enhance the functionality of our patented technology. Our licenses enable our customers to deploy haptic-enabled devices, content and other offerings, which they typically sell under their own brand names. We and our wholly-owned subsidiaries hold more than 800 issued or pending patents worldwide as of January 31, 2025. Our patents cover a wide range of digital technologies and ways in which touch-related technology can be incorporated into and between hardware products and components, systems software, application software, and digital content. We believe that our IP is relevant to many of the most important and cutting-edge ways in which haptic technology is and can be deployed, including in connection with mobile interfaces and user interactions, in association with pressure and other sensing technologies, as part of video and interactive content offerings, as related to virtual and augmented reality experiences, and in connection with advanced actuation technologies and techniques. Our portfolio includes numerous patents and patent applications that we believe may become essential to emerging standards in development by Standards Development Organizations ("SDOs") including media standards in development by ISO/IEC Moving Picture Expert Group (MPEG) and software and system standards in development at IEEE-SA.

A summary of our results of operation for the three and nine months ended January 31, 2025, and September 30, 2023 is as follows (in thousands, except for percentages):

	Three Months Ended				Nine Months Ended			
	January 31, 2025	September 30, 2023	$ Change	% Change	January 31, 2025	September 30, 2023	$ Change	% Change
Revenues:								
Fix license revenue	$ 5,754	$ 1,199	$ 4,555	380%	$ 61,756	$ 3,732	$ 58,024	1555%
Per unit royalty revenue	2,683	8,283	(5,600)	-68%	9,233	19,807	(10,574)	-53%
	8,437	9,482	(1,045)	-11%	70,989	23,539	47,450	202%
Selling and administrative expenses	5,010	2,963	2,047	69%	22,586	10,649	11,937	112%
Operating income (loss)	$ 3,427	$ 6,519	$ (3,092)	-47%	$ 48,403	$ 12,890	$ 35,513	276%

Revenues

Immersion revenue is primarily derived from fixed fee license agreements and per-unit royalty agreements. Royalty and license revenue is composed of per unit royalties earned based on usage or net sales by licensees and fixed payment license fees charged for our IP and software.

Fixed fee license revenue increased by $4.6 million in the three months ended January 31, 2025, compared to the three months ended September 30, 2023, primarily due to $3.0 million increase in automotive license revenue following the new license agreements entered into during the three months ended January 31, 2025.

Per-unit royalty revenue decreased by $5.6 million, or 68%, in the three months ended January 31, 2025 compared to the three months ended September 30, 2023, primarily due to a $3.8 million decrease in royalties from mobility licensees.

Geographically, revenues generated in Asia, North America, and Europe for the three months ended January 31, 2025 represented 31%, 9%, and 60%, respectively, of our total revenue as compared to 68%, 8%, and 24%, respectively, for the three months ended September 30, 2023. Revenue is significantly different from period to period due to the timing and geographic location of the company that executes the agreements.

Fixed fee license revenue increased by $58.0 million in the first nine months of fiscal 2025 compared to the nine months ended September 30, 2023, primarily due to a $56.8 million increase in mobility and gaming license revenue following the new license agreements entered into during the nine months ended January 31, 2025.

Per-unit royalty revenue decreased by $10.6 million, or 53%, in the nine months ended January 31, 2025 compared to the nine months ended September 30, 2023, primarily due to a $7.9 million decrease in royalties from mobility licenses.

Geographically, revenues generated in Asia, North America, and Europe for the nine months ended January 31, 2025 represented 88%, 4%, and 8%, respectively, of our total revenue as compared to 77%, 12%, and 11%, respectively, for the nine months ended September 30, 2023. Revenue is significantly different from period to period due to the timing and geographic location of the company that executes the agreements.

Operating Expenses

A summary of operating expenses for the three and nine months ended January 31, 2025, and September 30, 2023, is as follows (in thousands, except for percentages):

	Three Months Ended				Nine Months Ended			
	January 31, 2025	September 30, 2023	$ Change	% Change	January 31, 2025	September 30, 2023	$ Change	% Change
Selling and administrative expense	$ 5,010	$ 2,963	$ 2,047	69%	$ 22,586	$ 10,649	$ 11,937	112%

Selling and administrative expenses - Our selling and administrative expenses primarily consisted of employee compensation and benefits including stock-based compensation, legal and other professional fees, external legal costs for patents, office expense, travel, and facilities costs.

Selling and administrative expenses increased $2.0 million in the three months ended January 31, 2025 as compared to the three months ended September 30, 2023 primarily due to a $2.3 million increase in compensation, benefits and other personnel related costs; partially offset by a $0.2 million decrease in legal costs. The increase in compensation, benefits and other personnel related costs is largely attributable to higher stock-based compensation expense resulting from new equity grants partially offset by a decrease in variable compensation.

Selling and administrative expenses increased $11.9 million in the nine months ended January 31, 2025 as compared to the nine months ended September 30, 2023 primarily due to a $4.9 million increase in legal costs and a $4.7 million increase in compensation, benefits and other personnel related costs. The increase in legal costs was due to costs related to the new license agreements and the Barnes & Noble Education Transaction. The increase in compensation, benefits and other personnel related costs were primarily driven by increases in variable compensation and stock-based compensation.

Barnes & Noble Education

Barnes & Noble Education is one of the largest contract operators of physical and virtual bookstores for college and university campuses and K-12 institutions across the United States. Barnes & Noble Education is also a textbook wholesaler, and bookstore management hardware and software provider. Barnes & Noble Education operates 1,164 physical and virtual bookstores, delivering essential educational content and general merchandise within a dynamic omnichannel retail environment.

The strengths of Barnes & Noble Education's business include its ability to compete by developing new products and solutions to meet market needs, its large operating footprint with direct access to students and faculty, its well-established, deep relationships with academic partners and stable, long-term contracts and its well-recognized brands. Barnes & Noble Education provides product and service offerings designed to address the most pressing issues in higher education, including equitable access, enhanced convenience and improved affordability through innovative course material delivery models designed to drive improved student experiences and outcomes. Barnes & Noble Education offers its BNC First Day® affordable access course material programs, consisting of First Day Complete and First Day, which provide faculty required course materials to students on or before the first day of class at below market rates, as compared to the total retail price for the same course materials if purchased separately (a la carte), and students are billed the below market rate directly by the institution as a course charge or included in tuition. Barnes & Noble Education is moving quickly to accelerate its First Day Complete strategy. Many institutions adopted First Day Complete in Fiscal 2024, and Barnes & Noble Education plans to continue to scale the number of schools adopting First Day Complete in Fiscal 2025 and beyond. See BNC First Day® Affordable Access Course Material Programs below.

