

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2025

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-32442



INUVO, INC.

(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of  
incorporation or organization)

500 President Clinton Ave., Suite 300 Little Rock, AR  
(Address of principal executive offices)

87-0450450  
(I.R.S. Employer  
Identification No.)

72201  
(Zip Code)

(501) 205-8508  
Registrant's telephone number, including area code

not applicable  
(Former name, former address and former fiscal year, if changed since last report)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---------------------|-------------------|-------------------------------------------|
| Common stock        | INUV              | NYSE American                             |

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 the filing requirements for at least 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 and post such files). Yes ☒ No ☐

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

|                         |                                     |                           |                                     |
|-------------------------|-------------------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/>            | Accelerated filer         | <input type="checkbox"/>            |
| Non-accelerated filer   | <input checked="" type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
| Emerging growth company | <input type="checkbox"/>            |                           |                                     |

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 pursuant to Section 13(a) of the Exchange Act: ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

|                |             |
|----------------|-------------|
| Title of Class | May 2, 2025 |
| Common Stock   | 144,253,434 |

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "will," "should," "intend," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential," or "continue," or the negative of such terms or other comparable terminology. This report includes, among others, statements regarding our risks associated with:

- a decline in general economic conditions;
- decreased market demand for our products and services;
- customer revenue concentration;
- risks associated with customer collections;
- seasonality impacts on financial results and cash availability;
- dependence on advertising suppliers;
- the ability to acquire traffic in a profitable manner;
- failure to keep pace with technological changes;
- interruptions within our information technology infrastructure;
- dependence on key personnel;
- regulatory and legal uncertainties;
- failure to comply with privacy and data security laws and regulations;
- third party infringement claims;
- publishers who could fabricate fraudulent clicks;
- the ability to continue to meet the NYSE American listing standards;
- the impact of quarterly results on our common stock price;
- dilution to our stockholders upon the vesting of outstanding restricted stock unit grants and warrants; and
- our ability to identify, finance, complete and successfully integrate future acquisitions.

These forward-looking statements were based on various factors and were derived utilizing numerous assumptions and other factors that could cause our actual results to differ materially from those in the forward-looking statements. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein. Readers are cautioned not to place undue reliance on these forward-looking statements and readers should carefully review this report in its entirety, including the risks described in Part II, Item 1A. Risk Factors appearing in this report, together with those appearing in Item 1A. Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2024 as filed with the Securities and Exchange Commission ("SEC") on February 27, 2025 and our subsequent filings with the SEC.

Except for our ongoing obligations to disclose material information under the federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. These forward-looking statements speak only as of the date of this report, and you should not rely on these statements without also considering the risks and uncertainties associated with these statements and our business.

## OTHER PERTINENT INFORMATION

Unless specifically set forth to the contrary, when used in this report the terms "Inuvo," the "Company," "we," "us," "our" and similar terms refer to Inuvo, Inc., a Nevada corporation, and its subsidiaries. When used in this report, "first quarter 2025" means for the three months ended March 31, 2025, "first quarter 2024" means for the three months ended March 31, 2024, "2024" means the fiscal year ended December 31, 2024 and "2025" means the fiscal year ending December 31, 2025. The information which appears on our corporate web site at [www.inuvo.com](http://www.inuvo.com) and our various social media platforms are not part of this report.

**PART I - FINANCIAL INFORMATION**
**ITEM 1. FINANCIAL STATEMENTS**

**INUVO, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**March 31, 2025 (Unaudited) and December 31, 2024**

|                                                                                                         | <b>March 31,<br/>2025</b> | <b>December 31,<br/>2024</b> |
|---------------------------------------------------------------------------------------------------------|---------------------------|------------------------------|
| <b>Assets</b>                                                                                           |                           |                              |
| Current assets                                                                                          |                           |                              |
| Cash and cash equivalents                                                                               | \$ 2,561,993              | \$ 2,459,245                 |
| Accounts receivable, net of allowance for credit losses of \$176,249 and \$144,625, respectively.       | 12,022,440                | 12,545,771                   |
| Prepaid expenses and other current assets                                                               | 738,995                   | 639,805                      |
| Total current assets                                                                                    | 15,323,428                | 15,644,821                   |
| Property and equipment, net                                                                             | 1,793,966                 | 1,792,903                    |
| Other assets                                                                                            |                           |                              |
| Goodwill                                                                                                | 9,853,342                 | 9,853,342                    |
| Intangible assets, net of accumulated amortization                                                      | 3,777,499                 | 3,894,875                    |
| Right of use assets - operating lease                                                                   | 853,496                   | 913,439                      |
| Right of use assets - finance lease                                                                     | 12,118                    | 18,209                       |
| Other assets                                                                                            | 78,342                    | 78,342                       |
| Total other assets                                                                                      | 14,574,797                | 14,758,207                   |
| Total assets                                                                                            | <u>\$ 31,692,191</u>      | <u>\$ 32,195,931</u>         |
| <b>Liabilities and Stockholders' Equity</b>                                                             |                           |                              |
| Current liabilities                                                                                     |                           |                              |
| Accounts payable                                                                                        | \$ 7,257,005              | \$ 8,422,351                 |
| Accrued expenses and other current liabilities                                                          | 9,940,434                 | 9,185,461                    |
| Lease liability - operating lease                                                                       | 269,028                   | 259,867                      |
| Lease liability - finance lease                                                                         | 12,119                    | 18,209                       |
| Total current liabilities                                                                               | 17,478,586                | 17,885,888                   |
| Long-term liabilities                                                                                   |                           |                              |
| Deferred tax liability                                                                                  | 99,942                    | 97,266                       |
| Lease liability - operating lease                                                                       | 666,949                   | 738,005                      |
| Total long-term liabilities                                                                             | 766,891                   | 835,271                      |
| Stockholders' equity                                                                                    |                           |                              |
| Preferred stock, \$0.001 par value:                                                                     |                           |                              |
| Authorized shares 500,000, none issued and outstanding                                                  | -                         | -                            |
| Common stock, \$0.001 par value:                                                                        |                           |                              |
| Authorized shares 200,000,000; issued and outstanding shares 143,615,273 and 140,502,039, respectively. | 143,614                   | 140,501                      |
| Additional paid-in capital                                                                              | 187,771,933               | 186,543,283                  |
| Accumulated deficit                                                                                     | (174,468,833)             | (173,209,012)                |
| Total stockholders' equity                                                                              | 13,446,714                | 13,474,772                   |
| Total liabilities and stockholders' equity                                                              | <u>\$ 31,692,191</u>      | <u>\$ 32,195,931</u>         |

See accompanying notes to the consolidated financial statements.

**INUVO, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
**(Unaudited)**

|                                           | <b>For the Three Months Ended March</b> |                       |
|-------------------------------------------|-----------------------------------------|-----------------------|
|                                           | <b>31,</b>                              |                       |
|                                           | <b>2025</b>                             | <b>2024</b>           |
| Net revenue                               | \$ 26,708,032                           | \$ 17,023,777         |
| Cost of revenue                           | 5,620,941                               | 2,099,042             |
| Gross profit                              | 21,087,091                              | 14,924,735            |
| Operating expenses                        |                                         |                       |
| Marketing costs                           | 17,512,994                              | 13,102,644            |
| Compensation                              | 3,599,321                               | 3,224,859             |
| General and administrative                | 1,744,563                               | 688,510               |
| Total operating expenses                  | 22,856,878                              | 17,016,013            |
| Operating loss                            | (1,769,787)                             | (2,091,278)           |
| Financing expense, net of interest income | (27,929)                                | (20,380)              |
| Other income                              | 540,571                                 | -                     |
| Income tax expense                        | (2,676)                                 | -                     |
| Net loss                                  | (1,259,821)                             | (2,111,658)           |
| Other comprehensive income                |                                         |                       |
| Comprehensive loss                        | <u>\$ (1,259,821)</u>                   | <u>\$ (2,111,658)</u> |
| Per common share data                     |                                         |                       |
| Basic and diluted:                        |                                         |                       |
| Net loss                                  | <u>\$ (0.01)</u>                        | <u>\$ (0.02)</u>      |
| Weighted average shares                   |                                         |                       |
| Basic                                     | 142,719,274                             | 138,789,669           |
| Diluted                                   | 142,719,274                             | 138,789,669           |

See accompanying notes to the consolidated financial statements.

