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 December 31, 2022

or

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

For the transition period from ___________ to ___________

Commission file number 001-34426

Astrotech Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware	**91-1273737**
State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.
2105 Donley Drive, Suite 100, Austin, Texas	**78758**
Address of Principal Executive Offices	Zip Code

(512) 485-9530
Registrant's Telephone Number, Including Area Code

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value per share	ASTC	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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of February 10, 2023, the number of shares of the registrant's common stock outstanding was: 1,692,600.

ASTROTECH CORPORATION AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q
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PART I: FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements

ASTROTECH CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except share and per share data)

	December 31, 2022 (Unaudited)	June 30, 2022 (Note)
Assets		
Current assets		
Cash and cash equivalents	$ 15,889	$ 26,453
Short-term investments	30,953	26,173
Accounts receivable	112	56
Cost and estimated revenue in excess of billings	4	2
Inventory, net:		
Raw materials	1,012	864
Work-in-process	167	136
Finished goods	318	518
Prepaid expenses and other current assets	979	748
Total current assets	**49,434**	**54,950**
Property and equipment, net	1,554	1,098
Operating leases, right-of-use assets, net	336	162
Other assets, net	11	11
Total assets	**$ 51,335**	**$ 56,221**
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	301	169
Payroll related accruals	711	816
Accrued expenses and other liabilities	965	961
Income tax payable	1	2
Term note payable - related party	—	500
Lease liabilities, current	291	234
Total current liabilities	**2,269**	**2,682**
Lease liabilities, net of current portion	356	303
Total liabilities	**2,625**	**2,985**
Commitments and contingencies (Note 13)		
Stockholders' equity		
Convertible preferred stock, $0.001 par value, 2,500,000 shares authorized; 280,898 shares of Series D issued and outstanding at December 31, 2022 and June 30, 2022	—	—
Common stock, $0.001 par value, 250,000,000 shares authorized at December 31, 2022 and June 30, 2022; 1,690,450 and 1,685,595 shares issued and outstanding at December 31, 2022 and June 30, 2022, respectively	190,643	190,642
Additional paid-in capital	80,295	79,505
Accumulated deficit	(220,659)	(215,712)
Accumulated other comprehensive loss	(1,569)	(1,199)
Total stockholders' equity	**48,710**	**53,236**
Total liabilities and stockholders' equity	**$ 51,335**	**$ 56,221**

Note: The balance sheet at June 30, 2022, has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by the United States generally accepted accounting principles for complete financial statements.

See accompanying notes to unaudited condensed consolidated financial statements.

ASTROTECH CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Operations and Comprehensive Loss
(In thousands, except per share data)
(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	**2021**	**2022**	**2021**
Revenue	$ 263	$ 561	$ 301	$ 748
Cost of revenue	155	441	187	616
Gross profit	**108**	**120**	**114**	**132**
Operating expenses:				
Selling, general and administrative	1,558	1,728	3,200	3,154
Research and development	1,364	652	2,492	1,291
Total operating expenses	**2,922**	**2,380**	**5,692**	**4,445**
Loss from operations	**(2,814)**	**(2,260)**	**(5,578)**	**(4,313)**
Other income and expense, net	396	80	631	104
Loss from operations before income taxes	**(2,418)**	**(2,180)**	**(4,947)**	**(4,209)**
Income tax benefit	—	—	—	—
Net loss	**$ (2,418)**	**$ (2,180)**	**$ (4,947)**	**$ (4,209)**
Weighted average common shares outstanding:				
Basic and diluted	1,613	1,583	1,613	1,582
Basic and diluted net loss per common share:				
Net loss per common share	$ (1.50)	$ (1.38)	$ (3.07)	$ (2.66)
Other comprehensive loss, net of tax:				
Net loss	$ (2,418)	$ (2,180)	$ (4,947)	$ (4,209)
Available-for-sale securities:				
Net unrealized losses, net of zero tax expense	(2)	(197)	(370)	(245)
Total comprehensive loss	**$ (2,420)**	**$ (2,377)**	**$ (5,317)**	**$ (4,454)**

See accompanying notes to unaudited condensed consolidated financial statements.

ASTROTECH CORPORATION
Condensed Consolidated Statement of Changes in Stockholders' Equity
(In thousands)
(Unaudited)

	Preferred Stock Series D		Common Stock					
	Number of Shares Outstanding	Amount	Number of Shares Outstanding	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at June 30, 2022	**281**	$ —	**1,686**	**$190,642**	$ **79,505**	$ **(215,712)**	$ **(1,199)**	$ **53,236**
Net change in available-for-sale marketable securities	—	—	—	—	—	—	(368)	(368)
Stock-based compensation	—	—	2	—	387	—	—	387
Net loss	—	—	—	—	—	(2,529)	—	(2,529)
Balance at September 30, 2022	**281**	$ —	**1,688**	**$190,642**	$ **79,892**	$ **(218,241)**	$ **(1,567)**	$ **50,726**
Net change in available-for-sale marketable securities	—	—	—	—	—	—	(2)	(2)
Stock-based compensation	—	—	2	1	403	—	—	404
Net loss	—	—	—	—	—	(2,418)	—	(2,418)
Balance at December 31, 2022	**281**	$ —	**1,690**	**$190,643**	$ **80,295**	$ **(220,659)**	$ **(1,569)**	$ **48,710**

	Preferred Stock Series D		Common Stock					
	Number of Shares Outstanding	Amount	Number of Shares Outstanding	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at June 30, 2021	**281**	$ —	**1,648**	**$190,641**	$ **77,971**	$ **(207,382)**	$ **(23)**	$ **61,207**
Net change in available-for-sale marketable securities	—	—	—	—	—	—	(48)	(48)
Stock-based compensation	—	—	—	—	359	—	—	359
Net loss	—	—	—	—	—	(2,029)	—	(2,029)
Balance at September 30, 2021	**281**	$ —	**1,648**	**$190,641**	$ **78,330**	$ **(209,411)**	$ **(71)**	$ **59,489**
Net change in available-for-sale marketable securities	—	—	—	—	—	—	(197)	(197)
Stock-based compensation	—	—	2	—	439	—	—	439
Net loss	—	—	—	—	—	(2,180)	—	(2,180)
Balance at December 31, 2021	**281**	$ —	**1,650**	**$190,641**	$ **78,769**	$ **(211,591)**	$ **(268)**	$ **57,551**

See accompanying notes to unaudited condensed consolidated financial statements.

ASTROTECH CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six Months Ended December 31,	
	2022	**2021**
Cash flows from operating activities:		
Net loss	$ (4,947)	$ (4,209)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	791	798
Depreciation and amortization	199	94
Changes in assets and liabilities:		
Accounts receivable	(56)	(87)
Cost and estimated revenue in excess of billings	(2)	—
Inventory, net	21	86
Accounts payable	132	(306)
Income tax payable	(1)	—
Other assets and liabilities	(392)	140
Net cash used in operating activities	**(4,255)**	**(3,484)**
Cash flows from investing activities:		
Purchase of security investments	(5,100)	—
Purchases of property and equipment	(632)	(264)
Net cash used in investing activities	**(5,732)**	**(264)**
Cash flows from financing activities:		
Repayment of related party debt	(500)	(2,000)
Repayments on lease financing	(77)	(18)
Net cash used in financing activities	**(577)**	**(2,018)**
Net change in cash and cash equivalents	**(10,564)**	**(5,766)**
Cash and cash equivalents at beginning of period	26,453	35,936
Cash and cash equivalents at end of period	**$ 15,889**	**$ 30,170**

Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 63	$ 3
Acquisition of equipment through financing lease	$ —	$ 394
Operating right of use assets and associated liabilities	$ 223	$ —
Income taxes paid	$ 1	$ —

See accompanying notes to unaudited condensed consolidated financial statements.

ASTROTECH CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

(1) General Information

Description of the Company – Astrotech Corporation (Nasdaq: ASTC) ("Astrotech," the "Company," "we," "us," or "our"), a Delaware corporation organized in 1984, is a mass spectrometry company that launches, manages, and commercializes scalable companies based on its innovative core technology.

Basis of Presentation – The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and six months ended December 31, 2022 are not necessarily indicative of the results that may be expected for the year ending June 30, 2023. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended June 30, 2022. Certain prior period amounts have been reclassified to conform to the current year presentation or adjusted due to rounding and have had no impact on net income or stockholders' equity.

Reverse Stock Split – On Monday, December 5, 2022, the Company effectuated a reverse stock split of its shares of common stock, par value $0.001 per share (the "Common Stock"), whereby every thirty (30) pre-split shares of Common Stock were exchanged for one (1) post-split share of the Company's Common Stock (the "Reverse Stock Split"). No fractional shares were issued in connection with the Reverse Stock Split. Stockholders who would otherwise have held a fractional share of the Common Stock received a cash payment in lieu thereof. Numbers presented in these condensed consolidated financial statements have been adjusted to reflect the Reverse Stock Split.