Barnes & Noble Education expects to continue to introduce scalable and advanced solutions focused largely on the student and customer experience, expand its e-commerce capabilities and accelerate such capabilities with its service providers, Fanatics Retail Group Fulfillment, LLC (“Fanatics”) and Fanatics Lids College, Inc. D/B/A “Lids” (“Lids”) (collectively referred to herein as the “F/L Relationship”), win new accounts, and expand its revenue opportunities through strategic relationships. Barnes & Noble Education expects gross comparable store general merchandise sales to increase over the long term, as its product assortments continue to emphasize and reflect changing consumer trends, and Barnes & Noble Education evolves its presentation concepts and merchandising of products in stores and online, which Barnes & Noble Education expects to be further enhanced and accelerated through the F/L Relationship. Fanatics and Lids, acting on Barnes & Noble Education's behalf as its service providers, provide unparalleled product assortment, e-commerce capabilities and powerful digital marketing tools to drive increased value for customers and accelerate growth of its logo general merchandise business.

The *Barnes & Noble* brand (licensed from Barnes & Noble Education’s former parent) along with its subsidiary brands, BNC and MBS, are synonymous with innovation in bookselling and campus retailing, and are widely recognized and respected brands in the United States. Barnes & Noble Education's large college footprint, reputation, and credibility in the marketplace not only support its marketing efforts to universities, students, and faculty, but are also important to its relationship with leading publishers who rely on Barnes & Noble Education as one of their primary distribution channels.

BNC First Day Affordable Access Course Material Programs

Barnes & Noble Education provides product and service offerings designed to address the most pressing issues in higher education, including equitable access, enhanced convenience and improved affordability through innovative course material delivery models designed to drive improved student experiences and outcomes. Barnes & Noble Education offers its BNC First Day® affordable access course material programs, consisting of First Day Complete and First Day, which provide faculty required course materials to students on or before the first day of class at below market rates, as compared to the total retail price for the same course materials if purchased separately (a la carte), and students are billed the below market rate directly by the institution as a course charge or included in tuition.

- *First Day Complete* is adopted by an institution and includes all or the majority of undergraduate classes (and on occasion graduate classes), providing students with both physical and digital materials. In addition to providing numerous benefits to students, faculty and administrators, the First Day Complete model drives substantially greater unit sales and sell-through for the bookstore.

- *First Day* is adopted by a faculty member for a single course, and students receive primarily digital course materials through their school's learning management system ("LMS").

Offering course materials through the BNC First Day® affordable access course material programs, First Day Complete and First Day, is an important strategic initiative to meet the market demands of reduced pricing for students, as well as the opportunity to improve student outcomes, while, at the same time, increasing Barnes & Noble Education's market share, revenue and relative gross profits of course material sales given the higher volumes of units sold in such models as compared to historical sales models that rely on individual student marketing and sales. These affordable access course material programs have allowed Barnes & Noble Education to reverse historical long-term trends in course materials revenue declines, which has been observed at those schools where such programs have been adopted. Barnes & Noble Education is moving quickly to accelerate its First Day Complete strategy. Many institutions have already adopted First Day Complete, and Barnes & Noble Education plans to continue to scale the number of schools adopting First Day Complete in fiscal 2025 and beyond.

Seasonality

Barnes & Noble Education's business is highly seasonal, particularly with respect to textbook sales and rentals, with the major portion of sales and operating profit realized during the second and third fiscal quarters when college students generally purchase and rent textbooks for the upcoming semesters and lowest in the first and fourth fiscal quarters. Barnes & Noble Education's quarterly results also may fluctuate depending on the timing of the start of the various schools' semesters, as well as shifts in Barnes & Noble Education's fiscal calendar dates. These shifts in timing may affect the comparability of Barnes & Noble Education's results across periods.

Given the growth of BNC First Day® affordable access course material programs, the timing of cash collection from the school partners may shift to periods subsequent to when the revenue is recognized. When a school adopts Barnes & Noble Education's BNC First Day® affordable access course material offerings, cash collection from the school generally occurs after the institution's drop/add dates, which is later in the working capital cycle, particularly in the third quarter given the timing of the Spring Term and Barnes & Noble Education's quarterly reporting period, as compared to direct-to-student point-of-sale transactions where cash is generally collected during the point-of-sale transaction or within a few days from the credit card processor. As a higher percentage of Barnes & Noble Education's sales shift to BNC First Day® affordable access course material offerings, Barnes & Noble Education is focused on efforts to better align the timing of its cash outflows to course material vendors and cash inflows from collections from schools. As the concentration of digital product sales increases, revenue will be recognized earlier during the academic term as digital textbook revenue is recognized when the customer accesses the digital content compared to: (i) the rental of physical textbooks where revenue is recognized over the rental period, and (ii) a la carte courseware sales where revenue is recognized when the customer takes physical possession of our products, which occurs either at the point of sale for products purchased at physical locations or upon receipt of products by Barnes & Noble Education customers for products ordered through its websites and virtual bookstores.

A summary of Barnes & Noble Education's results of operation for the reporting period for the three months ended January 31, 2025 and for the period from June 10, 2024 to January 31, 2025, is as follows (in thousands):

	Three Months Ended January 31, 2025	From June 10, 2024 to January 31, 2025
Revenues:		
Product and other	$ 423,163	$ 1,112,955
Rental income	43,162	90,556
Total revenue	466,325	1,203,511
Cost of sales (excluding depreciation and amortization expense):		
Product and other cost of sales	343,613	897,617
Rental cost of sales	25,330	50,513
Total cost of sale	368,943	948,130
Operating expenses		
Selling and administrative expenses	71,498	178,822
Depreciation and amortization expense	9,979	24,630
Impairment	604	604
Restructuring and other charges	(7,478)	(2,414)
Total operating expenses	74,603	201,642
Operating income (loss)	$ 22,779	$ 53,739

Revenues

Barnes & Noble Education primarily derives its revenues from sale of course materials, which include new, used, rental and digital textbooks. Additionally, at college and university bookstores which Barnes & Noble Education operates, it sells general merchandise, including emblematic apparel and gifts, trade books, computer products, school and dorm supplies, convenience and café items and graduation products. Barnes & Noble Education's rental income is primarily derived from the rental of physical textbooks. Barnes & Noble Education also derives revenue from other sources, such as sales of bookstore management, hardware and point-of-sale software, and other services.

Total revenue was $466.3 million during the three months ended January 31, 2025, primarily consisting of $423.2 million product and other sales and $43.2 million of rental sales. Total revenue was $1,203.5 million during the period from June 10, 2024, to January 31, 2025, primarily consisting of $1,113.0 million product and other sales and $90.6 million of rental sales.

Cost of sales

Barnes & Noble Education cost of sales primarily includes costs such as merchandise costs, textbook rental amortization, warehouse costs related to inventory management and order fulfillment, insurance, certain payroll costs, and management service agreement costs, including rent expense, related to our college and university contracts and other facility related expenses.

Selling and administrative

Barnes & Noble Education selling, and administrative expenses consist primarily of store payroll and store operating expenses. Selling and administrative expenses also include long-term incentive plan compensation expense and general office expenses, such as merchandising, procurement, field support, and finance and accounting.