**INUVO, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(unaudited)**  
**For the Three Months Ended March 31,**

|                                                            | 2025         |            |                |                  |               |
|------------------------------------------------------------|--------------|------------|----------------|------------------|---------------|
|                                                            | Common Stock |            | Additional     | Accumulated      |               |
|                                                            | Shares       | Stock      | Paid in        | Deficit          | Total         |
|                                                            |              |            | Capital        |                  |               |
| Balance as of December 31, 2024                            | 140,502,039  | \$ 140,501 | \$ 186,543,283 | \$ (173,209,012) | \$ 13,474,772 |
| Net loss                                                   |              |            |                | (1,259,821)      | (1,259,821)   |
| Stock-based compensation                                   |              |            | 304,284        |                  | 304,284       |
| Stock issued for vested restricted stock units             | 1,518,921    | 1,519      | (1,519)        |                  | —             |
| Shares withheld for taxes on vested restricted stock units |              |            | (201,359)      |                  | (201,359)     |
| At-the-market sale of common stock                         | 1,594,313    | 1,594      | 1,127,244      |                  | 1,128,838     |
| Balance as of March 31, 2025                               | 143,615,273  | \$ 143,614 | \$ 187,771,933 | \$ (174,468,833) | \$ 13,446,714 |
|                                                            |              |            |                |                  |               |
|                                                            | 2024         |            |                |                  |               |
|                                                            | Common Stock |            | Additional     | Accumulated      |               |
|                                                            | Shares       | Stock      | Paid in        | Deficit          | Total         |
|                                                            |              |            | Capital        |                  |               |
| Balance as of December 31, 2023                            | 137,983,918  | \$ 137,983 | \$ 184,291,414 | \$ (167,447,211) | \$ 16,982,186 |
| Net loss                                                   |              |            |                | (2,111,658)      | (2,111,658)   |
| Stock-based compensation                                   |              |            | 396,312        |                  | 396,312       |
| Stock issued for vested restricted stock units             | 1,444,866    | 1,445      | (1,445)        |                  | —             |
| Shares withheld for taxes on vested restricted stock units |              |            | (161,973)      |                  | (161,973)     |
| Balance as of March 31, 2024                               | 139,428,784  | \$ 139,428 | \$ 184,524,308 | \$ (169,558,869) | \$ 15,104,867 |

**INUVO, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

|                                                                                | <b>For the Three Months Ended March</b> |                     |
|--------------------------------------------------------------------------------|-----------------------------------------|---------------------|
|                                                                                | <b>31,</b>                              |                     |
|                                                                                | <b>2025</b>                             | <b>2024</b>         |
| Operating activities:                                                          |                                         |                     |
| Net loss                                                                       | \$ (1,259,821)                          | \$ (2,111,658)      |
| Adjustments to reconcile net loss to net cash used in operating activities:    |                                         |                     |
| Depreciation and amortization                                                  | 568,042                                 | 673,203             |
| Amortization of right of use assets - financing                                | 6,090                                   | 18,649              |
| Amortization of right of use assets - operating lease                          | 59,945                                  | 56,959              |
| Stock based compensation                                                       | 304,284                                 | 396,312             |
| Derecognition of contingency and grant                                         | -                                       | (5,000)             |
| Amortization of financing fees                                                 | -                                       | 833                 |
| Impairment and amortization of referral and support services agreement advance | -                                       | 75,000              |
| Adjustment to expected losses on accounts receivable                           | 31,624                                  | (1,100,000)         |
| Deferred income tax expense                                                    | 2,676                                   | -                   |
| Change in operating assets and liabilities:                                    |                                         |                     |
| Accounts receivable                                                            | 491,707                                 | 1,616,597           |
| Prepaid expenses, other current assets and other assets                        | (99,191)                                | 57,245              |
| Accrued expenses and other liabilities                                         | 754,973                                 | 107,865             |
| Accounts payable                                                               | (1,165,346)                             | (1,101,313)         |
| Lease liability - operating lease                                              | (61,895)                                | (40,284)            |
| Net cash used in operating activities                                          | (366,912)                               | (1,355,592)         |
| Investing activities:                                                          |                                         |                     |
| Purchases of equipment and capitalized development costs                       | (451,729)                               | (472,228)           |
| Net cash used in investing activities                                          | (451,729)                               | (472,228)           |
| Financing activities:                                                          |                                         |                     |
| Proceeds from at-the-market sales                                              | 1,128,838                               | -                   |
| Principal payments on finance lease obligations                                | (6,090)                                 | (18,705)            |
| Net taxes paid on restricted stock unit grants exercised                       | (201,359)                               | (161,972)           |
| Net cash provided by/(used in) financing activities                            | 921,389                                 | (180,677)           |
| Net change – cash                                                              | 102,748                                 | (2,008,497)         |
| <b>Cash and cash equivalent, beginning of year</b>                             | <b>2,459,245</b>                        | <b>4,440,454</b>    |
| <b>Cash and cash equivalent, end of period</b>                                 | <b>\$ 2,561,993</b>                     | <b>\$ 2,431,957</b> |
| Supplemental information:                                                      |                                         |                     |
| Interest paid                                                                  | \$ 125,726                              | \$ 36,914           |
| Acquisition of right of use asset for operating lease liability                | \$ -                                    | \$ 335,286          |

See accompanying notes to the consolidated financial statements.

**Inuvo, Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**Note 1 – Organization and Business**

**Company Overview**

Inuvo is an advertising technology and services company that has developed and commercialized large language generative artificial intelligence (AI) capable of discovering and targeting digital audiences. Inuvo's innovative technology positions it as a leader within the advertising industry, offering a valuable solution to marketers seeking to navigate the evolving landscape of consumer privacy. The AI targets the reasons behind why people are interested in products, services and brands.

Inuvo sells its information technology solutions to agencies and brands (collectively, "Agencies & Brands") along with large consolidators of advertising demand ("Platforms"). Inuvo's revenue is derived from the placement of digital advertising across devices, websites, applications and browsers within social, search and programmatic advertising channels. Inuvo facilitates and gets paid to deliver advertising messages and counts among its client's numerous world-renowned companies across industries.

The AI, marketed as IntentKey was designed to replace the consumer data, analytics, segmentation and lookalike modeling technologies that have traditionally served the advertising industry as it transitions to a new paradigm where targeting based on a consumer's identity and data are no longer possible due to the legislative and technological changes occurring.

Inuvo's AI technology solves the identity challenge by leveraging artificial intelligence, data analytics, and automation that can optimize the purchase and placement of advertising in real time without consumer data. The technology can be consumed by Agency & Brands clients as a managed service or self-service (SaaS). Additionally, Inuvo has developed proprietary technology and assets tailored to certain clients that include digital content, websites, automated campaigns, ad fraud detection, performance reporting, and predictive media mix modeling.

Both Agencies & Brands and Platforms benefit from Inuvo's ability to intelligently process vast amounts of data, detect patterns in behavior, and enhance advertising efficiency, whether through direct media execution or integration into existing campaign management systems. These capabilities are typically sold with services both individually and in combination with each other based on client needs. Agencies & Brands utilize our artificial intelligence-based consumer intent recognition system to reach highly targeted mobile and desktop In-Market audiences with precision. The solution can serve multiple creative formats including display, video, audio and native across multiple device types including desktop, mobile, tablet, connected/smart TV and game consoles. The technology can be consumed by Agency & Brands clients as a managed service or self-service (SaaS). For our Platform clients we utilize a collection of data, analytics, software, content management and website creation technologies to align merchant advertising messages with online content.