Accounting Pronouncements – There were no new accounting pronouncements which affected the company and its business.

Our Business Units

Astrotech Technologies, Inc.

Astrotech Technologies, Inc. ("ATI") owns and licenses the Astrotech Mass Spectrometer Technology™ (the "AMS Technology"), the platform mass spectrometry technology originally developed by 1st Detect Corporation ("1st Detect"). The AMS Technology has been designed to be inexpensive, smaller, and easier to use when compared to traditional mass spectrometers. Unlike other technologies, the AMS Technology works under ultra-high vacuum, which eliminates competing molecules, yielding higher resolution and fewer false alarms. The intellectual property includes 21 patents granted with one additional patent in process along with extensive trade secrets. With a number of diverse market opportunities for the core technology, ATI is structured to license the intellectual property for different fields of use. ATI currently licenses the AMS Technology to three wholly-owned subsidiaries of Astrotech on an exclusive basis, including to 1st Detect for use in the security and detection market, to AgLAB Inc. ("AgLAB") for use in the agriculture market, and to BreathTech Corporation ("BreathTech") for use in breath analysis applications.

1st Detect Corporation

1st Detect, a licensee of ATI for the security and detection market, has developed the TRACER 1000™, the world's first mass spectrometry ("MS") based explosives trace detector ("ETD") certified by the European Civil Aviation Conference ("ECAC"). The TRACER 1000 was designed to outperform the ETDs currently used at airports, cargo and other secured facilities, and borders worldwide. The Company believes that ETD customers are unsatisfied with the currently deployed ETD technology, which is driven by ion mobility spectrometry ("IMS"). The Company further believes that some IMS-based ETDs have issues with false positives, as they often misidentify personal care products and other common household chemicals as explosives, causing facility shutdowns, unnecessary delays, frustration, and significant wasted security resources. In addition, there are hundreds of different types of explosives, but IMS-based ETDs have a very limited threat detection library reserved only for those few explosives of largest concern. Adding additional compounds to the detection library of an IMS-based ETD fundamentally reduces the instrument's performance, further increasing the likelihood of false alarms. In contrast, adding additional compounds to the TRACER 1000's detection library does not degrade its detection capabilities, as it has a virtually unlimited and easily expandable threat library.

In order to sell the TRACER 1000 to airport and cargo security customers in the European Union and certain other countries, we obtained ECAC certification. The Company is currently selling the TRACER 1000 to customers who accept ECAC certification. As of December 31, 2022, the Company has deployed the TRACER 1000 in approximately 21 locations in 14 countries throughout Europe and Asia.

In the United States, the Company is working with the U.S. Transportation Security Administration ("TSA") towards air cargo certification. On March 27, 2018, the Company announced that the TRACER 1000 was accepted into TSA's Air Cargo Screening Technology Qualification Test ("ACSQT") and, on April 4, 2018, the Company announced that the TRACER 1000 entered into testing with the TSA for passenger screening at airports. On November 14, 2019, the Company announced that the TRACER 1000 had been selected by the TSA's Innovation Task Force to conduct live checkpoint screening at Miami International Airport. With similar protocols as ECAC testing, the Company has received valuable feedback from all programs. Following ECAC certification and the Company's early traction within the cargo market, testing for cargo security continued with the TSA. With the COVID-19 pandemic, all testing within the TSA was put on hold; however, cargo testing resumed during the summer of 2020, and the Company subsequently announced on September 9, 2020 that the TRACER 1000 passed the non-detection testing portion of the TSA's ACSQT. Due to delays caused by COVID-19, TSA cargo detection testing is ongoing, but has proceeded much more slowly than originally anticipated. As a result, efforts are primarily focused on our other opportunities. TSA cargo detection testing is the final step to be listed on the Air Cargo Screening Technology List as an "approved" device. If approved, the TRACER 1000 will be approved for cargo sales in the United States.

AgLAB Inc.

AgLAB, an exclusive licensee of ATI for the agriculture market, has developed the AgLAB 1000™ series of mass spectrometers for use in the hemp and cannabis markets with initial focus on optimizing yields in the distillation process. The AgLAB product line is a derivative of the Company's core AMS Technology. We believe hemp and cannabis distillers can gain significant improvement on their processing yields by utilizing the AgLAB 1000-D2™ system with their existing short path-molecular distillation systems. As part of our growth plan, we also plan to launch a family of "process control" methods and solutions that we believe could be valuable additions to many nutraceutical distillation laboratories.

During the first quarter of fiscal year 2023, we began our first production run of the AgLAB 1000-D2 and sales efforts are currently underway.

BreathTech Corporation

BreathTech, an exclusive licensee of ATI for use in breath analysis applications, is developing the BreathTest-1000™, a breath analysis tool to screen for volatile organic compound ("VOC") metabolites found in a person's breath that could indicate they may have a bacterial or viral infection. The Company believes that new tools to aid in the battle against COVID-19 and other diseases remain of the utmost importance to help more quickly identify that an infection may be present.

In June 2022, the Company expanded its existing study that initially focused on COVID-19 with Cleveland Clinic to use the BreathTest-1000 to screen for a variety of diseases spanning the entire body. The project will focus on detecting bloodstream infections, respiratory infections such as influenza types A and B and respiratory syncytial virus ("RSV"), carriage of Staphylococcus aureus, and Clostridioides difficile ("C. diff") infections.

(2) Investments

The following tables summarize gains and losses related to the Company's investments as of December 31, 2022 and June 30, 2022:

	December 31, 2022			
Available-for-Sale Investments (In thousands)	**Adjusted Cost**	**Unrealized Gain**	**Unrealized Loss**	**Fair Value**
Mutual Funds - Corporate & Government Debt	$ 19,997	$ —	$ (1,071)	$ 18,926
ETFs - Corporate & Government Debt	7,375	—	(463)	6,912
Time Deposits	5,150	—	(35)	5,115
Total	**$ 32,522**	**$ —**	**$ (1,569)**	**$ 30,953**

Available-for-Sale Investments (In thousands)	June 30, 2022 Adjusted Cost	Unrealized Gain	Unrealized Loss	Fair Value
Mutual Funds - Corporate & Government Debt	$ 19,997	$ —	$ (806)	$ 19,191
ETFs - Corporate & Government Debt	7,375	—	(393)	6,982
Time Deposits	—	—	—	—
Total	**$ 27,372**	**$ —**	**$ (1,199)**	**$ 26,173**

We have certain financial instruments on our condensed consolidated balance sheets related to interest-bearing time deposits. Time deposits with maturities of less than 90 days, if any, from the purchase date are included in "Cash and Cash Equivalents." Time deposits with maturities from 91-360 days, if any, are included in "Short-term investments." Time deposits with maturities of more than 360 days, if any, are included in "Long-term investments." As of December 31, 2022 and June 30, 2022, the Company had no long-term investments. For more information about the fair value of the Company's financial instruments, see footnote 8.

The following table presents the carrying amounts of certain financial instruments as of December 31, 2022 and June 30, 2022:

	Carrying Value	
	Short-Term Investments	
(In thousands)	December 31, 2022	June 30, 2022
Mutual Funds - Corporate & Government Debt	$ 18,926	$ 19,191
ETFs - Corporate & Government Debt	6,912	6,982
Time Deposits - Maturities from 91-360 days	5,115	—
Total	**$ 30,953**	**$ 26,173**

(3) Leases

On April 27, 2021, Astrotech entered into a new lease for a research and development facility of approximately 5,960 square feet in Austin, Texas (the "R&D facility") that includes a laboratory, a small production shop, and offices for staff, although many of the Company's employees continue to work remotely. The lease commenced on June 1, 2021 and had a lease term of 36 months. On November 11, 2022, the Company signed a lease extension agreement for the R&D facility, extending the term of the lease through April 30, 2025. The Company's total contractual base rent obligation for the eleven-month extension is approximately $95 thousand.

On November 22, 2022, Astrotech entered into a sublease agreement for an additional facility directly adjacent to the R&D facility (the "subleased facility"). The subleased facility consists of approximately 3,900 square feet and will provide the space needed as the Company launches its AgLAB products and continues its R&D efforts at BreathTech. The sublease commenced on December 1, 2022 and has a lease term of 29 months. The Company's total contractual base rent obligation for the subleased facility is approximately $156 thousand.

Operating lease assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate in determining the present value of lease payments. Significant judgement is required when determining the Company's incremental borrowing rate. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Upon the adoption of Topic 842, the Company's accounting for financing leases, previously referred to as capital leases, remains substantially unchanged from prior guidance.

