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

FORM 10-Q

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

For the quarterly period ended March 31, 2026

☐ 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: 001-39642

CXApp Inc.

(Exact name of Registrant as Specified in Its Charter)

Delaware	**85-2104918**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Four Palo Alto Square, Suite 200
3000 El Camino Real
Palo Alto, CA 94306
(Address of principal executive offices, zip code)

(650) 785-7171
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A common stock, $0.0001 par value per share	CXAI	The Nasdaq Stock Market LLC
Warrants to purchase common stock	CXAIW	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

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

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

As of May 11, 2026, there were 70,089,277 shares of Class A common stock, $0.0001 par value, issued and outstanding.

CXAPP INC.

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PART I. FINANCIAL INFORMATION

Item 1: Financial Statements

CXAPP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	March 31, 2026 (unaudited)	December 31, 2025
Assets		
Current Assets		
Cash and cash equivalents	$ 12,342	$ 11,101
Accounts receivable	907	789
Unbilled and other receivables	278	178
Prepaid expenses and other current assets	665	765
Total current assets	14,192	12,833
Property and equipment, net	30	39
Intangible assets, net	11,990	12,672
Operating lease right-of-use asset, net	120	224
Goodwill	6,589	6,589
Other assets	72	73
Total Assets	$ 32,993	$ 32,430
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 1,015	$ 766
Accrued liabilities	2,428	2,281
Deferred revenue	1,986	1,465
Warrant liability	673	1,051
Operating lease obligation, current	109	195
Total current liabilities	$ 6,211	$ 5,758
Operating lease obligation, noncurrent	12	31
Convertible debt	10,825	12,659
Total Liabilities	$ 17,048	$ 18,448
Commitments and Contingencies		
Stockholders' Equity		
Class A Common Stock, $0.0001 par value; 200,000,000 shares authorized; 57,594,596 shares issued and outstanding as of March 31, 2026 and 33,773,696 shares issued and outstanding as of December 31, 2025	6	3
Additional paid-in capital	110,627	104,691
Accumulated other comprehensive loss	(3)	(30)
Accumulated deficit	(94,685)	(90,682)
Total Stockholders' Equity	$ 15,945	$ 13,982
Total Liabilities and Stockholders' Equity	$ 32,993	$ 32,430

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

CXAPP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited, in thousands, except share and per share data)

	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
Revenues	$ 950	$ 1,224
Cost of Revenues	160	150
Gross Profit	$ 790	$ 1,074
Operating Expenses		
Research and development	1,502	1,476
Sales and marketing	413	594
General and administrative	2,316	2,066
Amortization of intangible assets	683	683
Total Operating Expenses	4,914	4,819
Loss from Operations	(4,124)	(3,745)
Other Income (Expense)		
Interest income (expense), net	17	(37)
Change in fair value of derivative liability	178	2,196
Loss on debt extinguishment	-	(48)
Other income (expense), net	(72)	18
Total Other Income (Expense)	123	2,129
Loss, before tax	(4,001)	(1,616)
Provision for income tax	(2)	-
Net Loss	$ (4,003)	$ (1,616)
Unrealized foreign exchange gain (loss) from cumulative translation adjustments	27	(1)
Comprehensive Loss	$ (3,976)	$ (1,617)
Basic and diluted weighted average shares outstanding, Class A common stock	45,206,703	19,678,147
Basic and diluted net loss per share, Class A common stock	$ (0.09)	$ (0.08)

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

CXAPP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited, in thousands, except share data)

	Class A Common Stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Total stockholders' equity
	Shares	Amount				
Balance at January 1, 2026	33,773,696	$ 3	$ 104,691	$ (90,682)	$ (30)	$ 13,982
Net loss	-	-	-	(4,003)	-	(4,003)
Stock-based compensation	-	-	391	-	-	391
Common shares issued for extinguishment of debt	15,825,249	2	3,082	-	-	3,084
Common shares issued as the At-The-Market offering	7,995,651	1	2,463	-	-	2,464
Cumulative translation adjustment	-	-	-	-	27	27
Balance at March 31, 2026	57,594,596	$ 6	$ 110,627	$ (94,685)	$ (3)	$ 15,945

	Class A Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Total stockholders' equity
	Shares	Amount				
Balance at January 1, 2025	19,248,390	$ 2	$ 92,583	$ (77,209)	$ 216	$ 15,592
Net loss	-	-	-	(1,616)	-	(1,616)
Stock-based compensation	-	-	624	-	-	624
Common shares issued for extinguishment of debt	556,274	-	1,003	-	-	1,003
Common shares issued for vested RSUs	3,120	-	-	-	-	-
Taxes withheld on stock-based compensation	-	-	(5)	-	-	(5)
Cumulative translation adjustment	-	-	-	-	(1)	(1)
Balance at March 31, 2025	19,807,784	$ 2	$ 94,205	$ (78,825)	$ 215	$ 15,597

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

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

	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
Operating activities		
Net loss	$ (4,003)	$ (1,616)
Adjustments to reconcile consolidated net loss to net cash used in operating activities		
Depreciation and amortization	9	12
Amortization of intangible assets	683	683
Amortization of right-of-use asset	102	100
Accrued interest expense on promissory note and convertible debt	60	71
Stock-based compensation expense	391	624
(Gain) loss on foreign currency transactions	37	(3)
Change in fair value of derivative liability	(178)	(2,196)
Loss on debt extinguishment	-	48
Change in assets and liabilities:		
Accounts receivable, unbilled and other receivables	(228)	954
Prepaid expenses and other current assets	99	(175)
Accounts payable	250	103
Accrued liabilities	150	398
Operating lease liabilities	(102)	(103)
Deferred revenue	521	121
Net Cash Used in Operating Activities	(2,210)	(979)
Cash Flows Used in Investing Activities		
Purchases of property and equipment	-	(5)
Net Cash Flows Used in Investing Activities	-	(5)
Cash Flows From Financing Activities		
Proceeds from issuance of pre-paid purchase, net of issuance costs	990	-
Proceeds from At-The-Market Offerring, net of issuance costs	2,464	-
Net Cash Provided By Financing Activities	3,454	-
Effect of Foreign Exchange Rate on Changes on Cash and Cash Equivalents	(3)	(3)
Net Increase (Decrease) in Cash and Cash Equivalents	1,241	(987)
Cash and Cash Equivalents, beginning of period	11,101	4,880
Cash and Cash Equivalents, end of period	$ 12,342	$ 3,893
Supplemental schedule of noncash investing and financing activities		
Financing of Director and Officer Insurance	$ 240	$ -
Common shares issued for debt extinguishment	$ 3,084	$ 1,003

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

NOTE 1 – Organization and Nature of Business

CXApp Inc. and its subsidiaries ("CXApp" or the "Company") is in the business of delivering intelligent enterprise workplace experiences. The CXApp SaaS platform is anchored on the intersection of customer experience (CX) and artificial intelligence (AI) providing digital transformation for the physical workplace for enhanced experiences across people, places and things.

The CXApp SaaS platform offers a suite of leading-edge technology workplace experience solutions including an enterprise employee application, indoor mapping, on-device positioning, augmented reality technologies, generative AI applications and an AI-based analytics platform, targeting the emerging hybrid workplace market. CXApp creates a connected workplace by reducing app overload, data fragmentation, and complex workflows and streamlines all capabilities through The Workplace SuperApp. All features, services and integrations are housed in one easy-to-access platform allowing businesses to deliver a more holistic employee experience in a hybrid workplace.

NOTE 2 – Summary of Significant Accounting Policies and Basis of Presentation

Liquidity

As of March 31, 2026, the Company had cash and cash equivalents of approximately $12,342 thousand. For the three months ended March 31, 2026, the Company incurred net losses of approximately $4,003 thousand and used approximately $2,210 thousand of cash for operating activities. The Company's recurring losses and negative operating cash flows raise substantial doubt about its ability to continue as a going concern.

Management has implemented plans to address these conditions, including reductions in discretionary spending, optimization of vendor payment terms, enhanced expense governance, and focused collection efforts to accelerate customer payments. The Company will also utilize external financing sources, including existing credit facilities and its at-the-market equity program, where accessible under prevailing market and contractual conditions.

Management's assessment considers that the availability of certain financing sources is subject to market conditions including stock price, trading volume, and registration effectiveness. Additionally, liquidity depends on future cash collections from customers and the timing of operating cash requirements.

Based on these mitigation actions, existing liquidity, and expected business activity, management believes that these plans, which are within the Company's control and are expected to be effectively implemented, alleviate the substantial doubt and concluded that the Company will be able to meet its obligations as they come due for at least twelve months following the issuance of these condensed consolidated financial statements.

On March 27, 2026, the Company entered into a Securities Purchase Agreement ("SPA") with Avondale Capital, LLC, under which the Company may issue and sell one or more Pre-Paid Purchase Agreements for up to an aggregate of $40,000 thousand in exchange for shares of its common stock. The initial Pre-Paid Purchase, in the principal amount of $1,050 thousand, closed on March 27, 2026, the Company received net proceeds of approximately $990 thousand. As of March 31, 2026, approximately $38,950 thousand remained available under this agreement.

On March 26, 2025, the Company entered into a Securities Purchase Agreement ("SPA") with Avondale Capital, LLC, under which the Company may issue and sell one or more Pre-Paid Purchase Agreements for up to an aggregate of $20,000 thousand in exchange for shares of its common stock. The initial Pre-Paid Purchase, in the principal amount of $4,200 thousand, closed on April 8, 2025, the Company received net proceeds of approximately $3,990 thousand. A second tranche was received on August 7, 2025, with a principal amount of $3,150 thousand and net proceeds of approximately $3,000 thousand. The third tranche of the SPA was issued on October 17, 2025 with the principal amount of $5,250 thousand, of which, the Company received net proceeds of $5,000 thousand. The fourth tranche of the SPA was issued on December 30, 2025 with the principal amount of $4,200 thousand, of which, the Company received net proceeds of $4,000 thousand. As of March 31, 2026, approximately $3,200 thousand remained available under this agreement.

Additionally, under the SPA with Streeterville Capital, LLC, entered into on May 22, 2024, the Company had access to up to $10,000 thousand in funding. As of March 31, 2026 and December 31, 2025, the Company had $3,520 thousand in remaining available funding under this agreement.

On August 11, 2025, the Company filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission ("SEC"), authorizing the future offering and sale of up to $150,000 thousand of various securities. Concurrently, the Company filed a prospectus supplement allowing for the issuance of up to $7,959 thousand of common stock under this registration statement. This amount is included within the total aggregate offering authorized.

The Company commenced sales of its common stock pursuant to the shelf registration. These sales were facilitated through a third-party arrangement with Maxim Group LLC, acting as the Company's agent under an equity distribution agreement under its At-The-Market ("ATM") offering program. During the three months ended March 31, 2026, the Company received $2,464 thousand and issued 7,995,651 shares of class A Common Stock, which are intended to be used for general working capital and other general corporate purposes.

Management's assessment of the Company's ability to continue as a going concern is based on its current cash position, expected operating cash requirements, and the availability of these financing sources. While access to certain capital sources is dependent on market conditions, including the Company's stock price, trading volume, and continued effectiveness of its registration statement, management believes that its existing liquidity, combined with planned cost management initiatives and access to external capital, will be sufficient to fund operations and meet obligations as they come due for at least twelve months from the issuance date of these financial statements.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during each of the reporting periods. Actual results could differ from those estimates. The Company's significant estimates consist of:

- the valuation of stock-based compensation;
- the valuation of warrant liabilities;
- the allowance for credit losses;
- the valuation of convertible debt;
- the valuation allowance for deferred tax assets; and
- impairment of long-lived assets and goodwill.