Inuvo's intellectual property is protected by 20 issued and four pending patents.

**Liquidity**

Our principal sources of liquidity are the sale of our common stock and our credit facility discussed in Note 5– Bank Debt.

On May 7, 2024, we entered into an At The Market Offering Agreement (the "ATM Agreement") with H.C. Wainwright & Co. LLC ("Wainwright"), to sell shares of our common stock, par value \$0.001 per share (the "Shares"), having an aggregate sales price of up to \$15,000,000, from time to time, through an "at the market offering" program under which Wainwright will act as sales agent. The sales, if any, of the Shares made under the ATM Agreement will be made by any method permitted by law deemed to be an "at the market offering" as defined in Rule 415 promulgated under the Securities Act of 1933, as amended.

We will pay Wainwright a commission rate of up to 3.0% of the aggregate gross proceeds from each sale of Shares. For the three-month period ended March 31, 2025, we utilized the ATM Agreement and sold 1,594,313 shares of common stock for gross proceeds of \$1,163,491.

On July 31, 2024, we entered into a Financing and Security Agreement (the "Financing Agreement") with SLR Digital Finance LLC ("SLR"), effective July 30, 2024. Pursuant to the terms of the Financing Agreement, SLR will finance up to \$10 million dependent upon eligible receivables. See Note 5– Bank Debt.

As of March 31, 2025, we have approximately \$2.6 million in cash and cash equivalents. Our net working capital deficit was approximately \$2.2 million. In March 2025, we received a payment from the Internal Revenue Service totaling \$610,352, which was recorded as other income and interest income, in connection with an amended form filed in May 2023 for the Employee Retention Credit related to the first quarter of 2021. Additionally, our investing activities totaled \$451,729 for the three-month period ended March 31, 2025. This amount primarily consists of internally developed software costs, which are largely comprised of fixed labor costs, along with other capitalized expenditures. We have encountered recurring losses and cash outflows from operations, which historically we have funded through equity offerings and debt facilities. Through March 31, 2025, our accumulated deficit was \$174.5 million.

Management plans to support the Company's future operations and capital expenditures primarily through cash generated from its credit facility until such time as we reach profitability. Any repayments of the financing agreement will be made through collections from eligible accounts receivable. We believe that our current cash position, credit facility, and the equity raised through our ATM program in January 2025 will be sufficient liquidity to sustain operations for at least the next twelve months from the date of this filing. If our plan to grow the IntentKey product is unsuccessful, we may need to fund operations through private or public sales of securities, debt financings or partnering/licensing transactions over the long term.

## **Note 2 – Summary of Significant Accounting Policies**

### *Basis of presentation*

The consolidated financial statements presented are for Inuvo and its subsidiaries. The accompanying unaudited consolidated financial statements have been prepared based upon SEC rules that permit reduced disclosure for interim periods. Certain information and footnote disclosures have been condensed or omitted in accordance with those rules and regulations. The accompanying consolidated balance sheet as of December 31, 2024, was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States ("GAAP"). In our opinion, these consolidated financial statements reflect all adjustments that are necessary for a fair presentation of results of operations and financial condition for the interim periods shown including normal recurring accruals and other items. The results for the interim periods are not necessarily indicative of results for the full year. For a more complete discussion of significant accounting policies and certain other information, this report should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2024, which was filed with the SEC on February 27, 2025.

### *Use of estimates*

The preparation of financial statements, in accordance with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's regular evaluation of the relevant facts and circumstances as of the date of the consolidated financial statements. We regularly evaluate estimates and assumptions related to capitalized labor, goodwill and purchased intangible asset valuations and income tax valuation allowance. Actual results may differ from the estimates and assumptions used in preparing the accompanying consolidated financial statements, and such differences could be material.

### *Revenue Recognition*

We generate revenue by identifying audiences and presenting advertisements on behalf of our customers. We provide our products, technologies and services to Agencies & Brands and Platforms. Currently, revenue from Agencies & Brands is primarily through our IntentKey products and services and revenue from Platforms is primarily through our Bonfire products and services. Our revenue is derived from the placements of advertisements across advertising channels, browsers, applications and devices. Pricing for those advertisement placements is typically either on a cost-per-click or cost per thousand impressions basis.

Our revenue is a function of the number of advertisements placed combined with the price we obtain (using our technologies) for the placements made on behalf of our clients. We assume the risk associated of finding placements at a cost below that for which it had been sold.

We recognize revenue when control of the contracted services or product is transferred to our customer, in an amount that reflects the consideration we expect to be entitled to in exchange for those services or products. We determine revenue recognition through (i) identification of a contract with a customer, (ii) identification of the performance obligations in the contract, (iii) determination of the transaction price, (iv) allocation of the transaction price to the performance obligations in the contract, and (v) recognition of revenue when or as the performance obligations are satisfied.

For Agencies & Brands, the terms of an agreement are captured in an Insertion Order ("IO") where revenue is recognized upon delivery of services during the period covered by the IO. For Platforms, terms are generally captured in multi-year master service agreements and revenue is recognized based on the number of advertisements placed or clicked on in the period they occur. We settle advertisement placement prices with our customers net of any adjustments for quality.

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For the three-month period ended March 31, 2025, we generated \$26,708,032 in revenue of which 88.7% was from Platforms and 11.3% from Agencies & Brands. For the three-month period ended March 31, 2024, we generated \$17,023,777 in revenue of which 86.5% was from Platforms and 13.5% from Agencies & Brands.

### *Customer concentration*

For the three-month period ended March 31, 2025, two Platform customers accounted for 70.8% and 17.4%, of our overall revenue, respectively. Those same customers accounted for 51.9% and 27.5% of our gross accounts receivable balance as of March 31, 2025. For the three-month period ended March 31, 2024, one Platform customer accounted for 75.9% of our overall revenue. As of March 31, 2024, that same customer accounted for 53.8% of our gross accounts receivable balance.

### *Recent Accounting Pronouncements*

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires an annual tabular effective tax rate reconciliation disclosure including information for specified categories and jurisdiction levels, as well as, disclosure of income taxes paid, net of refunds received, disaggregated by federal, state/local, and significant foreign jurisdiction. This ASU is effective for fiscal years beginning after December 15, 2024. The adoption has an impact on disclosures with no impact to the Company's consolidated results of operations, cash flows, nor financial position.

In March 2024, the FASB issued ASU No. 2024-03, Income Statement—Reporting Comprehensive Income (Topic 220): Disaggregation of Income Statement Expenses, which requires additional disclosures of the nature of certain expenses within income statement captions. The standard introduces a tabular disclosure of specified natural expense categories (e.g., inventory purchases, employee compensation, depreciation, amortization) included within relevant line items on the face of the income statement, along with qualitative descriptions of remaining amounts. It also requires disclosure of certain expense, gain, or loss amounts already required under U.S. GAAP and the total amount of selling expenses, including the definition of selling expenses in annual periods. This ASU is effective for annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027. The adoption will affect disclosures only and is not expected to impact the Company's consolidated results of operations, cash flows, or financial position.

### Note 3 – Property and Equipment

The net carrying value of property and equipment was as follows as of:

|                                                 | March 31,<br>2025   | December 31,<br>2024 |
|-------------------------------------------------|---------------------|----------------------|
| Furniture and fixtures                          | \$ 293,152          | \$ 293,152           |
| Equipment                                       | 1,219,421           | 1,192,071            |
| Capitalized software development costs          | 18,365,353          | 17,940,976           |
| Leasehold improvements                          | 465,885             | 465,885              |
| Subtotal                                        | 20,343,811          | 19,892,084           |
| Less: accumulated depreciation and amortization | (18,549,845)        | (18,099,181)         |
| Total                                           | <u>\$ 1,793,966</u> | <u>\$ 1,792,903</u>  |

During the three months ended March 31, 2025 and March 31, 2024, depreciation and amortization expense was \$450,666 and \$427,078, respectively.