The balance sheet presentation of the Company's operating and finance leases is as follows:

(In thousands)	Classification on the Condensed Consolidated Balance Sheet	December 31, 2022
Assets:		
Operating lease assets	Operating leases, right-of-use assets, net	$ 336
Financing lease assets	Property and equipment, net	415
Total lease assets		**$ 751**
Liabilities:		
Current:		
Operating lease obligations	Lease liabilities, current	$ 148
Financing lease obligations	Lease liabilities, current	143
Non-current:		
Operating lease obligations	Lease liabilities, non-current	216
Financing lease obligations	Lease liabilities, non-current	140
Total lease liabilities		**$ 647**

Future minimum lease payments under non-cancellable leases are as follows:

(In thousands)

For the Year Ended June 30,	Operating Leases	Financing Leases	Total
2023	$ 83	$ 77	$ 160
2024	166	154	320
2025	142	67	209
2026	—	—	—
2027	—	—	—
Thereafter	—	—	—
Total lease obligations	**391**	**298**	**689**
Less: imputed interest	27	15	42
Present value of net minimum lease obligations	**364**	**283**	**647**
Less: lease liabilities - current	148	143	291
Lease liabilities - non-current	**$ 216**	**$ 140**	**$ 356**

Other information as of December 31, 2022 is as follows:

Weighted-average remaining lease term (years):	
Operating leases	2.3
Financing leases	2.0
Weighted-average discount rate:	
Operating leases	6.3%
Financing leases	5.3%

Cash payments for operating leases for the three months ended December 31, 2022 and 2021 totaled $31 thousand and $25 thousand, respectively. Cash payments for financing leases for the three months ended December 31, 2022 and 2021 totaled $38 thousand and $15 thousand, respectively.

Cash payments for operating leases for the six months ended December 31, 2022 and 2021 totaled $57 thousand and $35 thousand, respectively. Cash payments for financing leases for the six months ended December 31, 2022 and 2021 totaled $77 thousand and $18 thousand, respectively.

(4) Property and Equipment, net

As of December 31, 2022 and June 30, 2022, property and equipment, net consisted of the following:

(In thousands)	December 31, 2022	June 30, 2022
Furniture, fixtures, equipment & leasehold improvements	$ 1,981	$ 1,371
Software	217	264
Capital improvements in progress	140	242
Gross property and equipment	**2,338**	**1,877**
Accumulated depreciation and amortization	(784)	(779)
Property and equipment, net	**$ 1,554**	**$ 1,098**

Depreciation and amortization expense of property and equipment for the three months ended December 31, 2022 and 2021 was $82 thousand and $34 thousand, respectively. Depreciation and amortization expense of property and equipment for the six months ended December 31, 2022 and 2021 was $149 thousand and $51 thousand, respectively.

(5) Stockholders' Equity

Common Stock

On November 22, 2022, the Company filed a third amendment (the "Amendment") to the Company's Certificate of Incorporation (as amended, the "Certificate of Incorporation") with the Secretary of State of the State of Delaware to effect a 1-for-30 reverse stock split of all of the Company's issued and outstanding shares of Common Stock. The Amendment provided that, at the effective time of the Reverse Stock Split, every 30 shares of the Company's issued and outstanding Common Stock were automatically combined into one validly issued, fully paid and non-assessable share of Common Stock, without effecting a change to the par value per share. The Reverse Stock Split affected all shares of the Company's Common Stock outstanding immediately prior to the effective time of the Reverse Stock Split, as well as the number of shares of Common Stock available for issuance under the Company's equity incentive plans. In addition, the Reverse Stock Split effected a reduction in the number of shares of Common Stock issuable upon the exercise of stock options and warrants outstanding immediately prior to the effectiveness of the Reverse Stock Split with a corresponding increase in exercise price per share. The Reverse Stock Split also triggered a proportionate adjustment to the number of shares of Common Stock issuable upon the conversion of our Series D convertible preferred stock, par value of $0.001 per share ("Series D Preferred Shares"). All historical per share data, number of shares outstanding, and other common stock equivalents for the periods presented in the accompanying condensed consolidated financial statements and notes thereto have been adjusted retroactively, where applicable, to reflect the Reverse Stock Split.

Preferred Stock

The Company has issued 280,898 shares of Series D Preferred Shares, all of which are issued and outstanding. Series D Preferred Shares are convertible to common stock on a one-to-thirty basis. Series D Preferred Shares are not callable by the Company. The holder of the preferred stock is entitled to receive, and we shall pay, dividends on shares equal to and in the same form as dividends actually paid on shares of common stock when, and if, such dividends are paid on shares of common stock. No other dividends are paid on the preferred shares. Preferred shares have no voting rights. Upon liquidation, dissolution, or winding-up of the Company, whether voluntary or involuntary, the preferred shares have preference over common stock. The holder of Series D Preferred Shares has the option to convert said shares to common stock at the holder's discretion.

Share Repurchase Program

On November 9, 2022, the Company's Board of Directors authorized a share repurchase program that allows the Company to repurchase up to $1.0 million of the Company's common stock beginning November 17, 2022 and continuing through and including November 17, 2023. The shares may be repurchased from time to time in the open market or privately negotiated transactions or by other means in accordance with applicable state and federal securities laws. The timing, as well as the number and value of shares repurchased under the program, will be determined by the Company at its discretion and will depend on a variety of factors, including management's assessment of the intrinsic value of the Company's common stock, the market price of the Company's common stock, general market and economic conditions, available liquidity, compliance with the Company's debt and other agreements, applicable legal requirements, and other considerations. The exact number of shares to be repurchased by the Company is not guaranteed, and the program may be suspended, modified, or discontinued at any time without prior notice. The Company expects to fund the repurchases with available working capital. There were no repurchases of the Company's common stock under the share repurchase program during the three months ended December 31, 2022.

Warrants

A summary of the common stock warrant activity for the six months ended December 31, 2022 is presented below:

	Number of Shares Underlying Warrants (In thousands)	Weighted Average Exercise Price	Aggregate Fair Market Value at Issuance (In thousands)	Weighted Average Remaining Contractual Term (Years)
Outstanding June 30, 2022	**80**	**$ 72.10**	**$ 3,747**	**3.60**
Warrants issued	—	—	—	—
Warrants exercised	—	—	—	—
Warrants expired	—	—	—	—
Outstanding December 31, 2022	**80**	**$ 72.10**	**$ 3,747**	**3.10**

The following represents a summary of the warrants outstanding at each of the dates identified:

				Number of Shares Underlying Warrants (In thousands)	
Issue Date	**Classification**	**Exercise Price**	**Expiration Date**	**December 31, 2022**	**June 30, 2022**
March 26, 2020	Equity	$ 187.50	March 25, 2025	1	1
March 30, 2020	Equity	$ 140.63	March 27, 2025	2	2
October 23, 2020	Equity	$ 86.25	October 21, 2025	15	15
October 28, 2020	Equity	$ 80.63	October 28, 2025	6	6
February 16, 2021	Equity	$ 121.88	February 11, 2026	6	6
April 12, 2021	Equity	$ 56.25	April 7, 2026	50	50
Total Outstanding				**80**	**80**

Nasdaq Compliance

The Reverse Stock Split was primarily intended to bring the Company into compliance with the minimum bid price requirements for maintaining its listing on The Nasdaq Stock Market LLC ("Nasdaq"). On December 19, 2022, the Company received written notice from the Listing Qualifications Department of Nasdaq stating that, because the Company's Common Stock had a closing bid price at or above $1.00 per share for a minimum of 10 consecutive business days, the Company had regained compliance with the minimum bid price requirement of $1.00 per share for continued listing on The Nasdaq Capital Market, as set forth in Nasdaq Listing Rule 5550(a)(2), and that the matter is now closed.

(6) Net Loss per Share

Basic net loss per share is computed on the basis of the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share is computed based on the weighted average number of common shares outstanding plus the effect of potentially dilutive common shares outstanding during the period using the treasury stock method and the if-converted method. Potentially dilutive common shares include outstanding stock options and share-based awards.

The following table reconciles the numerators and denominators used in the computations of both basic and diluted net loss per share:

	Three Months Ended December 31,		Six Months Ended December 31,	
(In thousands, except per share data)	**2022**	**2021**	**2022**	**2021**
Numerator:				
Net loss	$ (2,418)	$ (2,180)	$ (4,947)	$ (4,209)
Denominator:				
Denominator for basic and diluted net loss per share — weighted average common stock outstanding	1,613	1,583	1,613	1,582
Basic and diluted net loss per common share:				
Net loss per common share	$ (1.50)	$ (1.38)	$ (3.07)	$ (2.66)

All unvested restricted stock awards for the six months ended December 31, 2022 are not included in diluted net loss per share, as the impact to net loss per share would be anti-dilutive. Options to purchase 37,032 shares of common stock at exercise prices ranging from $13.20 to $175.50 per share outstanding as of December 31, 2022 were not included in diluted net loss per share, as the impact to net loss per share would be anti-dilutive.