Basis of Presentation

The accompanying 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 the requirements of the Securities and Exchange Commission (the "SEC") for interim reporting. Accordingly, since they are interim statements, they do not include all of the information and disclosures required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2026 are not necessarily indicative of the results that may be expected for other quarters or the year ending December 31, 2026. The condensed consolidated balance sheet as of December 31, 2025 has been derived from the audited financial statements as of that date. For more complete financial information, these condensed consolidated financial statements and the notes thereto should be read in conjunction with the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2025, which was filed with the SEC on March 30, 2026.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances have been eliminated in consolidation.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash, cash equivalents, and trade receivables. The Company's cash is placed with high-credit-quality financial institutions, which periodically exceed federally insured limits. The Company's cash equivalents are certificates of deposit held by a number of banks limited to $250 thousand per bank with a duration of 90 days or less. The Company has not realized any losses relating to its cash, cash equivalents, and trade receivables. However, a material loss resulting from the failure of one or more financial institutions, or from a significant default in accounts receivable, could have a substantial adverse effect on the Company's liquidity, financial position, and operating results. Given the concentration of these financial instruments, any unexpected credit event could impair the Company's ability to meet its short-term obligations and fund ongoing operations.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, checking accounts, money market accounts, temporary investments and certificates of deposit with maturities of three months or less when purchased. As of March 31, 2026, the Company had cash equivalents of approximately $11,911 thousand of certificates of deposit held by a number of banks limited to $250 thousand per bank with a duration of 90 days or less. As of December 31, 2025, the Company had $10,687 thousand of certificates of deposit.

Accounts Receivable and Allowance for Credit Losses

Accounts receivables are stated at the amount the Company expects to collect. The Company recognizes an allowance for credit losses to ensure accounts receivable are not overstated due to un-collectability. Allowance for credit losses is maintained for various customers based on a variety of factors, including the length of time the receivables are past due, significant one-time events and historical experience. An additional allowance for credit losses for individual accounts is recorded when the Company becomes aware of a customer's inability to meet its financial obligation, such as in the case of bankruptcy filings, or deterioration in such customer's operating results or financial position. If circumstances related to a customer change, estimates of the recoverability of receivables would be further adjusted. The Company has no allowance for credit losses as March 31, 2026 and December 31, 2025. The opening balance of accounts receivable as of January 1, 2026 was $789 thousand. Changes during the year primarily reflected amounts billed to customers and cash collected, resulting in an ending balance of $907 thousand as of March 31, 2026.

Other receivables as presented within "unbilled and other receivables" includes mainly unbilled receivables and sales tax recoverable from tax authorities. These are recognized when the underlying transaction occurs and reviewed periodically for collectability. As of March 31, 2026 and December 31, 2025, sales tax receivables were $64 thousand and $54 thousand, respectively.

Property and Equipment, net

Property and equipment are recorded at cost, less accumulated depreciation and amortization. The Company depreciates its property and equipment for financial reporting purposes using the straight-line method over the estimated useful lives of the assets, which range from 5 to 10 years. Leasehold improvements are amortized over the lesser of the useful life of the asset or the initial lease term. Expenditures for maintenance and repairs, which do not extend the economic useful life of the related assets, are charged to operations as incurred, and expenditures, which extend the economic life, are capitalized. When assets are retired, or otherwise disposed of, the costs and related accumulated depreciation or amortization are removed from the accounts and any gain or loss on disposal is recognized. Depreciation expense related to property and equipment is not included as part of cost of revenues, but as part of operating expenses.

Intangible Assets, net

Intangible assets primarily consist of developed technology, customer lists/relationships, non-compete agreements, intellectual property agreements, export licenses and trade names/trademarks. They are amortized ratably over a range of 5 to 10 years, which approximates customer attrition rate and technology obsolescence. The Company assesses the carrying value of its intangible assets for impairment annually, or more frequently if an event or other circumstances indicates that the Company may not be able to recover the carrying amount of the assets. Based on its assessments, the Company did not incur any impairment charges for both three months ended March 31, 2026 and March 31, 2025.

Goodwill

The Company tests goodwill for potential impairment at least annually, or more frequently if an event or other circumstance indicates that the Company may not be able to recover the carrying amount of the net assets of the reporting unit. The Company has determined that the reporting unit is the entire company, due to the integration of all of the Company's activities. In evaluating goodwill for impairment, the Company may assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. If the Company bypasses the qualitative assessment, or if the Company concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the Company performs a quantitative impairment test by comparing the fair value of a reporting unit with its carrying amount.

The Company calculates the estimated fair value of a reporting unit using a weighting of the income and market approaches. For the income approach, the Company uses internally developed discounted cash flow models that include the following assumptions, among others: projections of revenues, expenses, and related cash flows based on assumed long-term growth rates and demand trends; expected future investments to grow new units; and estimated discount rates. For the market approach, the Company uses internal analyses based primarily on market comparable, including public company method, guideline transaction method, and market price method.

The Company performed qualitative goodwill impairment assessments as of March 31, 2026 and March 31, 2025 and determined that no impairment existed. Accordingly, no goodwill impairment charges were recorded for the three months ended March 31, 2026 and March 31, 2025. The Company had completed both qualitative and quantitative goodwill impairment assessments as of December 31, 2025, and concluded that the carrying amount of goodwill exceeded its estimated fair value. Accordingly, the Company recognized a goodwill impairment charge of $2,148 thousand for the year ended December 31, 2025. As of March 31, 2026 and December 31, 2025, the Company's goodwill balance was $6,589 thousand. During the year ended December 31, 2025, the Company recorded a goodwill impairment charge as a result of its annual impairment assessment.

Leases and Right-of-Use Assets and Liabilities

The Company determines if an arrangement is a lease at its inception. Operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company generally uses their incremental borrowing rate based on the information available at the lease commencement date in determining the present value of future payments, because the implicit rate of the lease is generally not known. Right-of-use assets related to the Company's operating lease liabilities are measured at lease inception based on the initial measurement of the lease liability, plus any prepaid lease payments and less any lease incentives. The Company's lease terms that are used in determining their operating lease liabilities at lease inception may include options to extend or terminate the leases when it is reasonably certain that the Company will exercise such options. The Company amortizes their right-of-use assets as operating lease expense generally on a straight-line basis over the lease term and classify both the lease amortization and imputed interest as operating expenses. The Company does not recognize lease assets and lease liabilities for any lease with an original lease term of less than one year.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between condensed consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rate is recognized in income or expense in the period that the change is effective. Income tax benefits are recognized when it is probable that the deduction will be sustained. A valuation allowance is established when it is more likely than not that all or a portion of a deferred tax asset will either expire before the Company is able to realize the benefit, or that future deductibility is uncertain.

Comprehensive Loss and Foreign Currency Translation

The Company reports comprehensive loss and its components in its condensed consolidated financial statements. Comprehensive loss consists of net loss and foreign currency translation adjustments, affecting stockholders' equity that, under GAAP, are excluded from net loss.

Assets and liabilities related to the Company's foreign operations are calculated using the Philippine Peso and Canadian Dollar and are translated at end-of-period exchange rates, while the related revenues and expenses are translated at average exchange rates prevailing during the period. Gains or losses resulting from transactions denominated in foreign currencies are included in general and administrative expenses in the condensed consolidated statements of operations. The Company engages in foreign currency denominated transactions with customers that operate in functional currencies other than the U.S. dollar. The aggregate foreign currency net translation gain was approximately $27 thousand and the aggregate foreign currency net translation loss of approximately $1 thousand for the three months ended March 31, 2026 and March 31, 2025, respectively.

Convertible Debt

The Company issued convertible debt in the form of Pre-Paid Purchases during December 2024, March 2025 (Settled in April 2025), August 2025, October 2025, December 2025 and March 2026 and evaluated such instruments to determine whether they contain features that qualify as embedded derivatives in accordance with ASC 815 "Derivatives and Hedging" ("ASC 815"). Embedded derivatives must be separately measured from the host contract if all the requirements for bifurcation are met. The assessment of the conditions surrounding the bifurcation of embedded derivatives depends on the nature of the host contract and the features of the derivatives. In accounting for the issuance of the convertible debt, the Company elected the fair value option under ASC 825 "Financial Instruments" ("ASC 825"). Under the fair value option election, the convertible debt is initially measured at its issuance date estimated fair value and subsequently remeasured at estimated fair value on a recurring basis. The estimated fair value adjustment is presented within change in fair value of derivative liability in the condensed consolidated statements of Operations and Comprehensive loss. The Company classifies its convertible debt that are being valued under the fair value option election as Level 3 due to the lack of relevant observable market data over fair value inputs, such as the probability weighting of the various scenarios that can impact settlement of the arrangement. The Company recognized a loss on the changes in the estimated fair value of the convertible debt of approximately $200 thousand and $118 thousand for the three months ended March 31, 2026 and March 31, 2025, respectively.

Debt Issuance Costs

Under the fair value option election, costs directly associated with the borrowing are expensed as incurred.

Note Conversion

Convertible notes that are exchanged for equity pursuant to their original contractual terms are accounted for in accordance with ASC 470-20, Debt with Conversion and Other Options. Upon conversion, the carrying amount of the convertible debt is reclassified to equity. No gain or loss is recognized in earnings, as the conversion is executed under the original terms of the instrument.

If the debt is settled under modified terms, the transaction is accounted for in accordance with ASC 470-50, “Debt - Modifications and Extinguishments” (“ASC 470-50”). In such cases, a gain or loss is recognized equal to the difference between the reacquisition price and the net carrying amount of the extinguished debt.

Debt Extinguishment

The note exchanges are accounted for under ASC 470-50 on Modifications and Extinguishments. This standard requires the recognition of a gain or loss on the difference between the reacquisition price and the net carrying amount of the extinguished debt.

Revenue Recognition

The Company recognizes revenue, in accordance with ASC 606 “Revenue from Contracts with Customers” (“ASC 606”), when control is transferred of the promised products or services to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services. The Company derives revenue from its software as a service for cloud-based software, as well as design, implementation and other professional services for work performed in conjunction with its cloud-based software, and sale of hardware. The Company enters into contracts with its customers whereby it grants a non-exclusive cloud-based license for the use of its proprietary software and for professional services. The contracts may also provide for on-going services for a specified price, which may include maintenance services, designated support, and enhancements, upgrades and improvements to the software, depending on the contract. Licenses for cloud software provide the customer with a right to use the software as it exists when made available to the customer. All software provides customers with the same functionality and differs mainly in the duration over which the customer benefits from the software.

The standard introduces a five-step model for revenue recognition that replaces the four criteria for revenue recognition under previous GAAP. The five steps are shown below:

1. Identify the contract with a customer;

2. Identify the performance obligations in the contract;

3. Determine the transaction price;

4. Allocate the transaction price to performance obligations; and

5. Recognize revenue when (or as) the entity satisfies a performance obligation

License Subscription Revenue Recognition (Software As A Service)

With respect to sales of the Company's license agreements, customers generally pay fixed annual fees in advance in exchange for the Company's software service provided via electronic means, which are generally recognized ratably over the license term. Some agreements allow the customer to terminate their subscription contracts before the end of the applicable term, and in such cases the customer is generally entitled to a refund pro-rata but only for the elapsed time remaining at the point of termination, which would approximate the deferred revenue at such time. The Company's performance obligation is satisfied over time as the electronic services are provided continuously throughout the service period. The Company recognizes revenue evenly over the service period using a time-based measure because the Company is providing continuous access to its service. The Company's customers generally pay within 30 to 60 days from the receipt of a customer approved invoice.

The timing of the Company's revenue recognition related to the licensing revenue stream is dependent on whether the software licensing agreement entered into represents a service. Software that relies on an entity's IP and is delivered only through a hosting arrangement, where the customer cannot take possession of the software, is a service. Customers may purchase perpetual licenses or subscribe to licenses, which provide customers with the same functionality and differ mainly in the duration over which the customer benefits from the software.

Renewals or extensions of licenses are evaluated as distinct licenses and revenue attributed to the distinct service is not recognized until: (1) the entity provides the distinct license (or makes the license available) to the customer and (2) the customer is able to use and benefit from the distinct license. Renewal contracts are not combined with original contracts, and, as a result, the renewal right is evaluated in the same manner as all other additional rights granted after the initial contract. The revenue is not recognized until the customer can begin to use and benefit from the license, which is typically at the beginning of the license renewal period. The Company recognizes revenue resulting from renewal of licensed software over time.

Professional Services Revenue Recognition

The Company provides integration and software customization professional services to its customers.

Professional services under milestone contracts are accounted for using the percentage of completion method. As soon as the outcome of a contract can be estimated reliably, contract revenue is recognized in the statement of operations in proportion to the stage of completion of the contract. Contract costs are expensed as incurred. Contract costs include all amounts that relate directly to the specific contract, are attributable to contract activity, and are specifically chargeable to the customer under the terms of the contract.