### Note 4 – Other Intangible Assets and Goodwill

The following is a schedule of intangible assets and goodwill as of March 31, 2025:

|                                           | Term     | Carrying<br>Value    | Accumulated<br>Amortization and<br>Impairment | Net Carrying<br>Value | Year-to-date<br>Amortization |
|-------------------------------------------|----------|----------------------|-----------------------------------------------|-----------------------|------------------------------|
| Customer list, Google                     | 20 years | \$ 8,820,000         | \$ (5,769,751)                                | \$ 3,050,249          | \$ 110,251                   |
| Customer list, ReTargeter                 | 5 years  | 1,931,250            | (1,931,250)                                   | -                     | -                            |
| Brand name, ReTargeter                    | 5 years  | 643,750              | (643,750)                                     | -                     | -                            |
| Customer relationships                    | 20 years | 570,000              | (232,750)                                     | 337,250               | 7,125                        |
| Trade names, web properties (1)           | -        | 390,000              | -                                             | 390,000               | -                            |
| Intangible assets classified as long-term |          | <u>\$ 12,355,000</u> | <u>\$ (8,577,501)</u>                         | <u>\$ 3,777,499</u>   | <u>\$ 117,376</u>            |
| Goodwill, total                           | -        | \$ 9,853,342         | \$ -                                          | \$ 9,853,342          | \$ -                         |

(1) The trade names related to our web properties have an indefinite life, and as such are not amortized.

Amortization expense over the next five years and thereafter is as follows:

|                          |                     |
|--------------------------|---------------------|
| 2025 (remainder of year) | \$ 352,124          |
| 2026                     | 469,500             |
| 2027                     | 469,500             |
| 2028                     | 469,500             |
| 2029                     | 469,500             |
| Thereafter               | 1,157,375           |
| Total                    | <u>\$ 3,387,499</u> |

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The following is a schedule of intangible assets and goodwill as of December 31, 2024 and amortization expense for the three months ended March 31, 2024:

|                                           | Term     | Carrying Value       | Accumulated Amortization and Impairment | Net Carrying Value  | 2024 Amortization |
|-------------------------------------------|----------|----------------------|-----------------------------------------|---------------------|-------------------|
| Customer list, Google                     | 20 years | \$ 8,820,000         | \$ (5,659,500)                          | \$ 3,160,500        | \$ 110,250        |
| Customer list, ReTargeter                 | 5 years  | 1,931,250            | (1,931,250)                             | -                   | 96,562            |
| Brand name, ReTargeter                    | 5 years  | 643,750              | (643,750)                               | -                   | 32,188            |
| Customer relationships                    | 20 years | 570,000              | (225,625)                               | 344,375             | 7,125             |
| Trade names, web properties               | -        | 390,000              | -                                       | 390,000             | -                 |
| Intangible assets classified as long-term |          | <u>\$ 12,355,000</u> | <u>\$ (8,460,125)</u>                   | <u>\$ 3,894,875</u> | <u>\$ 246,125</u> |
| Goodwill, total                           |          | <u>\$ 9,853,342</u>  | <u>\$ -</u>                             | <u>\$ 9,853,342</u> | <u>\$ -</u>       |

**Note 5 – Bank Debt**

On March 1, 2023, we entered into Amendment No. 1 to Loan and Security Agreement and Collateral Documents ("Agreement") with Mitsubishi HC Capital America, Inc., f/k/a/ Hitachi Capital America Corp. ("MHCA"). Under the terms of the Agreement, MHCA provided us with a \$5,000,000 line of credit commitment. We were permitted to borrow up to 85% of the aggregate Eligible Accounts Receivable, up to the maximum credit commitment of \$5,000,000. We paid MHCA monthly interest at the rate of 1.75% in excess of the Wall Street Journal Prime Rate. We paid MHCA an amendment fee of \$10,000 on issuance of the Agreement, and thereafter an annual commitment fee of \$10,000. We also paid MHCA a quarterly service fee of 0.20% on the monthly unused amount of the maximum credit line. All obligations to MHCA have been satisfied and the Agreement was terminated on July 31, 2024. At December 31, 2024, there were no outstanding balances due under the Agreement.

On July 30, 2024, we entered into a Financing and Security Agreement and Collateral Documents ("Financing Agreement") with SLR Digital Finance LLC ("SLR"). Under the terms of the Financing Agreement, SLR has provided us with a \$10,000,000 line of credit commitment. We are permitted to borrow up to 90% of eligible accounts receivable as defined in the Financing Agreement, up to the maximum credit commitment of \$10,000,000. Availability as of March 31, 2025 equaled the maximum credit commitment of \$10,000,000. We will pay SLR monthly interest at the rate of 1.0% in excess of the Prime Rate but not less than 7%. The Prime Rate was 7.5% as of March 31, 2025. The Financing Agreement has a three year term. The Financing Agreement contains certain affirmative and negative covenants to which we are also subject. We agreed to pay SLR an annual facility fee of 0.80% of the maximum credit commitment. We also agreed to pay a minimum utilization amount of the interest rate multiplied by difference between \$500,000 and the average daily outstanding loan during a month. We are obligated to pay SLR a monthly service fee of 0.15% of the average net amount of outstanding loans during each month. If we terminate the Financing Agreement prior to the second anniversary of the effective date, an amount equal to 1.0% of the maximum credit commitment will be due as an early termination payment and if we terminate after the second anniversary of the effective date but prior to the end of the term, an amount equal to 0.25% of the maximum credit commitment will be due. Repayment of the financing agreement will be made through collections from eligible accounts receivable.

At March 31, 2025 and December 31, 2024 the outstanding balances due under the Financing Agreement was \$0.

**Note 6 – Accrued Expenses and Other Current Liabilities**

The accrued expenses and other current liabilities consist of the following as of:

|                                     | <b>March 31,<br/>2025</b> | <b>December 31,<br/>2024</b> |
|-------------------------------------|---------------------------|------------------------------|
| Accrued marketing costs             | \$ 8,243,219              | \$ 7,872,564                 |
| Accrued compensation                | 910,422                   | 386,340                      |
| Accrued professional fees and other | 778,870                   | 917,588                      |
| Accrued taxes, current portion      | 7,923                     | 8,969                        |
| Total                               | <u>\$ 9,940,434</u>       | <u>\$ 9,185,461</u>          |

**Note 7 – Commitments**

On September 17, 2021, we signed a multi-year agreement with a business development partner to provide referral and support services to us. The agreement required an advance fee of \$1.5 million. The advance was being amortized as marketing expenses over five years. During the year ended December 31, 2024, we recorded an impairment to the asset in the amount of \$800,000 bringing the balance to \$0. For the three months ended March 31, 2025 and 2024 amortization of the advance amounted to \$0 and \$75,000, respectively.

**Note 8 – Income Taxes**

As of March 31, 2025, we have \$2,676 deferred income tax expense and incur only the minimum state taxes which are included in operating expenses. We have deferred tax assets of \$42,874,783. We believe it is more likely than not that essentially none of our deferred tax assets will be realized, and we have recorded a valuation allowance of \$41,895,025 for the deferred tax assets that may not be realized as of March 31, 2025. We also have deferred tax liabilities totaling \$1,079,700 as of March 31, 2025, related to intangible assets acquired in March 2012 and February 2017. These balances are presented as a net deferred tax liability of \$99,942 composed of indefinite lived intangible assets. As of December 31, 2024, the Company had a net deferred tax liability of \$97,266. The net deferred tax liability is due to goodwill and trade name that are amortized for tax purposes both of which are not being amortized for book purposes.