(7) Revenue Recognition

Astrotech recognizes revenue employing the generally accepted revenue recognition methodologies described under the provisions of Accounting Standards Codification ("ASC") Topic 606 "Revenue from Contracts with Customers" ("Topic 606"), which was adopted by the Company in fiscal year 2019. The methodology used is based on contract type and how products and services are provided. The guidelines of Topic 606 establish a five-step process to govern the recognition and reporting of revenue from contracts with customers. The five steps are: (i) identify the contract with a customer, (ii) identify the performance obligations within the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations within the contract, and (v) recognize revenue when or as the performance obligations are satisfied.

An additional factor is reasonable assurance of collectability. This necessitates deferral of all or a portion of revenue recognition until collection. During the three and six months ended December 31, 2022, the Company had three revenue sources that comprised materially all of its revenue. Revenue was recognized at a point in time consistent with the guidelines in Topic 606.

Contract Assets and Liabilities. The Company enters into contracts to sell products and provide services, and it recognizes contract assets and liabilities that arise from these transactions. The Company recognizes revenue and corresponding accounts receivable according to Topic 606 and, at times, recognizes revenue in advance of the time when contracts give us the right to invoice a customer. The Company may also receive consideration, per the terms of a contract, from customers prior to transferring goods to the customer. The Company records customer deposits as deferred revenue. Additionally, the Company may receive payments, most typically for service and warranty contracts, at the onset of the contract and before services have been performed. In such instances, the Company records a deferred revenue liability. The Company recognizes these contract liabilities as sales after all revenue recognition criteria are met.

Practical Expedients. In cases where the Company is responsible for shipping after the customer has obtained control of the goods, the Company has elected to treat the shipping activities as fulfillment activities rather than as a separate performance obligation. Additionally, the Company has elected to capitalize the cost to obtain a contract only if the period of amortization would be longer than one year. The Company only gives consideration to whether a customer agreement has a financing component if the period of time between transfer of goods and services and customer payment is greater than one year.

Product Sales. The Company recognizes revenue from sales of products upon shipment or delivery when control of the product transfers to the customer, depending on the terms of each sale, and when collection is probable. In the circumstance where terms of a product sale include subjective customer acceptance criteria, revenue is deferred until the Company has achieved the acceptance criteria unless the customer acceptance criteria are perfunctory or inconsequential. The Company generally offers customers payment terms of 60 days or less.

Freight. The Company records shipping and handling fees that it charges to its customers as revenue and related costs as cost of revenue.

Multiple Performance Obligations. Certain agreements with customers include the sale of equipment involving multiple elements in cases where obligations in a contract are distinct and thus require separation into multiple performance obligations, revenue recognition guidance requires that contract consideration be allocated to each distinct performance obligation based on its relative standalone selling price. The value allocated to each performance obligation is then recognized as revenue when the revenue recognition criteria for each distinct promise or bundle of promises has been met.

The standalone selling price for each performance obligation is an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the good or service. When there is only one performance obligation associated with a contract, the entire amount of consideration is attributed to that obligation. When a contract contains multiple performance obligations, the standalone selling price is first estimated using the observable price, which is generally a list price net of applicable discount or the price used to sell the good or service in similar circumstances. In circumstances when a selling price is not directly observable, the Company will estimate the standalone selling price using information available to it including its market assessment and expected cost, plus margin.

The timetable for fulfilment of each of the distinct performance obligations can range from completion in a short amount of time and entirely within a single reporting period to completion over several reporting periods. The timing of revenue recognition for each performance obligation may be dependent upon several milestones, including physical delivery of equipment, completion of site acceptance test, and in the case of after-market consumables and service deliverables, the passage of time.

(8) Fair Value Measurement

ASC Topic 820 "Fair Value Measurement" ("Topic 820") defines fair value, establishes a market-based framework or hierarchy for measuring fair value, and expands disclosures about fair value measurements. Topic 820 is applicable whenever assets and liabilities are measured and included in the financial statements at fair value.

The fair value hierarchy established in Topic 820 prioritizes the inputs used in valuation techniques into three levels as follows:

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

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

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

The following tables present the carrying amounts, estimated fair values, and valuation input levels of certain financial instruments as of December 31, 2022 and June 30, 2022:

	December 31, 2022				
	Carrying	Fair Value Measured Using			Fair
(In thousands)	Amount	Level 1	Level 2	Level 3	Value
Available-for-Sale Investments					
Short-Term Investments					
Mutual Funds - Corporate & Government Debt	18,926	18,926	—	—	18,926
ETFs - Corporate & Government Debt	6,912	6,912	—	—	6,912
Time deposits: 91-360 days	5,115	—	5,115	—	5,115
Total Available-for-Sale Investments	$ **30,953**	$ **25,838**	$ **5,115**	$ **—**	$ **30,953**

(In thousands)	June 30, 2022 Carrying Amount	Fair Value Measured Using Level 1	Level 2	Level 3	Fair Value
Available-for-Sale Investments					
Short-Term Investments					
Mutual Funds - Corporate & Government Debt	19,191	19,191	—	—	19,191
ETFs - Corporate & Government Debt	6,982	6,982	—	—	6,982
Time deposits: 91-360 days	—	—	—	—	—
Total Available-for-Sale Investments	$ **26,173**	$ **26,173**	$ **—**	$ **—**	$ **26,173**

The value of available-for-sale securities with Level 1 inputs is based on pricing from third-party pricing vendors, who use quoted prices in active markets for identical assets. The fair value measurements used for time deposits are considered Level 2 and use pricing from third-party pricing vendors who use quoted prices for identical or similar securities in both active and inactive markets.

(9) Debt

On September 5, 2019, the Company entered into a private placement transaction with Thomas B. Pickens III, the Chief Executive Officer and Chairman of the Board of Directors of the Company, for the issuance and sale of a secured promissory note to Mr. Pickens with a principal amount of $1.5 million (the “2019 Note”), and on February 13, 2020, the Company entered into a second private placement transaction with Mr. Pickens for the issuance and sale of a second secured promissory note to Mr. Pickens with a principal amount of $1.0 million (the “2020 Note” and, collectively with the 2019 Note, the “Original Notes”). Interest on the Original Notes accrued at 11% per annum. The principal amount and accrued interest on the Original Notes originally were to become due and payable on September 5, 2020; however, on August 24, 2020, the Company and Mr. Pickens agreed to extend the date of maturity of the Original Notes and payment of accrued interest to September 5, 2021 (the “Extended Maturity Date”). The Company had the option to prepay the principal amount and all accrued interest on the Original Notes at any time prior to the Extended Maturity Date.

In connection with the issuance of the Original Notes, the Company, along with 1st Detect Corporation and Astrotech Technologies, Inc. (the “Subsidiaries”), entered into two security agreements, dated as of September 5, 2019 and February 13, 2020 (collectively, the “Original Security Agreements”), with Mr. Pickens, pursuant to which the Company and the Subsidiaries granted to Mr. Pickens a security interest in all of the Company’s and the Subsidiaries’ Collateral, as such term is defined in the Original Security Agreements. In addition, the Subsidiaries jointly and severally agreed to guarantee and act as surety for the Company’s obligation to repay the Original Notes pursuant to a subsidiary guarantee.

On September 3, 2021, the Company entered into (1) the Omnibus Amendment to the Secured Promissory Notes (the “Amended Notes”) with Mr. Pickens, in connection with the Original Notes, and (2) the Omnibus Amendment to the Security Agreements (the “Amended Security Agreements”, and together with the Amended Notes, the “Amendments”) with the Subsidiaries, in connection with the Original Security Agreements. Pursuant to the Amendments, (a) the principal amount of $1.0 million and accrued interest of $172 thousand on the 2020 Note was paid in full and the 2020 Note was canceled, and (b) $1.0 million of the principal amount and $330 thousand of accrued interest on the 2019 Note was paid and the maturity date on the remaining balance of $500 thousand of the 2019 Note was extended to September 5, 2022 (the “Amended Maturity Date”).

In addition, the Subsidiaries jointly and severally agreed to guarantee and act as surety for the Company’s obligation to repay the remaining balance on the 2019 Note pursuant to subsidiary guarantees, dated September 5, 2019 and February 13, 2020, as amended by the Omnibus Amendments to Subsidiary Guarantees, dated August 24, 2020 and September 3, 2021, respectively (the Omnibus Amendment to Subsidiary Guarantees dated September 3, 2021, the “Amended Subsidiary Guarantee”). The Subsidiary Guarantee with respect to the 2020 Note was also canceled by the Amended Subsidiary Guarantee due to the 2020 Note being repaid in full.

On September 5, 2022, the 2019 Note matured and the principal amount of $500 thousand and accrued interest of $55 thousand was paid in full and the 2019 Note was canceled. With the cancelation of the 2019 Note, the Amended Subsidiary Guarantee was terminated and the Subsidiaries' Collateral was released.

(10) Business Risk and Credit Risk Concentration Involving Cash

For the three and six months ended December 31, 2022 and December 31,2021, the Company had three customers that comprised materially all of the Company's revenue. Additionally, the material amount of trade receivables was comprised of one customer.