Depreciation and amortization

Barnes & Noble Education depreciation and amortization expense consisted primarily of depreciation and amortization expense for property and equipment and intangible assets.

Restructuring and other charges

During the period from June 10, 2024, to January 31, 2025, Barnes & Noble Education recognized restructuring and other charges (credits) totaling $(2.4) million, comprised primarily of $(9.0) million expense reversal related to the termination of liabilities related to a frozen retirement benefit plan, partially offset by cost and expense of $2.1 million related to severance and other employee termination and benefit costs associated with elimination of various positions as part of cost reduction initiatives, $2.0 million of severance costs related to the departure of Barnes & Noble Education's Chief Executive Officer on June 11, 2024, a $1.9 million loss related to fixed assets disposal, and $0.8 million costs associated with legal and advisory professional services restructuring and process improvements and other charges.

Impairment

Barnes & Noble Education's impairment expense did not have a material or meaningful impact on operations during the periods.

Interest and other income (expense), net, Interest expense, and Income taxes

A summary of consolidated interest and other income (expense), net, interest expense, and income taxes for the three and nine months ended January 31, 2025 and September 30, 2023 are as follows (in thousands, except for percentages):

	Three Months Ended				Nine Months Ended			
	January 31, 2025	September 30, 2023	$ Change	% Change	January 31, 2025	September 30, 2023	$ Change	% Change
Operating income (loss)	$ 26,206	$ 6,519	$ 19,687	302%	$ 102,142	$ 12,891	$ 89,251	692%
Interest and other income (expense), net	14,803	(2,554)	17,357	-680%	29,039	10,731	18,308	171%
Interest expense	(4,167)	—	(4,167)	NM	(11,081)	—	(11,081)	NM
Income (loss) before provision for income taxes	36,842	3,965	32,877	829%	120,100	23,622	96,478	408%
Provision for income taxes	(17,417)	(1,285)	(16,132)	1255%	(32,521)	(5,636)	(26,885)	477%
Net income (loss)	$ 19,425	$ 2,680	$ 16,745	625%	$ 87,579	$ 17,986	$ 69,593	387%

Interest and other income (expense), net - Interest and other income (expense), net consists primarily of interest and dividend income from cash and cash equivalents and marketable debt and equity securities, realized and unrealized gains (losses) on our marketable equity securities, and derivative instruments and realized gains (losses) on our marketable debt securities.

Interest and other income (expense), net increased $17.4 million during the three months ended January 31, 2025 compared to the three months ended September 30, 2023, primarily due to a $17.1 million increase in net gains from investments in marketable equity securities and derivative instruments and a $0.3 million increase in interest income.

Interest and other income (expense), net increased $18.3 million during the nine months ended January 31, 2025, compared to the nine months ended September 30, 2023, primarily driven by a $16.5 million increase in net gains from investments in marketable equity securities and derivative instruments and a $1.9 million increase in interest income.

Interest expense - Interest expenses primarily consisted of interest charges related to Barnes & Noble Education's credit facility. Interest expense decreased primarily due to the June 10, 2024 debt financing transaction, lower borrowings, and lower interest rates.

Provision for income taxes - The changes in the provision for income taxes are described below:

Immersion

Provision for income taxes for the three and nine months ended January 31, 2025 resulted primarily from estimated domestic and foreign taxes included in the calculation of the effective tax rate. We maintain no valuation allowance against our U.S. federal deferred tax assets and maintain a valuation allowance against certain our U.S. state and Canadian federal deferred tax assets. The change in the estimated effective tax rate was mainly driven by higher U.S. taxable income which was a result of higher U.S. passive income.

The year-over-year change in provision for income taxes resulted primarily from the change in income from continuing operations across various tax jurisdictions.

In the event that we determine the deferred tax assets are realizable based on an assessment of relevant factors, an adjustment to the valuation allowance may increase income in the period such determination is made. The valuation allowance does not impact our ability to utilize the underlying net operating loss carryforwards.

We also maintain liabilities for uncertain tax positions. As of January 31, 2025, we had unrecognized tax benefits under ASC 740 Income Taxes of approximately $7.6 million, all of the $7.6 million could be payable in cash. In addition, interest and penalty of $0.2 million could also be payable in cash in relation to unrecognized tax benefits. The total amount of unrecognized tax benefits that would affect our effective tax rate, if recognized, is $7.6 million. We account for interest and penalties related to uncertain tax positions as a component of income tax provision. We do not expect to have any significant changes to unrecognized tax benefits during the next twelve months.

Barnes & Noble Education

Barnes & Noble Education recorded an income tax provision of $11.9 million on pre-tax loss of $30.7 million during the period of May 1, 2024 to January 31, 2025, which represented an effective income tax rate of (38.8)%.

In assessing the realizability of the deferred tax assets, management considered whether it is more likely than not that some or all of the deferred tax assets would be realized. As of January 31, 2025, Barnes & Noble Education determined that it was more likely than not that it would not realize all deferred tax assets and its tax rate for the current fiscal year reflects this determination. Barnes & Noble Education will continue to evaluate this position.

LIQUIDITY AND CAPITAL RESOURCES

Our cash equivalents, investments - current and investments - noncurrent consist primarily of money-market funds, investments in marketable equity and debt securities and investments in U.S. treasury securities. All marketable securities are stated at fair value. Realized gains and losses on marketable equity securities and marketable debt securities are recorded in *Other income (expense), net* on the *Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)*. Unrealized gains and losses on marketable equity securities are reported as *Other income (expense), net* on our *Condensed Consolidated Statement of Operations and Comprehensive Income (Loss)*. Unrealized gains and losses on marketable debt securities reported as a component of *Accumulated other comprehensive income* on our *Condensed Consolidated Balance Sheets*.

Cash, cash equivalents, and investments-current - As of January 31, 2025, our cash, cash equivalents, and investments-current totaled $153.9 million, a $24.5 million decrease from $178.4 million on April 30, 2024. In addition, as of January 31, 2025, we had restricted cash of $7.5 million.

A summary of select cash flow information for the nine months ended January 31, 2025 and September 30, 2023 are as follows (in thousands):

	Nine Months Ended	
	January 31, 2025	September 30, 2023
Net cash provided by (used in) operating activities	$ (107,674)	$ 12,779
Net cash provided by (used in) investing activities	$ 4,405	$ (19,366)
Net cash provided by (used in) financing activities	$ 102,980	$ (13,532)

Cash provided by (used in) operating activities - Our operating activities primarily consists of net income adjusted for certain non-cash items including depreciation and amortization, stock-based compensation expense, deferred income taxes, net (gains) losses on investments in marketable securities, and the effect of changes in operating assets and liabilities.