**Note 9 – Stock-Based Compensation**

We maintain a stock-based compensation program intended to attract, retain and provide incentives for talented employees and directors and align stockholder and employee interests. During the 2025 and 2024 periods, we granted restricted stock units ("RSUs") from the 2017 Equity Compensation Plan, as amended ("2017 ECP"). RSU vesting periods are generally up to three years and/or based upon achieving certain financial targets.

As of March 31, 2025, the total number of authorized shares of our common stock under the 2017 ECP was 24,550,000.

*Compensation Expense*

For the three months ended March 31, 2025 and March 31, 2024, we recorded stock-based compensation expense for all equity incentive plans of \$304,284 and \$396,312, respectively. Total compensation cost not yet recognized at March 31, 2025 was \$1,979,433, which will be recognized over the next three years.

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The following table summarizes the stock grants outstanding under 2017 ECP for the three months ended March 31, 2025:

|       | <b>Options Outstanding</b> | <b>RSUs Outstanding</b> | <b>Options and RSUs Exercised</b> | <b>Available Shares</b> | <b>Total Awards Authorized</b> |
|-------|----------------------------|-------------------------|-----------------------------------|-------------------------|--------------------------------|
| Total | -                          | 11,036,250              | 12,263,884                        | 1,249,866               | 24,550,000                     |

The fair value of restricted stock units is determined using market value of the common stock on the date of the grant. The fair value of stock options is determined using the Black-Scholes-Merton valuation model. The use of this valuation model involves assumptions that are judgmental and highly sensitive in the determination of compensation expense and include the expected life of the option, stock price volatility, risk-free interest rate, dividend yield, exercise price, and forfeiture rate.

Forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period. The forfeiture rate, which is estimated at a weighted average of 0% of unvested options outstanding, is adjusted periodically based on the extent to which actual forfeitures differ, or are expected to differ, from the previous estimate.

The following table summarizes the weighted average assumptions for our granted options and RSUs. There were no options granted in the three months ended March 31, 2025:

|                                  | <b>RSUs</b>             |                                               |
|----------------------------------|-------------------------|-----------------------------------------------|
|                                  | <b>Number of Shares</b> | <b>Weighted Average Grant Date Fair Value</b> |
| Outstanding, beginning of period | 13,216,020              | \$ 0.33                                       |
| Granted                          | 535,000                 | \$ 0.49                                       |
| Vested                           | (2,249,768)             | \$ 0.40                                       |
| Canceled                         | (465,002)               | \$ 0.37                                       |
| Outstanding, end of period       | 11,036,250              | \$ 0.32                                       |

**Note 10 – Stockholders' Equity**

*Warrants*

On September 17, 2021, we signed an agreement with a marketing platform and consulting company to provide referral and support services to us for a period of five years (see Note 7 – Commitments). As part of that agreement, we granted a seven year warrant exercisable into 300,000 shares of our common stock, at \$0.72 per share, which vests in two tranches when certain performance metrics are achieved. The warrant was valued using the Black Scholes option pricing model at a total of \$149,551 based on a seven-year term, an implied volatility of 100%, a risk-free equivalent yield of 1.17%, and a stock price of \$0.71. The warrant is classified as equity and will be expensed over the vesting period of each tranche if the performance criteria are achieved. On August 31, 2022, 85,862 shares vested in accordance with the contracted performance criteria. On August 31, 2023, 21,136 shares vested. For the second tranche, we reversed approximately \$7,900 for the year ended December 31, 2023 due to a change in the probability of performance criteria being achieved. In accordance with our agreement, after the second anniversary of the original issue date of the warrants, any interests in warrant shares that have not vested pursuant to the terms and conditions of the agreement were deemed forfeited and shall never become exercisable. At the period ended March 31, 2025, approximately 193,000 shares have been forfeited and approximately 107,000 shares underlying the warrant have vested.

*Earnings per Share*

For the three-month period ended March 31, 2025 and 2024, we generated a net loss from continuing operations and as a result, any potential common shares are anti-dilutive.

## Note 11 – Segment Reporting

Inuvo, Inc. (the "Company") operates as a single reportable segment that places digital advertising throughout devices, websites, applications and browsers across social, search and programmatic advertising channels, facilitating the delivery of millions of advertising messages monthly. The Chief Operating Decision Maker ("CODM"), identified as the Chief Executive Officer, evaluates the Company's financial performance and makes resource allocation decisions based on consolidated financial information.

### Measure of Segment Profit or Loss

The CODM evaluates performance and allocates resources based on contribution margin, which is calculated as revenue after deducting marketing expenses, exchange fees, and publisher payments. Exchange fees and publisher payments are classified as cost of revenue. The resulting contribution margin covers Inuvo's fixed costs and profit.

### Significant Segment Expenses

The Company reports total revenue and significant expenses provided to the CODM, which include cost of revenue, marketing, and compensation expenses. These expenses are regularly reviewed to assess operating performance. The following table presents these expenses:

|                                                 | For the Three Months Ended March 31, |                       |
|-------------------------------------------------|--------------------------------------|-----------------------|
|                                                 | 2025                                 | 2024                  |
| Revenue                                         | \$ 26,708,032                        | \$ 17,023,777         |
| Cost of Revenue                                 | 5,620,941                            | 2,099,042             |
| Marketing                                       | 17,512,994                           | 13,102,644            |
| Professional Fees                               | 476,303                              | 463,693               |
| IT Costs                                        | 324,018                              | 296,849               |
| Provision/(reversal of provision) for bad debts | 31,624                               | (1,100,000)           |
| Depreciation and Amortization                   | 568,042                              | 673,203               |
| Other                                           | 344,576                              | 354,764               |
| Compensation                                    | 3,599,321                            | 3,224,860             |
| <b>Segment Operating Profit (Loss)</b>          | <b>\$ (1,769,787)</b>                | <b>\$ (2,091,278)</b> |

Other segment expenses include facilities costs, travel and entertainment expenses and various other corporate expenses.

### Geographic Information

The Company's operations are based in the United States, and substantially all revenue is derived from U.S. clients.

## Note 12 – Leases

We have entered into operating and finance leases primarily for real estate and equipment rental. These leases have terms which range from three years to six years, and often include one or more options to renew or in the case of equipment rental, to purchase the equipment. These operating and finance leases are listed as separate line items on our consolidated balance sheets and represent our right to use the underlying asset for the lease term. Our obligation to make lease payments is also listed as separate line items on our consolidated balance sheets. As of March 31, 2025 and December 31, 2024, total operating and financed right-of-use assets were \$853,496 and \$12,118, and \$913,439 and \$18,209, respectively.

As of March 31, 2025 and 2024, we recorded \$6,090 and \$18,649, respectively, in amortization expense related to finance leases.

As of March 31, 2025 and 2024, we recorded \$83,459 and \$83,619, respectively, in rent expense related to operating leases.

In May 2023, we entered into an agreement to lease 4,128 square feet of office space in San Jose, CA commencing on September 1, 2023. The lease has a term of sixty-five months with an abatement period of five months and will cost approximately \$208,000 during its first year. Thereafter, the lease payments increase by 3% annually.

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In January 2024, we amended and renewed our lease at our corporate headquarters in Little Rock, Arkansas. The lease was extended for thirty-six months commencing on February 1, 2024 and expiring on January 31, 2027 and will cost approximately \$127,000 during its first year. Thereafter, the lease payments increase by 2% annually.

Because the rate implicit in each lease is not readily determinable, we use our incremental borrowing rate to determine the present value of the lease payments.