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The Company maintains funds in bank accounts that may exceed the limit insured by the Federal Deposit Insurance Corporation of $250 thousand per depositor. The risk of loss attributable to these uninsured balances is mitigated by depositing funds in what we believe to be high credit quality financial institutions. The Company has not experienced any losses in such accounts.

(11) Stock-Based Compensation

Stock Option Activity Summary

The Company's stock option activity for the six months ended December 31, 2022 is as follows:

	Shares	Weighted Average Exercise Price
Outstanding at June 30, 2022	**34,284**	$ **40.41**
Granted	5,162	13.20
Exercised	—	—
Canceled or expired	(2,414)	174.08
Outstanding at December 31, 2022	**37,032**	$ **27.91**

The aggregate intrinsic value of options exercisable at December 31, 2022 was $0, as the fair value of the Company's common stock is less than the exercise prices of these options. The remaining stock-based compensation expense of $446 thousand related to stock options will be recognized over a weighted-average period of 2.33 years.

The table below details the Company's stock options outstanding as of December 31, 2022:

Range of exercise prices	Number Outstanding	Options Outstanding Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable	Options Exercisable Weighted-Average Exercise Price
$ 13.20 - 19.20	34,361	9.35	$ 18.30	—	$ —
$ 55.50 - 84.90	431	5.76	62.22	431	62.22
$ 159.00 - 175.50	2,240	4.36	168.82	2,240	168.82
$ **13.20 - 175.50**	**37,032**	**9.00**	$ **27.91**	**2,671**	$ **151.62**

Compensation costs recognized related to stock option awards were $48 thousand and $0 for each of the three months ended December 31, 2022, and 2021. Compensation costs recognized related to stock option awards were $94 thousand and $1 thousand for each of the six months ended December 31, 2022 and 2021.

Restricted Stock

The Company's restricted stock activity for the six months ended December 31, 2022, is as follows:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at June 30, 2022	**75,873**	$ **39.00**
Granted	—	—
Vested	—	—
Canceled or expired	(55)	60.60
Outstanding at December 31, 2022	**75,818**	$ **38.93**

Stock compensation expenses related to restricted stock were $356 thousand and $439 thousand for the three months ended December 31, 2022, and 2021, respectively. Stock compensation expenses related to restricted stock were $697 thousand and $797 thousand for the six months ended December 31, 2022 and 2021, respectively. The remaining stock-based compensation expense of $2.0 million related to restricted stock awards granted will be recognized over a weighted-average period of 2.13 years.

(12) Income Taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Valuation allowances are established, when necessary, to reduce deferred tax assets to amounts that are more likely than not to be realized. As of December 31, 2022, the Company established a valuation allowance against all of its net deferred tax assets.

For the three months ended December 31, 2022 and 2021, the Company incurred pre-tax losses in the amount of $2.4 million and $2.2 million, respectively. For the six months ended December 31, 2022 and 2021, the Company incurred pre-tax losses in the amount of $4.9 million and $4.2 million, respectively. The total effective tax rate was approximately 0% for each of the three and six months ended December 31, 2022 and 2021.

For each of the six months ended December 31, 2022 and 2021, the Company's effective tax rate differed from the federal statutory rate of 21%, primarily due to the valuation allowance placed against its net deferred tax assets.

The Inflation Reduction Act and the Chips and Science Act were enacted in August 2022. There is no material impact to the Company from these new tax laws.

FASB ASC 740, "Income Taxes" addresses the accounting for uncertainty in income tax recognized in an entity's financial statements and prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. The Company currently has approximately $400 thousand of uncertain tax positions as of December 31, 2022, all of which are accounted as contra-deferred tax assets. The Company does not expect any significant changes to its uncertain tax positions in the coming 12 months.

Loss carryovers are generally subject to modification by tax authorities until three years after they have been utilized; as such, the Company is subject to examination for the fiscal years ended 2003 through present for federal purposes and fiscal years ended 2006 through present for state purposes.

(13) Commitments and Contingencies

The Company is subject to various lawsuits and other claims in the normal course of business. In addition, from time to time, the Company receives communications from government or regulatory agencies concerning investigations or allegations of noncompliance with laws or regulations in jurisdictions in which the Company operates.

The Company establishes reserves for the estimated losses on specific contingent liabilities, for regulatory and legal actions where the Company deems a loss to be probable and the amount of the loss can be reasonably estimated. In other instances, the Company is not able to make a reasonable estimate of liability because of the uncertainties related to the outcome or the amount or range of potential loss.

Litigation, Investigations, and Audits

On April 15, 2021, a putative stockholder of the Company commenced a class action and derivative lawsuit in the Delaware Court of Chancery, Stein v. Pickens, et al., C.A. No. 2021-0322-JRS (the "Stein Action"), in which it was alleged, among other things, that the Company improperly included broker non-votes in the tabulation of votes counted in favor to approve an amendment to the Company's Certificate of Incorporation (the "2020 Certificate Amendment") and, thus the 2020 Certificate Amendment was defective. The Company investigated those allegations and does not believe that the filing and effectiveness of the 2020 Certificate Amendment was either invalid or ineffective. Nevertheless, to resolve any uncertainty, on April 30, 2021, the Company filed a validation proceeding in the Delaware Court of Chancery, In re Astrotech Corporation, C.A. No. 2021-0380-JRS, pursuant to Section 205 of the Delaware General Corporation Law. On October 6, 2021, the Delaware Court of Chancery granted the Company's request and confirmed and validated the 2020 Certificate Amendment. Thereafter, a settlement in principle was reached with the Plaintiffs in the Stein Action and the parties to the Stein Action presented the settlement to the Court for approval. The Company is currently awaiting a Court decision.

Further information regarding the Stein Action and the Section 205 Action is provided in the Schedule 14A proxy statement amendment and supplement filed by the Company with the SEC on April 29, 2021.

(14) Segment Information

The Company has determined that it does not meet the criteria of ASC 280 “Segment Reporting” because the Company’s subsidiaries represent Company brands that leverage the same core technology rather than independent operating segments. Furthermore, restatement of prior results is not necessary as they would mirror the consolidated results.

(15) Impact of COVID-19 Pandemic

To date, the Company has seen delays with respect to the TSA certification process and parts of its supply chain, particularly the impact of the global semiconductor and electronics shortage, which has now resulted in product pricing inflation. In addition, although passenger demand for air travel has rebounded, the overall recovery of the airline industry and ancillary services remains uncertain and is dependent upon, among other things, public health impacts of new COVID-19 variants and subsequent recommendations and restrictions provided by federal, state and local authorities.

The Company continues to manage production, secure alternative supplies, and take other proactive actions. The Company believes that it will be able to pass the inflation caused by raw materials shortages and increased shipping costs to its customers by increasing the price of its instruments. If supply chain shortages become more severe or longer term in nature, the Company’s business and results of operations could be adversely impacted; however, the Company does not expect this issue to materially adversely affect its liquidity position. The long-term impact of the COVID-19 pandemic on the Company’s business may not be fully reflected until future periods.

CARES Act

On March 27, 2020, the CARES Act was enacted. The CARES Act, among other things, includes provisions relating to refundable payroll taxes, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, and technical corrections to tax depreciation methods for qualified improvement property. The most significant relief measures which the Company qualified for were a loan pursuant to the Paycheck Protection Program for which the Company has received full forgiveness, alternative minimum tax credit refunds, employee retention credit, and payroll tax deferral. The payroll tax deferral was effective from the enactment date through December 31, 2020, and 100% of the deferred amount has been paid as of December 31, 2022. The deferred payroll taxes were recorded within accrued liabilities on the condensed consolidated balance sheets.

The Company will continue to assess the treatment of the CARES Act to the extent additional guidance and regulations are issued, the further applicability of the CARES Act to the Company, and the potential impacts on the business.