Net cash used in operating activities was $107.7 million for the nine months ended January 31, 2025, a $120.5 million decrease compared to the nine months ended September 30, 2023. This cash decrease was primarily attributable to a $207.2 million decrease from changes in operating assets and liabilities, partially offset by $69.6 million increase from changes in net income and a $17.2 million increase from non-cash items.

Net cash provided by operating activities was $12.8 million in the nine months ended September 30, 2023, a $19.5 million decrease compared to the same period in 2022. This cash decrease was primarily attributable to a $14.7 million decrease from changes in non-cash items and $11.8 million decrease from changes in net operating assets, partially offset by a $7.0 million increase in net income.

Cash provided by (used in) investing activities - Our investing activities primarily consist of purchases of marketable securities and other investments and proceeds from disposal of marketable securities and other investments; proceeds from issuance of derivative instruments; payments made to settle derivative instruments; payment for business acquisitions, net of cash acquired; and purchases of property and equipment.

Net cash provided by investing activities during the nine months ended January 31, 2025 was $4.4 million primarily consisting of $127.2 million in cash provided by proceeds from selling marketable securities and derivatives, partially offset by $85.8 million in cash used to purchase marketable securities and the settlement of derivative instruments, $29.6 million cash used in business acquisition, net of cash acquired, and $8.1 million in purchase of property and equipment.

Net cash used in investing activities during the nine months ended September 30, 2023 was $19.4 million primarily consisting of $167.9 million in cash used to purchase marketable securities and in the settlement of derivative instrument, partially offset by $148.5 million in proceeds from selling marketable securities and derivatives.

Cash provided by (used in) financing activities — Our financing activities primarily consist of cash proceeds from issuance of common stock, payments of dividend, proceeds from and repayments of credit facility, cash received from sale issuance of common stock, and cash paid for repurchases of our common stock.

Net cash provided by financing activities during the nine months ended January 31, 2025 was $103.0 million primarily consisting of $616.4 million proceeds from borrowing under Barnes & Noble Education's credit facility and $78.3 million in proceeds from sale of Barnes & Noble Education Common Stock, net of commissions, partially offset by $576.5 million debt repayment and $11.3 million in dividend payments, and $2.7 million in shares withheld for payroll taxes.

Net cash used in financing activities during the nine months ended September 30, 2023 was $13.5 million primarily consisting of $6.4 million in dividend payments, $6.2 million stock repurchases, and $1.1 million in shares withheld to cover payroll taxes.

Total cash, cash equivalents, and short-term investments were $153.9 million as of January 31, 2025 of which approximately 14%, or $21.4 million, was held by our foreign subsidiaries and subject to repatriation tax effects.

On November 13, 2023, our Board declared a quarterly dividend in the amount of $0.045 per share, which was paid on January 25, 2024 to stockholders of record on January 14, 2024.

On February 28, 2024, our Board declared a quarterly dividend in the amount of $0.045 per share, which was paid on April 19, 2024, to stockholders of record on April 12, 2024.

On May 8, 2024, our Board declared a quarterly dividend in the amount of $0.045 per share, which was paid on July 26, 2024, to stockholders of record on July 8, 2024.

On August 12, 2024, our Board declared a quarterly dividend in the amount of $0.045 per share, which was paid on October 18, 2024 to stockholders of record on October 4, 2024.

On November 8, 2024, our Board declared a special cash dividend of $0.245 per share, which was paid on January 24, 2025 to stockholders of record on January 10, 2025.

On March 10, 2025, our Board declared a quarterly dividend of $0.045 per share that will be payable, subject to any prior revocation, on April 25, 2025 to stockholders of record on April 14, 2025.

We may continue to invest in, protect, and defend our extensive IP portfolio, which can result in the use of cash in the event of litigation.

On December 29, 2022, our Board approved a stock repurchase program of up to $50.0 million of our common stock for a period of up to twelve months (the "December 2022 Stock Repurchase Program"), which terminated and superseded the stock repurchase program that had been approved by the Board on February 23, 2022. Any stock repurchases may be made through open market and privately negotiated transactions, at such times and in such amounts as management deems appropriate, including pursuant to one or more Rule 10b5-1 trading plans adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. Additionally, the Board authorized the use of any derivative or similar instrument to effect stock repurchase transactions, including without limitation, accelerated share repurchase contracts, equity forward transactions, equity option transactions, equity swap transactions, cap transactions, collar transactions, naked put options, floor transactions or other similar transactions or any combination of the foregoing transactions. The December 2022 Stock Repurchase Program was implemented as a method to return value to our stockholders. The timing, pricing and sizes of any repurchases will depend on a number of factors, including the market price of our common stock and general market and economic conditions. The December 2022 Stock Repurchase Program does not obligate us to repurchase any dollar amount or number of shares, and the program may be suspended or discontinued at any time. On August 8, 2023, the Board approved an amendment to extend the expiration date of the December 2022 Stock Repurchase Program that was set to expire on December 29, 2023, to December 29, 2024. On August 27, 2024, the Board approved an amendment to extend the expiration date of the December 2022 Stock Repurchase Program that was set to expire on December 29, 2024, to December 29, 2025. On March 10, 2025, our Board approved an amendment to extend the expiration date of the Company's current stock repurchase program that was set to expire on December 29, 2025 to December 29, 2026.

During the nine months ended January 31, 2025, we repurchased 136,668 shares of our common stock for $1.2 million at average purchase price of $8.55 per share. As of January 31, 2025, we had $40.6 million available for repurchase under the December 2022 Stock Repurchase Program.

As of the date of this Quarterly Report on Form 10-Q, we believe we have sufficient capital resources to meet our working capital needs for the next twelve months and beyond.

CRITICAL ACCOUNTING ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of these condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and assumptions, including those related to revenue recognition, marketable securities and derivative instruments, income taxes and contingencies. We base our estimates and assumptions on historical experience and on various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions.

Business Combination

The results of a business acquired in a business combination are included in our consolidated financial statements from the date of the acquisition. Purchase accounting results in assets and liabilities of an acquired business being recorded at their estimated fair values on the acquisition date, which may be considered preliminary and subject to adjustment during the measurement period, which is up to one year from the acquisition date. Any excess consideration over the fair value of assets acquired and liabilities assumed is recognized as goodwill

We perform valuations of assets acquired and liabilities assumed and allocate the purchase price to the respective assets and liabilities. Determining the fair value of assets acquired and liabilities assumed requires significant judgment and estimates, including the selection of valuation methodologies, estimates of future revenue, costs and cash flows, discount rates, royalty rates and selection of comparable companies. We engage the assistance of third-party valuation specialists in concluding fair value measurements in connection with determining fair values of assets acquired and liabilities assumed in a business combination. The resulting fair values and useful lives assigned to acquisition-related intangible assets impact the amount and timing of future amortization expense.