Professional services are also contracted on the fixed fee and in some cases on a time and materials basis. Fixed fees are paid monthly, in phases, or upon acceptance of deliverables. The Company's time and materials contracts are paid weekly or monthly based on hours worked. Revenue on time and material contracts is recognized based on a fixed hourly rate as direct labor hours are expended. Materials, or other specified direct costs, are reimbursed as actual costs and may include markup. The Company has elected the practical expedient to recognize revenue for the right to invoice because the Company's right to consideration corresponds directly with the value to the customer of the performance completed to date. For fixed fee contracts provided by in house personnel, the Company recognizes revenue evenly over the service period using a time-based measure because the Company is providing continuous service. Because the Company's contracts have an expected duration of one year or less, the Company has elected the practical expedient in ASC 606-10-50-14(a) to not disclose information about its remaining performance obligations. Anticipated losses are recognized as soon as they become known.

For the three months ended March 31, 2026 and March 31, 2025, the Company did not incur any such losses. These amounts are based on known and estimated factors.

Hardware Revenue Recognition

For sales of hardware, the Company's performance obligation is fulfilled when the products are shipped to the customer, transferring title and ownership risks. Deliveries occur via drop-shipment by a third-party vendor and the Company leverages drop-ship arrangements with many of its vendors and suppliers to deliver products to customers without having to physically hold the inventory at its warehouse. The Company negotiates sale prices, pays suppliers directly, manages credit risk, and ensures product acceptability, acting as the principal in the transaction and recording revenue on a gross basis. Customers typically pay within 30 to 60 days of invoice receipt. The Company has elected the practical expedient to expense the costs of obtaining a contract when they are incurred because the amortization period of the asset that otherwise would have been recognized is less than a year.

Contract Balances

The timing of the Company's revenue recognition may differ from the timing of invoicing to and payment by its customers. The Company records an unbilled receivable when revenue is recognized prior to invoicing and the Company has an unconditional right to payment. Alternatively, when invoicing a customer precedes the Company providing of the related services, the Company records deferred revenue until the performance obligations are satisfied.

(in thousands)	**Accounts Receivable**	**Deferred Revenue**
Balance at January 1, 2025	$ 1,686	$ 2,683
Balance at December 31, 2025	$ 789	$ 1,465
Balance at March 31, 2026	$ 907	$ 1,986

The Company had deferred revenue of approximately $1,986 thousand and $1,465 thousand as of March 31, 2026 and December 31, 2025, respectively, related to customer invoices rendered in advance for software licenses and professional services provided by the Company's technical staff. The Company expects to satisfy its remaining performance obligations for the deferred revenue associated with professional services, and recognize the deferred revenue related to licenses generally over the remaining contract term which is generally twelve months following the commencement of the license.

The Company recognized revenue in the reporting period of $642 thousand and $991 thousand, that was included in the contract liability balance at the beginning of the period, for the three months ended March 31, 2026 and March 31, 2025 respectively.

Costs to Obtain a Contract

The Company recognizes eligible sales commissions as an asset within prepaid expenses and other current assets as the commissions are an incremental cost of obtaining a contract with the customer and the Company expects to recover these costs. The capitalized costs are amortized over the expected contract term.

Cost to Fulfill a Contract

The Company incurs costs to fulfill their obligations under a contract once it has obtained the contract. These costs are generally not significant and are recorded to expense as incurred.

Multiple Performance Obligations

The Company enters into contracts with customers for its technology that include multiple performance obligations. Each distinct performance obligation was determined by whether the customer could benefit from the good or service on its own or together with readily available resources. The Company allocates revenue to each performance obligation based on its relative standalone selling price. The Company's process for determining standalone selling price considers multiple factors including the Company's internal pricing model and market trends that may vary depending upon the facts and circumstances related to each performance obligation.

Sales and Use Taxes

The Company presents transactional taxes such as sales and use tax collected from customers and remitted to government authorities on a net basis.

Shipping and Handling Costs

Shipping and handling costs are expensed as incurred as part of cost of revenues. These costs were deemed to be de minimis during each of the reporting periods.

Research and Development

Research and development ("R&D") costs are expensed when incurred. R&D expenses consist primarily of personnel and related headcount costs, costs of professional services associated with the ongoing development of the Company's technology, and allocated overhead.

Business Combinations

The Company accounts for business combinations under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805 "Business Combinations" using the acquisition method of accounting, and accordingly, the assets and liabilities of the acquired business are recorded at their fair values at the date of acquisition. The excess of the purchase price over the estimated fair value is recorded as goodwill. All acquisition costs are expensed as incurred. Upon acquisition, the accounts and results of operations are included as of and subsequent to the acquisition date.

Segments

The Company and its Chief Executive Officer ("CEO"), acting as the Chief Operating Decision Maker ("CODM") determines its reporting units in accordance with FASB ASC 280, "Segment Reporting" ("ASC 280"). The Company evaluates a reporting unit by first identifying its operating segments under ASC 280. The Company then evaluates each operating segment to determine if it includes one or more components that constitute a business. If there are components within an operating segment that meet the definition of a business, the Company evaluates those components to determine if they must be aggregated into one or more reporting units. If applicable, when determining if it is appropriate to aggregate different operating segments, the Company determines if the segments are economically similar and, if so, the operating segments are aggregated. The Company has one operating segment and reporting unit. The Company is organized and operated as one business. Management reviews its business as a single operating segment, using financial and other information rendered meaningful only by the fact that such information is presented and reviewed in the aggregate.

Stock-Based Compensation

The Company measures the cost of employee and non-employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. The Company has issued stock-based compensation awards in the form of options and restricted stock units. Fair value for options and restricted stock units are valued using the closing price of the Company's common stock on the date of grant. The grant date fair value is recognized over the requisite service period during which an employee and non-employee is required to provide service in exchange for the award.

The grant date fair value of options is estimated using the Black-Scholes option pricing model based on the average of the high and low stock prices at the grant date for awards under the CXApp Inc. 2023 Equity Incentive Plan (the "Incentive Plan"). The risk-free interest rate assumptions were based upon the observed interest rates appropriate for the expected term of the equity instruments. The expected dividend yield is assumed to be zero as the Company has not paid any dividends since its inception and does not anticipate paying dividends in the foreseeable future. The Company uses the simplified method to estimate the expected term.

The grant date fair value for restricted stock units is valued using the closing price of the Company's common stock on the date of grant.

The Company estimates forfeitures at the time of grant and revises these estimates in subsequent periods if actual forfeitures differ from those estimates.

Derivative Warrant Liabilities

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an evaluation of the warrant terms and the applicable guidance in ASC 480, Distinguishing Liabilities from Equity ("ASC 480"), and ASC 815, Derivatives and Hedging ("ASC 815"). The assessment considers whether the warrants are freestanding financial instruments, whether they meet the definition of a liability under ASC 480, and whether they meet all requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company's own common stock. This evaluation, which requires the use of professional judgment, is performed at issuance and at each subsequent reporting date while the warrants remain outstanding.

The Company currently has two classes of warrants outstanding, the Private Placement Warrants and the Public Warrants, both of which are classified as liabilities. Warrants that do not meet all of the criteria for equity classification are recorded as warrant liabilities at their initial fair value on the issuance date and are remeasured to fair value at each balance sheet date. Changes in fair value are recognized in the condensed consolidated statements of operations as a non-cash gain or loss. The Company uses the quoted market price of the Public Warrants as the fair value for both warrant classes at each reporting date, and therefore classifies the warrant liabilities as Level 2 within the fair value hierarchy due to the absence of observable market inputs specific to the Private Placement Warrants.

For the three months ended March 31, 2026 and 2025, the Company recognized a non-cash gain of approximately $378 thousand and $2,314 thousand, respectively, related to changes in the estimated fair value of its warrant liabilities.

Earnings Per Share

The Company computes basic and diluted earnings per share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share are similarly calculated with the inclusion of dilutive common stock equivalents. For the three months ended March 31, 2026 and March 31, 2025, basic and dilutive net income (loss) per common share were the same since the inclusion of common shares issuable pursuant to the exercise of options, warrants, and vesting of restricted units in the calculation of diluted net loss per common shares would have been anti-dilutive.

The following table summarizes the number of common shares and common share equivalents excluded from the calculation of diluted net loss per common share for the three months ended March 31, 2026 and March 31, 2025.

(in thousands)	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
Stock options	2,150	1,627
Restricted stock units	1,050	677
Warrants	21,032	21,032
Total	24,232	23,336

Fair Value Measurements

FASB ASC 820, "Fair Value Measurements" ("ASC 820"), provides guidance on the development and disclosure of fair value measurements. The Company follows this authoritative guidance for fair value measurements, which defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles in the United States, and expands disclosures about fair value measurements. The guidance requires fair value measurements be classified and disclosed in one of the following three categories:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2: Observable prices that are based on inputs not quoted on active markets but corroborated by market data.
- Level 3: Unobservable inputs which are supported by little, or no market activity and values determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

Fair value measurements discussed herein are based upon certain market assumptions and pertinent information available to management. The fair value of the public warrants has been measured based on the listed market price of such warrants, a Level 1 measurement. The fair value of the private placement warrants is measured using the quoted market price of the public warrants as an observable input, a Level 2 measurement, because the private placement warrants are not actively traded and there are no observable market inputs specific to those warrants. The Company recognized, in the condensed consolidated Statements of Operations and Comprehensive Loss, an unrealized gain on its warrant liabilities (comprising both public and private placement warrants) of $378 thousand and $2,314 thousand for the three months ended March 31, 2026 and March 31, 2025 respectively.

The following table presents information about the Company's financial liabilities that were measured at fair value on a recurring basis as of March 31, 2026 and December 31, 2025, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value.

Public warrants are classified within Level 1, while private warrants are classified within Level 2 of the fair value hierarchy, consistent with the valuation methodology used.

	As of March 31, 2026	Quoted price in Active Market (Level 1)	Significant other observable input (Level 2)	Significant other unobservable input (Level 3)
Warrants	$ 673	$ 390	$ 283	$ -
Convertible Note				
-Avondale Prepaid Purchase #2	1,451	-	-	1,451
-Avondale Prepaid Purchase #3	4,507	-	-	4,507
-Avondale Prepaid Purchase #4	3,823	-	-	3,823
-Avondale Prepaid Purchase #1	1,044	-	-	1,044

	As of December 31, 2025	Quoted price in Active Market (Level 1)	Significant other observable input (Level 2)	Significant other unobservable input (Level 3)
Warrants	$ 1,051	$ 1,051	$ -	$ -
Convertible Note				
-Avondale Prepaid Purchase #1	1,231	-	-	1,231
-Avondale Prepaid Purchase #2	2,749	-	-	2,749
-Avondale Prepaid Purchase #3	4,683	-	-	4,683
-Avondale Prepaid Purchase #4	3,996	-	-	3,996

The Company accounts for its public and private warrants as a derivative liability initially measured at its fair values and remeasured in the condensed consolidated statements of operations at the end of each reporting period. When the warrants are exercised, the corresponding derivative liability is de-recognized at the underlying fair value of the Class A common stock that is issued to the warrant holder less any cash paid in accordance with the warrant agreement. Upon either cash or cashless exercise, the de-recognized derivative liability results in an increase in additional paid in capital equal to the difference between the fair value of the underlying Class A common stock and its par value. A cashless exercise results in the warrant holder surrendering Class A common stock equal to the stated warrant exercise price based on the contractual terms in the warrant agreement that governs the cashless conversion.

The following table shows the changes in fair value of the liabilities for the three months ended March 31, 2026 and March 31, 2025:

Warrant liability – January 1, 2026	$ 1,051
Change in fair value of derivative instruments	(378)
Warrant liability – March 31, 2026	**$ 673**
Warrant liability – January 1, 2025	$ 5,048
Change in fair value of derivative instruments	(2,314)
Warrant liability – March 31, 2025	**$ 2,734**

The Company accounts for convertible debt under the fair value option election using Level 3 inputs. For the three months ended March 31, 2026 and March 31, 2025, the Company recognized an unrealized loss in the condensed consolidated statements of operations and comprehensive loss of $200 thousand and $118 thousand, respectively, which are presented as a change in fair value of derivative liability. See additional details within *Note 10, Convertible debt*.