(16) Subsequent Events

On January 27, 2023, the Board of Directors (the “Board”) of the Company increased the size of the Board from four to five directors and appointed Bob McFarland as a director of the Company, effective as of January 27, 2023. The Board has determined that Mr. McFarland is independent in accordance with Nasdaq rules. Mr. McFarland has not yet been named to a Board committee. In connection with his appointment, Mr. McFarland was granted 2,150 restricted shares of the Company’s common stock under the Company’s 2021 Omnibus Equity Incentive Plan, vesting in three equal annual installments on January 27, 2024, January 27, 2025, and January 27, 2026. Mr. McFarland will receive the standard compensation package for the Company’s non-employee directors as described in the section entitled “Director Compensation” in the Company's definitive proxy statement on Schedule 14A filed with the Securities and Exchange Commission on September 26, 2022.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws. Forward-looking statements may include the words "may," "will," "plans," "believes," "estimates," "expects," "intends," and other similar expressions. Such statements are subject to risks and uncertainties that could cause our actual results to differ materially from those projected in the statements. Such risks and uncertainties include, but are not limited to:

- The impact of the COVID-19 pandemic on the global economy, including the possibility of a global recession, and more specifically the impact to our business, partners, suppliers, customers, and employees;
- Our ability to successfully pursue our business plan and execute our strategy, including our collaboration with Cleveland Clinic;
- The effect of economic and political conditions in the United States or other nations that could impact our ability to sell our products and services or gain customers;
- Product demand and market acceptance risks, including our ability to develop and sell products and services to be used by governmental or commercial customers;
- The impact of trade barriers imposed by the U.S. government, such as import/export duties and restrictions, tariffs and quotas, and potential corresponding actions by other countries in which we conduct our business;
- Technological difficulties and potential legal claims arising from any technological difficulties;
- The risks related to the availability of, and cost inflation in, supply chain inputs, including labor, raw materials, commodities, packaging, and transportation;
- Uncertainty in government funding and support for key programs, grant opportunities, or procurements;
- The impact of competition on our ability to win new contracts;
- Our ability to meet technological development milestones and overcome development challenges; and
- Our ability to successfully identify, complete and integrate acquisitions.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could be inaccurate; therefore, we cannot assure you that the forward-looking statements included in this Quarterly Report on Form 10-Q will prove to be accurate. In light of the significant uncertainties inherent in our forward-looking statements, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. Some of these and other risks and uncertainties that could cause actual results to differ materially from such forward-looking statements are more fully described in our 2022 Annual Report on Form 10-K, elsewhere in this Quarterly Report on Form 10-Q, or those discussed in other documents we filed with the SEC. Except as may be required by applicable law, we undertake no obligation to publicly update or advise of any change in any forward-looking statement, whether as a result of new information, future events, or otherwise. In making these statements, we disclaim any obligation to address or update each factor in future filings with the SEC or communications regarding our business or results, and we do not undertake to address how any of these factors may have caused changes to discussions or information contained in previous filings or communications. In addition, any of the matters discussed above may have affected our past results and may affect future results, so that our actual results may differ materially from those expressed in this Quarterly Report on Form 10-Q and in prior or subsequent communications.

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

The following information should be read in conjunction with the unaudited condensed consolidated financial statements and the accompanying notes included in Part I, Item 1 of this Report.

Business Overview

Astrotech Corporation (Nasdaq: ASTC) ("Astrotech," the "Company," "we," "us," or "our"), a Delaware corporation organized in 1984, is a mass spectrometry company that launches, manages, and commercializes scalable companies based on its innovative core technology.

Our efforts are focused on commercializing our platform mass spectrometry technology through our wholly-owned subsidiaries:

- Astrotech Technologies, Inc. ("ATI") owns and licenses intellectual property related to the Astrotech Mass Spectrometer Technology™ (the "AMS Technology").
- 1st Detect Corporation ("1st Detect") is a manufacturer of explosives trace detectors capable of also detecting narcotics. It was developed for use at airports, cargo and other secured facilities, and borders worldwide. 1st Detect holds an exclusive AMS Technology license from ATI for air passenger and cargo security applications.
- AgLAB, Inc. ("AgLAB") is developing a series of mass spectrometers for use in the hemp and cannabis market with initial focus on optimizing yields in the extraction and distillation processes. AgLAB holds an exclusive AMS Technology license from ATI for agriculture applications.
- BreathTech Corporation ("BreathTech") is developing a breath analysis tool to screen for volatile organic compound ("VOC") metabolites found in a person's breath that could indicate they may have a bacterial or viral infection. BreathTech holds an exclusive AMS Technology license from ATI for breath analysis applications.

Our Business Units

Astrotech Technologies, Inc.

ATI owns and licenses the AMS Technology, the platform mass spectrometry technology originally developed by 1st Detect. Long recognized as the gold standard in chemical detection, mass spectrometry has historically been too costly, bulky, and cumbersome. In contrast, the AMS Technology has been designed to be inexpensive, smaller, and easier to use when compared to traditional mass spectrometers. Unlike other technologies, the AMS Technology works under ultra-high vacuum, which eliminates competing molecules, yielding higher resolution and fewer false alarms. The intellectual property includes 21 granted patents and one additional patent in process along with extensive trade secrets. With a number of diverse market opportunities for the core technology, ATI is structured to license the intellectual property for different fields of use. ATI currently licenses the AMS Technology to three wholly-owned subsidiaries of Astrotech on an exclusive basis, including to 1st Detect for use in the security and detection market, to AgLAB for use in the agriculture market, and to BreathTech for use in breath analysis applications.

ATI has contracted with Sanmina Corporation ("Sanmina"), a leading contract manufacturer with a worldwide presence, to manufacture our mass spectrometer products. Leveraging their expertise, Sanmina has helped to improve the manufacturability and reliability of our systems.

1st Detect Corporation

1st Detect, a licensee of ATI for the security and detection market, has developed the TRACER 1000™, the world's first mass spectrometry ("MS") based explosives trace detector ("ETD") certified by the European Civil Aviation Conference ("ECAC"). The TRACER 1000 was designed to outperform the ETDs currently used at airports, cargo and other secured facilities, and borders worldwide. We believe that some ETD customers are unsatisfied with the currently deployed ETD technology, which is driven by ion mobility spectrometry ("IMS"). We further believe that some IMS-based ETDs have issues with false positives, as they often misidentify personal care products and other common household chemicals as explosives, causing facility shutdowns, unnecessary delays, frustration, and significant wasted security resources. In addition, there are hundreds of different types of explosives, but IMS-based ETDs have a very limited threat detection library reserved only for those few explosives of largest concern. Adding additional compounds to the detection library of an IMS-based ETD fundamentally reduces the instrument's performance, further increasing the likelihood of false alarms. In contrast, adding additional compounds to the TRACER 1000's detection library does not degrade its detection capabilities, as it has a virtually unlimited and easily expandable threat library.

In order to sell the TRACER 1000 to airport and cargo security customers in the European Union and certain other countries, we obtained ECAC certification. We are currently selling the TRACER 1000 to customers who accept ECAC certification. As of December 31, 2022, we have deployed the TRACER 1000 in approximately 21 locations in 14 countries throughout Europe and Asia.

In the United States, we are working with the U.S. Transportation Security Administration ("TSA") towards air cargo certification. On March 27, 2018, we announced that the TRACER 1000 was accepted into TSA's Air Cargo Screening Technology Qualification Test ("ACSQT") and, on April 4, 2018, we announced that the TRACER 1000 was beginning testing with the TSA for passenger screening at airports. On November 14, 2019, we announced that the TRACER 1000 had been selected by the TSA's Innovation Task Force to conduct live checkpoint screening at Miami International Airport. With similar protocols as ECAC testing, we have received valuable feedback from all programs. Following ECAC certification and our early traction within the cargo market, testing for cargo security continued with the TSA. With the onset of the COVID-19 pandemic, all testing within the TSA was put on hold; however, we resumed cargo testing during the summer of 2020, and we subsequently announced on September 9, 2020, that the TRACER 1000 passed the non-detection testing portion of the TSA's ACSQT. Due to delays caused by COVID-19, TSA cargo detection testing is ongoing, but has proceeded much more slowly than originally anticipated. As a result, efforts are primarily focused on our other opportunities. TSA cargo detection testing is the final step to be listed on the Air Cargo Screening Technology List as an "approved" device. If approved, the TRACER 1000 will be approved for cargo sales in the United States.

AgLAB Inc.

AgLAB, an exclusive licensee of ATI for the agriculture market, has developed the AgLAB 1000™ series of mass spectrometers for use in the hemp and cannabis markets with initial focus on optimizing yields in the distillation process. The AgLAB product line is a derivative of our core AMS Technology. The AMS Technology provides a significant competitive advantage due to its small size, rugged design, quick analysis, and ease of use. AgLAB has continued to conduct field trials to demonstrate that the AgLAB 1000-D2™ can be used in the distillation process to significantly improve the processing yields of tetrahydrocannabinol ("THC") and cannabidiol ("CBD") oil during distillation. As part of our growth plan, we also plan to launch a family of "process control" methods and solutions that we believe could be valuable additions to many nutraceutical distillation laboratories.

During the first quarter of fiscal year 2023, we began our first production run of the AgLAB 1000-D2 and sales efforts are currently underway.

BreathTech Corporation

BreathTech, an exclusive licensee of ATI for use in breath analysis applications, is developing the BreathTest-1000™, a breath analysis tool to screen for VOC metabolites found in a person's breath that could indicate they may have a bacterial or viral infection. We believe that new tools to aid in the battle against COVID-19 and other diseases remain of the utmost importance to help more quickly identify that an infection may be present.

In June 2022, we expanded our existing study that initially focused on COVID-19 with Cleveland Clinic to use the BreathTest-1000 to screen for a variety of diseases spanning the entire body. The project will focus on detecting bloodstream infections, respiratory infections such as influenza types A and B and respiratory syncytial virus ("RSV"), carriage of Staphylococcus aureus, and Clostridioides difficile ("C. diff") infections.