These estimates are inherently uncertain and unpredictable, and if different estimates were used the purchase price for the acquisition could be allocated to the acquired assets and liabilities differently from the allocation that we have made. In addition, unanticipated events and circumstances may occur, which may affect the accuracy or validity of such estimates, and if such events occur, we may be required to record a charge against the value ascribed to an acquired asset, an increase in the amounts recorded for assumed liabilities, or an impairment of some or all of the goodwill.

Goodwill recognized in connection with our acquisition of Barnes & Nobel Education was $14.2 million. Barnes & Noble Education is a separate reporting unit, and all goodwill was allocated to this reporting unit. Goodwill is not amortized but reviewed for impairment at least annually at year-end, and when triggering events occur between annual impairment tests. Refer to *Note 7. Goodwill and Intangible Assets* for additional information.

The identified intangible assets arising from the Barnes & Noble acquisition were trade names and customer relationships $95.0 million in aggregate fair value. We determined the fair values of the acquired intangible assets using an income approach with estimated indefinite useful life for the trade name and 13 years for customer relationships. The noncontrolling interest in Barnes & Noble Education was valued based on the closing price of Barnes & Noble Education's common stock as of June 10, 2024. We evaluate our intangible assets for indications of impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that could trigger an impairment analysis include significant under-performance relative to historical or projected future results of operations, significant changes in the manner of our use of the acquired assets, or the strategy for our overall business or significant negative industry or economic trends. If this evaluation indicates that the value of the intangible asset may be impaired, we assess the likelihood of recoverability of the net carrying value of the asset over its remaining useful life. If this assessment indicates that the intangible asset is not recoverable based on the estimated undiscounted future cash flows of the intangible asset over its remaining useful life, we reduce the net carrying value of the related intangible asset to an estimated fair value.

Barnes & Noble Education

Revenue Recognition and Deferred Revenue

Product sales and rentals

The majority of Barnes & Noble Education's revenue is derived from the sale of products through its bookstore locations, including virtual bookstores, and its bookstore affiliated e-commerce websites, and contains a single performance obligation. Revenue from sales of products is recognized at the point in time when control of the products is transferred to its customers in an amount that reflects the consideration it expects to be entitled to in exchange for the products.

Product revenue is recognized when the customer takes physical possession of its products, which occurs either at the point of sale for products purchased at physical locations or upon receipt of our products by customers for products ordered through websites and virtual bookstores. Product revenue shipped from wholesale operations are recognized upon shipment of physical textbooks at which point title passes and risk of loss is transferred to the customer. Additional revenue is recognized for shipping charges billed to customers and shipping costs are accounted for as fulfillment costs within cost of sale.

Revenue from the sale of digital textbooks, which contains a single performance obligation, is recognized when the customer accesses the digital content as product revenue in Barnes & Noble Education's condensed consolidated financial statements. A software feature is embedded within the content of digital textbooks, such that upon expiration of the term the customer is no longer able to access the content. While the sale of the digital textbook allows the customer to access digital content for a fixed period of time, once the digital content is delivered to the customer, our performance obligation is complete.

Revenue from the rental of physical textbooks is deferred and recognized over the rental period based on the passage of time commencing at the point of sale, when control of the product transfers to the customer and is recognized as rental income in our condensed consolidated financial statements. Rental periods are typically for a single semester and are always less than one year in duration. Barnes & Noble Education offers a buyout option to allow the purchase of a rented physical textbook at the end of the rental period if the customer desires to do so. It records the buyout purchase when the customer exercises and pays the buyout option price which is determined at the time of the buyout. In these instances, Barnes & Noble Education accelerates any remaining deferred rental revenue at the point of sale.

Revenue recognized for our *BNC First Day* offerings is consistent with Barnes & Noble Education's policies outlined above for product, digital and rental sales, net of an anticipated opt-out or return provision. Given the growth of *BNC First Day* programs, the timing of cash collection from our school partners may shift to periods subsequent to when the revenue is recognized. When a school adopts our *BNC First Day* equitable and inclusive access offerings, cash collection from the school generally occurs after the institution's drop/add dates, which is later in the working capital cycle, particularly in Barnes & Noble Education's third quarter given the timing of the Spring Term and our quarterly reporting period, as compared to direct-to-student point-of-sale transactions where cash is generally collected during the point-of-sale transaction or within a few days from the credit card processor.

Barnes & Noble Education estimates returns based on an analysis of historical experience. A provision for anticipated merchandise returns is provided through a reduction of sales and cost of goods sold in the period that the related sales are recorded.

For sales and rentals involving third-party products, we evaluate whether we are acting as a principal or an agent. Our determination is based on our evaluation of whether we control the specified goods or services prior to transferring them to the customer. There are significant judgments involved in determining whether we control the specified goods or services prior to transferring them to the customer including whether we have the ability to direct the use of the good or service and obtain substantially all of the remaining benefits from the good or service. For those transactions where we are the principal, we record revenue on a gross basis, and for those transactions where we are an agent to a third-party, we record revenue on a net basis.

Effective in April 2021, as contemplated by the *F/L* Relationship related merchandising agreement and e-commerce agreement, we began to transition the fulfillment of our logo general merchandise sales to Lids and Fanatics. As the logo general merchandise sales are fulfilled by Lids and Fanatics, we recognize commission revenue earned for these sales on a net basis in our consolidated financial statements, as compared to the recognition of logo general merchandise sales on a gross basis in the periods prior to the transition.

Barnes & Noble Education does not have gift cards or customer loyalty programs. Barnes & Noble Education do not treat any promotional offers as expenses. Sales tax collected from its customers is excluded from reported revenues. Barnes & Noble Education's payment terms are generally 30 days and do not extend beyond one year.

Service and other revenue

Service and other revenue is primarily derived from brand marketing services which includes promotional activities and advertisements within Barnes & Noble Education's physical bookstores and web properties performed on behalf of third-party customers, shipping and handling, non-return rental penalty fees, and revenue from other programs.

Merchandise Inventories

Merchandise inventories, which consist of finished goods, are stated at the lower of cost or market. Market value of the inventory, which is all purchased finished goods, is determined based on its estimated net realizable value, which is generally the selling price less normally predictable costs of disposal and transportation.

Cost is determined primarily by the retail inventory method. Barnes & Noble Education's textbook and trade book inventories are valued using the LIFO method and the related reserve was not material to the recorded amount of our inventories.

Reserves for non-returnable inventory are based on our history of liquidating non-returnable inventory. Reserve calculations are sensitive to certain significant assumptions, including markdowns, sales below cost, inventory aging and expected demand. Barnes & Noble Education does not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions used to calculate the non-returnable inventory reserve. However, if assumptions based on its history of liquidating non-returnable inventory are incorrect, Barnes & Noble Education may be exposed to losses or gains that could be material.