The significant inputs in the valuation models for each of the three issuances were as follows:

Avondale
Pre-Paid Purchase #1

Inputs	**December 31, 2025**
Valuation method	Scenario based analysis
Stock price	$ 0.33
Equity dividend yield	0.00%
Expected term (years)	2.32
Volatility	116.4%
Discount rate	3.59%
Risk free rate	3.57%

Avondale
Pre-Paid Purchase #2

Inputs	**March 31, 2026**	**December 31, 2025**
Valuation method	Scenario based analysis	Scenario based analysis
Stock price	$ 0.18	$ 0.33
Equity dividend yield	0.00%	0.00%
Expected term (years)	1.987	2.23
Volatility	92.5%	116.4%
Discount rate	23.95%	3.59%
Risk free rate	3.75%	3.46%

Avondale
Pre-Paid Purchase #3

Inputs	**March 31, 2026**	**December 31, 2025**
Valuation method	Scenario based analysis	Scenario based analysis
Stock price	$ 0.18	$ 0.33
Equity dividend yield	0.00%	0.00%
Expected term (years)	1.987	2.23
Volatility	92.5%	116.4%
Discount rate	18.56%	3.59%
Risk free rate	3.75%	3.46%

Avondale
Pre-Paid Purchase #4

Inputs	**March 31, 2026**	**December 31, 2025**
Valuation method	Scenario based analysis	Scenario based analysis
Stock price	$ 0.18	$ 0.33
Equity dividend yield	0.00%	0.00%
Expected term (years)	1.987	2.23
Volatility	92.5%	116.4%
Discount rate	15.37%	3.59%
Risk free rate	3.75%	3.46%

Avondale
Pre-Paid Purchase #1

Inputs		**March 31, 2026**
Valuation method		Scenario based analysis
Stock price	$	0.18
Equity dividend yield		0.00%
Expected term (years)		1.987
Volatility		92.5%
Discount rate		15.37%
Risk free rate		3.75%

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, unbilled and other receivables and accounts payable. The Company determines the estimated fair value of such financial instruments presented in the condensed consolidated financial statements is equal to its carrying value due to their short-term nature.

Carrying Value, Recoverability and Impairment of Long-Lived Assets

The Company follows FASB ASC 360 "Property, Plant, and Equipment" ("ASC 360") for its long-lived assets. Pursuant to ASC 360-10-35-17, an impairment loss shall be recognized only if the carrying amount of a long-lived asset (asset group) is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset (asset group) is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset (asset group). That assessment shall be based on the carrying amount of the asset (asset group) at the date it is tested for recoverability. An impairment loss shall be measured as the amount by which the carrying amount of a long-lived asset (asset group) exceeds its fair value. Pursuant to ASC 360-10-35-20 if an impairment loss is recognized, the adjusted carrying amount of a long-lived asset shall be its new cost basis. For a depreciable long-lived asset, the new cost basis shall be depreciated (amortized) over the remaining useful life of that asset. Restoration of a previously recognized impairment loss is prohibited.

Pursuant to ASC 360-10-35-21, the Company's long-lived asset (asset group) is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company considers the following to be some examples of such events or changes in circumstances that may trigger an impairment review: (a) significant decrease in the market price of a long-lived asset (asset group); (b) a significant adverse change in the extent or manner in which a long-lived asset (asset group) is being used or in its physical condition; (c) a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset (asset group), including an adverse action or assessment by a regulator; (d) an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (asset group); (e) a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset (asset group); and (f) a current expectation that, more likely than not, a long-lived asset (asset group) will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The Company tests its long-lived assets for potential impairment indicators at least annually and more frequently upon the occurrence of such events.

Based on its assessments, the Company recorded no impairment charges on long-lived assets for the three months ended March 31, 2026 and March 31, 2025.

Recently Adopted Accounting Pronouncement

In November 2024, the FASB issued ASU No. 2024-04 “Debt—Debt with Conversion and Other Options (Subtopic 470-20)”. The amendment requires companies to apply a preexisting contract approach. Under this approach, a settlement qualifies for induced conversion accounting if the inducement offer preserves the form of consideration and results in an amount of consideration that is no less than that issuable pursuant to the preexisting conversion privileges. The ASU is effective for annual and interim reporting periods in fiscal years beginning after December 15, 2025, with early adoption permitted for entities that have adopted the amendments in ASU 2020-06. The Company adopted this guidance effective January 1, 2026. The Company is evaluating the impact of the adoption on its condensed consolidated financial statements.

In July 2025, the FASB issued ASU 2025-05, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets, which provides a practical expedient when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under Topic 606. The practical expedient allows companies to assume the current conditions as of the balance sheet date do not change for the remaining life of the asset when measuring credit losses. The amendments in ASU 2025-05 are effective for annual reporting periods beginning after December 15, 2025, and interim periods within those annual reporting periods. The Company adopted this guidance effective January 1, 2026. The adoption of ASU 2025-05 did not have a material impact on the Company’s condensed consolidated financial statements for the three months ended March 31, 2026.

Recently Issued Accounting Standards Not Yet Adopted

In November 2024, the FASB issued ASU No. 2024-03 “Disaggregation of Income Statement Expenses”. The amendment requires more detailed information about specified categories of expenses (purchases of inventory, employee compensation, depreciation, amortization, and depletion) included in certain expense captions presented on the face of the income statement. This ASU is effective for fiscal years beginning after December 15, 2026 and for interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The amendments may be applied either (1) prospectively to financial statements issued for reporting periods after the effective date of this ASU or (2) retrospectively to all prior periods presented in the financial statements. We are currently evaluating the impact this ASU will have on our disclosures.

In September 2025, the FASB issued ASU 2025-06, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software, which modernizes the accounting for internal-use software to current development practices, clarifies when to begin capitalizing costs, and enhances disclosure requirements. The amendments in ASU 2025-06 are effective for annual periods beginning after December 15, 2027, and interim periods within those annual reporting periods. Early adoption is permitted. The Company is currently evaluating the impact of this standard on the Company’s condensed consolidated financial statements.

NOTE 3 – Disaggregation of Revenue

The Company recognizes revenue when control is transferred of the promised products or services to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services. The Company derives revenue from software as a service, design and implementation services for its enterprise apps solutions systems, professional services for work performed in conjunction with its systems, and sale of hardware.

Revenues consisted of the following (in thousands):

	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
Subscription revenue		
Software, License & Maintenance Contracts	$ 934	$ 1,211
Total subscription revenue	**$ 934**	**$ 1,211**
Non-subscription revenue		
Professional services	$ 14	$ 13
Hardware	$ 2	$ -
Total non-subscription revenue	**$ 16**	**$ 13**
Total Revenue	**$ 950**	**$ 1,224**

	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
Revenue recognized over time[(1)(2)]	$ 948	$ 1,224
Revenue recognized at point in time[(3)]	$ 2	$ -
	$ 950	**$ 1,224**

(1) Professional services are also contracted on the fixed fee and time and materials basis. Fixed fees are paid monthly, in phases, or upon acceptance of deliverables. The Company has generally elected the practical expedient to recognize revenue for the right to invoice because the Company's right to consideration corresponds directly with the value to the customer of the performance completed to date.

(2) Software As A Service Subscription Revenue's performance obligation is satisfied evenly over the service period using a time-based measure because the Company is providing continuous access to its service and service is recognized over time.

(3) Hardware revenue is recognized at a point in time when the control over the goods transfers to the customer - upon delivery to the customers.

NOTE 4 – Property and Equipment, net

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

	March 31, 2026	December 31, 2025
Computer and office equipment	$ 203	$ 207
Furniture and fixtures	10	13
Leasehold improvements	5	5
Total	218	225
Less: accumulated depreciation and amortization	(188)	(186)
Total Property and Equipment, Net	$ 30	$ 39

Depreciation expense were approximately $9 thousand, and $12 thousand, for the three months ended March 31, 2026 and March 31, 2025 respectively.

NOTE 5 – Goodwill and Intangible Assets

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company operates as a single reporting unit for purposes of its goodwill impairment assessment.

As part of its annual impairment test during the year ended December 31, 2025, the Company recorded a goodwill impairment charge of $2,148 thousand. After giving effect to this impairment, the carrying amount of goodwill was $6,589 thousand as of December 31, 2025, which remained unchanged as of March 31, 2026.

The Company initially evaluates qualitative factors, including macroeconomic conditions, changes in the business environment, and reporting unit-specific events, to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. If the qualitative assessment is bypassed or indicates potential impairment, a quantitative impairment test is performed by comparing the reporting unit's estimated fair value to its carrying amount. The estimated fair value is determined using a weighted combination of the income and market approaches.

The Company completed a qualitative goodwill impairment assessment as of March 31, 2026, and determined that no impairment was necessary. No goodwill impairment was recognized for the three months ended March 31, 2026 and March 31, 2025.

Intangible assets consisted of the following (in thousands):

	March 31, 2026				December 31, 2025		
	Weighted Average Remaining Useful Life (Years)	Gross Amount	Accumulated Amortization	Net Carrying Amount	Gross Amount	Accumulated Amortization	Net Carrying Amount
Trade Name/Trademarks	3.92	$ 3,294	$ (1,431)	$ 1,863	$ 3,294	$ (1,314)	$ 1,980
Customer Relationships	1.92	5,604	(3,409)	2,195	5,604	(3,129)	2,475
Developed Technology	6.92	8,697	(2,645)	6,052	8,697	(2,428)	6,269
Patents and Intellectual Property	6.92	2,703	(823)	1,880	2,703	(755)	1,948
Totals		**$ 20,298**	**$ (8,308)**	**$ 11,990**	**$ 20,298**	**$ (7,626)**	**$ 12,672**

Future amortization expense on intangible assets as of March 2026 is anticipated to be as follows (in thousands):

For the Years Ending December 31,	Amount
2026 (remainder of year)	$ 2,049
2027	2,731
2028	1,844
2029	1,611
2030	1,238
Thereafter	2,517
Total	**$ 11,990**

NOTE 6 – Deferred Revenue

Deferred revenue consisted of the following for the three months ended March 31, 2026 and year ended December 31, 2025 (in thousands):

	License Agreements	Professional Service Agreements	Hardware	Total
Deferred Revenue – January 1, 2026	$ 1,414	$ 51	$ -	$ 1,465
Revenue recognized	(934)	(14)	(2)	(950)
Revenue deferred	1,462	7	2	1,471
Deferred Revenue – March 31, 2026	**$ 1,942**	**$ 44**	**$ -**	**$ 1,986**

	License Agreement	Professional Service Agreements	Hardware	Total
Deferred Revenue – January 1, 2025	$ 2,604	$ 61	$ 18	$ 2,683
Revenue recognized	(4,480)	(73)	(30)	(4,583)
Revenue deferred	3,234	63	12	3,310
Advance from Customer	56	-	-	56
Deferred Revenue – December 31, 2025	**$ 1,414**	**$ 51**	**$ -**	**$ 1,465**

Deferred revenues was approximately $1,986 thousand and $1,465 thousand as of March 31, 2026 and December 31, 2025, respectively.

The fair value of the deferred revenue approximates the services to be rendered.

NOTE 7 – Accrued Liabilities

Accrued liabilities consisted of the following as of March 31, 2026 and December 31, 2025 (in thousands):

	March 31, 2026	December 31, 2025
Accrued expenses and reimbursements	$ 1,503	$ 1,502
Accrued compensation and benefits	380	469
Accrued bonus and commissions	258	115
Accrued sales and other indirect taxes payable	156	158
Accrued insurance premium and interest	116	24
Accrued transaction costs	13	13
Income tax payables	2	-
Accrued liabilities	$ 2,428	$ 2,281

Financed Director & Officers Insurance

The Company entered into a Directors & Officers ("D&O") insurance agreement with Oakwood D&O Insurance, effective on March 15, 2026. The agreement states that the Company will pay a total of $145 thousand in premiums at an annual percentage rate of 6.9%. The first of ten monthly separate installment payments begin on April 14, 2026. The Company paid a down payment on the policy of $29 thousand. As of March 31, 2026 and December 31, 2025, the Company owed $116 thousand and $24 thousand, respectively, on the D&O insurance policy.