BreathTech recently contracted with a clinical research firm to assist in procuring breath samples collected from patients. These samples are being used to further develop the library of the BreathTest-1000. Preliminary results have shown that the BreathTest-1000 can discriminate between background breath and the disease VOCs.

Trends and Uncertainties - COVID-19

To date, we have seen delays with respect to the TSA certification process and parts of its supply chain, particularly the impact of the global semiconductor and electronics shortage, which has now resulted in product pricing inflation. In addition, although passenger demand for air travel has rebounded, the overall recovery of the airline industry and ancillary services remains uncertain and is dependent upon, among other things, public health impacts of new COVID-19 variants and subsequent recommendations and restrictions provided by federal, state and local authorities.

We continue to manage production, to secure alternative supplies, and to take other proactive actions. We believe that we will be able to pass the inflation caused by raw materials shortages and increased shipping costs to our customers by increasing the price of our instruments. If supply chain shortages become more severe or longer term in nature, our business and results of operations could be adversely impacted; however, we do not expect this issue to materially adversely affect its liquidity position. The long-term impact of the COVID-19 pandemic on our business may not be fully reflected until future periods.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP"). The preparation of these financial statements requires us to make estimates and judgments that directly affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities in the Company's consolidated financial statements and accompanying notes. A critical accounting estimate is one that involves a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition or results of operations. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Management continuously evaluates its critical accounting policies and estimates, including those used in evaluating the recoverability of long-lived assets, recognition of revenue, valuation of inventory, and the recognition and measurement of loss contingencies, if any. Actual results may differ from these estimates under different assumptions or conditions.

There have been no material changes to our critical accounting policies and estimates as set forth in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, included in our Annual Report on Form 10-K for the year ended June 30, 2022.

Results of Operations

Three months ended December 31, 2022, compared to three months ended December 31, 2021:

Selected consolidated financial data for the quarters ended December 31, 2022, and 2021 is as follows:

	Three Months Ended December 31,			
(In thousands)		**2022**		**2021**
Revenue	$	263	$	561
Cost of revenue		155		441
Gross profit		**108**		**120**
Gross margin		**41%**		**21%**
Operating expenses:				
Selling, general and administrative		1,558		1,728
Research and development		1,364		652
Total operating expenses		**2,922**		**2,380**
Loss from operations		**(2,814)**		**(2,260)**
Other income and expense, net		396		80
Income tax benefit		—		—
Net loss	$	**(2,418)**	$	**(2,180)**

Revenue – Total revenue decreased by $298 thousand during the second quarter of fiscal 2023, compared to the second quarter of fiscal 2022. In the second quarter of fiscal 2023, the majority of the revenue was related to sales of our TRACER 1000 to two new customers, in addition to ongoing consumable and recurring maintenance services. In the second quarter of fiscal 2022, all revenue was related to the sales of our TRACER 1000 to an airport security checkpoint customer and to DHL (Deutsche Post AG), along with ongoing sales of consumables and recurring maintenance services. The decrease in revenue is primarily the result of Astrotech shifting its sales efforts from the volatile ETD market and concentrating on commercializing, marketing, and selling the AgLAB 1000-D2. We believe that the AgLAB market should provide for a more profitable opportunity compared to the commoditized ETD market.

Cost of Revenue – Gross profit is comprised of revenue less cost of revenue. In the second quarter of fiscal 2023 and 2022, cost of revenue was comprised of labor, materials, shipping, and warranty reserve related to the sale of TRACER 1000 units. Cost of revenue decreased $286 thousand during the second quarter of fiscal 2023, compared to the second quarter of fiscal 2022 due to the decrease in revenue as described above. Gross margin increased by 20% in the second quarter of fiscal 2023, compared to the second quarter of fiscal 2022 due to a higher proportion of recurring revenue.

Operating Expenses – Operating expenses increased $542 thousand, or 22.8%, during the second quarter of fiscal 2023, compared to the second quarter of fiscal 2022. Significant changes to operating expenses include the following:

- Selling, general and administrative expenses decreased $170 thousand, or 9.8%, during the second quarter of fiscal 2023, compared to the second quarter of fiscal 2022, due to decreases in legal expenses related to the derivative litigation, property tax, and timing of regulatory reporting.

- Research and development expenses increased $712 thousand, or 109.2%, during the second quarter of fiscal 2023, compared to the second quarter of fiscal 2022, largely driven by increases in expenses related to cross-platform improvements to our technology, field trials and further development and refinement of our AgLAB product, increased headcount, as well as contracting an additional clinical research firm to accelerate the collection of samples for building the BreathTech library.

Other income and expense, net – Other income and expense, net increased by $316 thousand during the second quarter of fiscal 2023, compared to the second quarter of fiscal 2022, due to more income earned on capital-preservation investments as interest rates have increased.

Income Taxes – Income tax benefit did not change during the second quarter of fiscal 2023, compared to the second quarter of fiscal 2022. The realization of tax benefits depends on the existence of future taxable income. Pursuant to Accounting Standards Codification (“ASC”) 740 “Income Taxes”, a valuation allowance has been established on all of our deferred tax assets.

Six months ended December 31, 2022, compared to six months ended December 31, 2021:

Selected consolidated financial data for the six months ended December 31, 2022, and 2021 is as follows:

	Six Months Ended December 31,	
(In thousands)	**2022**	**2021**
Revenue	$ 301	$ 748
Cost of revenue	187	616
Gross profit	**114**	**132**
Gross margin	**38%**	**18%**
Operating expenses:		
Selling, general and administrative	3,200	3,154
Research and development	2,492	1,291
Total operating expenses	**5,692**	**4,445**
Loss from operations	**(5,578)**	**(4,313)**
Other income and expense, net	631	104
Income tax benefit	—	—
Net loss	$ **(4,947)**	$ **(4,209)**

Revenue – Total revenue decreased by $447 thousand during the fiscal year 2023, compared to the fiscal year 2022. In the fiscal year 2023, all revenue was comprised of TRACER 1000 unit sales and rentals, as well as ongoing sales of consumables and recurring maintenance services for the TRACER 1000. In the fiscal year 2022, all revenue was related to the sales of our TRACER 1000 to an airport security checkpoint customer as well as DHL (Deutsche Post AG). The decrease in revenue is primarily the result of Astrotech shifting its sales efforts from the volatile ETD market and concentrating on commercializing, marketing, and selling the AgLAB 1000-D2. We believe that the AgLAB market should provide for a more profitable opportunity compared to the commoditized ETD market.

Cost of Revenue – Gross profit is comprised of revenue less cost of revenue. In the six months ended December 31, 2022 and 2021, cost of revenue was comprised of labor, materials, shipping, and warranty reserve related to the sale of TRACER 1000 units. Cost of revenue decreased $429 thousand during the fiscal year 2023, compared to fiscal year 2022, due to the decrease in revenue as described above. Gross margin increased by 20% in the fiscal year 2023, compared to the fiscal year 2022 due to a higher proportion of recurring revenue.

Operating Expenses – Operating expenses increased $1.2 million, or 28.1%, during the six months ended December 31, 2022, compared to the six months ended December 31, 2021. Significant changes to operating expenses include the following:

- Selling, general and administrative expenses remained consistent during the six months ended December 31, 2022, compared to the six months ended December 31, 2021.

- Research and development expenses increased $1.2 million, or 93.0%, during the six months ended December 31, 2022, compared to the six months ended December 31, 2021, largely driven by increases in expenses related to cross-platform improvements to our technology, field trials and further development and refinement of our AgLAB product, increased headcount, purchases of machinery and equipment, as well as contracting an additional clinical research firm to accelerate the collection of samples for building the BreathTech library.

Other income and expense, net – Other income and expense, net increased $527 thousand during the six months ended December 31, 2022 compared to the six months ended December 31, 2021 driven by more income earned on short-term, capital-preservation investments as interest rates have increased and a reduction of interest expense from the partial payment of related party notes in September 2021 which was the primary driver of the prior year other income and expense, net.

Income Taxes – Income tax benefit did not change during the six months ended December 31, 2022, compared to the six months ended December 31, 2021. The realization of tax benefits depends on the existence of future taxable income. Pursuant to ASC 740, a valuation allowance has been established on all of our deferred tax assets.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following is a summary of the change in our cash and cash equivalents:

	Six Months Ended December 31,		
(In thousands)	**2022**	**2021**	**Change**
Change in cash and cash equivalents:			
Net cash used in operating activities	$ (4,255)	$ (3,484)	$ (771)
Net cash used in investing activities	(5,732)	(264)	(5,468)
Net cash used in financing activities	(577)	(2,018)	1,441
Net change in cash and cash equivalents	**$ (10,564)**	**$ (5,766)**	**$ (4,798)**

Cash and Cash Equivalents

As of December 31, 2022, we held cash and cash equivalents of $15.9 million, and our working capital was approximately $47.2 million. As of June 30, 2022, we had cash and cash equivalents of $26.4 million, and our working capital was approximately $52.3 million. Cash and cash equivalents decreased $10.6 million as of December 31, 2022, compared to June 30, 2022, due to the purchases of short-term time deposit investments as well as continuing operating expenses.