For our physical bookstores, we also estimate and accrue shortage for the period between the last physical count of inventory and the balance sheet date. Shortage rates are estimated and accrued based on historical rates and can be affected by changes in merchandise mix and changes in actual shortage trends. Barnes & Noble Education does not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions used to calculate shortage rates. However, if our estimates regarding shortage rates are incorrect, we may be exposed to losses or gains that could be material.

Textbook Rental Inventories

Physical textbooks out on rent are categorized as textbook rental inventories. At the time a rental transaction is consummated, the book is removed from merchandise inventories and moved to textbook rental inventories at cost. The cost of the book is amortized down to its estimated residual value over the rental period. The related amortization expense is included in cost of goods sold. At the end of the rental period, upon return, the book is removed from textbook rental inventories and recorded in merchandise inventories at its amortized cost. Barnes & Noble Education does not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions used to calculate rental cost of goods sold. However, if our estimates regarding residual value are incorrect, we may be exposed to losses or gains that could be material.

Please refer to *Management's Discussion and Analysis of Financial Condition and Results of Operations* contained in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on March 11, 2024, and Barnes & Noble Education's Annual Report on Form 10-K for the year ended April 27, 2024 (as updated through Barnes & Noble Education's Current Report on Form 8-K filed with the SEC on December 11, 2024) for a complete discussion of our critical accounting policies and estimates. The preparation of financial statements and related disclosures in conformity with U.S. GAAP and our discussion and analysis of our financial condition and operating results require the management to make judgments, assumptions and estimates that affect the amounts reported. See *Note 1. Significant Accounting Policies* of the *Notes to Condensed Consolidated Financial Statements* in Part I, Item 1 herein, which describes the significant accounting policies and methods used in the preparation of our condensed consolidated financial statements. Management bases its estimates on historical experience and on various other assumptions it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

Recent Accounting Pronouncements

See *Note 1. Significant Accounting Policies* of the *Notes to Condensed Consolidated Financial Statements* for information regarding the effect of new accounting pronouncements on our financial statements.

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

Not applicable.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Based on their evaluation as of January 31, 2025, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective to ensure that the information required to be disclosed by us in this Quarterly Report on Form 10-Q was (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

On June 10, 2024, we completed the Transactions with Barnes & Noble Education which were accounted for as a business combination. We are currently in the process of assessing Barnes & Noble Education's internal controls over financial reporting and integrating Barnes & Noble Education with our existing controls over financial reporting. Under guidelines established by the SEC, companies are permitted to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition while integrating the acquired company. Other than incorporating Barnes & Noble Education's controls, there were no changes in internal control over financial reporting that occurred during the quarter ended January 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Inherent Limitations of Internal Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Immersion, have been detected.

PART II

Item 1. *Legal Proceedings*

Immersion Corporation vs. Xiaomi Group

On or about March 3, 2023, the Company initiated patent infringement lawsuits against several companies of the Xiaomi-Group in Germany, France and India (the "Xiaomi Litigation"). Immersion filed complaints against Xiaomi-Group companies and their agents in the Düsseldorf Regional Court in Germany, the Tribunal judiciaire de Paris (Paris First Instance Civil Court) in France, and the High Court of Delhi, at New Delhi, in India. The complaints alleged that the Xiaomi-Group's devices, including the Xiaomi 12, infringed Immersion's patents that cover various uses of haptic effects in connection with such devices.

On June 12, 2024, the Company entered into a Patent License Agreement (the "Xiaomi License Agreement") with the Xiaomi Group, pursuant to which the parties have agreed to terms for resolving the Xiaomi Litigation and the Xiaomi Group will license, on a non-exclusive basis, the Company's patent portfolio for use in its products. The Xiaomi Litigation was dismissed in October 2024.

LGE Korean Withholding Tax Matter

On October 16, 2017, we received a letter from LG Electronics Inc. ("LGE") requesting that we reimburse LGE with respect to withholding tax imposed on LGE by the Korean tax authorities following an investigation where the tax authority determined that LGE failed to withhold on LGE's royalty payments to Immersion Software Ireland Limited from 2012 to 2014. Pursuant to an agreement reached with LGE, on April 8, 2020, the Company provided a provisional deposit to LGE in the amount of KRW 5,916,845,454 (approximately $5.0 million) representing the amount of such withholding tax that was imposed on LGE, which provisional deposit would be returned to us to the extent we ultimately prevail in the appeal in the Korea courts.

On November 3, 2017, on behalf of LGE, we filed an appeal with the Korea Tax Tribunal regarding their findings with respect to the withholding taxes related to the 2012 to 2017 period. The Korea Tax Tribunal hearing took place on March 5, 2019. On March 19, 2019, the Korea Tax Tribunal issued its ruling in which it decided not to accept our arguments with respect to the Korean tax authorities' assessment of withholding tax and penalties imposed on LGE. On behalf of LGE, the Company filed an appeal with the Korea Administrative Court on June 10, 2019. The Company has had numerous hearings before the Korea Administrative Court in the years 2019 through 2022. The Company had a hearing on April 27, 2023, and the Korea Administrative Court rendered a decision on this matter on June 8, 2023, in which it ruled that the withholding taxes and penalties which were imposed by the Korean tax authorities on LGE should be cancelled with litigation costs to be borne by the Korean tax authorities. In connection with the Korea Administrative Court's decision, the Korean tax authorities filed an appeal on June 28, 2023, with the Seoul High Court to seek the cancellation of the lower court's decision. The appellate case is in progress at the Seoul High Court and the first hearing and the hearing took place on November 30, 2023 and February 1, 2024, respectively. However, the next hearing will be set at a later date

On April 25, 2023, the Company received notice from LGE requesting the Company to reimburse LGE with respect to withholding tax imposed on LGE by the Korean tax authorities following a recent tax audit of LGE for the years 2018 through 2022. Pursuant to an agreement reached with LGE, on June 2, 2023, the Company provided a provisional deposit to LGE in the amount of KRW 3,024,877,044 (approximately $2.3 million) representing the amount of such withholding tax that was imposed on LGE, which provisional deposit would be returned to the Company to the extent the Company ultimately prevails in the appeal in the Korean courts. On June 29, 2023, on behalf of LGE, the Company filed an appeal with the Korea Tax Tribunal regarding their findings with respect to the withholding taxes related to the 2018 to 2022 period. On August 7, 2023, the Korean tax authority submitted its answer against the tax appeal. On September 8, 2023, on behalf of LGE, the Company submitted its rebuttal brief in response thereto. On September 23, 2023, the Korean tax authority, on behalf of LGE, the Company submitted an additional response brief, and on November 23, 2023, the Korea Tax Tribunal rendered a decision against LGE, dismissing the claims of the Company on the grounds that its claims are without merit. In response thereto, on behalf of LGE, the Company filed an appeal with the Korea Administrative Court on December 29, 2023. On July 25, 2024, the Korea Tax Tribunal rendered a decision against LGE, and the deadline for the court appeal of the local income claim is October 21, 2024. In addition, the Korea Administrative Court scheduled a hearing date of August 29, 2024, which was cancelled and will be rescheduled at a later date. On October 18, 2024, the Company filed a complaint and a brief with the Korea Administrative Court for the local income tax appeal. This case has been reassigned due to its significance and the Korean tax authority filed its answer on November 27, 2024. On February 24, 2025, the Korea Administrative Court scheduled a hearing for March 21, 2025, and the Company intends to request a deferral for this hearing.