NOTE 8 – Warrants

Public Warrants

As of March 31, 2026 and December 31, 2025, there were 10,751,862 Public Warrants outstanding. Each whole warrant entitles the holder thereof to purchase one share of the Company's Class A common stock at a price of $11.50 per share, subject to adjustments described in the Company's registration statement on Form S-1 (Registration No. 333-249177) filed in connection with its initial public offering.

The Public Warrants is exercisable and will expire on March 15, 2028 or earlier upon redemption or liquidation. Public Warrants may only be exercised for a whole number of shares. No fractional warrants will be issued upon separation of the units and only whole warrants will trade.

Private Warrants

As of March 31, 2026 and December 31, 2025, there were 10,280,000 Private Placement Warrants outstanding. The Private Placement Warrants are identical to the Public Warrants, except that the Private Placement Warrants and the shares of Class A common stock issuable upon the exercise of the Private Placement Warrants will not be transferable, assignable or salable until April 14, 2023 subject to certain limited exceptions.

Additionally, the Private Placement Warrants will be exercisable on a cashless basis and be non-redeemable, except as described above, so long as they are held by the initial purchasers or their permitted transferees. If the Private Placement Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

For the periods ended March 31, 2026 and December 31, 2025, there were no exercises or exchanges made in relation with the Company's Warrants.

NOTE 9 – Stock Option Plan and Stock-Based Compensation

2023 Equity Incentive Plan

At the special meeting held on March 10, 2023, stockholders approved, among other things, the Incentive Plan, which had previously been approved by the board of directors, subject to stockholder approval. The Incentive Plan became effective immediately upon the closing of the Business Combination. Pursuant to the terms of the Incentive Plan, there were 5,676,000 shares of CXApp Class A Common Stock available for issuance under the Incentive Plan, which is equal to 15% of the aggregate number of shares of CXApp common stock issued and outstanding immediately after the closing of the Business Combination (giving effect to the redemptions).

Employee Stock Options

To calculate the stock-based compensation resulting from the issuance of options, the Company uses the Black-Scholes option pricing model, which is affected by the Company's fair value of its stock price as well as assumptions regarding a number of subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors.

On April 4, 2025, the Board approved the award of 350,000 options to purchase common stock pursuant to the 2023 Equity Incentive plan to Khurram Sheikh, the Chief Executive Officer of the company and Joy Mbanugo, the Chief Financial Officer of the company. The options have an exercise price of $1.00 per share and expire on May 23, 2035. The stock options were valued using the Black-Scholes option valuation model and the fair value of the awards granted was determined to be $0.56 per option on the grant date. The fair value of the common stock as of the grant date utilized in the Black-Scholes options valuation model was $1.00 per share.

For the three months ended March 31, 2026, there were no stock options granted, exercised or forfeited.

See below for a summary of the stock options granted under the Incentive Plan for the three months ended March 31, 2026 and year ended December 31, 2025:

	Number of Options	Weighted average exercise price	Weighted average remaining contractual term (Years)	Weighted average at Grant date	Aggregate Intrinsic Value (in thousands)
Options outstanding at January 1, 2026	2,149,550	$ 1.44	8.01	$ 0.91	
Granted	-	$ -	-	$ -	
Exercised	-	$ -	-	$ -	$ -
Forfeited	-	$ -	-	$ -	
Options outstanding at March 31, 2026	2,149,550	$ 1.44	7.76	$ 0.91	
Options exercisable at March 31, 2026	1,366,699	$ 1.53			

	Number of Options	Weighted average exercise price	Weighted average remaining contractual term (Years)	Weighted average at Grant date	Aggregate Intrinsic Value (in thousands)
Options outstanding at January 1, 2025	1,799,550	$ 1.52	8.74	$ 0.93	
Granted	350,000	$ 1.00	9.40	$ 0.56	
Exercised	-	$ -	-	$ -	$ -
Forfeited	-	$ -	-	$ -	
Options outstanding at December 31, 2025	2,149,550	$ 1.44	8.01	$ 0.87	
Options exercisable at December 31, 2025	1,087,837	$ 1.59			

Non-cash stock-based compensation expenses related to stock option were recorded in the condensed consolidated financial statements as summarized below:

	Three months Ended March 31, 2026	Three Months Ended March 31, 2025
Research and development	$ 9	$ 12
Sales and marketing	9	36
General and administrative	77	211
Total non-cash stock compensation	**$ 95**	**$ 259**

As of March 31, 2026, the remaining unrecognized stock compensation expense totaled approximately $560 thousand. This amount will be recognized as an expense over the weighted average remaining term of 1.83 years.

The fair value of each employee option grant is estimated on the date of the grant using the Black-Scholes option-pricing model. For the three months ended March 31, 2026 and March 31, 2025, there were no grants issued.

Restricted Stock Units

The grant date fair value for Restricted Stock Units ('RSU') are valued using the closing price of the Company's common stock on the date of grant.

On May 23, 2025, a total of 1,000,000 restricted stock units of the Company's common stock were granted to directors of the Company under the 2023 Equity Incentive Plan.

The fair value of the common stock as of the various grant dates was determined to be $1 to $11.80 per restricted stock unit, for a weighted average fair value of $1.33 per restricted stock unit. There was no other activity related to restricted stock units for the three months ended March 31, 2026 and March 31, 2025.

The following summarizes our RSUs transaction activity for the three months ended March 31, 2026 and year ended December 31, 2025:

	Shares	Weighted Average Grant Date Fair Value
RSUs outstanding at January 1, 2026	1,061,500	$ 1.25
Granted	-	-
Exercised	(11,500)	$ 1.33
Forfeited	-	
RSUs outstanding at March 31, 2026	1,050,000	$ 1.24

	Shares	Weighted Average Grant Date Fair Value
RSU outstanding at January 1, 2025	688,935	$ 3.70
Granted	1,000,000	$ 1.00
Exercised	(627,435)	$ 3.55
Forfeited	-	
RSU outstanding at December 31, 2025	1,061,500	

The total fair value of RSUs vested during the three months ended March 31, 2026 and year ended December 31, 2025 was $15 thousand and $2,226 thousand, respectively.

Non-cash stock-based compensation expenses related to restricted stock units recorded in the condensed consolidated financial statements is summarized below:

	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
Research and development	$ 1	$ 102
Sales and marketing	1	52
General and administrative	294	211
Total non-cash stock compensation	**$ 296**	**$ 365**

As of March 31, 2026 and March 31, 2025, the Company has approximately $234 thousand and $656 thousand of unrecognized restricted stock unit compensation to be expensed over a weighted average period of 0.24 years and 0.78 years, respectively.

NOTE 10 – Convertible Debt

Securities Purchase Agreement with Avondale Capital, LLC – March 2025

On March 26, 2025, the Company entered into a Securities Purchase Agreement ("SPA") with Avondale Capital, LLC ("Avondale"), pursuant to which the Company may issue and sell up to $20,000 thousand of Pre-Paid Purchase agreements ("Pre-Paid Purchases") in tranches over time. The initial Pre-Paid Purchase ("Pre-Paid Purchase #1") included a $4,200 thousand Pre-Paid Purchase, structured with a $200 thousand original issue discount ("OID") and $10 thousand in transaction-related fees, resulting in net proceeds of $3,990 thousand, received on April 8, 2025.

In connection with the initial closing, the Company was required to issue 80,000 commitment shares to Avondale. On March 26, 2025, the Company recorded a liability of $69 thousand for the shares to be issued under the contract to issue common stock. On May 8, 2025, the Company issued the Class A Common Stock and recognized a loss of $20 thousand upon issuance.

The Avondale convertible Pre-Paid Purchase #1 accrues interest on the outstanding balance at 5% per annum. Avondale may redeem all or any part of the outstanding balance of the Avondale convertible Pre-Paid Purchase #1 at any time following earlier of six months from the purchase price date and the effectiveness of the Initial Registration Statement by providing a written notice, in cash or converting into shares of the Company's common stock at a price equal to the lower of (a) Fixed Price of $1.106 and (b) Market Price which is 91% multiplied by the lowest daily volume weighted average price ("VWAP") during the ten (10) consecutive trading days immediately prior to the written notice date, but in any event not lower than the Floor Price of $0.1843, subject to certain adjustments and ownership limitations specified in the Avondale convertible Pre-Paid Purchase #1. For the three months ended March 31, 2026, the Company recognized an unrealized loss on change in fair value of Pre-Paid Purchase #1 of $1,231 thousand.

On August 7, 2025, the Company issued an unsecured convertible Pre-Paid Purchase #2 to Avondale, pursuant to the SPA. The convertible Pre-Paid Purchase #2 has the original principal amount of $3,150 thousand and Avondale gave consideration of 3,000 thousand, reflecting original issue discount of $150 thousand. On August 7, 2025, the Company received the net proceeds from Avondale.

The Avondale convertible Pre-Paid Purchase #2 accrues interest on the outstanding balance at 5% per annum. Avondale may redeem all or any part of the outstanding balance of the Avondale convertible Pre-Paid Purchase #2 at any time following earlier of six months from the purchase price date and the effectiveness of the Initial Registration Statement by providing a written notice, in cash or converting into shares of the Company's common stock at a price equal to the lower of (a) Fixed Price of $1.0957 and (b) Market Price which is 91% multiplied by the lowest daily volume weighted average price ("VWAP") during the ten (10) consecutive trading days immediately prior to the written notice date, but in any event not lower than the Floor Price of $0.1826, subject to certain adjustments and ownership limitations specified in the Avondale convertible Pre-Paid Purchase #2. For the three months ended March 31, 2026, the Company recognized an unrealized loss on change in fair value of Pre-Paid Purchase #2 of $1,298 thousand.

On October 17, 2025, the Company issued an unsecured convertible Pre-Paid Purchase #3 to the Lender, pursuant to the SPA. The convertible Pre-Paid Purchase #3 has the original principal amount of $5,250 thousand and Lender gave consideration of $5,000 thousand, reflecting original issue discount of $250 thousand. On October 17, 2025, the Company received the net proceeds from the Lender.

The convertible Pre-Paid Purchase #3 accrues interest on the outstanding balance at 5% per annum. The Lender may redeem all or any part of the outstanding balance of the convertible Pre-Paid Purchase #3, at any time following earlier of six months from the purchase price date and the effectiveness of the Initial Registration Statement by providing a written notice, in cash or converting into shares of the Company's common stock at a price equal to the lower of (a) Fixed Price of $0.9142 and (b) Market Price which is 91% multiplied by the lowest daily volume weighted average price ("VWAP") during the ten (10) consecutive trading days immediately prior to the written notice date, but in any event not lower than the Floor Price of $0.1524, subject to certain adjustments and ownership limitations specified in the convertible Pre-Paid Purchase. As of December 31, 2025, Pre-Paid Purchase #3 is recorded at fair value of $4,682 and is within convertible debt on the accompanying condensed consolidated balance sheets. For the three months ended March 31, 2026, the Company recognized an unrealized gain on change in fair value of Pre-Paid Purchase #3 of $175 thousand.

On December 30, 2025, the Company issued an unsecured convertible Pre-Paid Purchase #4 to the Lender, pursuant to the SPA. The convertible Pre-Paid Purchase #4 has the original principal amount of $4,200 thousand and Lender gave consideration of $4,000 thousand, reflecting original issue discount of $200 thousand. On December 31, 2025, the Company received the net proceeds from the Lender.

The convertible Pre-Paid Purchase #4 accrues interest on the outstanding balance at 5% per annum. The Lender may redeem all or any part of the outstanding balance of the convertible Pre-Paid Purchase #4, at any time following earlier of six months from the purchase price date and the effectiveness of the Initial Registration Statement by providing a written notice, in cash or converting into shares of the Company's common stock at a price equal to the lower of (a) Fixed Price of $0.3677 and (b) Market Price which is 91% multiplied by the lowest daily volume weighted average price ("VWAP") during the ten (10) consecutive trading days immediately prior to the written notice date, but in any event not lower than the Floor Price of $0.0613, subject to certain adjustments and ownership limitations specified in the convertible Pre-Paid Purchase. As of December 31, 2025, Pre-Paid Purchase #4 is recorded at fair value of $3,996 thousand and is within convertible debt on the accompanying condensed consolidated balance sheets. For the three months ended March 31, 2026, the Company recognized an unrealized gain on change in fair value of Pre-Paid Purchase #4 of $174 thousand.