Operating Activities

Cash used in operating activities increased $771 thousand for the six months ended December 31, 2022, compared to the six months ended December 31, 2021, due to an increase in prepayments and operating expenses, partially offset by an increase of accounts payable.

Investing Activities

Cash used in investing activities increased $5.5 million for the six months ended December 31, 2022, compared to the six months ended December 31, 2021, due to the purchases of short-term time deposit investments.

Financing Activities

Cash used in financing activities decreased $1.4 million for the six months ended December 31, 2022, compared to the six months ended December 31, 2021, due to a larger repayment of related party debt in the prior year.

We did not have any material off-balance sheet arrangements as of December 31, 2022.

Share Repurchase Program

On November 9, 2022, the Company's Board of Directors authorized a share repurchase program that allows the Company to repurchase up to $1.0 million of the Company's common stock beginning November 17, 2022 and continuing through and including November 17, 2023. The shares may be repurchased from time to time in open market or privately negotiated transactions or by other means in accordance with applicable state and federal securities laws. The timing, as well as the number and value of shares repurchased under the program, will be determined by the Company at its discretion and will depend on a variety of factors, including management's assessment of the intrinsic value of the Company's common stock, the market price of the Company's common stock, general market and economic conditions, available liquidity, compliance with the Company's debt and other agreements, applicable legal requirements, and other considerations. The exact number of shares to be repurchased by the Company is not guaranteed, and the program may be suspended, modified, or discontinued at any time without prior notice. The Company expects to fund the repurchases with available working capital. There were no repurchases of the Company's common stock under the share repurchase program during the three months ended December 31, 2022.

Liquidity

During the fiscal year 2021, we successfully completed several public offerings of our common stock, raising net proceeds of approximately $67.6 million which will be used to satisfy our short-term and long-term capital needs. Other than using cash to pay for repurchases of the Company's common stock under the share repurchase program, there have been no material updates to our expectations for our short- and long-term liquidity and operating capital requirements since our Annual Report on Form 10-K for the year ended June 30, 2022.

Income Taxes

Provision for Income Tax

Our effective tax rate is 0% for income tax for the six months ended December 31, 2022, and we expect that our effective tax rate for the full fiscal year 2023 year will be 0%. Based on the weight of available evidence, including net cumulative losses and expected future losses, we have determined that it is more likely than not that our U.S. federal and state deferred tax assets will not be realized and therefore a full valuation allowance has been provided on the U.S. federal and state net deferred tax assets.

In general, if we experience a greater than 50 percentage point aggregate change in ownership over a three-year period (a Section 382 ownership change), utilization of its pre-change net operating loss ("NOL") carryforwards are subject to an annual limitation under Section 382 of the Internal Revenue Code. Generally, U.S. state laws have laws similar to Internal Revenue Code Section 382. The annual limitation generally is determined by multiplying the value of the Company's stock at the time of such ownership change (subject to certain adjustments) by the applicable long-term tax-exempt rate. Such limitations may result in expiration of a portion of the NOL carryforward before utilization.

We file U.S. federal and state income tax returns. We are not currently subject to any income tax examinations. Dating back to June 2002, we have net operating loss carryovers, which generally allows all tax years to remain open to income tax examinations for all years for which there are loss carryforwards.

Uncertain Tax Positions

We recognize the financial statement effects of a tax position when it becomes more likely than not, based upon the technical merits, that the position will be sustained upon examination. We currently have approximately $400 thousand of uncertain tax positions as of December 31, 2022, all of which are accounted as contra-deferred tax assets. The Company does not expect any significant changes to its uncertain tax positions in the coming 12 months.

Income Taxes

There is $0 provision for income taxes during each of the three and six months ended December 31, 2022 and 2021.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating and implementing possible controls and procedures. Management, including our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2022 at the reasonable assurance level.

Changes in Internal Controls over Financial Reporting

There have been no changes in our internal controls over financial reporting that occurred during our last fiscal quarter ended December 31, 2022 that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On April 15, 2021, a putative stockholder of the Company commenced a class action and derivative lawsuit in the Delaware Court of Chancery, Stein v. Pickens, et al., C.A. No. 2021-0322-JRS (the “Stein Action”), in which it was alleged, among other things, that the Company improperly included broker non-votes in the tabulation of votes counted in favor to approve an amendment to the Company’s Certificate of Incorporation (the “2020 Certificate Amendment”) and, thus the 2020 Certificate Amendment was defective. The Company investigated those allegations and does not believe that the filing and effectiveness of the 2020 Certificate Amendment was either invalid or ineffective. Nevertheless, to resolve any uncertainty, on April 30, 2021, the Company filed a validation proceeding in the Delaware Court of Chancery, In re Astrotech Corporation, C.A. No. 2021-0380-JRS, pursuant to Section 205 of the Delaware General Corporation Law. On October 6, 2021, the Delaware Court of Chancery granted the Company’s request and confirmed and validated the 2020 Certificate Amendment. Thereafter, a settlement in principle was reached with the Plaintiffs in the Stein Action and the parties to the Stein Action presented the settlement to the Court for approval. The Company is currently awaiting a Court decision.

Further information regarding the Stein Action and the Section 205 Action is provided in the Schedule 14A proxy statement amendment and supplement filed by the Company with the SEC on April 29, 2021.

ITEM 1A. RISK FACTORS

Our business, financial condition, results of operations, and cash flows may be impacted by a number of factors, many of which are beyond our control, including those set forth in our Form 10-K and our Form 10-Qs, the occurrence of any one of which could have a material adverse effect on our actual results.

Except as set forth below, there have been no material changes to the risk factors and other cautionary statements described under the heading “Item 1A. Risk Factors” included in our Form 10-K for the fiscal year ended June 30, 2022:

There can be no assurance that we will repurchase shares of our common stock at all or in any particular amounts.

The stock markets in general have experienced substantial price and trading fluctuations, which have resulted in volatility in the market prices of securities that often are unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the trading price of our common stock. Price volatility over a given period may also cause the average price at which we repurchase our own common stock to exceed the stock’s price at a given point in time. In addition, significant changes in the trading price of our common stock and our ability to access capital on terms favorable to us could impact our ability to repurchase shares of our common stock. The timing and amount of any repurchases will be determined by the Company’s management based on its evaluation of market conditions, capital allocation alternatives and other factors beyond our control. Our share repurchase program may be modified, suspended, extended or terminated by the Company at any time and without notice.

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

On November 9, 2022, the Company’s Board of Directors authorized a share repurchase program that allows the Company to repurchase up to $1.0 million of the Company’s common stock beginning November 17, 2022 and continuing through and including November 17, 2023. There were no repurchases of the Company’s common stock under the share repurchase program during the three months ended December 31, 2022.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description	Incorporation by Reference
3.1	Certificate of Incorporation, as filed with the Secretary of State of the State of Delaware.	Exhibit 3.1 to Form 8-K filed on December 28, 2017.
3.2	Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on December 28, 2017).	Exhibit 3.2 to Form 8-K filed on December 28, 2017.
3.3	Certificate of Designations of Series A Junior Participating Preferred Stock, as filed with the Secretary of State of the State of Delaware.	Exhibit 3.3 to Form 8-K filed on December 28, 2017.
3.4	Certificate of Designations of Preferences, Rights and Limitations of Series D Convertible Preferred Stock, as filed with the Delaware Secretary of State on April 17, 2019.	Exhibit 3.2 to Form 8-K filed on April 23, 2019.
3.5	Certificate of Amendment to the Certificate of Incorporation of Astrotech Corporation.	Exhibit 3.1 to Form 8-K filed on July 1, 2020.
3.6	Certificate of Amendment to the Certificate of Incorporation of Astrotech Corporation.	Exhibit 3.1 to Form 8-K filed on October 12, 2021.
3.7	Third Certificate of Amendment to the Certificate of Incorporation of Astrotech Corporation.	Exhibit 3.1 to Form 8-K filed on November 23, 2022.
4.1	Rights Agreement between the Company and American Stock Transfer & Trust Company, LLC, as Rights Agent, dated as of December 21, 2022.	Exhibit 4.1 to Form 8-K filed on December 21, 2022.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.	Filed herewith.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.	Filed herewith.
32.1	Certification pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934.	Furnished herewith.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	Filed herewith.
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2022, has been formatted in Inline XBRL.	

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.

Astrotech Corporation

Date: February 13, 2023

/s/ Jaime Hinojosa
Jaime Hinojosa
Chief Financial Officer, Treasurer and Secretary
(Principal Financial and Accounting Officer)