Information related to our operating lease liabilities are as follows:

|                                                           | <b>For the Three<br/>Months Ended<br/>March 31, 2025</b> |
|-----------------------------------------------------------|----------------------------------------------------------|
| Cash paid for operating lease liabilities                 | \$ 93,917                                                |
| Weighted-average remaining lease term                     | 2.6 years                                                |
| Weighted-average discount rate                            | 10.5%                                                    |
| <b>Minimum future lease payments ended March 31, 2025</b> |                                                          |
| 2025 (remainder of year)                                  | 262,457                                                  |
| 2026                                                      | 354,565                                                  |
| 2027                                                      | 237,867                                                  |
| 2028                                                      | 233,727                                                  |
| 2029                                                      | 19,525                                                   |
| Thereafter                                                | -                                                        |
|                                                           | <u>1,108,141</u>                                         |
| Less imputed interest                                     | (172,164)                                                |
| Total lease liabilities                                   | <u>\$ 935,977</u>                                        |

Information related to our financed lease liabilities are as follows:

|                                                           | <b>For the Three<br/>Months Ended<br/>March 31, 2025</b> |
|-----------------------------------------------------------|----------------------------------------------------------|
| Cash paid for finance lease liabilities                   | \$ 6,240                                                 |
| Weighted-average remaining lease term                     | 0.5 years                                                |
| Weighted-average discount rate                            | 6.25%                                                    |
| <b>Minimum future lease payments ended March 31, 2025</b> |                                                          |
| 2025 (remainder of year)                                  | 12,251                                                   |
| 2026                                                      | -                                                        |
|                                                           | <u>12,251</u>                                            |
| Less imputed interest                                     | (132)                                                    |
| Total lease liabilities                                   | <u>\$ 12,119</u>                                         |

**Note 13 – Allowance for Credit Losses**

The activity in the allowance for credit losses was as follows during the three-month period ended March 31, 2025 and year ended December 31, 2024:

|                                                 | <b>2025</b>       | <b>2024</b>       |
|-------------------------------------------------|-------------------|-------------------|
| Balance at the beginning of the year            | \$ 144,625        | \$ 1,645,045      |
| Provision/(reversal of provision) for bad debts | 31,624            | (1,442,533)       |
| Charge-offs                                     | -                 | (62,587)          |
| Recoveries                                      | -                 | 4,700             |
| Balance at the end of the year                  | <u>\$ 176,249</u> | <u>\$ 144,625</u> |

The allowance for credit losses at March 31, 2025 was \$176,249, an increase of \$31,624 from December 31, 2024. During 2024, we made an adjustment to the allowance for expected credit losses for a balance due from a former client in 2022. The client has since paid off their full outstanding balance and no longer has any obligation to us as of December 31, 2024.

**Note 14 – Related Party Transactions**

During the three-month period ended March 31, 2025, the Company engaged in a transaction with Gabriel Court Consortium, LLC, a company in which one of our directors holds a significant interest. The transaction involved the sale of services amounting to approximately \$12,500. These transactions were conducted in the ordinary course of business.

During the three-month period ended March 31, 2025, the Company engaged in a transaction with First Orion Corp., a company in which one of our former directors holds a significant interest. The transaction involved the sale of services amounting to approximately \$78,000. These transactions were conducted in the ordinary course of business.

During the three-month period ended March 31, 2025, the Company engaged in a transaction with James & James, a company in which one of our former directors holds a significant interest. The transaction involved the sale of services amounting to approximately \$154,000. These transactions were conducted in the ordinary course of business.

**Note 15 – Subsequent Events**

None.

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

### Company Overview

Inuvo is an advertising technology and services business selling information technology solutions to brands, agencies and large consolidators of advertising demand ("Platforms"). Inuvo's revenue is derived from the placement of digital advertising throughout devices, websites, applications and browsers across social, search and programmatic advertising channels. Inuvo facilitates, and gets paid, to deliver millions of advertising messages monthly and counts among its client's numerous world-renowned companies across industries.

Inuvo's primary mission is to disrupt the advertising industry with its proprietary and patented generative large language artificial intelligence (AI), a technology capable of identifying and targeting audiences without using a consumer's identity or data. The AI was designed to replace the consumer data, analytics, segmentation and lookalike modeling technologies that have traditionally served the advertising industry as it transitions to a new paradigm where a consumer's identity and data are no longer available for advertising decisions due to legislative and technological changes. Rather than targeting people, the AI targets the reasons behind why people are interested in products, services and brands.

Inuvo's AI technology solves this challenge and can be consumed by Agency & Brands clients both as a managed service and software-as-a-service. For certain clients, Inuvo has also developed various proprietary technology and assets that include digital content, websites, automated campaigns, ad fraud detection, performance reporting and predictive media mix modeling.

The Inuvo products and services use analytics, data and artificial intelligence in a manner that optimizes the purchase and placement of advertising in real time. These capabilities are typically sold with services both individually and in combination with each other based on client needs. These products and services include:

- *IntentKey*: An artificial intelligence-based consumer intent recognition system designed to reach highly targeted mobile and desktop In-Market audiences with precision; and
- *Bonfire*: A marketing and advertising solution where a collection of data, analytics, software and publishing is used to align advertising messages with consumers across websites online.

There are many barriers to entry associated with the Inuvo business model, including a proficiency in large language model based artificial intelligence, large scale information processing, software development, consumer data products, analytics, IOT (internet of things) integration and the relationships required to execute within the IOT. Inuvo's intellectual property is protected by 20 issued and four pending patents.

### Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the reported periods. The estimates and assumptions that management makes affect the reported amounts of assets, liabilities, net revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used are based upon management's regular evaluation of the relevant facts and circumstances as of the date of the consolidated financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying consolidated financial statements, and such differences could be material. Our significant accounting policies related to Revenue Recognition, Equity-Based Compensation, Capitalized Software Costs, Goodwill, Long-lived Assets and others are described in Note 2 – Summary of Significant Accounting Policies of our Consolidated Financial Statements included elsewhere in this Report.

### Results of Operations

|                 | For the Three Months Ended March 31, |               |              |          |
|-----------------|--------------------------------------|---------------|--------------|----------|
|                 | 2025                                 | 2024          | Change       | % Change |
| Net revenue     | \$ 26,708,032                        | \$ 17,023,777 | \$ 9,684,255 | 56.9%    |
| Cost of revenue | 5,620,941                            | 2,099,042     | 3,521,899    | 167.8%   |
| Gross profit    | \$ 21,087,091                        | \$ 14,924,735 | \$ 6,162,356 | 41.3%    |

#### Net Revenue

Revenue for the three-month period ended March 31, 2025, increased by 56.9% as compared to the same time period in 2024. Revenue increased 61% and 31% from Platform and Agencies & Brands customers, respectively. Our two largest Platform partners accounted for 70.8% and 17.4% of total revenue, respectively. Revenue from both partners grew significantly—one following the launch of a new product in 2023 that we have continued to expand, and the other after we introduced a new product in the fourth quarter of 2024.

## Cost of Revenue

Cost of revenue is primarily composed of payments to website publishers and app developers that host advertisements. To a lesser extent, cost of revenue includes payments to advertising exchanges that provide access to digital inventory where we serve advertisements. The increase in cost of revenue for the period ended March 31, 2025, compared to the same time period in 2024 was related to the change in revenue mix due to increasing demand from Platform clients. The change in gross margin in the current year quarter, 79.0% compared to 87.7% in the same quarter last year was primarily due to a change in the revenue mix.

## Operating Expenses

|                            | For the Three Months Ended March 31, |                      |                     |              |
|----------------------------|--------------------------------------|----------------------|---------------------|--------------|
|                            | 2025                                 | 2024                 | Change              | % Change     |
| Marketing costs            | \$ 17,512,994                        | \$ 13,102,644        | \$ 4,410,350        | 33.7%        |
| Compensation               | 3,599,321                            | 3,224,859            | 374,462             | 11.6%        |
| General and administrative | 1,744,563                            | 688,510              | 1,056,053           | 153.4%       |
| Operating expenses         | <u>\$ 22,856,878</u>                 | <u>\$ 17,016,013</u> | <u>\$ 5,840,865</u> | <u>34.3%</u> |

Marketing costs consist mostly of traffic acquisition (i.e., media) costs and include those expenses required to attract audiences to various web properties. Marketing costs for the three-month period ended March 31, 2025 compared to the same period in 2024 increased due to a higher costs associated with higher revenue from Platform clients.