Immersion Corporation vs. Valve Corporation ("Valve")

On May 15, 2023, we filed a complaint against Valve in the United States District Court for the Western District of Washington. The complaint alleges that Valve's AR/VR systems, including the Valve Index, and handheld Steam Deck, infringe seven of our patents that cover various uses of haptic effects in connection with such AR/VR systems and other video game systems. We are seeking to enjoin Valve from further infringement and to recover a reasonable royalty for such infringement.

The complaint against Valve asserts infringement of the following patents:

- U.S. Patent No. 7,336,260: "Method and Apparatus for Providing Tactile Sensations"
- U.S. Patent No. 8,749,507: "Systems and Methods for Adaptive Interpretation of Input from a Touch-Sensitive Input Device"
- U.S. Patent No. 9,430,042: "Virtual Detents Through Vibrotactile Feedback"
- U.S. Patent No. 9,116,546: "System for Haptically Representing Sensor Input"
- U.S. Patent No. 10,627,907: "Position Control of a User Input Element Associated with a Haptic Output Device"
- U.S. Patent No. 10,665,067: "Systems and Methods for Integrating Haptics Overlay in Augmented Reality"
- U.S. Patent No. 11,175,738: "Systems and Methods for Proximity-Based Haptic Feedback"

Valve responded to the complaint on July 24, 2023, with a motion to dismiss. Valve re-noted its motion, which changed Immersion's response deadline from August 14, 2023, to August 21, 2023. Immersion timely filed its response, and Valve filed its reply on August 25, 2023. The Court heard arguments on Valve's motion on February 8, 2024. The Court entered a case scheduled on November 21, 2023. The case schedule did not include a trial date but set the pretrial conference for May 30, 2025.

Valve filed IPRs, IPR2024-00477 and IPR2024-00478 on January 19, 2024. These petitions are directed to U.S. Patent Nos. 7,336,260 and 9,430,042 respectively. The Company filed its patent owner preliminary responses to these petitions on April 26, 2024, and April 29, 2024, respectively. The Patent Trial and Appeal Board issued a decision, granting institution of these petitions on July 24, 2024, and July 25, 2024, respectively. The Company's patent owner responses to these petitions were filed on October 15, 2024, and October 17, 2024, respectively. Valve filed their replies to the Company's patent owner responses for both petitions on January 17, 2025. The Company's patent owner sur-replies for the petitions were filed on February 28, 2025. Oral argument for both of these IPR proceedings are scheduled for April 23, 2025. Valve filed IPR2024-00508 on January 30, 2024, which is directed to U.S. Patent No. 9,116,546. The Company elected not to file a patent owner preliminary response to this petition. The Patent Trial and Appeal Board issued a decision, granting institution of this petition on August 6, 2024. The Company elected not to file patent owner response to the petition. The Board is expected to issue their final written decision no later than August 6, 2025. Valve filed IPR2024-00556 on February 7, 2024, which is directed to U.S. Patent No. 8,749,507. The Company filed its patent owner preliminary response to this petition on May 15, 2024. The Patent Trial and Appeal Board issued a decision, granting institution on August 6, 2024. The Company elected not to file a patent owner response to the petition. The Board is expected to issue their final written decision no later than August 6, 2025. Valve filed IPR2024-00557 on February 7, 2024, which is directed to U.S. Patent No. 10,665,067. The Company filed its patent owner's preliminary response to this petition on May 15, 2024. The Patent Trial and Appeal Board issued a decision, granting institution on August 13, 2024. The Company's patent owner response to the petition was filed November 5, 2024. Valve filed their reply to the Company's patent owner response on February 4, 2025. The Company's patent owner sur-reply is due March 18, 2025. Valve filed IPR2024-00582 on February 16, 2024, which is directed to U.S. Patent No. 11,175,738. The Company filed its patent owner preliminary response to this petition on June 27, 2024. The Patent Trial and Appeal Board issued a decision on granting institution on September 25, 2024. The Company's patent owner response to the petition was filed December 20, 2024. Valve's reply to the Company's patent owner response is due on March 31, 2025. Valve filed IPR2024-00714 on March 22, 2024, which is directed to U.S. Patent No. 10,627,907. The Company filed its preliminary patent owner preliminary response to this petition on July 30, 2024. The Patent Trial and Appeal Board issued a decision, granting institution on August 28, 2024. The Company's patent owner response to the petition was filed January 21, 2025. Valve's reply to the Company's patent owner response is due on April 15, 2025.

The parties submitted their joint claim construction statement and respective positions on March 29, 2024.

On March 14, 2024, Valve filed a motion to stay the district court case pending the PTAB's decisions on the IPRs. Immersion opposed the motion on March 25, 2024, and Valve filed its reply brief on March 29, 2024. The Court granted Valve's motion to stay on April 4, 2024. In connection with that order, the Court struck Valve's motion to dismiss with leave to refile at a later date.

Item 1A. ***Risk Factors***

There have been no material changes to the risk factors disclosed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on March 11, 2024, except as set forth below. You should carefully consider the risk factors described in Barnes & Noble Education, Inc.'s Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q which are filed with the SEC and are available at www.sec.gov.

Our consolidated subsidiary, Barnes & Noble Education, is a public company which may expose us to additional costs, and our management may be required to devote substantial time to compliance initiatives.

On June 10, 2024, we acquired ownership of approximately 42.0% of the common stock of Barnes & Noble Education and as a public company, with a consolidated subsidiary that is also a public company, we incur significant legal, accounting and other expenses to comply with the requirements applicable to public companies. Many of our personnel and other resources are devoted to ensuring we, and Barnes & Noble Education, comply with requirements applicable to public companies. These further exhausts management and other personnel resources that could be used for other revenue-generating activities.

Changes in Barnes & Noble Education's relationships with significant clients and suppliers, including the loss or reduction in business from one or more of them, could have a material adverse impact on its business.

The products that Barnes & Noble Education sells originate from a wide variety of domestic and international vendors. During fiscal 2024, Barnes & Noble Education's four largest retail suppliers, excluding its wholesale business which fulfills orders for all its physical and virtual bookstores, accounted for approximately 28% of its merchandise purchased, with the largest supplier accounting for approximately 7% of its merchandise purchased. Barnes & Noble Education's wholesale business sources over 95% of its inventory from two primary channels, approximately 55% from third-party suppliers and approximately 40% from retail bookstores (including its retail bookstores). Suppliers may modify the terms of these relationships due to general economic conditions or otherwise or, especially with respect to wholesale inventory, publishers could terminate distribution to wholesalers, including Barnes & Noble Education's wholesale business.

