

NETLIST REPORTS THIRD QUARTER 2020 RESULTS

IRVINE, CALIFORNIA, November 10, 2020 - Netlist, Inc. (OTCQB: NLST) today reported financial results for the third quarter ended September 26, 2020.

Net sales for the third quarter ended September 26, 2020 were \$10.2 million, compared to net sales of \$6.1 million for the quarter ended September 28, 2019. Gross profit for the quarter ended September 26, 2020 was \$1.3 million, or 13.1% of net sales, compared to a gross profit of \$0.5 million, or 7.4% of net sales, for the quarter ended September 28, 2019.

Net loss for the third quarter ended September 26, 2020 was (\$2.1) million, or a loss per share of (\$0.01), compared to a net loss in the prior year period of (\$3.1) million, or a loss per share of (\$0.02). These results include stock-based compensation expense of \$0.2 million for both of the quarters ended September 26, 2020 and September 28, 2019.

As of September 26, 2020, cash, cash equivalents and restricted cash was \$17.5 million, total assets were \$28.3 million, working capital was \$13.6 million, total debt and accrued interest, net of debt discount, was \$20.2 million, and stockholders' deficit was (\$1.2) million.

“We delivered another quarter of positive financial performance with revenue increasing nearly 70% and bottom line improvement of 30% over the year ago period. These gains came from expanded gross margins on higher revenue along with proactive expense management,” said Netlist’s Chief Executive Officer, C.K. Hong. “We also remain active with our intellectual property licensing and enforcement efforts and look forward to resuming the case against Google, and the Markman Hearing in the SK hynix case early next year.”

Conference Call Information

C.K. Hong, Chief Executive Officer, and Gail Sasaki, Chief Financial Officer, will host an investor conference call today, November 10, 2020 at 12:00 p.m. Eastern Time to review Netlist’s results for the third quarter ended September 26, 2020. The live webcast and archived replay of the call can be accessed for 90 days in the Investors section of Netlist’s website at www.netlist.com.

About Netlist

Netlist provides high-performance SSDs and modular memory subsystems to enterprise customers in diverse industries. The Company's NVMe™ SSD portfolio provides industry-leading performance offered in multiple capacities and form factors. HybriDIMM™, Netlist's next-generation storage class memory product, addresses the growing need for real-time analytics in Big Data applications, in-memory databases, high-performance computing and advanced data storage solutions. Netlist also manufactures a line of specialty and legacy memory products to storage customers, appliance customers, system builders and cloud and datacenter customers. Netlist holds a portfolio of patents in the areas of server memory, hybrid memory, storage class memory, rank multiplication and load reduction. To learn more, visit www.netlist.com.

Safe Harbor Statement

This news release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements other than historical facts and often address future events or Netlist's future performance. Forward-looking statements contained in this

news release include statements about Netlist's ability to execute on its strategic initiatives. All forward-looking statements reflect management's present expectations regarding future events and are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed in or implied by any forward-looking statements. These risks, uncertainties and other factors include, among others: risks related to Netlist's plans for its intellectual property, including its strategies for monetizing, licensing, expanding, and defending its patent portfolio; risks associated with patent infringement litigation initiated by Netlist, such as its ongoing proceedings against SK hynix Inc., or by others against Netlist, as well as the costs and unpredictability of any such litigation; risks associated with Netlist's product sales, including the market and demand for products sold by Netlist and its ability to successfully develop and launch new products that are attractive to the market; the success of product, joint development and licensing partnerships; the competitive landscape of Netlist's industry; and general economic, political and market conditions, including quarantines, factory slowdowns or shutdowns, and travel restrictions resulting from the COVID-19 pandemic. All forward-looking statements reflect management's present assumptions, expectations and beliefs regarding future events and are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed in or implied by any forward-looking statements. These and other risks and uncertainties are described in Netlist's annual report on Form 10-K for its most recently completed fiscal year filed on March 10, 2020, and the other filings it makes with the U.S. Securities and Exchange Commission from time to time, including any subsequently filed quarterly and current reports. In light of these risks, uncertainties and other factors, these forward-looking statements should not be relied on as predictions of future events. These forward-looking statements represent Netlist's assumptions, expectations and beliefs only as of the date they are made, and except as required by law, Netlist undertakes no obligation to revise or update any forward-looking statements for any reason.

(Tables Follow)

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Netlist, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands)

	(unaudited) September 26, 2020	December 28, 2019
	<u> </u>	<u> </u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,287	\$ 8,966
Restricted cash	3,200	2,750
Accounts receivable, net	4,203	3,672
Inventories	4,521	3,496
Prepaid expenses and other current assets	297	627
Total current assets	<u>26,508</u>	<u>19,511</u>
Property and equipment, net	199	286
Operating lease right-of-use assets	218	968
Other assets	1,377	1,376
Total assets	<u>\$ 28,302</u>	<u>\$ 22,141</u>
 LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 8,053	\$ 9,134
Revolving line of credit	3,388	2,990
Accrued payroll and related liabilities	665	740
Accrued expenses and other current liabilities	454	793
Current portion of long-term debt and note payable	389	412
Total current liabilities	<u>12,949</u>	<u>14,069</u>
Long-term debt	16,426	15,793
Operating lease liabilities	—	498
Other liabilities	111	144
Total liabilities	<u>29,486</u>	<u>30,504</u>
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock	—	—
Common stock	195	169
Additional paid-in capital	191,741	179,086
Accumulated deficit	(193,120)	(187,618)
Total stockholders' deficit	<u>(1,184)</u>	<u>(8,363)</u>
Total liabilities and stockholders' deficit	<u>\$ 28,302</u>	<u>\$ 22,141</u>

Netlist, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)
(in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Net sales	\$ 10,212	\$ 6,116	\$ 35,749	\$ 16,733
Cost of sales(1)	8,875	5,666	30,477	15,600
Gross profit	<u>1,337</u>	<u>450</u>	<u>5,272</u>	<u>1,133</u>
Operating expenses:				
Research and development(1)	731	583	2,083	1,738
Intellectual property legal fees	784	979	2,257	3,567
Selling, general and administrative(1)	1,816	1,747	5,994	5,724
Total operating expenses	<u>3,331</u>	<u>3,309</u>	<u>10,334</u>	<u>11,029</u>
Operating loss	<u>(1,994)</u>	<u>(2,859)</u>	<u>(5,062)</u>	<u>(9,896)</u>
Other expense, net:				
Interest expense, net	(139)	(245)	(437)	(775)
Other income (expense), net	3	(4)	(2)	(5)
Total other expense, net	<u>(136)</u>	<u>(249)</u>	<u>(439)</u>	<u>(780)</u>
Loss before provision for income taxes	<u>(2,130)</u>	<u>(3,108)</u>	<u>(5,501)</u>	<u>(10,676)</u>
Provision for income taxes	—	—	1	1
Net loss	<u>\$ (2,130)</u>	<u>\$ (3,108)</u>	<u>\$ (5,502)</u>	<u>\$ (10,677)</u>
Net loss per common share:				
Basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.07)</u>
Weighted-average common shares outstanding:				
Basic and diluted	<u>192,257</u>	<u>148,058</u>	<u>179,154</u>	<u>142,624</u>

(1) Amounts include stock-based compensation expense as follows:

Cost of sales	\$ 1	\$ 6	\$ 8	\$ 20
Research and development	63	67	154	163
Selling, general and administrative	148	170	420	599
Total stock-based compensation	<u>\$ 212</u>	<u>\$ 243</u>	<u>\$ 582</u>	<u>\$ 782</u>