Compensation expense was higher for the three-month period ended March 31, 2025, compared to the same time period in 2024 due primarily to a one-time accrual of an employee benefit of \$335,000 and a higher incentive accrual. Our total employment, both full- and part-time, was 81 at March 31, 2025 compared to 93 at March 31, 2024.

General and administrative costs for the three months ended March 31, 2025, increased 153% compared to the same period in 2024. During 2024, we made a \$1.1 million adjustment reducing the allowance for expected credit losses for a balance due from a former client in 2022. The client has since paid off their full outstanding balance and no longer has any obligation to us as of December 31, 2024.

## Financing expense, net

Finance expense, net of interest income, for the three months ended March 31, 2025, was \$27,929 compared to \$20,380 in the same quarter last year. The Financing expense, net this year included \$77,259 of interest income from the Internal Revenue Service for a delayed refund.

## Other income, net

Other income was approximately \$540,571 and \$0 for the three months ended March 31, 2025 and 2024, respectively. In March 2025, the Company received a payment from the Internal Revenue Service totaling \$610,352 in connection with an amended form filed in May 2023 for the Employee Retention Credit related to the first quarter of 2021. Of the total payment, \$533,093 was recognized in Other Income, while \$77,259 of interest was recorded in Financing expense, net.

## Liquidity and Capital Resources

Our principal sources of liquidity are the sale of our common stock and our credit facility discussed in Note 5 - Bank Debt.

On May 7, 2024, we entered into an At The Market Offering Agreement (the "ATM Agreement") with H.C. Wainwright & Co. LLC ("Wainwright"), to sell shares of our common stock, par value \$0.001 per share, (the "Shares"), having an aggregate sales price of up to \$15,000,000, from time to time, through an "at the market offering" program under which Wainwright will act as sales agent. The sales of the Shares made under the ATM Agreement will be made by any method permitted by law deemed to be an "at the market offering" as defined in Rule 415 promulgated under the Securities Act of 1933, as amended. We will pay Wainwright a commission rate of up to 3.0% of the aggregate gross proceeds from each sale of Shares. For the year ended December 31, 2024, we have not sold any shares of common stock under the ATM Agreement. For the three-month period ended March 31, 2025, we utilized the ATM Agreement and sold 1,594,313 shares of common stock for gross proceeds of \$1,163,491.

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On July 31, 2024, we entered into a Financing and Security Agreement (the "Financing Agreement") with SLR Digital Finance LLC ("SLR"), effective July 30, 2024. Pursuant to the terms of the Financing Agreement, SLR will finance up to \$10 million dependent upon eligible receivables. Availability as of December 31, 2024 equaled the maximum credit commitment of \$10,000,000. See Note 5 – Bank Debt to our Consolidated Financial Statements.

We have focused our resources behind a plan to market our collective multi-channel advertising capabilities differentiated by our AI technology, the IntentKey, where we have a technological advantage and higher margins. If we are successful in implementing our plan, we expect to return to and maintain positive cash flows from operations. However, there is no assurance that we will be able to achieve this objective.

As of March 31, 2025, we have approximately \$2.6 million in cash and cash equivalents. Our net working capital deficit was approximately \$2.2 million. In March 2025, we received a payment from the Internal Revenue Service totaling \$610,352, which was recorded as other income and interest income, in connection with an amended form filed in May 2023 for the Employee Retention Credit related to the first quarter of 2021. Additionally, our investing activities totaled \$451,729 for the three-month period ended March 31, 2025. This amount primarily consists of internally developed software costs, which are largely comprised of fixed labor costs, along with other capitalized expenditures. We have encountered recurring losses and cash outflows from operations, which historically we have funded through equity offerings and debt facilities. Through March 31, 2025, our accumulated deficit was \$174.5 million.

Management plans to support the Company's future operations and capital expenditures primarily through cash generated from its credit facility until such time as we reach profitability. The credit facility is due upon demand and therefore there can be no assurances that sufficient borrowings will be available to support future operations until profitability is reached. We believe our current cash position and credit facility will be sufficient to sustain operations for at least the next twelve months from the date of this filing. If our plan to grow the IntentKey product is unsuccessful, we may need to fund operations through private or public sales of securities, debt financings or partnering/licensing transactions over the long term.

### *Cash Flows*

The table below sets forth a summary of our cash flows for the three months ended March 31, 2025 and 2024:

|                                                     | For the Three Months Ended March |                |
|-----------------------------------------------------|----------------------------------|----------------|
|                                                     | 31,                              |                |
|                                                     | 2025                             | 2024           |
| Net cash used in operating activities               | \$ (366,912)                     | \$ (1,355,592) |
| Net cash used in investing activities               | \$ (451,729)                     | \$ (472,228)   |
| Net cash provided by/(used in) financing activities | \$ 921,389                       | \$ (180,677)   |

### *Cash Flows - Operating*

Net cash used in operating activities was \$366,912 during the three months ended March 31, 2025. We reported a net loss of \$1,259,821, which included non-cash expenses of depreciation and amortization expense of \$568,042, depreciation of right of use assets of \$6,090 and stock-based compensation expense of \$304,284. The change in operating assets and liabilities during the three months ended March 31, 2025 was a net use of cash of \$79,752 primarily due to a decrease in the accounts payable balance of \$1,165,346, offset by the decrease in accounts receivable balance of \$491,707 and an increase in accrued expenses and other current liabilities of \$754,973. Our terms are such that we generally collect receivables prior to paying trade payables; however, our Media sales arrangements typically have slower payment terms than the terms of related payables.

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During the comparable three-month period in 2024, cash used in operating activities was \$1,355,592 from a net loss of \$2,111,658 that included several non-cash expenses of depreciation and amortization expense of \$673,203 and stock-based compensation expense of \$396,312, offset by a reduction to the allowance for expected credit losses of \$1.1 million. The change in operating assets and liabilities during the three months ended March 31, 2024, was a net provision of cash of \$640,110.

### *Cash Flows - Investing*

Net cash used by investing activities was \$451,729 for the three months ended March 31, 2025, and consisted primarily of capitalized internal development costs.

Net cash used in investing activities was \$472,228 for the three months ended March 31, 2024, and consisted primarily of capitalized internal development costs.

### *Cash Flows - Financing*

Net cash provided by financing activities was \$921,389 and during the three months ended March 31, 2025, and was primarily from the proceeds from the ATM Agreement as discussed in Note 1 – Organization and Business.

Net cash used in financing activities was \$180,677 during the three months ended March 31, 2024, and was primarily from net taxes paid on restricted stock unit grants exercised.

### **Off Balance Sheet Arrangements**

As of March 31, 2025, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The term "off-balance sheet arrangement" generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have any obligation arising under a guarantee contract, derivative instrument or variable interest or a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not applicable to a smaller reporting company.

### **ITEM 4. CONTROLS AND PROCEDURES.**

#### **Evaluation of Disclosure Controls and Procedures**

We maintain "disclosure controls and procedures" as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. Disclosure controls and procedures are controls and procedures designed to reasonably assure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, such as this report, is recorded, processed, summarized and reported within the time periods prescribed by SEC rules and regulations, and to reasonably assure that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Our management does not expect that our disclosure controls will prevent all errors and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of these inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as of March 31, 2025, the end of the period covered by this report, our management concluded their evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. As of the evaluation date, our Chief Executive Officer and Chief Financial Officer concluded that we maintain disclosure controls and procedures that are effective in providing reasonable assurance that information required to be disclosed in our reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods prescribed by SEC rules and regulations, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

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

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II

### Item 1 - LEGAL PROCEEDINGS

None.

### ITEM 1A. RISK FACTORS-UPDATE

We desire to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Accordingly, we incorporate by reference the risk factors disclosed in Part I, Item 1A of our Form 10-K for the year ended December 31, 2024, as filed with the SEC on February 27, 2025 and our subsequent filings with the SEC, subject to the new or modified risk factors appearing below that should be read in conjunction with the risk factors disclosed in such Form 10-K and our subsequent filings.