Securities Purchase Agreement with Avondale Capital, LLC – March 2026

On March 27, 2026, the Company entered into a Securities Purchase Agreement ("SPA") with Avondale Capital, LLC ("Avondale"), pursuant to which the Company may issue and sell up to $40,000 thousand of Pre-Paid Purchase agreements ("Pre-Paid Purchases") in tranches over time. The initial Pre-Paid Purchase ("Pre-Paid Purchase #1") included a $1,050 thousand Pre-Paid Purchase, structured with a $50 thousand original issue discount ("OID") and $10 thousand in transaction-related fees, resulting in net proceeds of $990 thousand, received on March 27, 2026.

On March 27, 2026, the Company issued an unsecured convertible Pre-Paid Purchase #1 to the Lender, pursuant to the SPA. The convertible Pre-Paid Purchase #1 has the original principal amount of $1,050 thousand and Lender gave consideration of $990 thousand, reflecting an original issue discount of $60 thousand. On March 27, 2026, the Company received the net proceeds from the Lender.

The convertible Pre-Paid Purchase #1 accrues interest on the outstanding balance at 5% per annum. The Lender may redeem all or any part of the outstanding balance of the convertible Pre-Paid Purchase #1, at any time following earlier of six months from the purchase price date and the effectiveness of the Initial Registration Statement by providing a written notice, in cash or converting into shares of the Company's common stock at a price equal to the lower of (a) Fixed Price of $0.2614 and (b) Market Price which is 91% multiplied by the lowest daily volume weighted average price ("VWAP") during the ten (10) consecutive trading days immediately prior to the written notice date, but in any event not lower than the Floor Price of $0.0436, subject to certain adjustments and ownership limitations specified in the convertible Pre-Paid Purchase. As of March 31, 2026, Pre-Paid Purchase #1 is recorded at fair value of $1,044 thousand and is within convertible debt on the accompanying condensed consolidated balance sheets. For the three months ended March 31, 2026, the Company recognized an unrealized gain on change in fair value of Pre-Paid Purchase #1 of $6 thousand.

The following table presents changes in convertible debt measured at fair value for the three months ended March 31, 2026 and for the year ended December 31, 2025.

	Convertible Debt
Balance as of December 31, 2025	$ 12,659
Additions	1,050
Settlement(1)	(3,084)
Fair value measurement adjustments	200
Balance as of March 31, 2026	**$ 10,825**

	Convertible Debt
Balance as of December 31, 2024	$ 4,512
Additions	16,800
Settlement(2)	(8,102)
Fair value measurement adjustments	(551)
Balance as of December 31, 2025	**$ 12,659**

(1) During the three months ended March 31, 2026, the Company issued 15,825,249 shares of the Company's Class A Common stock pursuant to purchase notices related to Pre-Paid Purchase #1. The shares issued have a total exchange amount of $350 thousand with exchange price of $1.44.

(2) During the year ended December 31, 2025, the Company issued 1,683,104 shares of the Company's Class A Common Stock pursuant to multiple purchase notices related to Pre-Paid Purchase #1. The shares issued have a total exchange amount of $2,100 thousand with exchange prices ranging from $1.18 to $1.41.

NOTE 11 – Common Stock

Stock-Based Compensation and Equity Awards

On December 31, 2025, the Company issued 280,013 shares of Class A Common Stock, net of 137,848 shares of Class A Common Stock to cover the withholding tax, for the 417,861 vested Restricted Stock Units.

Issuances Related to Promissory Notes and Convertible Debt

During the three months ended March 31, 2026 and March 31, 2025, the Company issued a total of 15,825,249 and 554,274 shares of Class A Common Stock to pay off the promissory note and the convertible debt, respectively. See *Note 10, Convertible Debt*, in the accompanying notes to the condensed consolidated financial statements for further detail.

NOTE 12 – Income Taxes

For the three months ended March 31, 2026 and 2025, the Company recorded income tax expense of $2 thousand and $0 thousand, respectively.

The effective tax rate for three months ended March 31, 2026 and March 31, 2025 was (0.04%) and (0%), respectively. The effective tax rate differs from the U.S. Federal statutory rate primarily due to recording a valuation allowance against the deferred tax assets in the U.S and foreign jurisdictions along with permanent differences including changing fair value of derivative warrant liabilities and stock compensation.

The Company continues to evaluate the realizability of its deferred tax assets and has maintained a valuation allowance on its deferred tax assets as of March 31, 2026.

NOTE 13 – Credit Risk and Concentrations

Financial instruments that subject the Company to credit risk consist principally of trade accounts receivable and cash and cash equivalents. The Company performs certain credit evaluation procedures and does not require collateral for financial instruments subject to credit risk. The Company believes that credit risk is limited because the Company routinely assesses the financial strength of its customers and, based upon factors surrounding the credit risk of its customers, establishes an allowance for credit losses and, consequently, believes that its accounts receivable credit risk exposure beyond such allowances is limited.

The Company maintains cash deposits with financial institutions, which, from time to time, may exceed federally insured limits. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Company’s financial condition, results of operations, and cash flows. Cash is also maintained at foreign financial institutions for its Canadian and Philippines subsidiaries and its majority-owned India subsidiary. Cash in foreign financial institutions as of March 31, 2026 and December 31, 2025 was $68 thousand and $51 thousand, respectively.

The Company has not experienced any losses and believes it is not exposed to any significant credit risk from cash for the three months ended March 31, 2026 and March 31, 2025. However, any loss incurred or lack of access to such funds could have a significant impact on the Company’s financial condition, results of operations, and cash flows.

NOTE 14 – Segment Information

The Company has determined that it operates as a single operating segment. The Company offers a vertical software-as-a-service (or SaaS) platform for the enterprise. The flagship product, the CXAI Platform (pronounced "Sky"), provides a comprehensive suite of tools designed to empower employees and enable organizations to create smarter workplaces. The Company's Chief Executive Officer is the Chief Operating Decision Maker ("CODM"). The CODM allocates resources and makes operating decisions based on consolidated net income.

The CODM does not evaluate profitability below the level of the consolidated company. The Company uses net income (loss) as the primary measure of financial performance. However, in evaluating operating results on a budget versus actual basis, the Company focuses on cash-based operating expenses as a more cost of revenue, professional services, marketing, research and development, and other general and administrative expenses—to be significant. In contrast, the Company does not place significant emphasis on stock-based compensation, amortization of intangibles, change in fair value of warrant liabilities, loss on debt extinguishment, and other non-cash adjustments in its internal analysis of period-over-period operating results.

The following table presents selected financial information with respect to the Company's single operating segment:

	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
Revenue - Licenses	$ 934	$ 1,211
Revenue - Professional Services	14	13
Revenue - Hardware	2	-
Less:		
Cost of revenue	160	150
Research and development	1,492	1,362
Sales and marketing	403	506
General and administrative	1,708	1,644
Interest expense (income), net	(17)	37
Gain on warrant liabilities	(178)	(2,196)
Loss on debt extinguishment	-	48
Other expense/(income), net	72	(18)
Add:		
Income tax benefit	(2)	-
Total income without non-cash	(2,692)	(309)
Less:		
Other non-cash expenses[1]	1,311	1,307
Net loss	$ (4,003)	$ (1,616)

(1) Other non-cash expenses for the three months ended March 31, 2026 includes $391 thousand of stock compensation and related expenses, and $683 thousand of intangible amortization expense. Other non-cash expenses for the three months ended March 31, 2025 includes $624 thousand of stock compensation expenses and $683 thousand of intangible amortization expense.

NOTE 15 – Foreign Operations

The Company's operations are located primarily in the United States, Canada, and the Philippines. Revenues by geographic area are attributed by country of domicile of the Company's subsidiaries. The financial data by geographic area are as follows (in thousands):

	United States	Canada	Philippines	Eliminations	Total
For the three months Ended March 31, 2026					
Revenues by geographic area	$ 939	$ 498	$ 152	$ (639)	$ 950
Operating loss by geographic area	$ (4,174)	$ 43	$ 7	$ -	$ (4,125)
Net loss by geographic area	$ (4,028)	$ 15	$ 10	$ -	$ (4,003)
For the three months Ended March 31, 2025					
Revenues by geographic area	$ 1,197	$ 27	$ 207	$ (207)	$ 1,224
Operating income (loss) by geographic area	$ (3,315)	$ (440)	$ 10	$ -	$ (3,745)
Net income (loss) by geographic area	$ (1,182)	$ (442)	$ 8	$ -	$ (1,616)
As of March 31, 2026					
Identifiable assets by geographic area	$ 32,675	$ 94	$ 224	$ -	$ 32,993
Long lived assets by geographic area	$ 12,034	$ 24	$ 82	$ -	$ 12,140
Goodwill by geographic area	$ 6,589	$ -	$ -	$ -	$ 6,589
As of December 31, 2025					
Identifiable assets by geographic area	$ 32,094	$ 125	$ 211	$ -	$ 32,430
Long lived assets by geographic area	$ 12,775	$ 57	$ 103	$ -	$ 12,935
Goodwill by geographic area	$ 6,589	$ -	$ -	$ -	$ 6,589

NOTE 16 – Leases

The Company has operating leases for administrative offices in Canada, the Philippines, and the United States. The lease for the Company's office in Manila, Philippines expired in May 2025. The Company elected not to renew the lease and has since entered into a new lease agreement within Philippines at a lower cost. The Canada lease expires in May 2026, the Philippines lease expires in June 2027, and the United States office lease expired in April 2026 and was renewed by management. The Company has no other operating or financing leases with terms greater than 12 months.

Lease expense for operating leases recorded on the condensed consolidated balance sheet is based on the future minimum lease payments recognized on a straight-line basis over the term of the lease plus any variable lease costs. Operating lease expenses, inclusive of short-term and variable lease expenses, recognized in the Company's condensed consolidated statement of operations and comprehensive loss for the three months ended March 31, 2026 and March 31, 2025 was approximately $105 thousand, and $107 thousand, respectively.

Operating lease liabilities are based on the net present value of the remaining lease payments over the remaining lease term. In determining the present value of lease payments, the Company used its incremental borrowing rate based on the information available at the date of adoption of ASC 842 “Leases” (“ASC 842”). As of March 31, 2026, the weighted average remaining lease term is 0.5 years, and the weighted average discount rate used to determine the operating lease liabilities was 8.0%. As of December 31, 2025, the weighted average remaining lease term is 0.7 years, and the weighted average discount rate used to determine the operating lease liabilities was 8.0%.

(In thousands)	**Operating Leases**
Year 2026	$ 96
Year 2027	31
Total lease payments	127
Less: Imputed interest	(6)
Present value of lease liabilities	$ 121

NOTE 17 – Commitments and Contingencies

Risks and Uncertainties

Various social and political circumstances in the United States and around the world (including wars and other forms of conflict, including trade tensions between the United States and China, the conflicts in the Middle East and between Russia and Ukraine, and other uncertainties regarding actual and potential shifts in the United States and foreign, trade, economic, tariffs, and other policies with other countries, terrorist acts, security operations and catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes and global health epidemics) may contribute to increased market volatility and economic uncertainties or deterioration in the United States and worldwide. In response to the conflict between Russia and Ukraine, the United States and other countries have imposed sanctions or other restrictive actions against Russia. The ongoing conflicts in the Middle East (including the conflict between Iran and Israel and the United States’ military actions against Iran) has caused political, economic, and military instability in Israel and surrounding regions. Any of the above factors, including sanctions, export controls, tariffs, trade wars and other governmental actions, could have a material adverse effect on the Company and the value of the Company’s securities.

Management continues to evaluate the impact of these types of risks and has concluded that while it is reasonably possible that these risks and uncertainties could have a negative effect on the Company’s financial position, results of its operations and/or search for a target company, the specific impact is not readily determinable as of the date of these condensed consolidated financial statements. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Litigation

Certain conditions may exist as of the date the condensed consolidated financial statements are issued which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company, or unasserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's condensed consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability and an estimate of the range of possible losses, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed, unless they involve guarantees, in which case the guarantees would be disclosed. There can be no assurance that such matters will not materially and adversely affect the Company's business, financial position, and results of operations or cash flows.