Barnes & Noble Education does not have long-term arrangements with most of its suppliers to guarantee availability of merchandise, content or services, particular payment terms or the extension of credit limits. If Barnes & Noble Education's current suppliers were to stop selling merchandise, content or services to it on acceptable terms, including as a result of one or more supplier bankruptcies due to poor economic conditions or refusal by such suppliers to ship products to us due to delayed or extended payment windows as a result of Barnes & Noble Education's own liquidity constraints, Barnes & Noble Education may be unable to procure the same merchandise, content or services from other suppliers in a timely and efficient manner and on acceptable terms, or at all. Additionally, delayed or incomplete publisher shipments of physical textbook orders, or delays in receiving digital courseware access codes, could have an adverse impact on sales, including Barnes & Noble Education's BNC First Day Complete equitable access program, which relies upon timely receipt of inventory in advance of class start dates each academic term.

Furthermore, certain of Barnes & Noble Education's merchandise is sourced indirectly from outside the United States. Political or financial instability, merchandise quality issues, product safety concerns, trade restrictions, work stoppages, tariffs, foreign currency exchange rates, transportation capacity and costs, inflation, civil unrest, natural disasters, public health crises, epidemics, and pandemics, and other factors relating to foreign trade are beyond its control and could disrupt its supply of foreign-sourced merchandise.

Recently announced changes to U.S. trade policy, including recently announced tariffs, could adversely affect Barnes & Noble Education's business.

Recently, the United States announced tariffs on products manufactured in several jurisdictions, including Canada, China, and Mexico, and has made announcements regarding the potential imposition of tariffs on products from other jurisdictions, such as the European Union. The President of the United States has also directed various federal officials to evaluate other aspects of United States trade policy. While the United States has temporarily paused the imposition of tariffs on Canadian and Mexican products, the pause may be lifted in whole or in part. The United States may take other action to impose, reimpose or increase tariffs, and countries subject to such tariffs may impose reciprocal tariffs or other restrictive trade measures in response to the imposition of tariffs by the United States.

Certain of Barnes & Noble Education's merchandise is sourced indirectly from outside the United States. Political or financial instability, merchandise quality issues, product safety concerns, trade restrictions, work stoppages, tariffs, foreign currency exchange rates, transportation capacity and costs, inflation, civil unrest, natural disasters, public health crises, epidemics, and pandemics, and other factors relating to foreign trade are beyond Barnes & Noble Education's control and could disrupt Barnes & Noble Education's supply of foreign-sourced merchandise.

Barnes & Noble Education is monitoring and evaluating any potential impacts that increased tariffs and other trade restrictions may have on Barnes & Noble Education's business, and considering ways in which Barnes & Noble Education may offset these impacts. There is no assurance, however, that Barnes & Noble Education will be successful in mitigating the effects on Barnes & Noble Education of increased trade regulation in the current environment.

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

Stock Repurchase Program

On December 29, 2022, our Board approved a stock repurchase program of up to $50.0 million of our common stock for a period of up to twelve months (the "December 2022 Stock Repurchase Program"), which terminated and superseded the stock repurchase program that had been approved by the Board on February 23, 2022. Any stock repurchases may be made through open market and privately negotiated transactions, at such times and in such amounts as management deems appropriate, including pursuant to one or more Rule 10b5-1 trading plans adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. Additionally, the Board authorized the use of any derivative or similar instrument to effect stock repurchase transactions, including without limitation, accelerated share repurchase contracts, equity forward transactions, equity option transactions, equity swap transactions, cap transactions, collar transactions, naked put options, floor transactions or other similar transactions or any combination of the foregoing transactions. The December 2022 Stock Repurchase Program was implemented as a method to return value to our stockholders. The timing, pricing and sizes of any repurchases will depend on a number of factors, including the market price of our common stock and general market and economic conditions. The December 2022 Stock Repurchase Program does not obligate us to repurchase any dollar amount or number of shares, and the program may be suspended or discontinued at any time. On August 8, 2023, the Board approved an amendment to extend the expiration date of the December 2022 Stock Repurchase Program that was set to expire on December 29, 2023, to December 29, 2024. On August 27, 2024, the Board approved an amendment to extend the expiration date of the December 2022 Stock Repurchase Program that was set to expire on December 29, 2024, to December 29, 2025.

During 2023, we repurchased 1,217,774 shares of our common stock for $8.3 million at an average purchase price of $6.77 per share. During the nine months ended January 31, 2025, we repurchased 136,668 shares of our common stock for $1.2 million at an average purchase price of $8.55 per share. As of January 31, 2025, we had $40.6 million available for repurchase under the December 2022 Stock Repurchase Program.

Periods	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs [1]
November 1 to November 30, 2024	—	—	—	—
December 1 to December 31, 2024	—	—	—	—
January 1 to January 31, 2025	136,668	$8.55	136,668	$40,566,109

(1) The amounts represent the amount available to repurchase shares under the authorized repurchase program as of January 31, 2025. Our stock repurchase program does not obligate the Company to acquire any specific number of shares.

ITEM 6. EXHIBITS

The exhibits listed in the accompanying "Exhibit Index" are filed or incorporated by reference as part of this Form 10-Q.

Exhibit Number		Exhibit Description	Incorporated by Reference			
			Form	File No.	Exhibit	Filing Date
3.1		Amended and Restated Bylaws of Immersion Corporation, effective as of August 12, 2022	8-K	000-38334	3.1	August 15, 2022
3.2		Amended and Restated Certificate of Incorporation of Immersion Corporation	8-K	000-27969	3.1	June 7, 2017
3.3		Certificate of Designation of the Powers, Preferences and Rights of Series A Redeemable Convertible Preferred Stock	8-K	000-27969	3.1	July 29, 2003
3.4		Amended and Restated Certificate of Designations of Series B Participating Preferred Stock of Immersion Corporation	8-K	000-27969	3.1	November 17, 2021
31.1	*	Certification of Eric Singer, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2	*	Certification of J. Michael Dodson, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1	+	Certification of Eric Singer, Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
32.2	+	Certification of J. Michael Dodson, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS	*	Inline XBRL Report Instance Document				
101.SCH	*	Inline XBRL Taxonomy Extension Schema Document				
101.CAL	*	Inline XBRL Taxonomy Calculation Linkbase Document				
101.DEF	*	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	*	Inline XBRL Taxonomy Label Linkbase Document				
101.PRE	*	Inline XBRL Presentation Linkbase Document				
104		Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

* Filed herewith

\+ This certification is deemed not filed for purposes of section 18 of the Exchange Act, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act, as amended, or the Exchange Act, as amended.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: March 12, 2025

IMMERSION CORPORATION

By /S/ J. MICHAEL DODSON

J. Michael Dodson

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)