***We rely on two customers for a significant portion of our revenues.*** We are reliant upon two customers for most of our revenue. During the first quarter of 2025, these platform customers accounted for 70.8% and 17.4% of our revenues, respectively. During the same period in 2024, we were reliant upon one platform customer for most of our revenue. This customer accounted for 75.9% of our revenues. The amount of revenue we receive from these customers is dependent on a number of factors outside of our control, this includes the amount they charge for advertisements, the depth of advertisements available from them, and their ability to display relevant ads in response to end user queries and changes in advertising budgets resulting from their own business circumstances. We would likely experience a significant decline in revenue and our business operations could be significantly harmed if these customers do not continue to utilize our services. Additionally, our business operations and financial condition could be significantly harmed if these customers do not pay for our services on a timely basis. The loss of any of these customers or a material change in the revenue or gross profit they generate or their failure to timely pay us for our services would have a material adverse impact on our business, results of operations and financial condition in future periods.

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

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

### ITEM 4. MINE SAFETY AND DISCLOSURES.

Not applicable.

### ITEM 5. OTHER INFORMATION.

#### Trading Plans

During the three months ended March 31, 2025, no director or officer (as defined in Rule 16a-1(f) under the Exchange Act) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

**ITEM 6. EXHIBITS**

| No.                     | Exhibit Description                                                                                                                                                   | Form   | Date Filed | Number  | Filed or<br>Furnished<br>Herewith |
|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|------------|---------|-----------------------------------|
| <a href="#">3(i).1</a>  | <a href="#">Articles of Incorporation, as amended</a>                                                                                                                 | 10-KSB | 3/1/04     | 4       |                                   |
| <a href="#">3(i).2</a>  | <a href="#">Amended to Articles of Incorporation filed March 14, 2005</a>                                                                                             | 10-KSB | 3/31/06    | 3.2     |                                   |
| <a href="#">3(i).3</a>  | <a href="#">Articles of Merger between Inuvo, Inc. and Kowabunga! Inc.</a>                                                                                            | 8-K    | 7/24/09    | 3.4     |                                   |
| <a href="#">3(i).4</a>  | <a href="#">Certificate of Change Filed Pursuant to NRS 78.209</a>                                                                                                    | 8-K    | 12/10/10   | 3(i).4  |                                   |
| <a href="#">3(i).5</a>  | <a href="#">Certificate of Merger as filed with the Secretary of State of Nevada on February 29, 2012</a>                                                             | 10-K   | 3/29/12    | 3(i).5  |                                   |
| <a href="#">3(i).6</a>  | <a href="#">Articles of Amendment to Amended Articles of Incorporation as filed on February 29, 2012</a>                                                              | 10-K   | 3/29/12    | 3(i).6  |                                   |
| <a href="#">3(i).7</a>  | <a href="#">Articles of Amendment to Amended Articles of Incorporation as filed on October 31, 2019</a>                                                               | 10-Q   | 5/15/20    | 3(i).7  |                                   |
| <a href="#">3(i).8</a>  | <a href="#">Certificate of Validation of Amendment to Amended Articles of Incorporation as filed October 16, 2020.</a>                                                | 10-Q   | 11/9/20    | 3(i).8  |                                   |
| <a href="#">3(i).9</a>  | <a href="#">Articles of Amendment to Articles of Incorporation as filed January 7, 2021</a>                                                                           | 10-K   | 2/11/21    | 3(i).9  |                                   |
| <a href="#">3(i).10</a> | <a href="#">Articles of Amendment to Articles of Incorporation as filed on August 19, 2021</a>                                                                        | 10-Q   | 11/12/21   | 3(i).10 |                                   |
| <a href="#">3(ii).1</a> | <a href="#">Amended and Restated By-Laws</a>                                                                                                                          | 10-K   | 3/31/10    | 3(ii).4 |                                   |
| <a href="#">3(ii).2</a> | <a href="#">Bylaw amendment adopted February 29, 2012</a>                                                                                                             | 8-K    | 3/6/12     | 3(ii).1 |                                   |
| <a href="#">31.1</a>    | <a href="#">Rule 13a-14(a)/15d-14(a) certification of Chief Executive Officer</a>                                                                                     |        |            |         | Filed                             |
| <a href="#">31.2</a>    | <a href="#">Rule 13a-14(a)/15d-14(a) certification of Chief Financial Officer</a>                                                                                     |        |            |         | Filed                             |
| <a href="#">32.1</a>    | <a href="#">Section 1350 certification of Chief Executive Officer</a>                                                                                                 |        |            |         | Furnished                         |
| <a href="#">32.2</a>    | <a href="#">Section 1350 certification of Chief Financial Officer</a>                                                                                                 |        |            |         | Furnished                         |
| 101.INS                 | Inline XBRL Instance Document                                                                                                                                         |        |            |         | Filed                             |
| 101.SCH                 | Inline XBRL Taxonomy Extension Schema Document                                                                                                                        |        |            |         | Filed                             |
| 101.CAL                 | Inline XBRL Taxonomy Extension Calculation Linkbase Document                                                                                                          |        |            |         | Filed                             |
| 101.DEF                 | Inline XBRL Taxonomy Extension Definition Linkbase Document                                                                                                           |        |            |         | Filed                             |
| 101.LAB                 | Inline XBRL Taxonomy Extension Label Linkbase Document                                                                                                                |        |            |         | Filed                             |
| 101.PRE                 | Inline XBRL Taxonomy Extension Presentation Linkbase Document                                                                                                         |        |            |         | Filed                             |
| 104                     | The cover page for Inuvo, Inc.'s quarterly report on Form 10-Q for the period ended March 31, 2025, formatted in Inline XBRL (included with Exhibit 101 attachments). |        |            |         | Filed                             |

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.

|             |                                                                                                                           |
|-------------|---------------------------------------------------------------------------------------------------------------------------|
|             | <b>Inuvo, Inc.</b>                                                                                                        |
| May 9, 2025 | By: <u>/s/ Richard K. Howe</u><br>Richard K. Howe,<br>Chief Executive Officer, principal executive officer                |
| May 9, 2025 | By: <u>/s/ Wallace D. Ruiz</u><br>Wallace D. Ruiz,<br>Chief Financial Officer, principal financial and accounting officer |

## Rule 13a-14(a)/15d-14(a) Certification

I, Richard K. Howe, certify that:

I have reviewed this quarterly report on Form 10-Q of Inuvo, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: May 9, 2025

/s/ Richard K. Howe \_\_\_\_\_  
Richard K. Howe  
Chief Executive Officer, principal executive officer

## Rule 13a-14(a)/15d-14(a) Certification

I, Wallace D. Ruiz, certify that:

I have reviewed this quarterly report on Form 10-Q of Inuvo, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: May 9, 2025

/s/ Wallace D. Ruiz

Wallace D. Ruiz

Chief Financial Officer, principal financial and accounting officer

## Section 1350 Certification

In connection with the Quarterly Report of Inuvo, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2025, as filed with the Securities and Exchange Commission (the "Report"), I, Richard K. Howe, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. SS. 1350, as adopted pursuant to SS. 906 of the Sarbanes-Oxley Act of 2002, that:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

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

Date: May 9, 2025

/s/ Richard K. Howe

Richard K. Howe

Chief Executive Officer, principal executive officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

## Section 1350 Certification

In connection with the Quarterly Report of Inuvo, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2025, as filed with the Securities and Exchange Commission (the "Report"), I, Wallace D. Ruiz, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. SS. 1350, as adopted pursuant to SS. 906 of the Sarbanes-Oxley Act of 2002, that:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

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

Date: May 9, 2025

/s/ Wallace D. Ruiz

Wallace D. Ruiz

Chief Financial Officer, principal financial and accounting officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.