NOTE 18 – Subsequent Events

The Company evaluated subsequent events and transactions that occurred after March 31, 2026, through the date the condensed consolidated financial statements were issued. Based upon this review, the Company identified the following subsequent events:

Following the quarter ended March 31, 2026, the Company converted a portion of its outstanding Avondale Prepaid Purchase #2 Convertible Notes into Class A common stock. These conversions were part of the Company's ongoing efforts to reduce debt and strengthen its equity structure.

As the transactions occurred after the reporting date, they are classified as non-recognized subsequent events. In total, the Company issued approximately 11,420,837 shares of Class A common stock in connection with these conversions.

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

You should read the following discussion of our financial condition and results of operations in conjunction with the unaudited condensed consolidated financial statements and related notes included elsewhere in this Form 10-Q, with the audited condensed consolidated financial statements included in our Annual Report on 10-K filed with the Securities and Exchange Commission ("SEC") on March 30, 2026 (the "Annual Report"). References in this report (the "Quarterly Report") to "we", "us" or the "Company" refer to CXApp Inc. References to our "management" or our "management team" refer to our officers and directors. The following management's discussion and analysis of financial condition and results of operations describes the principal factors affecting the results of our operations, financial condition, and changes in financial condition for the three months ended March 31, 2026.

Special Note Regarding Forward-Looking Statements

This Quarterly Report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act that are not historical facts and involve risks and uncertainties that could cause actual results to differ materially from those expected and projected. All statements, other than statements of historical fact included in this Form 10-Q including, without limitation, statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding the Company's financial position, business strategy and the plans and objectives of management for future operations, are forward-looking statements. Words such as "expect," "believe," "anticipate," "intend," "estimate," "seek" and variations and similar words and expressions are intended to identify such forward-looking statements. Such forward-looking statements relate to future events or future performance, but reflect management's current beliefs, based on information currently available. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, please refer to the Risk Factors section of the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC"). The Company's securities filings can be accessed on the EDGAR section of the SEC's website at www.sec.gov. Except as expressly required by applicable securities law, the Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

Overview of Our Business

Executive Overview

At CXApp, we are at the forefront of transforming the modern workplace through AI-powered solutions that enhance employee experience, operational efficiency, and workplace intelligence. As a leader in this evolving market, our strategic focus is to drive sustainable growth, scale our enterprise customer base, and deliver innovative solutions that leverage data and artificial intelligence to optimize workplace experiences.

In first quarter of 2026, we prioritized three strategic pillars:

1. **AI-First Product Innovation:** During the quarter, we continued to strengthen our competitive differentiation through the development of AI-native workplace intelligence tools. Enhancements to our Generative AI analytics platform enabled improved data ingestion, real-time behavioral insights, and predictive modeling capabilities. These innovations support enterprise decision-makers in optimizing space utilization, workforce engagement, and operational agility. Our investment in state-of-the-art AI infrastructure in partnership with Google Cloud (GCP) is enabling intelligent and scalable solutions that will transform the modern workplace.

2. **Subscription Revenue Quality Expansion:** Our customer expansion strategy remained focused on high-value enterprise accounts, particularly across the financial services, healthcare, and technology sectors with subscription based recurring revenue model. We deepened relationships with existing Fortune 1000 clients through expanded deployments and multi-site activations As a result, recurring SaaS revenue accounted for 98% of total revenue in Q1 2026, underscoring the effectiveness of our recurring business model.

3. **Margin Expansion through Cost Discipline:** In Q1 2026, we reduced operating costs by streamlining SG&A and rationalizing our services delivery model. Gross profit totaled $790 thousand for the three months ended March 31, 2026, compared to $1,074 thousand in the same period of 2025. Total revenue declined due to the deliberate de-emphasis of non-recurring professional services, which also contributed to a decrease in gross margin to 83%. Despite the near-term decline, our SaaS offerings continue to represent the core of our business, and these actions demonstrate disciplined cost management while advancing toward a more predictable, capital-efficient operating model.

Looking forward, our leadership team remains committed to balancing innovation with financial discipline, ensuring that CXApp is positioned for long-term profitability and strategic growth. By leveraging our AI-driven platform and expanding our enterprise footprint, we aim to deliver scalable, data-driven solutions that address the evolving needs of hybrid workplaces.

Financial Performance Summary

Revenue Growth and Customer Expansion

- During the three months ended March 31, 2026, the gross profit was decreased to 83% when compared to 88% in March 31, 2025 driven by higher-margin AI-enabled services and a strategic focus on enterprise clients.

- Our customer base continues to expand across key industries, including financial services, healthcare, and technology, aligning with our objective to target high-value, recurring revenue clients.

- The transition to a recurring revenue model has improved revenue predictability and supports our long-term growth objectives.

Operational Efficiencies and Cost Management

- During the three months ended March 31, 2026, operating expenses remained essentially flat at $4,914 thousand compared to $4,819 thousand for the three months ended March 31, 2025. This consistency reflects ongoing discipline in cost management while supporting core business operations.

- Strategic workforce realignments have ensured resources are allocated to high-impact growth areas.

- We remain focused on optimizing resource allocation, ensuring that investments are targeted toward high-impact areas such as AI development and customer acquisition.

Cash Flow and Liquidity Position

For the three months ended March 31, 2026, cash and cash equivalents was $12,342 thousand.

This liquidity provides a strategic buffer for continued investment in AI product enhancements and market expansion initiatives.

Strategic Growth Initiatives

1. **Product Innovation:** We are expanding our AI-native capabilities, integrating advanced analytics, and developing seamless integrations with key enterprise platforms to position CXApp as the go-to solution for hybrid workplace management.

2. **Market Expansion:** By targeting new verticals and strengthening partnerships with cloud providers and key technology platforms, we aim to increase market share and drive cross-selling opportunities.

3. **Operational Excellence:** Ongoing cost optimization, customer retention strategies, and sales efficiency initiatives remain key focus areas as we strive to enhance profitability and maintain financial discipline.

Competitive Positioning and Market Outlook

- The global employee experience market is projected to grow at 20% CAGR, creating substantial opportunities for CXApp to expand its footprint in the enterprise workplace solutions market.

- We believe our AI-driven platform differentiates us from legacy workplace management systems, enabling real-time data analytics and actionable insights that are designed to support strategic decision-making.

- Despite macroeconomic uncertainties, enterprise demand for hybrid workplace solutions remains robust, positioning CXApp for continued momentum as we scale our AI-enabled offerings.

Conclusion

As we advance our strategic roadmap, CXApp remains focused on executing with discipline and precision. Our AI-first approach, financial discipline, and emphasis on customer-centric innovation are key drivers of our long-term vision to redefine employee experiences in the hybrid workplace. By leveraging our strong foundation and expanding our enterprise footprint, we are well-positioned to deliver sustained growth and value for our stakeholders.

Recent Events

Convertible Debt Conversion

On March 27, 2026, the Company entered into a Securities Purchase Agreement (“SPA”) with Avondale Capital, LLC (“Avondale”), pursuant to which the Company may issue and sell up to $40,000 thousand of Pre-Paid Purchase agreements (“Pre-Paid Purchases”) in tranches over time. The initial Pre-Paid Purchase (“Pre-Paid Purchase #1”) included a $1,050 thousand Pre-Paid Purchase, structured with a $50 thousand original issue discount (“OID”) and $10 thousand in transaction-related fees, resulting in net proceeds of $990 thousand, received on March 27, 2026.

Shelf Registration Statement (Form S-3)

During the quarter ended March 31, 2026, the Company commenced sales of its common stock pursuant to the shelf registration. These sales were facilitated through a third-party arrangement with Maxim Group LLC, acting as the Company’s agent under an equity distribution agreement. The Company received $2,464 thousand and issued 7,995,651 shares of class A common stock, which are intended to be used for general working capital and other general corporate purposes.

RESULTS OF OPERATIONS

Comparison of the results of operations for the three months ended March 31, 2026, and March 31, 2025

The following table sets forth our results of operations. This data should be read together with our unaudited condensed consolidated financial statements and related notes.

(In thousands)	**Three Months Ended March 31, 2026**	**Three Months Ended March 31, 2025**
	(unaudited)	(unaudited)
Condensed Consolidated Statements of Operations Data		
Revenues	$ 950	$ 1,224
Cost of revenues	160	150
Gross profit	790	1,074
Operating expenses	4,914	4,819
Loss from operations	(4,124)	(3,745)
Other income, net	123	2,129
Current income provision	(2)	-
Net income (loss)	$ (4,003)	$ (1,616)

Revenues

The Company derives revenue from subscription software as a service (SaaS), design, deployment and implementation services for its enterprise apps business. Revenue was $950 thousand for the three months ended March 31, 2026, compared to $1,224 thousand for the three months ended March 31, 2025. The decrease in revenue of $274 thousand, for the comparative quarters ended March 31, 2026 and March 31, 2025 was due to a decline in Professional Services revenue. Professional services are related to integration works and other services that may be requested by the customer and as such the decline in revenue is attributable to the professional services revenue because the Company has moved to a full SaaS model versus one-time professional fees.

Our subscription-based revenue represented 98% of the total revenue for the three months ended March 31, 2026 and 99% for the three months ended March 31, 2025 which is a 1% decrease in the revenue mix.

Gross Margin

Cost of revenues includes the direct costs to deliver the services including labor and overhead. Cost of revenues were $160 thousand for the three months ended March 31, 2026 compared to $150 thousand for the three months ended March 31, 2025. The gross profit margin was 83% for the three months ended March 31, 2026 compared to 88% for the three months ended March 31, 2025. This increase in cost of revenues of approximately $10 thousand, or approximately 7%, for the comparative periods ended March 31, 2026 and March 31, 2025, was attributable to higher service mix that resulted in higher direct costs during the period.

Operating Expenses

Operating expenses consist primarily of research and development, sales and marketing, and general and administrative expenses. Total operating expenses were $4,914 thousand for the three months ended March 31, 2026, compared to $4,819 thousand for the three months ended March 31, 2025. The increase of $95 thousand period over period was primarily the result of increase in research and development cost of approximately $26 thousand and increase in general and administrative expenses for approximately $13 thousand offset by decrease in sales and marketing expenses of approximately $181 thousand.

Other Income/(Expense)

Other income was $123 thousand and $2,129 thousand for the three months ended March 31, 2026 and March 31, 2025, respectively. This decrease in other income was primarily attributable to changes in fair value of derivative warrant liabilities of $2,018 thousand during the three months ended March 31, 2026.

Provision for Income Taxes

For the three months ended March 31, 2026, the Company recorded an income tax provision of $2 thousand. There was no income tax benefit or provision for the three months ended March 31, 2025.

Non-GAAP Financial Information

EBITDA

The Company includes a non-GAAP measure that we use to supplement our results presented in accordance with U.S. GAAP. EBITDA is defined as earnings before interest and other income, taxes, depreciation and amortization. Adjusted EBITDA is used by our management as the matrix in which it manages the business. It is defined as EBITDA plus adjustments for other income or expense items, non-recurring items and non-cash stock-based compensation. Adjusted EBITDA is a performance measure that we believe is useful to investors and analysts because it illustrates the underlying financial and business trends relating to our core, recurring results of operations and enhances comparability between periods.

Adjusted EBITDA is not a recognized measure under U.S. GAAP and is not intended to be a substitute for any U.S. GAAP financial measure and, as calculated, may not be comparable to other similarly titled measures of performance of other companies in other industries or within the same industry. Investors should exercise caution in comparing our non-GAAP measure to any similarly titled measure used by other companies.

This non-GAAP measure excludes certain items required by U.S. GAAP and should not be considered as an alternative to information reported in accordance with U.S. GAAP. The table below presents our adjusted EBITDA, reconciled to net income, which is the most comparable GAAP measure, for the periods indicated (in thousands).

	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
Net income (loss)	$ (4,003)	$ (1,616)
Interest and other income	19	31
Income tax (benefit)/provision	2	-
Depreciation and amortization	691	695
EBITDA	(3,291)	(890)
Adjusted for:		
Changes in fair value of warrant liabilities	(178)	(2,196)
Loss on debt extinguishment	-	48
Unrealized losses	37	4
Stock-based compensation - compensation and related benefits	391	624
Adjusted EBITDA	$ (3,041)	$ (2,410)

We rely on Adjusted EBITDA, which is a non-GAAP financial measure for the following:

- To compare our current operating results with corresponding periods and with the operating results of other companies in our industry;
- As a basis for allocating resources to various projects;
- As a measure to evaluate potential economic outcomes of acquisitions, operational alternatives and strategic decisions; and
- To evaluate internally the performance of our personnel.

We have presented Adjusted EBITDA above because we believe it conveys useful information to investors regarding our operating results. We believe it provides an additional way for investors to view our operations, when considered with both our GAAP results and the reconciliation to net income (loss). By including this information, we can provide investors with a more complete understanding of our business. Specifically, we present Adjusted EBITDA as supplemental disclosure because of the following:

- We believe Adjusted EBITDA is a useful tool for investors to assess the operating performance of our business without the effect of interest, income taxes, depreciation and amortization and other non- cash items including acquisition transaction and financing costs, impairment, unrealized gains, stock based compensation, interest income and expense, and income tax benefit.
- We believe that it is useful to provide to investors with a standard operating metric used by management to evaluate our operating performance; and
- We believe that the use of Adjusted EBITDA is helpful to compare our results to other companies.

Even though we believe Adjusted EBITDA is useful for investors, it does have limitations as an analytical tool. Thus, we strongly urge investors not to consider this metric in isolation or as a substitute for net income (loss) and the other condensed consolidated statement of operations data prepared in accordance with GAAP. Some of these limitations include the fact that:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Adjusted EBITDA does not reflect income or other taxes or the cash requirements to make any tax payments; and
- Other companies in our industry may calculate Adjusted EBITDA differently than we do, thereby potentially limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered a measure of discretionary cash available to us to invest in the growth of our business or as a measure of performance in compliance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and providing Adjusted EBITDA only as supplemental information.

Financing Obligations and Requirements

Net cash used in operating activities for the three months ended March 31, 2026 was $2,210 thousand, reflecting a net loss of $4,003 thousand adjusted for non-cash items and changes in working capital. During the period, the Company raised net proceeds of approximately $990 thousand under the SPA entered into on March 27, 2026, and also maintained access to additional liquidity sources, including remaining capacity under its financing arrangements and its at-the-market equity program, subject to market conditions such as stock price, trading volume, and issuance limitations. Management continues to implement expense-management initiatives and working-capital optimization measures and expects to use financing sources that are reasonably accessible to support operations. Based on current cash balances, expected collections, and management's cost-management actions, the Company believes it has sufficient liquidity to meet its working capital needs and other operating requirements for at least the next 12 months from the issuance date of the condensed consolidated financial statements

Revenue Recognition

The Company recognizes revenue, in accordance with ASC 606, when control of the promised products or services is transferred to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services. The Company derives revenue from its software as a service for cloud-based software, as well as design, implementation, other professional services for work performed in conjunction with its cloud-based software, and sale of hardware. The Company enters into contracts with its customers whereby it grants a non-exclusive cloud-based license for the use of its proprietary software and for professional services. The contracts may also provide for on-going services for a specified price, which may include maintenance services, designated support, and enhancements, upgrades and improvements to the software, depending on the contract. Licenses for cloud software provide the customer with a right to use the software as it exists when made available to the customer. All software provides customers with the same functionality and differs mainly in the duration over which the customer benefits from the software.

License Subscription Revenue Recognition (Software As A Service)

The timing of the Company's revenue recognition related to the licensing revenue stream is dependent on whether the software licensing agreement entered into represents a service. Software that relies on an entity's IP and is delivered only through a hosting arrangement, where the customer cannot take possession of the software, is a service. Customers may purchase perpetual licenses or subscribe to licenses, which provide customers with the same functionality and differ mainly in the duration over which the customer benefits from the software.

The Company recognizes revenue evenly over the service period using a time-based measure because the Company is providing continuous access to its service. The Company's customers generally pay within 30 to 60 days from the receipt of a customer approved invoice.

Professional Services Revenue Recognition

Professional services under milestone contracts are accounted for using the percentage of completion method. As soon as the outcome of a contract can be estimated reliably, contract revenue is recognized in the statement of operations in proportion to the stage of completion of the contract. Contract costs are expensed as incurred. Contract costs include all amounts that relate directly to the specific contract, are attributable to contract activity, and are specifically chargeable to the customer under the terms of the contract.

Hardware Revenue Recognition

For sales of hardware, the Company's performance obligation is fulfilled when the products are shipped to the customer, transferring title and ownership risks. Deliveries occur via drop-shipment by a third-party vendor and the Company leverages drop-ship arrangements with many of its vendors and suppliers to deliver products to customers without having to physically hold the inventory at its warehouse. The Company negotiates sale prices, pays suppliers directly, manages credit risk, and ensures product acceptability, acting as the principal in the transaction and recording revenue on a gross basis. Customers typically pay within 30 to 60 days of invoice receipt. The Company has elected the practical expedient to expense the costs of obtaining a contract when they are incurred because the amortization period of the asset that otherwise would have been recognized is less than a year.

Liquidity and Capital Resources as of March 31, 2026 Compared with March 31, 2025

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, debt service, acquisitions, contractual obligations and other commitments. We assess liquidity in terms of our cash flows from operations and their sufficiency to fund our operating and investing activities.

As of March 31, 2026, the Company has a working capital surplus of approximately $7,981 thousand and cash of approximately $12,342 thousand. For the three months ended March 31, 2026, the Company incurred net loss of approximately $4,003 thousand and used approximately $2,210 thousand of cash for operating activities.

The Company's net cash flows used in operating, investing and financing activities and certain balances are as follows (in thousands):

	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
Cash flows (used in) provided by		
Net cash used in operating activities	$ (2,210)	$ (979)
Net cash provided by (used in) investing activities	-	(5)
Net cash provided by (used in) financing activities	3,454	-
Effect of exchange rates on cash	(3)	(3)
Net increase (decrease) in cash and cash equivalents	$ 1,241	$ (987)

	March 31, 2026	December 31, 2025
Cash and cash equivalents	$ 12,342	$ 11,101
Working capital surplus	$ 7,981	$ 7,075

Operating Activities for the three months ended March 31, 2026 and March 31, 2025

	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
Net income (loss)	$ (4,003)	$ (1,616)
Non-cash income and expenses	1,103	(661)
Net change in operating assets and liabilities	690	1,298
Net cash used in operating activities	$ (2,210)	$ (979)

For the three months ended March 31, 2026 the non-cash income was approximately $1,103 thousand and for the three months ended March 31, 2025 the non-cash loss was approximately $661 thousand:

	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
Depreciation and amortization	$ 691	$ 695
Amortization of right of use asset	102	100
Accrued interest expense on promissory note and convertible debt	60	71
Stock-based compensation expense	391	624
Gain on change in fair value of derivative liability	(178)	(2,196)
Loss on debt extinguishment	-	48
(Gain) loss on foreign currency transactions	37	(3)
Total non-cash expenses	$ 1,103	$ (661)

The net cash provided in the change in operating assets and liabilities were approximately $690 thousand, for the three months ended March 31, 2026 and net cash provided in the change in operating assets and liabilities were approximately $1,298 thousand for the three months ended March 31, 2025:

Changes in Operating Assets and Liabilities	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
Accounts receivable and other receivables	$ (228)	$ 954
Prepaid expenses and other current assets and other assets	99	(175)
Accounts payable	250	103
Accrued liabilities and other liabilities	150	398
Operating lease liabilities	(102)	(103)
Deferred revenue	521	121
Net cash used in the changes in operating assets and liabilities	$ 690	$ 1,298

Cash Flows from Investing Activities for the three months ended March 31, 2026 and March 31, 2025

Net cash flows used in investing activities were $0 thousand for the three months ended March 31, 2026, compared to net cash flows used in investing activities of $5 thousand for the three months ended March 31, 2025. Investing activities during the three months ended March 31, 2025 related to purchases of property and equipment.

Cash Flows from Financing Activities for the three months ended March 31, 2026 and March 31, 2025

Net cash flows provided by financing activities were approximately $3,454 thousand during the three months ended March 31, 2026. These cash inflows were primarily attributable to proceeds from debt and equity financings. Specifically, the first tranche of the Securities Purchase Agreement (“SPA”) was issued on March 27, 2026, with a principal amount of $1,050 thousand, resulting in net proceeds to the Company of approximately $990 thousand. In addition, under its effective shelf registration statement on Form S-3, the Company commenced sales of its Class A common stock pursuant to an equity distribution agreement with Maxim Group LLC, acting as sales agent. During the period, the Company received net proceeds of approximately $2,464 thousand from the issuance of 7,995,651 shares of Class A common stock. The proceeds from these financing activities are intended to be used for general working capital and other general corporate purposes.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet guarantees, interest rate swap transactions or foreign currency contracts. We do not engage in trading activities involving non-exchange traded contracts.

Contractual Obligations and Commitments

Contractual obligations are cash that we are obligated to pay as part of certain contracts that we have entered during our course of business. Our contractual obligations consist of operating lease liabilities that are included in our balance sheet. As of March 31, 2026, the total obligation for operating leases is approximately $121 thousand, of which approximately $109 thousand is expected to be paid in the next twelve months.

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”). In connection with the preparation of our condensed consolidated financial statements, we are required to make assumptions and estimates about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our unaudited condensed consolidated financial statements are prepared. On a regular basis, we review the accounting policies, assumptions, estimates and judgments to ensure that our condensed consolidated financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

Critical Accounting Policies

Our significant accounting policies are discussed in Note 2 of the unaudited condensed consolidated financial statements which are included elsewhere in this filing.

Critical Accounting Estimates

We consider an accounting judgment, estimate or assumption to be critical when (1) the estimate or assumption is complex in nature or requires a high degree of judgment and (2) the use of different judgments, estimates and assumptions could have a material impact on our unaudited condensed consolidated financial statements.

The Company believes there have been no significant changes during the three months ended March 31, 2026 to the items disclosed as critical accounting estimates in management’s discussion and analysis in the Company’s Annual Report on Form 10-K for the year ended December 31, 2025 that was filed with the SEC on March 30, 2026.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time period specified in the SEC's rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

We conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2026.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(d) and Rule 15d-15(d) under the Exchange Act) during the three months ended March 31, 2026 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There is no material litigation, arbitration or governmental proceeding currently pending against CXApp or any members of its management team in their capacity as such.

Item 1A. Risk Factors

Factors that could cause our actual results to differ materially from those in this Quarterly Report include the risk factors described in the Annual Report on Form 10-K filed with the SEC on March 30, 2026. As of the date of this Quarterly Report, there have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K filed with the SEC.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Insider Trading Arrangements and Policies

During the three months ended March 31, 2026, no director or officer of CXApp notified CXApp of the adoption, modification or termination of a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408 of Regulation S-K.

Item 6. Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

10.13(1)	Securities Purchase Agreement, dated as of March 27, 2026, by and between CXApp Inc. and Avondale Capital, LLC.
10.14(1)	Pre-Paid Purchase #1, dated as of March 27, 2026, between CXApp Inc. and Avondale Capital, LLC.
31.1(*)	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2(*)	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1(**)	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2(**)	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** Furnished herewith.

(1) Incorporated by reference to the Company's Annual Report on Form 10-K filed on March 30, 2026.

\# Indicates a management contract or compensatory plan.

SIGNATURES

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

CXAPP INC.

Date: May 13, 2026

By: /s/ Khurram Sheikh
Name: Khurram Sheikh
Title: Chairman, Chief Executive Officer and Director
(Principal Executive Officer)

Date: May 13, 2026

By: /s/ Joy Mbanugo
Name: Joy Mbanugo
Title: Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Khurram Sheikh, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CXApp Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2026

/s/ Khurram Sheikh
Khurram Sheikh
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joy Mbanugo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CXApp Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2026

/s/ Joy Mbanugo
Joy Mbanugo
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of CXApp Inc. (the “Company”) on Form 10-Q for quarterly period ended March 31, 2026 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, in the capacity and on the date indicated below, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 13, 2026

/s/ Khurram Sheikh
Khurram Sheikh
Chairman, Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 32.2

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

In connection with the Quarterly Report of CXApp Inc. (the “Company”) on Form 10-Q for the quarterly period ended March 31, 2026 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, in the capacity and on the date indicated below, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 13, 2026

/s/ Joy Mbanugo
Joy Mbanugo
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)